Annual Report

20
23

Abans
FINANCE

Contents

About Us....

Our Vision

Be among the most trusted, innovative and secure financial solutions providers in the industry.

Our Mission

Satisfy the consumer through innovative products, personalized service and a wide range of financial solutions by the use of technology, maximizing synergies with the Abans Group, empowering employees, thereby creating wealth, fueling growth and adding to stakeholder value.

Organizational Profile

Abans Finance PLC locally acclaimed non-banking financial institution in Sri Lanka has become a people-oriented non-banking financial service provider with the group synergetic affiliation of Abans Group. Abans Finance PLC was incorporated on 8 April 2005 under the Companies Act No. 17 of 1982 and was re-registered under the new Companies Act No.7 of 2007, on 15 June 2009. The company was also listed on the Colombo Stock Exchange (CSE) in the year 2011 and continuously regulated under the direct purview of the Central Bank of Sri Lanka and Colombo Stock Exchange. Curretn Fitch Credit Rating of The Company is BBB+ (lka) RWN.

The Company commenced operations initially as a registered Finance Leasing establishment under the Finance Leasing Act No.56 of 2000 on 19 April 2006 and thereafter obtained finance company license in terms of the Finance Companies Act No.78 of 1988 with an initial capital of Rs. 382 million on 27 August 2007.

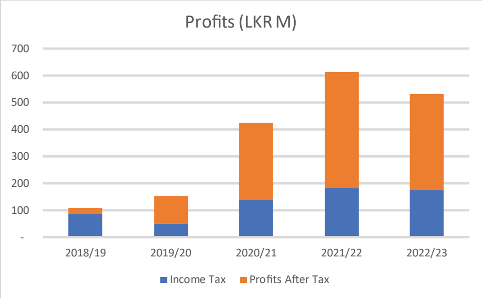
The company in its successful bourgeoning journey thus far strengthened the bond with its customers by providing a wide spectrum of solutions in its portfolio ranging from Leasing and Hire Purchase, Fixed Deposits, Savings, and Loans.

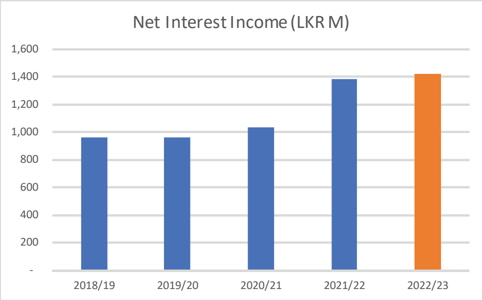
Abans Finance PLC's branch network plays a pivotal role in value creation, spreading across the country. It consists of ten Branches, nine Customer Centers and extended its visibility through the backing of its parent company Abans PLC's 400 outlets.

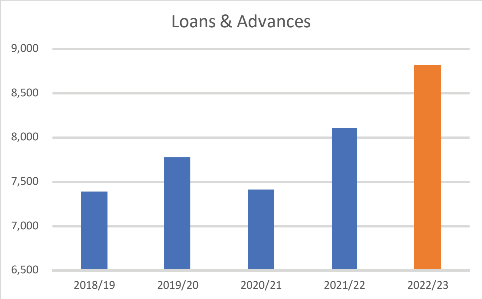
Financial Highlights

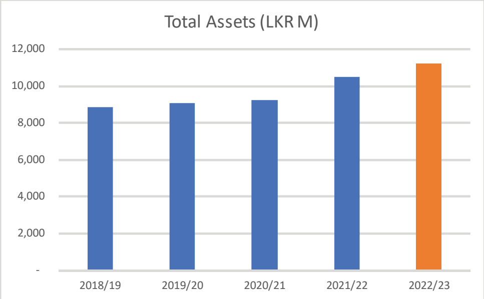
	2022/2023	2021/2022	Change
Financial Performance (Rs.000)			
Income	2,857,850	2,122,022	34.68%
Net interest Income	1,420,904	1,385,018	2.59%
Net Fee and Commission Income	164,437	140,012	17.44%
Total Operating Income	1,600,468	1,553,313	3.04%
Financial Position at the Year End (Rs. '000)			
Total Assets	11,188,660	10,468,502	6.88%
Total Loans and Advances to customers	8,807,132	8,108,898	8.61%
Public Deposits	5,376,614	4,448,008	20.88%
Borrowings	1,955,111	2,690,704	-27.34%
Shareholders' Funds	2,969,963	2,425,118	22.47%
Profitability			
Return on Assets (%)	3.28%	4.37%	-24.97%
Return on Equity (%)	13.16%	19.48%	-32.44%
Net Interest Margin (%)	13.12%	13.98%	-6.14%
Cost to Income Ratio (%)	51.37%	43.96%	16.86%
Investor Information			
Earnings Per Share (Rs.)	4.82	6.46	-25.39%
Price to Earnings Ratio (Times)	4.85	4.26	13.96%
Net Assets Value per share (Rs.)	40.30	36.43	10.63%
Market Value per share (Rs.)	23.4	28.9	-19.03%
Market Capitalization (Rs.Mn)	1,724	1924	-10.37%
Regulatory Ratios			
Capital Adequacy			
Tier 1 Capital Ratio, % (Minimum 8.5% / 7%)	19.79%	15.63%	26.61%
Tier 2 Capital Ratio, % (Minimum 12.5% / 11%)	20.84%	16.70%	24.79%
Statutory Liquid Assets Ratio, (%)	27.81%	26.76%	3.92%
Capital Funds/Total deposit liabilities	54.07%	52.94%	2.13%

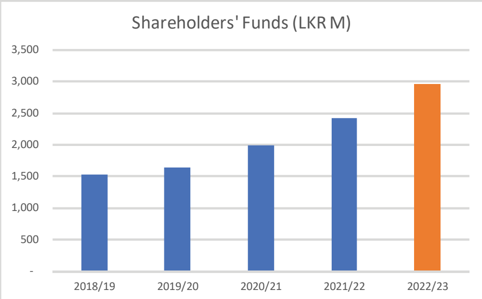
Financial Highlights

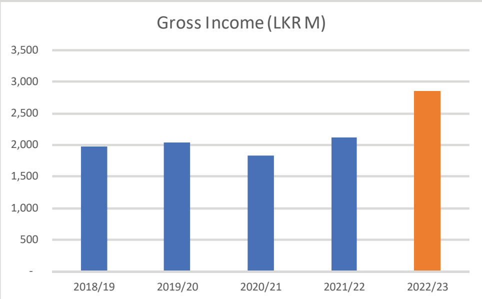


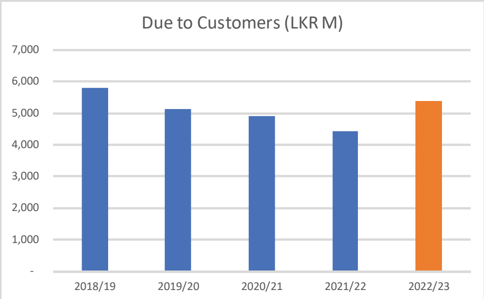












Chairman's Message

Abans Finance PLC - Annual Report 2022/23

It gives me great pleasure to present to you the Annual Report and Audited Financial Statements of Abans Finance PLC for the financial year 2022/2023. Though the past year has been very challenging for the finance sector due to adverse economic impact from both post COVID period and the economic crisis, the company has been able to secure satisfactory performances. This has brought confidence to the stakeholders. Though the economic crisis was evolving rapidly, the Company had forecasted the impact of the economic crisis and was able to exercise proper measurements to achieve commendable results. Continued improvements in technology also contributed immensely to handling large volumes thereby enabling smoother operation.

We believe that the trust created in the minds of the clients is the key enabler to reach the desired performance. For the first six months of FY23 growth remained relatively flat, but as we approached the second half of the year, demand started to pick up, and in the final quarter revenue rose by 36.2% compared to the same period in FY22. Financial review in the year under review, notwithstanding the uncertainties that prevailed in the economy and the industry, the total income increased by 35% to Rs. 2,858 million, the profit after tax reached Rs. 355 million. Even though the net operating income was improved to Rs. 1,518 million during the year under review the impairment charge was decreased from last year by 37% facilitating the bottom line to further strengthen the capital position. We endured a healthy financial position with well-balanced assets, liabilities, and equity. Total assets reached Rs.11.1 billion as of 31st March 2023 and Return on equity (ROE) and Return on Assets on profit after tax basis (ROA) were 13.16% and 3.28% respectively, for the year. This was a remarkable achievement in a market situation with a financial crisis. The company recorded a Risk-Weighted Tier 1 Capital Adequacy Ratio of 19.79 % and a Total Capital Ratio of 20.84 % as of 31st March 2023, well above the prescribed norms by the Central Bank of Sri Lanka, further reflecting the company's financial stability. The company has successfully completed a rights issue amounting to Rs. 199.6Mn to fulfill the regulatory capital requirements and get all regulatory restrictions which had been imposed by CBSL lifted. This achievement has brough the confidence to the stakeholders as the balance sheet leverage enabling further growth of the company's assets base. As per the revision of National Long-Term rating, Abans Finance rating was also revised from A- (lka) to BBB+(lka) RWN by Fitch rating to leave room for potential adverse economic impact to the financial services sector.

I take this opportunity to express my gratitude to my colleagues on the board for their perseverance in strategic decisions that have taken so far to accomplish the greater financial performances. My commendation goes to the Chief Executive Officer, Senior Management, and to all staff members for delivering exceptional results despite a very turbulent economic period. I would also like to thank our regulators for their continuous governance and implementing initiatives to strengthen the financial services sector and Ernst & Young, who is our external auditor, for the timely assurance services provided. Finally, I would like to give my gratitude to all our clients and other stakeholders for their valuable patronage and trust that kept on us in our journey thus far.

Mr. K .J. Cecil Perera
Chairman Colombo, Sri Lanka.
19th August 2023

Chief Executive Officer's Message

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31 March 2023.

Performance of Non-Bank Financial Institutions (NBFI's)

During the FY 22/23 period NBFI sector enhanced its capital base, and on average a moderate balance sheet growth also recorded. However, credit portfolios have declined on average during this period and sector has invested its excess funds on other investments. Further in terms of deposit bases it is observed that those have been increased over this period primarily due to more appealing rates that the sector offered, but other borrowings recorded in the balance sheets have been declined in a greater extent.

It is notable to comment that soon after the FY 22/23 impaired stage 3 loan ratio moved to 18.6% as reported by CBSL. CBSL also stated that deterioration of asset quality has happened mainly due to the adoption of 90 past due date for classification of stage 3 loans with effect from 01.04.2023.

Leasing portfolios have been the primary product of NBFI sector and lending over this period was gradually reduced because of contraction of the leasing portfolio. Main factors for such portfolio movements were due to the continuation of restrictions imposed by the government on the importation of motor vehicles as a measure to restrict foreign currency outflows, and at the same time due to reduction of repayment ability of target clients.

From a sectorial point of view approximately 90% of the portfolios of NBFI sector consisted of consumption, transport, agriculture, trade, health, manufacturing and construction sectors. Further it was noted that portfolios in relation to health sector has recorded highest YOY increase whereas trade and consumption also recorded modest increases on YOY basis. On the other hand, transport, construction, and manufacturing sectors recorded a highest decline in portfolios on YOY basis whereas agriculture recorded a modest decline. On the other hand, construction industry has recorded the highest NPL levels as of end of FY. Exposure to pawning advances to sector increased from 11.5% to 17.7%.

During this period the impact of re pricing of cost of the loan book negatively affected the bottom line of the sector (Source:CBSL).

Operating results of the company

Abans Finance PLC is a principal member of the prestigious Abans Group, the renowned household name in Sri Lanka. Company's strong branch network together with over four hundred outlets island wide of its parent company i.e. Abans PLC, has serviced wider spectrum of clients during this period. As of now company's principal lines of business include finance leasing, mortgage loans, educational loans, hire purchase and acceptance of fixed and savings deposits. Credit rating of Abans Finance PLC with Fitch Ratings is BBB+(lka) (RWN).

Leasing for registered three wheelers have been a key income source for the company where most clients used to hire the three wheelers and pay the lease rental. However due to fuel shortages prevailed in FY 22/23 demand for leasing of registered three wheelers were declined. With that company concentrated on leasing for registered motorcycles which has been another time-tested core product as recorded in the balance sheet. Pricing strategy for registered motorcycles have taken in to account of cost of capital, additional cost of maintaining an incremental recovery staff, cost of other overheads, incremental provision for impairment buffer and increased taxation. With that from topline perspective interest income was increased on YOY basis by Rs 719.6 m (37% increase) but rising incremental cost of borrowing on YOY also increased by Rs 684 m (125% increase), thereby the YOY net interest income increase was limited to Rs 35 m (3% increase). But company was able to get incremental net fee and commission income amounting to Rs 24 m (17% increase) on YOY basis. Even though impairment charge on YOY basis was a Rs 48 m reduction, from a bottom-line perspective company incurred Rs 153 m incremental cost on overheads and Rs 18 m on incremental tax, and with that recorded the final PAT for FY 22/23 recorded as Rs 355 m, and when we look back the PAT of previous 03 years it has been recorded as Rs. 103 m, Rs 287 m, and Rs 430 m for FY's 19/20, 20/21, and 21/22 respectively.

In terms of the balance sheet Abans Finance PLC raised Rs 199.7 m approx. by way of successful rights issue. Pursuant to the said 'Rights Issue' and subsequent increase of the Company's 'Stated Capital', its 'Core Capital' reached beyond Rs 2.5 b and is in full compliance with the Core Capital requirement of LKR 2.5 Bn (i.e., as imposed under the Finance Business Act Directions No. 02 of 2017 - Minimum Core Capital ("Minimum Core Capital Directions")). Further during the FY 22/23 total assets value of the company was increased on YOY basis from Rs 10.5 b to Rs 11.2 b. With mixed signals deriving from external environment management took an extra cautious step in growing the lending book in sustainable manner during the said period. In terms of the lending book, it was Rs 8.1 b at the start of the FY 22/23 and when the books were closed it was Rs 8.8 b in size. During the same period company was able to grow the deposit portfolio by more than Rs 928 m on YOY basis and scaled down the other borrowings. But overall cost of borrowing as said above was on a negative movement during this period where the cost of the loan book got repriced at a higher cost of capital.

In reaching above results, compared to proceeding years company invested a much higher amount in staff training with a view to improve professionalism to business operation. During this period company also used social media platforms to train and motivate staff. Management also on quarterly basis conducted portfolio assessments and shared those outcomes with the staff as a part of learning curve. Company also got two experienced staff members to replace vacancies in branches as branch managers. Welfare club of the company, together with the management team organised a day out program to staff which also embedded training element as well.

During the year board consented the management recommendation to move the Gampaha and Badulla branches to more specious locations and to expand the current location of Galle Branch and of Puttalam Customer service centre. Company also successfully implemented a new Document Management System during the period concern to provide faster customer service and to improve efficiency levels. During the period concern company also revisited its value chains and overheads and took extra steps to manage cost. In this process digitalisation also added value to the bottom line by way of re-engineering of processors.

Risk Measures and Growth Strategies

Key performance indicators (KPI's) during the period were realigned to suit the external factors, long-term sustainability goals within a framework of balanced score card.

Due to uncertain situations prevailed during this period company maintained a sizable liquidity buffers as a prudency concept but based on gradual normalisation of macro-economic situation, company now planning to scale down the excess liquidity buffers. In managing the concentration risk in borrowing portfolio successful realignment to bring the portfolio with more of small ticket deposits are well noted.

Since the economy is still not fully recovered, company continued to assess its credit portfolio at regular intervals by data analytics to make sure that the new portfolios created are well within the risk appetite of the company and adjusted to suit changes in repayment abilities of client segments. Strategies used in managing the concentration risk by focusing more on small and mid-size lending have further stabilized the quality of the lending portfolio and facilitated in maintaining a healthy liquidity position. Company continued to diversify the lending portfolio into multiple sectors / geographic areas with a view to diversify the portfolio risk.

With more value additions in relation to Information Technology company we have got benefits during this period but management believe much larger benefits in information Technology is yet to come. During the period concerned cyber drills took place to ensure that the information technology risk is managed well. Based on Technology Risk Management and Resilience guidelines set by the regulator for future, scope of our outsourced experts on managing Information Technology risk will also be aligned.

Way forward and appreciation

A member of the diversified Abans Group, Abans Finance PLC, with a history of 18 years in the financial services sector, team has managed the operation to remain at investment grading despite being the most turbulent business environment.

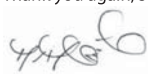
When we look at our strategy, we continue to benchmark and set our targets to deliver exceptional customer service. Further we are continuing to be investing in the future of Abans Finance PLC and as a result, the company will remain to evolve, with opportunity ahead. In this regard along with further streamlining of existing operation, parallelly company will look forward for venturing out new product lines / markets and diversify. Further company is continuing to look forward the ways in which it can optimise cost of borrowings and leverage margins, reach sustainable lending options, continue digitalisation process to enhance efficiency.

We strongly believe that promoting competence, superiority, business ethics and compliance will carry the company to its future in sustainable way.

Finally, Abans Finance PLC raised an additional capital by way of a rights issue from its existing shareholders, to fund the company's future growth. With the rights issue, the company's core capital base has now reached beyond Rs 2.5 billion, and in this regard on behalf of the management team I would express sincere gratitude to the shareholders who have put their faith on the team. I would also wish to extend my gratitude to the CBSL officers for their regulatory guidance and to say thank you to our external auditors, fixed deposit holders and other fund providers and all other stake holders who helped us in numerous ways in our path to success despite being the most turbulent business environment.

We believe that being exceptional is not a given, but we always learn and adapt, and thereby the best days for Abans Finance are yet to come.

Thank you again, stay safe.



Dharshan Silva
Chief Executive Officer (CEO)
Colombo, Sri Lanka

19th August 2023

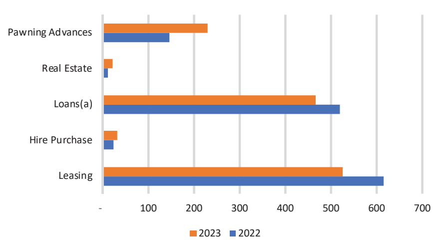
Economic Overview

The past year has been one of the toughest years of Sri Lankan history. Sri Lanka was challenged by deteriorating economic condition leading to rapid depletion in foreign reserves stemming from the second half of the 2021, leading into debt crisis. The lack of foreign reserves influenced the government to declare the deferment of its debt repayment in May 2022 and that has led to a many credit rating agencies downgrading country's sovereign rating. As a step towards curtailing the adverse impact on the economy, authorities introduced measures aimed at controlling foreign currency outflows. With the imposition of restrictions on imports, commodity prices reaching unprecedented high levels caused economic, political, and social issues. The government intervened to control the demand of fuel by introducing fuel quotas via QR codes and restricting power supply. These measures have brought the economy to an almost standstill.

Due to these developments, the provisional estimates indicate a negative growth of 7.8% in 2022 and GDP per capita income is expected to reach Rs. 1,088,667(US dollars 3474). Meanwhile, GNI per capita is estimated at Rs. 1,060,654 (US dollars 3,388) in 2022.

Sector performance of Non-Bank Financial Institutions, Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs)

The total assets of the sector amounted to Rs. 1,635.8 billion as of end 2022, representing a marginal increase of Rs.45.9 Bn. Further, the sector was able to maintain healthy capital and liquidity meeting the minimum regulatory requirements. The Central Bank continued to monitor the key prudential indicators placing consideration on reviving the LFCs/SLCs with weak financial positions.



Composition of Deposits of the LFCs Sector

	Amount Rs. Bn		Composition	
Deposits	**2021/22**	**2022/23**	**2021/22**	**2022/23**
Fixed Deposits	758	877	94.5%	96.5%
Saving Deposits and Other	44	32	5.5%	3.5%
Total Deposits	802	908	100.0%	100.0%

Assets: The asset base of the sector increased by 2.89 per cent (by Rs. 45.9 billion) to reach Rs. 1,635.81 billion by March 2023, compared to Rs. 1589.84 billion in March 2022. The sector's expansion was mainly driven by the growth in the cash and bank balances and Investments with a 31.9% and 28.3% increase, YoY respectively. Loans and advances accounted for 70.1 per cent of the total assets of the sector, remained as the main contributor to the sector's assets. The loans and advances portfolio of the sector was highly concentrated on finance leases which accounted for 41.1 per cent of total loans and advances as at end 2022. However, the leasing portfolio of the sector has declined by 10% and there is a substantial growth of 57% in the pawning portfolio. The investment portfolio of the LFCs and SLCs sector comprises investments in equities, corporate debt instruments, government securities and investment properties. The investment portfolio recorded a solid Rs.49.6 Bn growth reaching Rs. 225.02 billion in 2022 compared to the growth of 13.4 per cent in 2022.

Liabilities: Customer deposits continued to dominate the liabilities of the LFCs and SLCs sector accounting for a share of 55.52 per cent. The deposits increased by 13.3 per cent (Rs. 106.5 billion) to reach Rs. 908.19 billion, while borrowings declined by 22.6 per cent to Rs. 286.75 billion during the year.

Profitability: The net interest income of the sector significantly decreased by 10.43 per cent (Rs. 13.37 billion) in 2022 to reach Rs. 114.872 billion. This was due to the significant increase in interest expenses by 33.73 per cent (Rs. 109.74 billion). The total income of the sector has also increased by 39.17% or Rs. 99.41 billion to reach Rs. 353.2 billion by March 2023. The interest income has contributed mainly by accounting for 97% of the growth. The non-interest income increased by 7.02 per cent (Rs. 3.05 billion) and non-interest expenses were increased by 19.75 per cent (Rs. 15.87 billion) during the year, which significantly contributed to the profitability of the sector. The loan loss provisions made against NPLs increased by 117.85 per cent to reach Rs. 13.535 billion by March 2023. The sector's profit after tax showed a sharp decline of 39.9 per cent YoY with Rs. 33.52 billion.

Capital: The sector continued to remain resilient with capital maintained above the minimum regulatory requirement during the year. The capital base improved by Rs. 43.104 billion to reach Rs. 308.940 billion by Mar 2023 compared to Rs. 265.83 billion recorded by end March 2022. The sector's core capital and total capital ratios increased to 19.62 per cent and 21.88 per cent, respectively, by end March 2023 from the reported levels of 16.15 per cent and 17.68 per cent at end March 2022.

Management Discussion And Analysis

AFPLC PERFORMANCE DURING THE YEAR 2022/23

MARKETING PLAN & STRATEGIES

Despite significant challenges posed by the turbulent economic and political environment forces prevailed in the country, Abans Finance PLC was able to record a commendable post-tax profit of Rs. 355.06 Mn during the year ended 31st March 2023. This was achieved by implementing a carefully nurtured marketing plan and strategies developed at the dawn of the new financial year. Accordingly, the company focused mainly on providing leasing facilities for two-wheelers and three wheelers. Where company believed those two segments were playing a pivotal role in driving the county's economy forward. Since the government maintained its stance on restricting vehicle imports due to the attrition of foreign reserves, company concentrated on registered motor vehicles, especially two-wheels and three-wheels for sustaining the momentum gained during the last financial year. 90% of the total new business volumes in FY 2022/23 were from these two asset types and accounted for 82% of the lending portfolio as of 31st March 2023.

MARKET PENETRATION

AFPLC has been revising all its credit policies & commission schemes at-least once in every 6 months. The competitor analysis with "A" rated and "BBB" rated companies has been conducted to accommodate the fine tuning of credit policies & commission schemes and the responsibility of these tasks have assigned to the respective department heads.

TRAINING

AFPLC invested in continuous training / workshops for their marketing staff to enhance skill and knowledge required to compete in the aggressive marketplace as well as to identify and groom potential staff members for succession plan as required by CBSL guidelines.

MARKETING COMMUNICATION

Adequate below the line (BTL) activities (including sales promotions, dealer promotions, matters connected to direct marketing, direct mailing, e-base marketing, Telemarketing) has been conducted to improve the brand awareness towards the target segmentations.

RECOVERY STRATEGIES

It has been an eventful year for the company recoveries division as it had to face quite unusual challenges which it has never faced before. The division had to work under the looming economic crisis which directly impacted most of the customers it engaged with. Being a finance company catering to the lower strata of country's economy such as three-wheeler and motorbike users the company receive the brunt of economic crisis directly, nevertheless years of hard work of improving credit quality and experience follow up officers ensure company safe passage throughout the most tumultuous financial year of its history.

Total lockdowns triggered by fuel crisis, sky rocketed cost of living dent the income of company customers, The challenges brought by economic crisis become many fold severe to the challenges brought by the covid pandemic during the two previous years . The continues deterioration of market prices specially there wheelers became the biggest hurdle to the company . This is in addition to achieving decent cashflow to the company while maintaining its nonperforming portfolio under control. All these need to be achieved by maintaining a strong customer relationship as ultimately satisfied customers are key to the success of any organization. Nevertheless, with all these challenges the company recoveries team was able to contribute immensely to end the successful journey of the financial year with a remarkable performance. Our cashflow improved month after month during the year and ended with a very strong position.

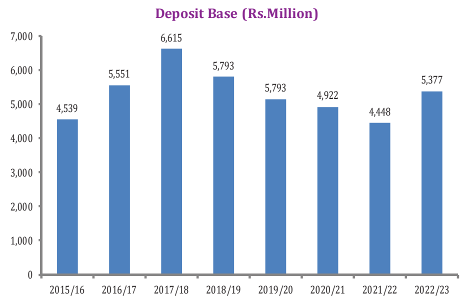
However, once again the biggest challenge economic recession brought for AFPLC collection team is how best it could prevent slipping contracts between overdue buckets as we are engaged in providing financial facilities to lower income group. Our main two products consist of leasing facilities for motorbikes and three wheelers, which contribute 83% of our total portfolio. This is on top of already existing stress by covid pandemic on the income level of our motor bike and three-wheel customers, in this environment which we have never experienced before the necessity arose to engage with continuous dialog with our customers not necessarily to just to pressurize them to get our payment but also to create wholistic perspective to safeguard both the interest of company and customers. In this context our recovery team skill level and Knowledge played a pivotal role , understanding importance of these the company also provided continues training program both using internal and external resources to enhance and improve skill , Knowledge and motivational level of its collection staff .These initiatives resulted our recovery team acting not only just as a collectors but also as financial advisers for our clients helping them to improve their financial managing skills such as how to priorities their expenses , finding alternative actions to get rid of extra financial burdens etc., The result was witnessed by our extraordinary improvement from key portfolio quality indicators, With all negative trend prevailing in the market we have managed Our 4.5 billion Two -wheel portfolio above all our industry competitors , keeping its five months non performing loan book under 10 percent . This is while industry NPL level hit almost 16%. Our current portfolio, which is approximately 85% of the total portfolio of Rs. 10 billion, nonperforming loan book stood only at 16.97%. The legacy portfolio of the company which brought considerable non-performing loan to the company and keep its NPL in relative higher position continuously reduced just 15% of total loan book and stand approximately only 1.4 billion as at the financial year end.

Management Discussion And Analysis

The legacy vs current/running portfolio division created in order to enhance the focus and channel additional resources to area where necessary as company inherited certain unhealthy portfolio executed before June 2019 and these measures are necessary to manage this particular portfolio, with that objective in mind a prelegal recoveries division was established under a leadership of experienced manager aiming at recovering dues tied in legacy portfolio which will be a main focus in financial years 2023/2024.

DEPOSITS

Customer deposits continued to maintain dominance as the main source of funding to finance the business operations of Abans Finance PLC. Deposits played the major role in funding mix during the year under review. During the financial year ended 31st March 2023, the company recorded a growth of 20.8% of the deposit base. The total new deposits including renewals reached over Rs. 5 billion with a net increase of Rs. 928Mn. The company has been able to achieve a retention ratio of 73.65% during the financial year 2022/2023.

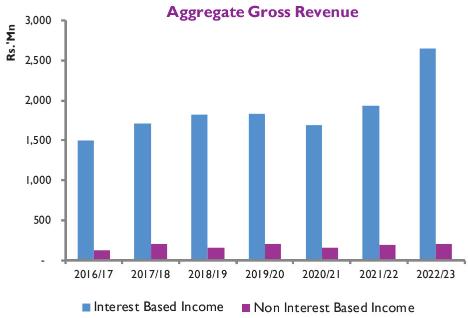


Financial Review

Abans Finance PLC recorded a commendable performance during FY 2022/203 despite the challenging macro-economic landscape. The Company recorded a net profit after tax of Rs. 355.06 million as compared to Rs. 430.31million with a 17.5% reduction YoY mainly due to the significant increase in the Finance cost.

Revenue

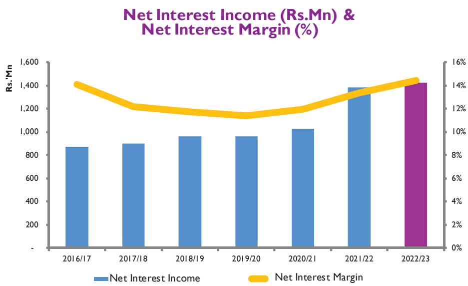
The total aggregate Gross Revenue of the Company showed an increase of 34.7% to reach Rs. 2,857.8 million in the year under review. The components of gross revenue consist of items of income that are 'Interest based' and 'non-Interest based'.



Interest based items of the revenue consist of interest income earned from Finance leases, Hire Purchase, Loans and Advances and interests earned from the investments. Non-Interest based sources of Income consists of fee and commission income, net gain/ (loss) from trading and other operating income.

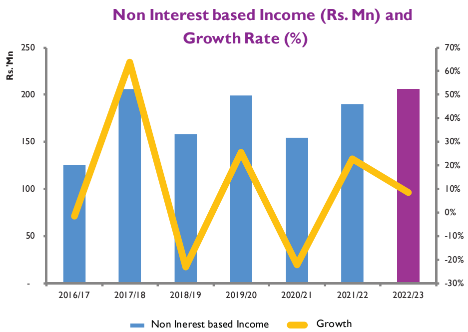
The interest earned on Finance Leases and Loans and Advances has contributed 92.8% as compared to the corresponding year 91.05% to the main source of income.

Net Interest Income (NII) / Net Interest Margin(NIM)
The Company managed to record a Net Interest Income (NII) of Rs.1,420.9 million in 2022/23 compared to Rs.1,385.01 million in 2021/22. The company recorded a NIM of 13.12% as at March 2022, with a slight drop of 0.86% from the achieved NIM of 2021/202.



Non-Interest Based Income

The Company recorded non-Interest based income of Rs. 206.11 million during the FY 2022/23, compared to Rs.189.97 million recorded in FY 2021/22, reflecting a growth of 8.5% YoY.

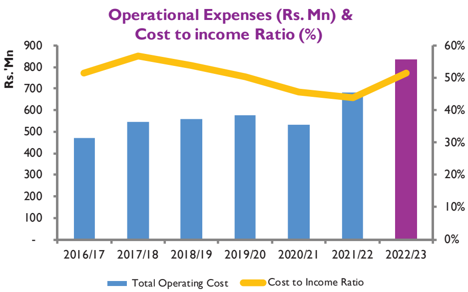


Operating Expenses

Operating Expenses including Personnel Costs, Depreciation and Amortization and Other Operating Expenses which stood at Rs. 682.87 million in 2021/22, increased to Rs. 835.8 million by March 2023, reflecting an increase of 22.39% due to increase of inflation and economic conditions prevailed in the country.

Cost to Income Ratio

The Cost to Income ratio has increased to 51.37% by March 2023 recording an increase of 16.85% from the corresponding period ended 31st March 2022.



Credit Loss Expense on Financial Assets

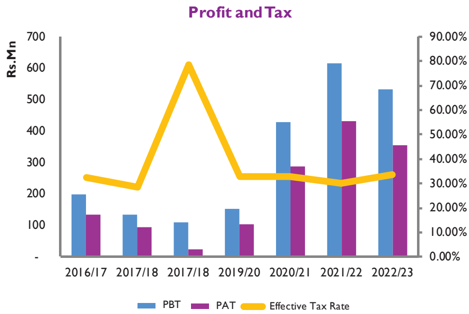
Impairment charge for the year has reduced to Rs.82.15 million from Rs.130.5 million compared to the FY ended 31st March 2022, recording a decrease of 37.04%.

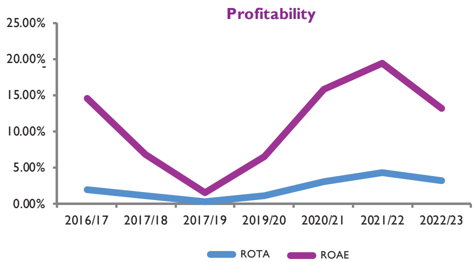
Profitability and Taxation

The profit before tax for the year reached a total of Rs.533.22 million compared to Rs.615.24 million recorded in FY 2021/22, down by 13.3% YOY. The corporate tax expense for the year amounted to Rs. 178.1 million has resulted in profits after tax to remain at Rs. 355.06 million

The Taxes on Financial services which include Value Added tax (VAT) increased by 19.7% amounting to Rs.149.6 million compared to Rs.124.7 million the year 2021/22.

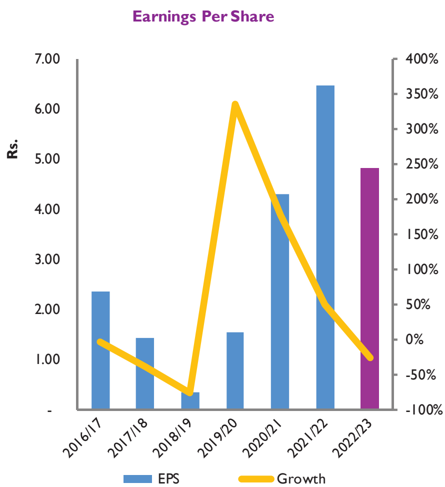
The drop in profitability has impacted profitability ratios for the year; the Company has recorded Return on Total Assets (ROA) and Return on Average Equity (ROE) of 3.28% and 13.16% as opposed to the recorded 4.37% and 19.48% in 2021/22.





Earnings Per Share (EPS)

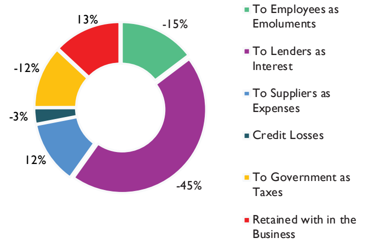
The EPS for 2022/23 stood at Rs. 4.82 per ordinary share in issue, as opposed to Rs. 6.46 reported in 2021/22.



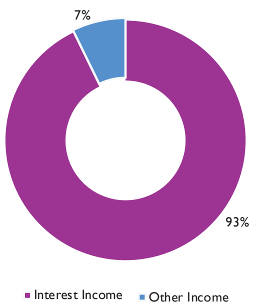
Sources and Distribution of Income

Interest Income represented 92.79% of Total Income for the year 2022/23 as against 91.05% for the year ended 31 March 2022. In terms of distribution of income, interest costs absorbed a major portion with 43.07% of Total Income (2021/22= 25.78%) and 16.18 % distributed among the suppliers. (2021/22= 17.39%)

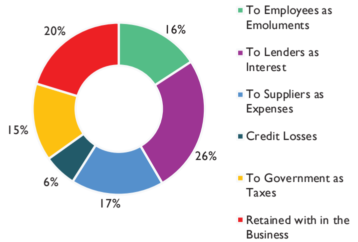
Distribution of Income - 2022/23



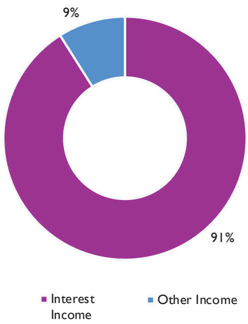
Sources of Income - 2022/23



Distribution of Income - 2021/22



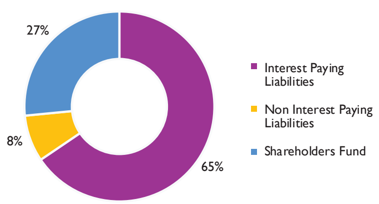
Sources of Income - 2021/22



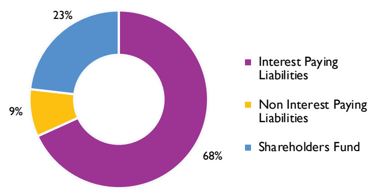
Sources and Uses of Funds

Interest paying liabilities accounted for 65% of funding sources for the year 2022/23, (2021/22=68%), whilst 95% of the funds were utilized to finance Interest Earning Assets maintaining similar levels of the FY ended 2022/23.

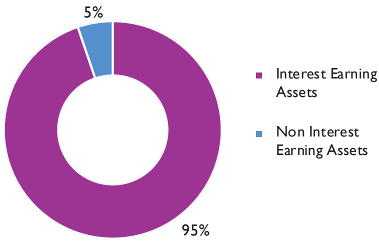
Sources of Funds - 2022/23



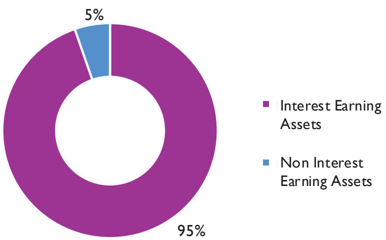
Sources of Funds - 2021/22



Uses of Funds - 2022/23



Uses of Funds - 2021/22



Credit Quality

Credit quality stands at the forefront at Abans Finance PLC and all measures are adopted within the company to continually focus and improve the credit quality especially considering the current economic climate in the country.

The above table indicates that the company has been successfully able to reduce impairment and was ranked as an "BBB+(lka)" rated organization by Fitch Ratings of Sri Lanka.

Overview of the Credit Process

The improvement in credit quality can be mainly attributed to the implementation of credit restrictions based on collection ratios of marketing executives, dealers, branches postal towns etc. where those falling below the expected threshold would be temporarily restricted from engaging in granting until the collection ratios were increased up to the expected threshold.

During the period in review the country experienced an economic downturn with rationing of fuel and increase in interest rates which affected the income levels and repayments of consumers.

These factors required the company to implement stringent measures to enhance the credit and implement controls to effectively monitor recoveries. Hence the company undertook to realign the product mix and move towards small ticket leases such as motor bike leasing while deferring its focus beyond high end vehicle leasing.

Therefore, in order to mitigate the credit risk, the company enforced measures aimed at assessing the income level of customers and in this regard calculation of Debt Service Cover Ratio was implemented throughout the company.

In addition, the company sought to automate the credit process by embarking on a mobile app aimed at improving the credit quality and offer a differentiated service to its customers.

Credit Committee

The purpose of the Committee is to oversee the Credit strategies and objectives of the Company, including:

a) Oversight of the credit strategies and objectives of the Company;

b) Oversight of the Credit Risk Management of the Company including review and recommendation of internal credit policies to Board of Directors and establishing concentration limits for lending portfolio;

c) Identify knowledge gap and facilitate training.

d) Reviewing of Credit quality / Asset quality, Impairment Allowances on Credit Quality deterioration and performance of the Company's Credit Portfolio;

e) Setting the credit evaluation guideline within the company risk appetite.

f) Market analysis to ascertain market risk.

g) Oversight of the Credit Appraisal, Approval, and Disbursement functions of the Company;

h) Continuous delinquency monitoring and implementing the follow-up and recovery strategies to ensure the curtailment of asset quality deterioration;

i) Recommending incentives for portfolio quality.

j) Assess the market opportunity for new products and credit approval of those new products.

k) Maintain the concentration risk of different products.

l) Managing risk base pricing

The Committee is a Management Committee and reporting to the Board of Directors.

The composition of the Committee shall consist of,

(a) Chief Executive Officer – Chairman

(b) Deputy Chief Executive Officer – Alternate Chairman

(c) Chief Financial Officer

(d) Head of Credit & Legal

(e) Assistant General Manager – Asset Backed Finance

(f) Assistant Manager Finance

(g) Assistant Manager Credit – Secretary

Chief Executive Officer shall serve as Chairman of the Committee. The Chairman shall preside at all meetings of the Committee and perform any duties as may be assigned by the Board of Directors from time to time. The Chairman shall also be responsible for ensuring that key actions taken, and significant matters discussed by the Committee are reported to the Board of Directors on a regular basis. The Deputy Chief Executive Officer will, serve as the alternate Chairman in the absence of the Chief Executive Officer.

Assistant Manager Credit will be the Secretary of the Committee. The Secretary of the Committee will, with consultation and approval of the Chairman, develop the agenda for each meeting, and circulate it to all members of the Committee in advance. The Secretary shall maintain minutes and other relevant records of the meetings and activities of the Committee. The minutes shall be available for review by the Board and any regulatory authorities having jurisdiction over the affairs of the Company. In the event of any meeting where the Secretary is not present, the Chairman shall designate an acting Secretary to the Committee for the purpose of recording the minutes.

Chief Information Officer or his representative may attend meetings on invitation. The Head of Deposits may attend meetings on invitation when the discussions related to Cash back securities (Deposits) are considered. Other KRPs such as Compliance Officer and other staff members may be invited to attend depending on the agenda to be discussed.

The Committee shall meet once a month to discuss the matters coming under the scope of the Committee. The Chairman may also convene a special meeting of the Committee if, in his judgment, an issue arises that cannot wait until the next regularly scheduled meeting and / or on the request of the majority of the members. Special Meeting can be also held for recommending a higher value of Facility to the Board of Directors.

More frequent meetings may be arranged in periods of economic downturn, continuous deterioration of credit quality and specific issues that require immediate further study and follow-up.

Information Technology and Information Security Governance

Information technology plays a vital role in the company's success journey. Company is highly dependent on information systems. Most of the internal processes are technology driven and controls are built through information systems. Apart from the core application system, company has a mobile app which facilitate the initial steps of lending products. In addition, online real time dash boards are providing accurate information on timely manner which leads the management to take effective decisions on time.

Within the financial year, many new improvements have been added to the existing systems and processes. One of such is implementing an e-receipt concept. With that, issuing paper-based receipt to the customers has been reduced. In addition to increase the services to the customers, with these types of innovations, company will help to save the environment as a responsible corporate citizen.

The ICT department of the company is responsible to implement the information security governance. Currently following information security related policies are in place.

- Information Security Policy
- Anti-virus policy
- Email usage policy
- Internet usage policy
- Mobile computing devices/Computer media security policy
- User Access Policy

With these policies and other measures such as firewall, network security features, company is always trying their best to assure information security and protect its stakeholder's data. In addition, with help of a independent reputed third party organization, company is continuously conduct the vulnerability assessment and security testing and improve existing practises based on their recommendations.

Management Discussion and Analysis [Contd.]

Engaging Stakeholders

A stakeholder is an individual or a group that has an interest in the organization and can affect or be affected by the operations and activities of the organization. They are either internal stakeholders who are part of the organization or external stakeholders who are affected by the activities of the organization.

As a financial services provider, Stakeholders' engagement processes are considered key to our growth as we recognize that stakeholder concerns provide guidance to our next strategic goal. It is a key input to our strategic planning process as it enables evaluation of our strengths & weaknesses in a systematic manner using feedback from our key stakeholders.

The below diagram summaries how we engage with our valued stakeholder groups.

Stakeholder	Sustainable Business Ojective	Engagement Mechanism	Frequency of Engagement	Our Responses/ Achievements
Shareholder	✦ Balancing profitability and sustainable growth ✦ To deliver returns on investment by strengthening governance to support future growth momentum ✦ To establish strong internal processes and policies	✦ Annual General Meeting ✦ Extra Ordinary General Meeting ✦ Official Website ✦ Annual Reports	✦ Annually ✦ Whenever necessary ✦ Regularly ✦ Annually	✦ Return on Investment ✦ Development of Shareholder communication ✦ Continuous engagement
Customers	✦ Customer complaint handling ✦ Quality customer service	✦ Customer Surveys ✦ Customer complain handling mechanism ✦ Call Centre & Official web-site ✦ Social Media Interactions	✦ Regularly ✦ Regularly ✦ Regularly	✦ Promotional Campaign ✦ Customer care service
Employees	✦ Career Development ✦ Work Life Balance ✦ Promotions and Job Opportunities	✦ Annual Get together ✦ Training Procedures ✦ Department Head involvement with the employees	✦ Annually ✦ Monthly ✦ Monthly	✦ Organized periodically ✦ Continuous Training ✦ Job Enrichment
Regulators	✦ Reporting to CSE and Central Bank to ensure compliance ✦ Meetings with Regulatory bodies ✦ Industry Forums	✦ Compliance with the regulatory requirements	✦ Whenever required	✦ Strengthening relationships with public and professional institutions
Society & Environment	✦ Employment Opportunities ✦ Community Development	✦ Sponsorships ✦ Feedback Comments ✦ Call Centre	✦ Ongoing	✦ Funding towards sponsorships ✦ Responses given by the management & staff

External Capital Formation

Investor Capital

The return generated by the company by using its Investor's Funds with a view to maximizing and delivering value. Market Capitalization The Stated Capital of the company as at the end of the year under review was Rs. 1,321.1 Mn. The market capitalization and share price of the Company as at 31 March 2023 was 1724.4 Mn. and Rs. 23.40 respectively. Float Adjusted Market Capitalization was recorded at Rs. 130 Mn. as at 31 March 2022.Further the Company continued to be listed on the Diri Savi Board of the Colombo Stock Exchange from the year 2011 onwards. Market Price of the Shares According to the Colombo Stock Exchange, the company recorded the highest market price of Rs. 28.40 and at the lowest of Rs. 23.40 during the financial year of 2022/2023. The changes of market price in comparison to the previous year are given below.

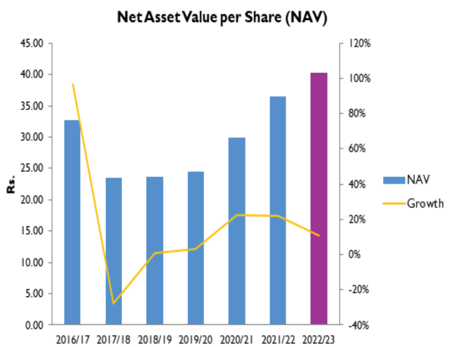
Market Price	2022/23	2021/22
Highest	28.40	40.00
Lowest	17.80	23.00
Price as at 31 March (Rs.)	23.40	28.90

Earnings

The Basic Earnings per Share (EPS) of Rs. 4.82 has been achieved by the company during the year compared to the corresponding previous period value of Rs. 6.46.

Net Assets Value per Share (NAV)

The company has achieved an 11% growth in Net Assets during the year from Rs. 2,425 million in 2021/22 to Rs. 2,969 million in 2022/23. The Net Assets per Share reached the mark of Rs. 40.30 as at 31 March 2023.



Distribution Of Equity As At 31-03-2023

NO OF SHARES HELD	NO OF SHAREHOLDERS		NO OF SHARES	
	NO.OF HOLDERS	PERCENTAGE (%)	TOTAL HOLDINGS	PERCENTAGE (%)
1-1,000	635	81.51	103,229	0.14
1,001-10,000	104	13.35	325,311	0.44
10,001-100,000	27	3.47	663,541	0.90
100,001-1,000,000	10	1.28	3,597,515	4.88
OVER 1,000,000	3	0.39	69,003,575	93.64
GRAND TOTAL	**779**	**100.00**	**73,693,171**	**100.00**

ANALYSIS OF SHAREHOLDERS AS AT 31-03-2023

CATEGORY	NO. OF SHAREHOLDERS	PERCENTAGE (%)	TOTAL HOLDING	PERCENTAGE (%)
RESIDENT	777	99.74	73,689,161	99.99
NON-RESIDENT	2	0.26	4,010	0.01
TOTAL	**779**	**100.00**	**73,693,171**	**100.00**

COMPOSITION OF SHAREHOLDINGS AS AT 31-03-2023

CATEGORY	NO. OF SHAREHOLDERS	PERCENTAGE (%)	TOTAL HOLDING	PERCENTAGE (%)
INDIVIDUAL	738	94.74	3,039,720	4.12
INSTITUTIONAL	41	5.26	70,653,451	95.88
TOTAL	**779**	**100.00**	**73,693,171**	**100.00**

DIRECTORS SHAREHOLDING - ABANS FINANCE PLC - AS AT 31ST MARCH 2023

NAME	NO OF SHARES	PERCENTAGE (%)
MR. R PESTONJEE *	220,660	0.33
MR. HIRAN CHAMINDA EMBULDENIYA	NIL	NIL
Mr. W B W M R A M T G ALUWIHARE	NIL	NIL
Mr. KALUGAMAGE JOHN CECIL PERERA	NIL	NIL
Ms. DISHANA SIRINIMALI RATNAYAKE	NIL	NIL
Mr. S M S SANJAYA BANDARA	NIL	NIL

* This includes 28,800 shares held jointly with Miss J E S Fernando

Top 20 - Abans Finance Plc - As At 31st March 2023

No	Name of the Shareholder	As at 31/03/2023	
		Shares	%
1	ABANS PLC	37,010,472	50.22
2	IRONWOOD INVESTMENT HOLDING PVT LTD	30,740,406	41.71
3	MR B. PESTONJEE	1,252,697	1.70
4	LOGIRITE (PRIVATE) LIMITED	983,142	1.33
5	ABLE INVESTMENTS (PRIVATE) LIMITED	892,818	1.21
6	MR K. KUNENTHIRAN	516,832	0.70
7	MRS S. DUBASH	213,039	0.29
8	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	194,340	0.26
9	MR R. PESTONJEE	191,860	0.26
10	A B COLD STORAGE (PVT) LIMITED	159,428	0.22
11	AB SECURITAS (PRIVATE) LIMITED	159,428	0.22
12	CLEANTECH PVT LTD	159,428	0.22
13	SEYLAN BANK PLC/SHERMAL HEMAKA JAYASURIYA	127,200	0.17
14	MRS A. PESTONJEE	80,000	0.11
15	MRS H.I. SALGADO	66,600	0.09
16	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G.SOYSA	52,584	0.07
17	MR G.C. GOONETILLEKE	48,105	0.07
18	DR K. POOLOGASUNDRAM	36,000	0.05
19	MR R.E. RAMBUKWELLE	34,517	0.05
20	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	31,882	0.04
	OTHERS	742,393	1.01
	Total	**73,693,171**	**100.00**

MARKET VALUE - ABANS FINANCE PLC FROM 01ST APRIL 2022 TO 31ST MARCH 2023

Highest Market Price (20/09/2022)	Lowest Market Price (06/07/2022)	As at 31st March 2023
Rs.28..40	Rs.17.80	Rs.23.40

Employee Capital

In the pursuit of success and sustainable growth, human capital assumes a pivotal and diverse role within an organization. The proficiency, drive, and commitment of employees act as the catalyst propelling the organization forward. At Abans Finance PLC, strategic investments in talent acquisition, employee development, and the cultivation of a positive work culture have unlocked the full potential of our workforce, resulting in enhanced business outcomes and enduring prosperity.

Employment Status

Our organization prides itself on assembling a team of exceptionally skilled and talented employees who have been instrumental in fueling our growth. Their unwavering dedication and remarkable achievements are wholeheartedly recognized and rewarded by the company, as they consistently surpass expectations. During this period, we have employed 383 employees for 9 branches and 9 customer centers nationwide.

Out of a total workforce of 383 employees:

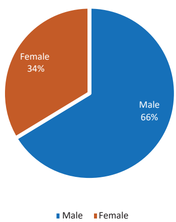
- 83% were permanent employees
- 14% were on probation; and
- 3% were on contract

We hold our employees in the highest regard, ensuring their well-being, growth, and development. We uphold a culture of inclusivity and fairness, valuing each staff member and cultivating a compassionate and supportive workplace. Placing employee well-being at the forefront, we boost employee morale, driving the growth and sustainability of Abans Finance PLC. This approach has led to a significant increase in employee retention, contributing to the long-term success of our organization.

Type of Employment	Male	Female	Total
Permanent	220	99	319
Probationers	26	27	53
Contract	8	3	11
Total	254	129	383

Age and Grade

We are proud to maintain a balanced and inclusive workforce, ensuring equal treatment for all employees, irrespective of gender or age. Presently, our team comprises 66% male and 34% female representation, reflecting our commitment to diversity and equality.



At Abans Finance PLC, we proactively seek dynamic young minds to invigorate our organization with cutting-edge thinking and state-of-the-art technology. Embracing young talent enables us to foster a novel outlook, giving rise to revolutionary concepts. Leveraging their technical prowess empowers us to explore unconventional approaches, propelling us towards continuous advancement and prosperity.

Grade	Male	Female	Total
Senior Management	15	1	16
Middle Management	58	11	69
Executive	175	117	292
Non Executive	6	0	6
Total	254	129	383

Age Group	Male	Female	Total
Below 21 years	3	0	3
21-30 years	127	94	221
31-40 years	83	25	108
41-50 years	29	8	37
Above 51 years	12	2	14
Total	254	129	383

Composition of Work Force by Gender & Location

At Abans Finance PLC, our presence spans the entirety of the island, extending employment opportunities to individuals residing in rural regions. Our commitment to inclusivity ensures equal chances for both male and female employees, who play pivotal roles in our branches, enriching the organization with their valuable talents and expertise. Together, they drive the growth and advancement of our company.

Province	Male	Female	Total
Central	35	24	59
Eastern	22	6	28
North Central	20	5	25
North Western	15	4	19
Northern	11	4	15
Sabaragamuwa	15	5	20
Southern	31	8	39
Uva	9	2	11
Western	96	71	167
Total	254	129	383

Performance Management

At the heart of a flourishing business lies a formidable and devoted workforce. That's why we place utmost importance on nurturing a team of highly capable and proficient employees, ensuring our continued success and growth. Creating a culture of excellence within our organization revolves around acknowledging and appreciating the significant contributions and accomplishments of our employees. At Abans Finance PLC, we firmly prioritize the continuous evaluation of employee performance using Key Performance Indicators (KPIs) during both midyear and annual assessment cycles. In alignment with these evaluations, employees are duly rewarded to recognize their exceptional contributions and achievements. Through these performance evaluations, our management gains valuable insights to refine company strategies and foster avenues for employee growth and advancement

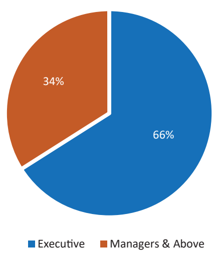
Training & Development

Abans Finance PLC believe in nurturing the potential of our employees through comprehensive training and development opportunities. We are committed to providing a dynamic learning environment that empowers our workforce to grow both personally and professionally. We have customized our development initiatives to equip our employees with the tools and knowledge needed to excel in their roles to achieve the business goals and take on new challenges. Regular assessments and feedback mechanisms allow us to gauge the effectiveness of our training programs and make necessary adjustments to continually improve the learning experience. Our focus on training and development reflects our dedication to fostering a culture of continuous learning, innovation, and individual growth, ensuring that our employees can reach their full potential and contribute to the long-term success of the company.

In 2022/2023, the Human Resource Department organized and facilitated a series of training programs catering to both managerial and executive staff.

* On the job training using existing and internal expertise and subject experts
* Soft skills Development training
* Competency refreshers and enhancements

TRAININGS FOR 2022/23



Rewards & Recognition

At Abans Finance PLC, we cherish the opportunity to honor and incentivize our employees' outstanding efforts. Our comprehensive rewards and recognition programs are designed to celebrate excellence, nurturing a culture of appreciation. This, in turn, yields heightened productivity, heightened job satisfaction, decreased turnover rates, and instills a profound sense of belonging and loyalty. Through these initiatives, we inspire our employees to go above and beyond, driving the collective triumph of our organization After conducting a thorough examination of our benefits structure, we pinpointed the tangible advantages of being a valued employee at Abans Finance PLC, which can be summarized as follows:

* Salary increments
* Performance based incentives
* Bonus (based on company profitability)
* Staff loans at concessionary rates
* Medical insurance
* Study leave

Social Capital

Social & Environmental Capital

As a responsible corporate citizen, we have extended our cooperation to conduct business activities in an environmentally friendly manner and to alleviate the problems our society faces. Hence, we are focused on implementing best business practices that would lead up to optimizing resource utilization.

Conserving Resources

As the level of computerization and automation increases, the usage of paper has continued to decline in the company. Plans are also ongoing to develop a monitoring system to calculate the quantity of paper used in each department and how this number can be brought down to ensure optimization of the IT platform. Marketing Officers of the company is equipped with Smartphones & mobile apps which gives seamless and speedy processing solutions for marketing and recovery functions and encourage paperless culture and unnecessary printing cost in the front desk as well. Moreover, Company constantly strives to adopt best practices by electronic archiving, thereby eliminating the necessity of physical file maintenance. Although, the Document Management system of the company converts paper-based information into electronic files. This has enabled streamlining document storage, retrieval, delivery, and sharing. This has supported speedy and efficient transactions while establishing a lesser-paper base office.

Reduced Travel

Marketing officers and recovery staff travel on a daily basis for operational tasks. However, with the present crisis, the company advocates and followed measures to reduce travel and supported reducing greenhouse gas emissions. The company facilitates teleconferencing to conduct meetings. Digital channels were provided for staff while encouraging social distancing. Digitalization of the systems and processes supported seamlessly for effective communication between front staff and customers. Call centers were further leveraged to inquire about customers' issues and needs, and provide speedy communication facilities.

Health and safety

Health and safety of our employees, customers, and other stakeholders the utmost priority of our company even during post Covid – 19 Pandemic. The company has complied with best health practices and develop necessary health infrastructure in the head office and branches. We continuously encourage our customers to use our online facilities when making payments instead of visiting the company. We continuously aware and encourage the community through social media campaigns to adhere to health & safety directives prescribed by the authorities. We took safety measures to regulate the safety practices of the company regulate the safety practices of the company.

Customer Capital

Finance Leasing

A Finance lease is governed by the Finance Leasing Act No 56 of 2000 and is an agreement between a lessee and a lessor for the use of the asset over a specified period. A salient feature of finance leases is that the customer assumes majority of the risks and rewards of ownership (i.e. maintenance costs and fluctuations in value), but never actually owns the asset. The main types of finance leasing offered by Abans Finance PLC are two-wheeler leasing, three-wheeler leasing and four wheeler leasing.

Loans

At Abans Finance PLC, loans are categorized as Mortgage loans, Revolving loans, Vehicle Loans, Auto Draft and Personal loans. Mortgage loans & Revolving loans are governed by the Mortgage (Amendment) Act, No. 3 of 1990 and are granted against the security of assets offered by customers. Auto draft facilities are granted by analyzing the cash flow of customers and based on the future cash flows the facilities can be restructured according to the repayment capacity of the customers. Personal loans are granted primarily on salary deduction from the source of income while with 2 unrelated personal guarantors to make sure that credit risk is better managed when change in client's income due to unavoidable circumstances.

Board Of Directors

Mr. Kalugamage John Cecil Perera - Chairman Independent Non-executive Director

Mr. Cecil Perera is an Attorney at Law of the Supreme Court of Sri Lanka since 1982. He also holds a Diploma Certificate on Modern Banking Law from the Postgraduate Institute of Management, University of Sri Jayawardenapura and have passed Part I & II, from the Chartered Institute of Management Accountants. Mr. Perera Commenced his career as a junior counsel at the Chamber of Dunstan De Alwis, President's Counsel. Thereafter he worked as a Professional Assistant at D N Thurairajah & Company. Later he joined The Finance Company PLC as a Legal Officer and as a Senior Legal Officer at L B Finance PLC. Thereafter he joined Merchant Bank of Sri Lanka PLC as the Head of Legal where he handled Corporate Advisory Services & Venture Capital Investments, Capital Market Services, Fund Management Services, Company Secretarial work, Leasing and Trade Finance work, Notarial work, Court Cases and Human Resource Management Legal work. In his career, he has worked as a Non-Executive Director at 99X Technology. Prior to joining Abans Finance, Mr. Cecil Perera has completed 9 years of service at Commercial Credit and Finance PLC as the Chairman and Independent Non-Executive Director. Also Mr. Cecil Perera is an Independent Non-Executive Deputy Chairman at Thilanka Hotels (Pvt) Limited owning Two Five Star Tourist Hotels in Kandy and Dhambulla, an Independent Non-Executive Chairman of Atarah Capital (Pvt) Limited, an Investment Advisory Service Provider registered with the Securities and Exchange Commission of Sri Lanka and the Founder and Precedent Partner of Legalinc Attorneys-at-Law and the Executive Chairman of LegalInc Secretarial and Management Services (Pvt) Limited and LegalInc Trustee Services (Pvt) Limited with 25 years of expertise in the areas of Commercial Transactions, Debt Instruments, Corporate Law, Privatization of State Owned Enterprises, Intellectual Property, Corporate Recovery and Liquidations, Real Estate Conveyancing, Foreign Investment Advisory Services, Immigration Services, Labor Law and Information Technology. Membership of Board Sub-Committees Chairman of the Nomination Committee, Chairman of the Integrated Risk Management Committee, Chairman of the Remuneration Committee, Chairman of the Related Party Transactions Review Committee and Member Audit Committee of the Company.

Board Of Directors

Mr. Rusi Pestonjee
Non-executive Director

Appointed as a Director with effect from 01 January 2012. Mr. Rusi Pestonjee is an alumnus of the Executive Management programmes at the Indian School of Business, focusing on strategy and managing family businesses. He supports relationship building of the Abans Group with key international partners and has been instrumental in implementing several new strategic growth initiatives within the Group. Mr. Rusi Pestonjee also holds various directorships within the Abans Group of Companies including Colombo City Centre Partners (Pvt) Ltd, Abans Finance PLC, Abans International (Pvt) Ltd, Abans Retail Holdings (Pvt) Ltd, Abans Environmental Services (Pvt) Ltd, Abans Land (Pvt) Ltd, Crown City Developers (Pvt) Ltd, International Restaurant Systems (Pvt) Ltd, ABS Courier (Pvt) Ltd, Abans Investments (Pvt) Ltd, AB Real-estate (Pvt) Ltd.

Mr. Hiran Embuldeniya
Non - independent non-executive director

Appointed to the Board on 13 March 2020. Mr. Embuldeniya has an MBA from the Harvard Business School and a MEng (Hons) in Engineering, Economics and Management, from University of Oxford. He is currently Managing Partner of Ironwood Capital Partners, Sri Lanka's first private equity fund. He has previously worked for 10 years with Goldman Sachs and McKinsey & Company where he helped, develop and execute the corporate strategies and M & A transactions for some of the leading banks and industrial companies in Europe, Middle East and South Asia

Board Of Directors

Mr.thulci Aluwihare
Independent Non-executive Director

Appointed as director of Abans Finance PLC on 17 December 2020. Mr. Aluwihare is a reputed business strategist and financial advisor with international experience in corporate wealth creation through investment, divestiture, capital raising and restructuring.

+20 years of work experience in London, Melbourne and Colombo.

Mr. Aluwihare was a member of the Colombo International Financial Centre (CIFC) – Steering Committee Task Force and worked closely with the Government of Sri Lanka in setting up the first foreign currency designated services export Special Economic Zone in Sri Lanka within Port City. With the enactment of the Colombo Port City Economic Commission law, his primary role now is to promote FDIs and create a destination appeal for International businesses to set up in Port City.

Prior to joining CHEC Port City Colombo (Pvt) Ltd, He was the Director, Head of Mergers & Acquisitions at PwC, Sri Lanka and Maldives. He spent 14 years with PwC including at PwC Melbourne office where he was involved in large cross-border MNC transactions. Mr. Aluwihare was also selected to the Global PwC Panel of Trainers for Mergers & Acquisitions and successfully conducted training for Managers in the Advisory University Program held in Copenhagen, Stockholm, Dublin, Rome, Warsaw and Abu Dhabi.

Mr. Aluwihare also serves on the board of a listed manufacturing company and a member of the Investment Advisory Panel of a reputed Asset Management Company that manages two licensed Unit Trust Funds in Sri Lanka.

Mr. Aluwihare is an Economics graduate from the University of West London, UK and holds an MSc in Financial Economics from the University of Colombo.

Board Of Directors

Mr. Singappuli Mudiyanselage Susantha Sanjaya Bandara Independent Non-executive Director

Sanjaya is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He holds a Bachelor of Science Degree in Accountancy & Financial Management from the University of Sri Jayewardenepura and a Masters Degree in Business Administration from the University of Colombo.

Sanjaya is the president of the Institute of Chartered Accountants of Sri Lanka. He is also a Board Member of the Confederation of Asian Pacific Accountants (CAPA), South Asian Federation of Accountants (SAFA) and Sri Lanka Accounting and Auditing Standards Monitoring Board

Accounting and Auditing Standards Monitoring Board (SLAASMB). Sanjaya is a commissioner of the Securities and Exchange Commission of Sri Lanka (SEC). Sanjaya also serves in the accounting standards committee and Auditing standards committee of CA Sri Lanka.

Sanjaya is head of assurance of B.R De Silva & Co, Chartered Accountants (Member firm of Nexia International) and counts over 23 years of experience in practice.

Mrs. Dishana Sirinimali Ratnayake Independent Non-executive Director

Appointed to the Board on 19 February 2021.Mrs. Ratnayake is a reputed Attorney at Law with a practice of over 27 years. She took Oaths in December 1993. Mrs. Ratnayake enrolled as an Attorney-at-Law in 1993 and was awarded a First-Class Honors in the Final Year Examination by Sri Lanka Law College.

Mrs. Ratnayake entered University of Colombo in 1990. Mrs. Ratnayake joined the Attorney General's Department in 1993 where she served for many years. She has since then been continuously in practice specializing in Civil Law, with an active practice in the District Courts, Commercial High Courts, Civil Appellate High Courts, the Court of Appeal and the Supreme Court, handling mostly cases of a commercial nature for corporate clients. She also has appeared in many Constitutional and landmark cases along with President's Counsel and particularly the Constitutional Challenge to the dissolution of Parliament in 2018 for 12 Lawyer Members of Parliament and for many Constitutional challenge cases including the Ports City Bill and the 21st Amendment to the Constitution. She has excelled in Chess at School & University being awarded Chess Colours and Championships and was listed in Sri Lanka Women's National Pool with National Rating.

Membership of Board Sub-Committees
A member of the Remuneration Committee and the Integrated Risk Management Committee of the Company.

Chairman's statement on corporate governance

Dear Stakeholder,

I am pleased to present on behalf of my fellow Board members, the Corporate Governance Report of Abans Finance PLC for the year ended 31st March 2023. This report comprehensively demonstrates our progress, achievements, challenges and areas which we seek to improve.

The Board and Management firmly believes that a sound governance framework is vital for sustainable growth in the Finance business in order to maintain trust and confidence that our investors and customers place in us. It directors the Board and all levels of employees in the conduct of day-to-day business activities. The high standards of corporate governance continue to be a key priority of the company.

During the year, few initiatives were taken to strengthen the governance of the business, in line with best practices which are highlighted in this report. We continue to adopt all mandatory guidelines on corporate governance such as Corporate Governance Direction No.5 of 2021 as amended, Listing Rules of the Colombo Stock Exchange and in addition, voluntarily adopted Code of Best Practice on Corporate Governance 2017 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and complies with all other regulatory requirements applicable to a Licensed Finance Company.

During the year under review, the Board focused more on improving its effectiveness towards governance and conducted an independent evaluation on Board's effectiveness. This encompasses the effectiveness of the Board as a whole, and the effectiveness of each Sub-Committees of the Board.

The Corporate Governance Report on pages 26 to 70 contains comprehensive governance arrangements as required under the regulations and details on the extent of the Company's compliance with the provisions set out in the regulations.

In conclusion, I wish to extend my appreciation to the members of the Board who have been supportive and committed in their efforts in implementing a good governance culture within the Company. Their contribution at meetings of the Board as well as at the Sub-Committees of the Board in sustaining transparent governance practices is immense. Going forward, we will ensure that we continuously commit to further improve on transparency, accountability and reporting.

Mr. K.J. Cecil Perera
Chairman / Independent Non-Executive Director
19th August 2023

Corporate Governance

Introduction

Corporate Governance is a system by which a company is directed, controlled, and managed. A sound corporate governance framework guides the Company to drive towards progress with implementation of relevant strategies. Sound corporate governance has as its objectives the maintenance of a high level of governance that will foster a culture of integrity, values and rewards for the stakeholders. The creation of long-term stakeholder value is a key towards an effective governance framework.

The Board of Directors of the Company under the leadership of the Chairman is responsible for the governance of the Company. The development of an effective corporate governance framework is a priority on the agenda of the Board. The Board of Directors is committed to review and improve systems within the Company in order to maintain accountability and transparency.

The Company shall operates within an effective Corporate Governance Framework. The framework has been designed based on the provisions of the Corporate Governance Direction No.5 of 2021 as amended, Code of Best Practice on Corporate Governance 2017 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. AFPLC has made all endeavour to ensure the fair treatment for all stakeholders, in particular the depositors.

Board Composition and Balance

Strong governance is dependent upon a Board of Directors that is cohesive, independent in nature, fully engaged and committed to the role and, as a result, operates effectively. The Board reflects a balance between financial, sector specific and general business skills, with a highly experienced team that leads the business in both executive and non-executive roles. The major role of the Board includes overseeing the risk profile of the Company, monitoring the integrity of its business and control mechanisms, ensuring expert management and maximizing the interest of all stakeholders.
The Board of Directors has six members which consist of the following structure.

a. Two Non-Independent Non-Executive Directors

- Mr. R. Pestonjee
- Mr. H.C. Embuldeniya

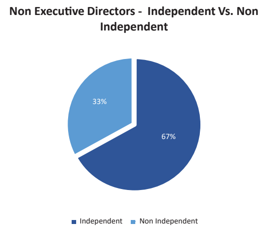
b. Four Independent Non-Executive Directors

- Mr. K.J.C. Perera (Chairman)
- Mr. W.B.W.M.R.A.M.T.G Aluwihare
- Mrs. D.S Ratnayake
- Mr. S.M.S.Sanjaya Bandara *

* Mr. S M S Sanjaya Bandara appointed as Independent Non-Executive Director of Abans Finance PLC with effect from 09th September 2022.

Mr. A.S. Ratnayake submitted his letter of resignation from the position of Independent Non-Executive Director/ Senior Director of Abans Finance PLC with effect from 30th June 2022.

The Board comprises of individuals with appropriate abilities, skills and competencies. Each Director provides the Company the knowledge, experience and skills for effective performance of the Board and they allocate adequate time to discharge their responsibilities. A list of the individual Directors and their profiles including dates of appointment to the Board and their Committee memberships are set out in the Directors' profile on page 21 to 24 of this report.



Division of Responsibilities - Chairman and Chief Executive Officer (CEO)

There should be a clear division of responsibilities between the chairperson and CEO. Abans Finance PLC has board approved Procedure on Responsibilities of Chairperson and CEO in order to segregate the responsibilities of each person. The chairman leads the Board and Prepare the agenda for each Board Meeting and he delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. The Chairman has the responsibility of ensuring that there is effective participation and maintaining balance of power between executive and non-executive directors. He ensures that the Board works effectively and fulfills its responsibilities and implements the decisions and directions of the regulators. Further, the Chairman ensure that all key issues are discussed by the Board in a timely manner and not engage in any activities involving direct supervision of senior management or any other day to day operational activities of the company. He annually evaluates the performance and contribution of all board of directors and the CEO.

Corporate Governance

The Chief Executive Officer (CEO) shall function as the apex executive-In-charge of the day to day management of the company's operations and business and responsible for implementing business and risk strategies in order to achieve the company's strategic objectives. The CEO should establish a management structure that promotes accountability and transparency throughout the company's operations and maintains the effectiveness and independence of control functions. Further he should promote together with the Board, a sound corporate culture within the company, which reinforces ethical, prudent professional behavior and implement proper compliance culture and being accountable for accurate submission of information to the regulator. Further the Chief Executive Officer must devote the whole of the professional time to the service of the company and shall not carry on any other business. Furthermore, he should provide supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.

Appointment, Resignation and Re-election

Directors are elected by the shareholders at the Annual General Meeting (AGM) except for casual vacancies arising during the year filled by the Board of Directors until the next AGM (Article 26 (5) of the Article of Association addresses this). Accordingly, all directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years in compliance with the Code of Best Practice on Corporate Governance 2017. In terms of new Assessment of Fitness and Propriety of Key Responsible Persons no 06 of 2021, company is conduct annual assessment of the board of directors and the CEO and submit all the assessment forms along with the affidavits to the DSNBFI.

Mr. Rusi Pestonjee has resigned from the position of Chairman and Board since he has completed 9 years of service & approval is pending from the CBSL and Mr. Ajith S. Ratnayake has resigned from the board w.e.f. 30th June, 2022 and Mr. S. M. S. Sanjaya Bandara appointed w.e.f. 09th September 2022 as Independent Non-Executive Director.

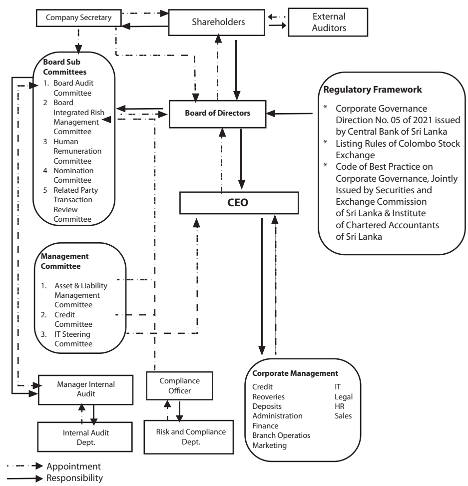
Determination of Independence of Non-Executive Directors

The Board evaluates annually whether each of the Non-Executive Directors is an independent. The Non-Executive Directors submit declarations on their independence in terms of rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange to facilitate the Board to decide on their independence. The Board further considers criteria for independence set out in the Corporate Governance Direction No. 05 of 2021, Listing Rules of the Colombo Stock Exchange and Code of Best practice on Corporate Governance – 2017. The Board has concluded that Mr. K.J Cecil Perera, Mr. S.M.S.Sanjaya Bnadara, Mr. W.B.W.M.R.A.M.T.G Aluwihare , & Mrs. D.S Ratnayake are independent and Mr. H.C. Embuldeniya and Mr. R. Pestonjee are non-independent.

Board Sub Committees

The Board has established Board level Sub Committees such as Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC) , Human Resource and Remuneration Committee (HRRC) , Nomination Committee (NC) and Related Party Transactions Review Committee (RPTRC) . Each committee plays a vital role in serving the Board to discharge its duties and to ensure that high standards of Corporate Governance are preserved throughout the Company. The Committees are governed by the Board approved Terms of Reference (TOR) which are reviewed periodically. Each Sub Committee's minutes are forwarded to the Board and the Chairman of each sub Committee provides the Board with a summary of crucial issues considered at the meetings of the Sub Committees. The diagram below illustrates the Organization's Governance Structure.

Organization Governance Structure



Board and its Sub Committees' Effectiveness

An effective Board is crucial to the success of the Company. To assess the performance of the Board and its Sub Committees, the Company conducted a rigorous performance evaluation during the year. The process was led by the Chairman and supported by the Secretaries to the Board. As part of the evaluation, the Directors performed a self-evaluation (separate set of questionnaires for Board and Board Sub Committees such as Board Audit Committee, Board Integrated Risk Management Committee, Human Resource and Remuneration Committee, Nomination Committee, and Related Party Transactions Review Committee) and it was summarized by the Secretaries for the evaluation of the Board and its Sub Committees as a whole. The Secretaries maintain the records of the Board and Sub Committees' evaluations.

Following this review, the Board is satisfied that the Board and its Sub Committees are performing effectively and that there is appropriate balance of skills, experience, independence and knowledge to enable the Directors to discharge their respective duties and responsibilities, effectively. The Board is also satisfied that the members of the Board, in particular the Non-Executive Directors, have sufficient time to undertake their roles at Board and Sub Committee levels within the Company.

Management of Conflicts of Interests

A conflict of interests arises when a board member/senior management member has a personal interest that conflicts with the interests of the Company or arise in situations where a board member/senior management member has divided loyalties (also known as a "duality of interest"). The Company has adopted a Board approved policy on the Management of Conflicts of Interests which specifies the processes and procedures to be followed to manage conflicts since the ultimate purpose of managing a conflict of interests is protecting the public interest. Accordingly, relationships between the directors shall not exercise undue influence or coercion. Further a director shall abstain from voting on any Board Resolution in relation to a matter in which such direction has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.

Board and Board Sub Committee Meetings and Attendance

The Directors meet on regular basis and receive accurate, timely and relevant information for such meetings so that they can maintain full and effective oversight of strategic, financial, risk management, operational, compliance and governance issues. The following table shows the number of Board and Sub Committee meetings held during the financial year of 2022/23 and the attendance by individual Directors.

DIRECTORS' ATTENDANCE AT BOARD AND SUB COMMITTEE MEETINGS

Name of the Director	Non Independent Non Executive	Independent Non Executive	Board		Board Audit Committee		Board Integrated Risk Management Committee		Related Party Transactions Review Committee		Human Resource and Remuneration Committee		Nomination Committee	
			C / M	Attendance	C / M	Attendance	C / M	Attendance	C / M	Attendance	C / M	Attendance	C / M	-dance
K.J.C.Perera		√	C	12/12	M	9/15	C	4/4	C	4/4	C	1/1	C	-
R Pestonjee Completed 9 years of service & Resignation approval is pending from the CBSL unitl Abans Transport (Pvt) Ltd. facility will be settled.	√		M	12/12										
A S Ratnayake*		√	M	3/3	M	5/5	M	1/1	M	1/1				
Hiran Embuldeniya	√		M	10/12										
Thulci Aluwihare		√	M	12/12	M	12/15	M	2/2	M	3/3	M	1/1	M	-
D S Ratnayake		√	M	12/12			M	2/2			M	1/1	M	-
S.M.S. Sanjaya Bandara**		√	M	7/7	C	8/15			M	1/2				

C indicates the Chairman of the Committee & M indicates Member of the Committee
Column Attendance Indicates the number of Meetings attended
* A.S. Ratnayake resigned from the position of Independent Non Executive Director / Senior Director with effect from 30tJune 2022.
** Mr. S M S Sanjaya Bandara appointed as Independent Non Executive Director with effect from 09th September 2022

Management Committees

The Management Committees at Abans Finance PLC function under the guidance of the Chief Executive Officer with the direction on designing, implementing and monitoring best practices in their respective functions. These committees implement the policies and strategies determined by the Board and Board Sub Committees and manage the business and affairs of the Company with the main objective of improving sustainable growth. Management Committees include Asset and Liability Committee (ALCO), Credit Committee and IT Steering Committee. The scope of the Credit Committee is to review and make recommendations on credit policy and procedures, portfolio delinquency management and credit evaluation process, whilst the scope of the ALCO is to monitor and manage liquidity risks, interest rate risks, pricing and capital planning. The function of the IT Steering Committee is to ensure that the Company's information technology needs and objectives are being adequately addressed and that the IT strategy is aligned with the Company's strategic perspectives and goals.

Engagement of External Auditors to Provide Non-Audit Services and Auditors' Independence

The External Auditors' independence is a key factor in ensuring that the financial statements of the Company would meet the highest standards of financial integrity. According to the TOR of BAC, the Audit Committee of the Company annually 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. According to the TOR of BAC the audit partner shall not be assigned to any non-audit services with the company during the same financial year in which the audit is being carried out.

The BAC Committee 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 statues, the service period, audit fee and any registration or dismissal of the auditor.

Further, the Engagement Partner and / or the Partner responsible for quality review will be rotated in order to ensure the partner should not serve the Company for more than five successive years. The external auditors M/s. Ernst & Young have provided a declaration of their independence to the Audit Committee and the Committee evaluated their independence, objectivity and effectiveness of the audit process and recommended their re-appointment for the ensuing year.

Delegated Authority

The Corporate Governance framework and Article 38 of the Articles of Association of the Company provide the delegation of authority and segregation of duties while enabling the Board to retain effective control. Accordingly, the Board has delegated its authority to the Board Sub Committees and the Management with clearly defined mandates, directives, and authorities, while ensuring such delegations would not hinder or reduce the ability of the Board to discharge its duties. The Board of Directors of the Company makes necessary reviews on delegated authority limits in order to ensure that the set limits remain relevant to the needs of the Company.

Degree of Conformity with Corporate Governance Regulations

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

Section One - The level of compliance with Corporate Goverence direction no. 5 of 2021 and subsequent amendments thereto issued by the Cental Bank of Sri Lanka.

The Company has obtained the external auditor's assurance statement of the compliance with Corporate Governance Direction.

Section Two - The level of compliance with the Listing Rules- 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

Section Three - The level of compliance with the Code of Best Practice on Corporate Governance 2017, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Section One - Finance Companies (Corporate Governance) Direction No. 05 of 2021 and subsequent amendments there to on Corporate Governance for Licensed Finance Companies in Sri Lanka

The Central Bank of Sri Lanka issued the Direction on Corporate Governance in order to improve, strengthen and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka. This Direction is identified as the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the amendments. The above Directions comprise of sixteen fundamental principles, namely the Board Overall responsibilities, Governance Framework, Composition of the Board, Assessment of Fitness and Propriety Criteria, Appointment and resignation of directors and senior management, The Chairperson and the CEO, Meetings of the Board, Company Secretary, Delegations of Functions by the Board, Board Sub – Committees, Internal Controls, Related Party Transactions, Group Governance, Corporate Culture, Conflicts of Interest, Disclosures.

The Company's level of compliance with the Corporate Governance Directions is tabulated below.

Rule Reference	Principle	Extent of Compliance
1. Responsibilities of the Board of Directors		
1.1	The Board shall assume overall responsibility and accountability of the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	Complied AFPLC Board holds responsibility for setting effective business strategy, ensuring sound corporate culture, and adhering to the rules and regulations. The Board responsibilities are specified in the Governance framework.
1.2	Business Strategy and Governance Framework a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment. b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements. c) Assessing the effectiveness of its governance framework periodically.	Complied The Board approved three-year business strategy is in force. The Board as a whole review the business strategy strategy periodically to ensure that the Business strategy aligns with current economic environment. The Governance Framework of AFPLC was approved by the Board in February 2023; and company will initiate the process of assessing the effectiveness of the governance framework .

Rule Reference	Principle	Extent of Compliance
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	The Board has appointed the Chairman and the Chief Executive Officer, and clear division of responsibilities have been defined in the Governance Framework.
1.3	Corporate Culture and Values	The AFPLC Board actively contributes to ensure sound corporate culture and values within the Company.
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	
	b) Playing a lead role in establishing the FC's corporate conduct and managing conflicts of interest.	Board approved Code of Conduct (HR policy Manual) and Conflict of Interest Policies are in place which include the FC's corporate culture and values.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The sustainable financing is incorporated in the Board approved strategic plan and Board reviews the progress of the implementation of the same.
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Board approved Stakeholder Communi cation Policy reflects the effective delivery of stakeholder communication and the Board reviews the policy to enhance its scope of policy implementation.
1.4	Risk Appetite, Risk Management and Internal Controls	
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	AFPLC is in the process of establishing the Risk Appetite Statement in line with the AFPLC three- year strategic plan and the overall governance framework.
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	AFPLC Board ensures the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently,
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically. through Board Integrated Risk Management committee and the Board Audit Committee.	AFPLC reviews the adequacy and the effectiveness of the internal control systems and management information systems periodically.
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	AFPLC has a Board approved Disaster Recovery Plan that ensures stability, financial strength, and preserve critical operations and services under unforeseen circumstances.

Rule Reference	Principle	Extent of Compliance
1.5	Board Commitment and Competency a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC. b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience. c) The Board shall regularly review and agree the training and development needs of all the members. d) The Board shall adopt a scheme of self- assessment to be undertaken by each director annually on individual \ performance, of its Board as a whole and that of its committees and maintain records of such assessments. e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	Complied The Board as a whole allocate sufficient time in exercising functions of the Company. Members of the Board possess sufficient competency levels including necessary qualifications, knowledge, experience and skills, During the annual appraisal process, the Board reviews and agrees on the training and development needs of all the members. An annual appraisal procedure is in place for self-assessment and assessment of individu al performance of each director of its Board as a whole and that of its committees and maintains records of such assessments.
1.6	Oversight of Senior Management 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. b) Defining the areas of authority and key responsibilities for the senior management. c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives. d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management. e) Ensuring the FC has an appropriate succession plan for senior management. f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Complied The Board has identified and designated senior management to execute business strategy, who possess the necessary qualifications, skills, experience and knowledge. The job descriptions of the senior management define the responsibili-ties of each member. Board approved succession plan is available for AFPLC Senior management.
1.7	Adherence to the Existing Legal Framework a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders. b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. 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.	AFPLC Board ensures the conformity with the rules and regulations. The Board acts with due care and prudence, and with integrity and is aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.

Rule Reference	Principle	Extent of Compliance
2. Governance Framework		
2.1	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority d) composition of the Board e) the Board's independence f) the nomination, election and appointment of directors and appointment of senior management g) the management of conflicts of interests h) access to information and obtaining independent advice. i) capacity building of Board members j) the Board's performance evaluation k) role and responsibilities of the chairperson and the CEO l) role of the Company secretary m) Board sub committees and their role; and n) limits on related party transactions.	Complied The AFPLC Board has approved a Corporate Governance framework in line with the Corporate Governance Direction No.5 of 2021.
3. Composition of the Board		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	Complied The AFPLC Board composition adds value to the Company through their knowledge and experience.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	Complied as per the Finance Companies (Corporate Governance) direction No. 3 of 2008 will be complied to the new CG direction.
3.3	The total period of service of a director other than a director who holds the position of CEO/ executive director shall not exceed nine years, subject to direction 3.4.	The total service period of directors not exceed nine years, except Mr. Rusi Pestonjee (Independent non-executive director), he has completed nine years of service on 01st January 2021 and submitted the resignation & approval is pending from the Central Bank for the resignation.
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (14) of the total number of directors of the Board.	
3.5	Only an employee of FC shall be nominated, elected and appointed, as an Executive Director of the FC.	Not applicable AFPLC Board does not comprise Executive Directors.

Rule Reference	Principle	Extent of Compliance
3.6	Non-Executive Directors a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct. b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	Complied Profiles of the Non-Executive Directors are given in Page 21 to 24.
3.7	Independent Directors a) The number of independent directors of the Board shall be at least three (03) or one-third (1 / 3) of the total number of directors, whichever is higher b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience c) A non-executive director shall not be considered independent if such: i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. 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. iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director	Complied The AFPLC Board comprises of three Independent Non-Executive Directors. The Independent Directors of AFPLC fulfil the given independent requirements.

Rule Reference	Principle	Extent of Compliance
	viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC 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. d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence 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, Department f) of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	
3.8	Alternate Directors a) Representation through an alternate director is allowed only; i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad. b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board d) An alternate director cannot be appointed to represent an executive director. e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director	Not applicable No alternate Director has been appointed.

Rule Reference	Principle	Extent of Compliance
3.9	Cooling off Periods a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board. b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent.	Not applicable Such a situation has not arisen during the Financial Year 2022/2023
3.10	Common Directorships Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f)	Not applicable The AFPLC Board does not hold directorships in another Finance Companies.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	Not Appropriate The Directorships or any equivalent positions held by the Directors of AFPLC in other entities do not exceed the given threshold.
4.	**Assessment of Fitness and Propriety Criteria**	
4.1	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended	Complied AFPLC follows a formal procedure when appointing Directors to the Board in accordance with regulatory requirements.
4.2 & 4.3	A person over the age of 70 years shall not serve as a director of a FC.	Complied No Director serves the Company over the age of 70 years.
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.	Complied AFPLC follows the regulatory guidelines during appointments, resignations or removal of Directors and Senior Management.

Rule Reference	Principle	Extent of Compliance
6.	**The Chairperson and the CEO**	
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing	Complied The functions and responsibilities of the Chairman and the CEO have been clearly defined and approved by the Board of Directors.
6.2 and 6.3	The chairperson shall be an independent director and In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Nonexecutive directors including senior director shall assess the chairperson's performance at least annually.	Complied The Chairman is an Independent Non-Executive Director.
6.4	Responsibility of the chairperson The responsibilities of the chairperson shall at least include the following: a) Provide leadership to the Board b) Maintain and ensure a balance of power between executive and non-executive Directors c) Secure effective participation of both executive and d) Ensure the Board works effectively and discharges its responsibilities e) Ensure all key issues are discussed by the Board in a timely manner f) Implement decisions/directions of the regulator 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 h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO .	Complied Responsibilities of the Chairman includes providing leadership to the Board, ensuring effective discharge of responsibilities of board members and implementing decisions of regulator. The Non-executive directors annually evaluate the performance of the Chairman. non-executive directors

Rule Reference	Principle	Extent of Compliance
6.5	Responsibilities of the CEO The CEO shall function as the apex executive-in- charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include: a) Implementing business and risk strategies in order to achieve the FC's strategic objectives b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator e) Strengthening the regulatory and supervisory compliance framework f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner 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	Complied The Chief Executive Officer is responsible for implementing business strategy of the Company while ensuring sound internal controls and effective risk management.
7. Meetings of the Board		
7.1	The Board shall meet at least twelve times a financial year at approximately the Board monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible	Complied There have been twelve Board meetings during the financial year 2022/2023.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.	Complied Company has established a procedure to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Complied Agenda letters have been circulated by the Company Secretary to the Board of Directors at least 7 days prior to the Board meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied The Directors allocate adequate time to contribute effectively during the Board meetings.
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 (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	Complied The company duly complied with the requirement.

Rule Reference	Principle	Extent of Compliance
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.	The Company will implement a process to discuss strategic matters with the non-executive directors.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied The Directors refrain from voting on any Board resolution pertinent to a matter which has a substantial interest to them
7.8	A director who has not attended at least two-thirds Situation has (2 / 3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	All Directors have attended at least two thirds of the meetings and non-attendance of consecutive three meetings did not arise. Refer page 28 for details on Directors' attendance at Board meetings.
7.9	For the scheduled meetings, participation in person is encouraged and for adhoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Complied
8. Company Secretary		
8.1	a) The Board shall appoint a company complied secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations. b) The Board shall appoint its company secretary, subject to 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 appointed the Company secretary, such person shall become an employee of FC and shall not become an employee of any other institution	The Board has appointed M/S. Varners International (Pvt) Limited as the Finance Companies (Corporate Governance) Direction No. 03 of 2008 to carry out all the functions and responsibilities on accordance with statutory and regulatory requirements. Company will comply the new governance requirement prior to the date of transitional provision provided. Section 8 of Finance Companies (Corporate Governance) Direction No. 3 of 2008, is currently being adhered.
8.2	All directors shall have access to advice and services of the Company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	Complied A Board-approved procedure is in place to enable all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied

Rule Reference	Principle	Extent of Compliance
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied The company secretary maintains minutes of the Board meetings and other recording materials for the period specified in the Direction.
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.	Complied The Company Secretary records the proceedings of the meetings and the decisions taken throughout in sufficient detail.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact- finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and(f) the decisions and Board resolutions.	Detailed minutes are kept covering the given criteria and the Board minutes contain the required details such as contribution of individual Director, decisions and Board resolutions, ultimate decision of the Board, whether it complies with strategies and policies of the Company, Board knowledge and understanding of risk management measures adopted by the Company.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director	
9. Delegations of Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	Complied The Board approves delegation of authorities and provide clear directions to the Senior Management to executive strategic functions.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Complied The Board has appointed Board Audit committee, Board Integrated Risk Management Committee, Nomination Committee and Related Party Transactions Review Committee as specified in the section 10 of this Direction.
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions.	Complied The Board has established Management level committees with appropriate delegation authorities such as Management committee, Asset and Liability committee (ALCO), IT steering committee and Credit Committee.

Rule Reference	Principle	Extent of Compliance
9.4	The Board shall not delegate any matters to a board subcommittee, 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.	Complied The Board delegates matters to its board sub- committees or senior management to an extent that such delegation would not significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	Complied The Board periodically reviews the delegation of authorities and the pertinent processes to ensure its effectiveness.
10.	**Board Sub – Committees** The Company will be adopting the section 10 of the Direction from the Financial Year 2024/2025 under transitional provision specified in the Direction. Accordingly, section 8 of Finance Companies (Corporate Governance) Direction No.3 of 2008, is currently being adhered.	
10.1.a	FCs are divided into two categories, based on the asset base and assets base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn, subject to transitional provisions. Asset base less than Rs. 20 bn shall establish at least the BAC, BIRMC, RPTRC. Meetings shall be held at least quarterly for BAC & BIRMC. Other committees shall meet at least annually. Frequency of Sub Committee meetings	The Following Committees have been appointed by the Board and each such committee is required to report to the Board 1. Board Audit Committee on page 71 2. Board Integrated Risk management committee on page 76 3. Board Nomination committee on page 75 4. Board Human resource and Remuneration committee on page 74 5. Board Related party transactions review committee on page 73 Meetings are held as defined in the direction or more frequently as per the respective TOR of the Sub-Committee. Recommendations of these committees are addressed directly to the Board and minutes of meetings are tabled and discussed at the Board meeting BAC meetings are held on monthly basis, BIRMC and RPTRC meetings are held on every quarter and other meeting shall meet at least annually.
10.1.b	Each subcommittee shall have a board approved written TOR specifying clearly its authority and duties.	Board Approved TORs are available for each Board Sub Committee.
10.1.c	Board shall Present a report on the performance of duties and functions of each Board subcommittees at the annual general meeting.	The Board has done a subcommittee evaluation for the financial year 2022/23. Please refer respective Board Sub-Commit tee reports for more details on pages 71 to 77
10.1.d	Each subcommittee shall appoint a secretary to arrange its meetings. Maintain minutes, recordings and carry out other secretarial functions.	Company Secretary functions as the Secretary for the all Board Sub Committees.

Rule Reference	Principle	Extent of Compliance
10.1.e	Each subcommittee shall consist of at least 3 Board members and who have skills, knowledge and experience relevant to the responsibilities of the committee.	All the board sub Committees are comprising with three independent non-executive directors who possess skills, knowledge and experience relevant to the responsibilities of the Board Sub Committees. Please refer respective board Sub Committee report on page 71 to 77 and on page 86 report of the Board of Directors.
10.1.f	The Board may consider occasional rotation of members and chairperson each committee.	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.
10.2 Board Audit Committee (BAC)		
10.2.a	The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Chairperson of the Committee is a Independent Non-Executive Director. Refer page 71, Board Audit Committee (BAC) Report.
10.2.b	The board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	All three (3) members of the BAC Committee are independent Non-Executive Directors. Refer page 71, Board Audit Committee (BAC) Report
10.2.c	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	The Secretaries of the Company functioned as the Secretaries of the Committee.
10.2.d	External Audit Function	
10.2.d.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, audit fee and any resignation or dismissal of the auditor.	The BAC has Recommended the reappointment of M/S Ernst & Young, Chartered Accountants as External Auditor for audit services; the implementation of guidelines issued by Central Bank of Sri Lanka; the application of accounting standards in consultation with the Chief Financial Officer and External Auditors; the service period, audit fees, resignation or dismissal of an auditor, re-engaging the audit partner in line with the regulatory requirements.
10.2.d.ii	Engagement of an audit partner shall not exceed five years, and same 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. FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Engagement period of current audit partner is 5 years. External Audit firm will be rotated subject to the transitional provisions.
10.2.d.iii	Audit partner shall not be a substantial shareholder, director, senior management or employee of any FC.	Audit Partner is not a Director or employee and does not hold any Senior Management position of the Company. A declaration has been obtained confirming that the audit partner does not hold any shares of the Company.

Rule Reference	Principle	Extent of Compliance
10.2.d.iv	The committee shall review and monitor the external auditor's independence, objectivity and effectiveness of the audit processes in accordance with applicable standards and best practices.	The External Auditor has provided an independent confirmation in compliance with the guidelines for appointment of auditors of listed companies. In order to safeguard the objectivity and independence of the External Auditor, the Board Audit Committee reviewed the nature and scope taking in to account of the regulations and guidelines.
10.2.d.v	Audit partner shall not be assigned to any non-audit services 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.	According to the approved BAC TOR, Audit partner shall not engage in any non-audit services with the company.
10.2.d.vi	Before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Auditors make a presentation at the BAC meeting with details of the proposed audit plan and the scope including assessment of company's compliance with regulatory requirements and internal controls over financial reporting, preparation of financial statements in conformity with relevant accounting principles and reporting obligations, and co-ordination between the other Auditor of the group. Members of the BAC obtain clarifications in respect of the contents of the presentation, if deemed necessary.
10.2.d.vii	Review the financial information of the FC, in order to monitor the intergrity of the financial statements in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards	Annual and quarterly financial statements are circulated well in advance to the BAC. A detailed discussion focused on major judgement areas, changes in accounting policies, significant audit judgements in the financial statements, going concern assumptions and compliance with accounting standards and other legal requirements takes place and required clarifications are obtained in respect of all areas before being recommended for Board approval.
10.2.d.viii	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	The BAC met the External Auditors without the presence of the Executive Directors / Senior Management three (3) time during the financial year 2022/23

Rule Reference	Principle	Extent of Compliance
10.2.d.ix	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	The Board Audit Committee has reviewed the Management Letter issued by the External Auditors with the responses of the Management.
10.2.e	At least annually conduct a review of the effectiveness of the system of internal controls.	Internal Audit department annually conduct the review of internal controls and present report to the Audit Committee.
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 internal audit function of the FC.	Internal control weaknesses, non-compliance with policies, laws and regulations, and other discrepancies identified by the External Auditor, supervisory bodies and the Internal Audit function The Committee continuously follow up the Management letter and other reports issued by the regulatory bodies to ensure that necessary corrective actions are taken to address any internal control weaknesses, non-compliance with policies, laws and regulations
10.2.g	**Internal Audit Function**	
10.2.g.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 FC's internal control, risk management, governance systems and processes.	A fully-fledged Internal Audit Department (IAD) is in place to provide independent assurance to the committee on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.
10.2.g.ii	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Manager Internal Audit directly reports to the BAC. Internal Audit function have a clear mandate to carry out its functions within the Internal Audit function has sufficient expertise and authority to carry out its work independently, effectively and objectively. The Board approved Internal Audit Procedure manual is in place for effective discharging of its duties. The Internal Audit Procedure manual was last reviewed and approved by the Board in March 2023.
10.2.g.iii	The BAC shall take the following steps with regard to the internal audit function of the FC: (i). Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work. (ii). Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	The Internal Audit functions are available in the BAC TOR. (i). The Audit Committee has reviewed the information provided in the risk-based audit plan and concluded that scope, functions and resources of the Internal Audit Dept. are sufficient to carry out its functions. (i i). The Audit Committee has reviewed and approved the Internal Audit Plan

Rule Reference	Principle	Extent of Compliance
	(iii).Assess the performance of the head and senior staff members of the internal audit department (iv). Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care. (v). Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies. (vi). Examine the major findings of internal investigations and management's responses thereto.	(iii). BAC Assess the performance of the head and senior staff members of the internal audit department (iv). The Committee ensures the independence of the Internal Audit function from the activities it audits and ensures that audits are conducted with impartiality, proficiency, and due professional care and confidentiality was maintained throughout the audit process (v). Periodic reviews are conducted by the IAD on regulatory reporting to regulatory bodies such as CBSL, FIU, IRD. Annual Audit plan included the reviewing of Compliance function during the year. (vi). Whenever a need arises, The BAC and Senior Management assigns special internal investigations on certain matters to the Internal Audit Department and reviews major findings with the management responses thereto and ensures that the recommendations are implemented.
10.2.h	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.	The compliance department quarterly present the update of time bound action plan of statutory investigation report issued by CBSL (on-site investigation report) to the IRMC and ensure whether corrective actions are taken in a timely and effective manner.
10.2.i. The Meetings of the Committee		
10.2.i.i	The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Members of the BAC, Manager Internal Audit attend to the meeting. Chief Executive Officer and other Senior Management personnel are attended to the meeting by invitation.
10.2.i.ii	Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Members of the BAC, Manager Internal Audit attend to the meeting. Chief Executive Officer and other Senior Management personnel are attended to the meeting by invitation.
10.2.i.iii	BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/ employees being present.	Three (3) meetings were held with the External Auditors during the year without the presence of any other Directors, Senior Management or employees.

Rule Reference	Principle	Extent of Compliance
10.3 Board Integrated Risk Management Committee (BIRMC)		
10.3.a	The chairperson should be 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.	The Chairman of the Committee is an Independent Non-Executive director. The Committee consists of three (3) Independent Non-Executive Directors with sufficient knowledge and experience in banking, finance, risk management issue and practices. The CEO, Compliance Officer and relevant Senior Management personnel are attended by invitation. The Committee closely work with Senior Management personnel and makes decisions on behalf of the Board within the Board approved Terms of Reference of the Committee.
10.3.b	The secretary to the committee may preferably be the CRO	Company Secretary functions as the Secretary to the Committee.
10.3.c	The committee shall assess the impact of risks including credit, market, liquidity, operational, strategic, compliance and technology, to the FC 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.	The Risk and Compliance department quarterly assess the credit risk, operational risk, Liquidity risk and Market Risk and present the report to the BIRMC.
10.3.d	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	The Company is in the process of finalizing the Risk Appetite Statement (RAS) and company present credit risk, operational risk, Liquidity risk and Market Risk to the BIRMC.
10.3.e	Review the risk policies including RAS, at least annually.	Company in process of developing a new Risk Management Policy and RAS by reviewing and updating the existing Operational Risk Management Policy.
10.3.f	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.	AFPLC have recently reviewed all TORs of all management level sub committees and that includes the annual evaluation criteria. Further, Company will implement the annual evaluations to review adequacy and effectiveness of senior management level committees.

Rule Reference	Principle	Extent of Compliance
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The Committee has reviewed the business Continuity Plan. The disaster recovery plan is included in the company ISSP policy. The BIRMC assess all aspects of risks and present to the BIRMC.
10.3.h	Annually assess the performance of the compliance officer and the CRO.	The Chairman of the Committee annually assess the performance of the Compliance Officer. Further Company will be implemented a process to assess the performance of the compliance officer through BIRMC.
10.3.i Compliance Function		
10.3.i.i	Shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Independent Compliance function is in place to assess the Compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved pol icies on the Business operations.
10.3.i.ii	For FCs with 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.	Not applicable
10.3.i.iii	For FCs with 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.	A Middle Management Officer with appropriate seniority has been designated as the Company's Compliance Officer. This Compliance Officer reports directly to the BIRMC and does not engage in any manage-ment, operational activities, or income-gen erating functions while fulfilling his role as the Compliance Officer. The Board approved Compliance Manual and Charter is in place to govern the Compliance function of the Company.
10.3.i.iv	The BIRMC shall ensure 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; ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory development relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure	The Job Description (JD) of the Compliance Officer has been reviewed by the Chairman of the BIRMC in Compliance with in this direction and best practices. The Compliance Officer's JD and Compliance Policy cover mainly the following; 1. Maintain compliance through sound compliance framework 2. Facilitate AML/CFT Compliance 3. Be current with legislative and regulatory changes and administration 4. Manage Compliance Audits 5. Risk Management

Rule Reference	Principle	Extent of Compliance
	conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	
10.3.j Risk Management Function		
10.3.j. i	Establish an independent risk management function responsible for managing risk-taking activities across the FC.	Currently company's risk management function is handled by the compliance officer
10.3.j. ii	For FCs with 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.	Not Applicable
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.	Company in process of developing a new Risk Management Policy and RAS by reviewing and updating the existing Operational Risk Management Policy.
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved and frauds: (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The Committee has Board approved policies on credit risk management, operational risk management and overall enterprise risk management which provide a framework for management and assessment of risks. Accordingly, regular reports on quantitative as well as qualitative risks are being reviewed by the Committee in discharging its responsibilities as per the terms of reference. The risk management framework covers: potential risks and frauds, possible sources of such risks and frauds, process of identifying, assessing, monitoring and reporting risks, controls and mitigating factors and accountabilities. The BIRMC reviews and updates the framework at least on annual basis
10.3.j.v	The CRO 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.	Compliance Officer (CO) participates for ALCO meetings and BIRMC meetings where capital and liquidity is planned. Further, new products and services are reviewed by CO in order to identify and mitigate the risks.

Rule Reference	Principle	Extent of Compliance
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Compliance Officer report the company risk to the BIRMC quarterly basis and company is in the process of implementing risk register.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, \ concurrence and/or specific directions.	The Committee had kept the Board informed of their risk assessment of the Company by forwarding a risk report for upcoming Board meeting seeking Board's views and directions.
10.4 Nomination Committee		
10.4.a	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The nomination committee has been reconstituted and currently the committee comprises with three (3) independent Non-Executive Directors and the chairman of the committee is an independent director. The CEO attended the meeting by invitation. No nomination committee held during financial year 2022/23. Refer Page 75, Nomination Committee Report.
10.4.b	Secretary to the nomination committee may preferably be the company secretary.	Company Secretary functions as the Secretary to the Nomination Committee.
10.4.c	The committee shall implement a formal and transparent procedure to select/appointed new directors and senior management. Senior management are to be appointed \ with the recommendation of CEO, excluding CIA, CRO and compliance officer.	According to the Nomination Committee TOR, Committee will implement a formal and transparent procedure to select/appoint new Directors and Senior Management. The Senior Management are appointed with the recommendation of relevant Directors and the CEO except CIA, 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 Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Fitness and propriety for CEO and Board of Directors areconducted on an annual basis. Further, The Company will be informed this process to the BNC.
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill 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 criteria set out in this direction are considered at the selection and recommendation process of Directors by the BNC and the Board. The profiles of the directors are in the page 21 to 24
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 Committee ensured that the composition of the Board does not dominate by any individual or a group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.

Rule Reference	Principle	Extent of Compliance
10.4.g	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The BNC will be set the criteria to ensure the availability of adequate qualifications, experience, skills and key attributes required for eligibility to discharge duties as CEO, Directors and Senior Management personnel.
10.4.h	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committee; and (iv) whether such director can be considered as independent.	Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE) as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka and notification is sent to CSE. All new appointments are reviewed by the Committee.
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 shall not hold any meeting during the reporting financial period. Further the Committee will make recommendations to the Board considering that the combined knowledge of the Board existed, performance towards strategic demand faced by the Company and contribution made by each Director towards discharge of Board’s overall responsibilities.
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.	Board approved succession plan for Senior Management is in place. Company will implement process to obtain the recommendations from nomination committee.
10.4.k	A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	The members of the BNC does not participate in decision making relating to own appointments or reappointments. Further, Chairman of the Board abstains from the meeting when matters related to his successor is discussed.
10.5	**Human Resource 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.	All the three (3) members of the Committee are Independent Non-Executive Directors.
10.5.b	The secretary to the human resource and remuneration committee may preferably be the company secretary.	The secretaries of the company functioned as the secretaries of the committee
10.5.c / 10.5.d	Availability of formal & transparent Board Approved Remuneration Policy/procedure.	The remuneration policy is the part of the HR manual and it has been developed to achieve fair and equitable benefits with transparent guidelines. The prevailing policy was recommended by the Human resource and remuneration committee and approved by the Board of Directors. Further, the Company is in the process of reviewing the existing HR policy manual which includes the allowance structure for non-executive directors of the company.

Rule Reference	Principle	Extent of Compliance
		The prevailing policy was recommended by the Human resource and remuneration committee and approved by the Board of Directors. Please refer Board Human Resources and Remuneration Committee Report on page 74 for more details.
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 of the Board, including when material changes are made..	The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for directors and employees of the Company.
10.5.f	Developing 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 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 and it also incorporated measures to avoid conflict of interest. The Committee is mindful to abstain from incentivizing employees for taking excessive risks or act in self-interests.
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.	Company will initiate actions to review the performance of senior management by the HRRC committee with the recommendations of CEO. Further, the performance evaluations of the Manager Internal Audit, Compliance Officer will be carried out by the respective board Sub Committees.
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.	Senior Management abstain from attending meetings when matters related to them are being discussed
11. Internal Controls		
11.1 / 11.2	Availability of Internal control system include organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures.	AFPLC has adopted a robust internal control system that reflects clear reporting lines with segregation of duties and Board approved organization structure to effectively mitigate the operational risk.
11.3	Providing the responsibility for Internal Controls for all employees as part of their accountability for achieving objectives.	All employees were made accountable and responsible for internal controls as part of their routine functions through the various policies and procedures of the Company. This may include in the JD of all employees. Any violations of internal controls Are reported to the BAC by the Internal Audit Department. And the company board approved a whistle blowing policy that encourages the whistleblowers to report any such violations.

Rule Reference	Principle	Extent of Compliance
12. Related Party Transactions		
12.1.a	Establish of Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall be non-executive directors	The Board has appointed a Board Related Party Transactions Review Committee in conformity with the direction. The Committee comprised of three (3) Independent Non-Executive Directors. Chairman also Independent Non Excecutive Director. AFPLC has adopted a Board approved Related Party Transaction Policy and Procedure and RPTRC TOR.
12.1.b	All related party transactions shall be prior reviewed and recommended by RPTRC	The Board approved policy is in place for govern the Related Party Transactions. As defined in the Policy, Related Party Transactions are reviewed and recommended by RPTRC for Board's approval. Board approved RPT policy outlines the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c) e) Relatives of a natural person described in paragraph (a), (b) or (d) f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest	Board approved RPT policy outlines the list of Natural Persons/Institutions identified as related parties.

Rule Reference	Principle	Extent of Compliance
12.3	The committee shall ensure that the FC does not engage in business transaction with related party in a manner that would grant such party ore favorable treatment than that is accorded to other similar constituents of the FC. For the purpose of the paragraph, more favorable treatment shall mean: a) Granting of total accommodation to a related party exceeding aprudent percentage of the FCs regulatory committee b) Charging of a lower rate of interest or paying a rate of interest or paying a rate of interest exceeding the rate paid for a comparable counterparty. c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or Maintaining reporting lines and information flows between the FC 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 Board-approved Related Party Transactions Review Policy contains provisions to ensure compliance and the Related Party Transactions Review Committee ensures that all the transactions with Related Parties are on arm's length basis. The Company has developed a separate system to monitor Related Party Transactions to ensure that related party transactions are not entered into on more favorable terms than those offered to others, and where applicable relevant approvals of the Related Party Transactions Review Committee/Board are obtained.
13. Group Governance		
13.1	Responsibilities of the FC as a Holding Company	Not Applicable
13.2	Responsibilities as a Subsidiary	Not Applicable.
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, integrity of reporting protection and proper use of company assets and fair treatment of customers	Board approved Code of Conduct (HR policy Manual) and Conflict of Interest Policies are in place issuing guidelines on appropriate conduct on confidentiality, conflict of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity	If a breach of the Code of Conduct is reported, the Company maintains records on such breaches of Code of Conduct.
14.3	A FC shall establish a Whistle-Blowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically	The Company has a Board-approved Whistleblowing Policy whereby employees of the Company are entitled to raise concerns in confidence about the malpractices in the Company. The BAC ensures that a proper process is in place in line with the Board approved policy for a fair and independent investigation and appropriate follow-up action on such matters.

<table>
<tr><th>Rule Reference</th><th>Principle</th><th>Extent of Compliance</th></tr>
<tr><td colspan="3">15. Conflicts of Interest</td></tr>
<tr><td>15.1. a</td><td>Relationships between the directors shall not exercise undue influence or coercion. 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 substantial interest, is interested, and such Director shall not be counted in the quorum for the relevant agenda item in the Board meeting</td><td>A Board approved conflict of interest policy is in place that covers the stipulated requirements. This policy prohibits directors to use his or her position to divulge confidential, sensitive information, for personal benefit.</td></tr>
<tr><td>15.1. b</td><td>a) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,

i. Identify circumstances which constitute or may give rise to conflicts of interests
ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest
iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest
iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest
v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and

Articulate how any non-compliance with the policy to be addressed</td><td>A Board approved Conflict of Interest Policy is in place covering all aspects of this directions and best practices.</td></tr>
<tr><td colspan="3">16. Disclosures</td></tr>
<tr><td>16.1. i</td><td>i) Financial statements
In addition to the set of financial statements as per LKAS1 or applicable standard annual report shall include,

• A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.

• A statement of responsibility of the Board in preparation</td><td>Annual Audited Financial Statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. The annual Audited Financial Statements of the reporting period have been published in the following newspapers.

<table><tr><th>Medium of Publication</th><th>Date(s) of publication</th></tr><tr><td>Sinhala Lankadeepa</td><td>30.06.2023</td></tr><tr><td>Tamil Virakesari</td><td>30.06.2023</td></tr><tr><td>English Daily FT</td><td>30.06.2023</td></tr></table></td></tr>
</table>

<table>
<tr><th>Rule Reference</th><th>Principle</th><th>Extent of Compliance</th></tr>
<tr><td>16.1. ii</td><td>Chairperson, CEO and Board related disclosures
Name, qualification and a brief profile.
Whether Executive, Non-Executive and/or Independent Director.
Details of the Director who is serving as the senior Director, if any.
The nature of expertise in relevant functional areas.
Relatives and/or any business transaction relationships with other directors of the Company
Names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or non- executive capacity.
Number/percentage of board meetings of the FC attended during the year; and
Names of board committees in which the director serves as the Chairperson or a member.</td><td>Complied
The profiles of the board of directors are on pages 21 to 24

Attendance of Board Meetings and Sub-Committee meetings are given on page 28 respectively.</td></tr>
<tr><td>16.1. iii.</td><td>Appraisal of board performance
An overview of how the performance evaluations of the Board and its committees have been conducted.</td><td>Complied

The performance evaluations of the Board and the Sub-Committees have been completed based on the pre-agreed objectives.
Details on performance evaluation of Board and Sub-Committee are disclosed in Corporate Governance report on pages 71 to 77</td></tr>
<tr><td>16.1. iv.</td><td>Remuneration
A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)
The aggregate values of remuneration paid by the FC to its directors and senior management.</td><td>A statement on remuneration policy has been disclosed in Board Human Resource and
Remuneration Committee Report appeared on page 74 of the Annual report.
Aggregate remuneration paid to Directors and Senior Management
<table><tr><th></th><th>Annual Remuneration (Rs.)</th><th>Annual non-cash benefits (Fuel Reimbursement)</th></tr><tr><td>Directors</td><td>6,340,000</td><td>-</td></tr><tr><td>Senior Management</td><td>73,103,727</td><td>79,524,693</td></tr></table></td></tr>
</table>

Rule Reference	Principle	Extent of Compliance
16.1. v	Related party transactions • The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. • The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Complied. Refer the report of Board of Directors on page 86 & 87 and Refer the Financial Statements note 47, Related Party Transactions.
16.1. vi	Board appointed committees • The details of the chairperson and members of the board committees and attendance at such meetings.	Complied Details of Chairperson, members and the attendance of the below mentioned Sub-Committees are stated in respective Sub-Committee reports as follows. Board Audit Committee Report – page 71 Board Integrated Risk Management Committee Report – page 76 Board Nomination Committee Report –page 75 Board Human Resources and Remuneration Committee Report –page 74 Board Related Party Transactions Review Committee Report –page 73
16.1. vii	Group Structure • The group structure of the FC within which it operates. • The group governance framework.	Refer Page 52, Governance Structure The Group Governance Framework is disclosed in Corporate Governance report on page 27 of the annual report.
16.1. viii	Director's report report, which shall contain the following declarations by the Board: • The FC has not engaged in any activity, which contravenes laws and regulations. • The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. • The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Complied Refer page 26 of Corporate Governance report. Refer report of the Board Directors on page 84 to 87 for following disclosures. • Directors declaration on RPT with the Company and abstained voting • Going Concern. • Reviw of Internal Controls covering material risks to the Company and have obtained reasonable assurance

Rule Reference	Principle	Extent of Compliance
16.1. ix	ix. Statement on Internal Control • A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.	Complied Refer Page 89 Refer Page 88 Refer Page 89
16.1.x	Corporate governance report • Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Complied Refer Page 29
16.1.xi	Code of conduct • Fcs code of business conduct and ethics for directors, senior management and employees • The Chairperson shall certify that the company has no violations of any of the provisions of this code	Complied Company has a Board approved Code of Conduct (HR Policy Manual). Refer Page 25, Chairman's Statement on Corporate Governance
16.1.xi	Management report • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the Company • Prospects for the future.	Complied Refer Page 7 to 15
16.1.xiii	Communication with shareholders • The policy and methodology for communication with shareholders. • The contact person for such communication.	Complied Company has a Borad approved communi-cation policy and it covers all stakeholders. The Company Secretary communicates with the shareholders through the annual report, Quarterly Reports & by notices issued to the shareholders.

SECTION TWO – LISTING RULES- SECTION 7.6 AND 7.10 ON CORPORATE GOVERNANCE FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

The Listing Rules – Section 7.10 of the Colombo Stock Exchange (CSE) mandates listed companies to publish a table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses areas such as Non-Executive Directors, Independent Directors and Disclosures relating to Directors, Remuneration Committee and Audit Committee.
The Company's level of compliance with the Listing Rules (Section 7.10) is tabulated below.

Rule No	Requirement	Status
7.10.1	**Non-Executive Directors**	
7.10.1. (a)	Two or one –third of the directors, whichever is higher, should be Non-Executive Directors.	Complied The extent of compliance with this requirement is disclosed on page No 26, under "Board Composition and balance".
7.10.1. (b)	The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied The board comprises of six directors. During the under review, Mr. Rusi Pestonjee has resigned from the position of Chairman since he has completed 9 years of service & approval is pending from the CBSL. Mr. A.S. Ratnayake has resigned from the position of Independent Non-Executive Director/ Senior Director of Abans Finance PLC w.e.f. 30th June 2022 and Mr. Sanjaya Bandara has been appointed as Independent non-executive director to the Board w.e.f. 09.09.2022.
7.10.1. (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied The cessation and the appointment of directors as disclosed in 7.10.1. (b) comply with the requirement.
7.10.2	**Independent Directors**	
7.10.2 (a)	Two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'. As at 31 March 2023, there were three Independent Non-Executive Directors.	Complied. Refer page No. 26 under "Board Composition and balance".
7.10.2 (b)	Each non-executive director to submit a signed and dated declaration annually of his/her independence or non- independence in prescribed format.	Complied. Refer page No. 27 under "Determination of Independence of Non-Executive Directors".
7.10.3 (a)	The board shall make a determination annually as to the independence or non-independence of each non-executive director and shall set out in the annual report the names of directors determined to be 'independent'.	Complied. Refer page No. 27 under "Determination of Independence of Non-Executive Directors".
7.10.3(b)	In the event a director does not qualify as 'independent' as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	No such determination was required since all Independent Directors have qualified as independent as per the said rules.

Rule No	Requirement	Status
7.10.3(c)	A brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Please refer pages 21 to 24 for the profiles of the Board of Directors to the Annual Report.
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	The cessation and the appointment of directors as disclosed in 7.10.1. (b) comply with the requirement.
7.10.4	**Criteria for defining of Independence**	
7.10.4	Requirements for meeting criteria to be independent	Complied.
(a-h)	All independent directors of the Company met the criteria for independency specified in this rule. All Independent Directors of the Company met the criteria for independence specified in this rule.	Complied. All Independent Directors of the Company met the criteria for independence specified in this rule.
7.10.5 Remuneration Committee		
7.10.5 (a)	A Listed Entity shall have a remuneration committee in conformity with, composition - a minimum of two independent non-executive directors or of Non-executive directors a majority of whom shall be independent, whichever shall be higher.	Complied. Human Resource and Remuneration Committee comprised of three directors and all of them are Independent Non-Executive Directors. Refer the Human Resource and Remuneration Committee Report on page 74
7.10.5 (b)	Functions – functions of remuneration committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Refer the Human Resource and Remuneration Committee Report on page 74 for details.
7.10.5 (c)	Disclosure in the Annual report	Complied. Refer the Human Resource and Remuneration Committee Report on page 74 for details.
	- The names of the Directors that comprises the remuneration committee	Refer the Human Resource and Remuneration Committee Report on page 74 for details.
	- A statement of the remuneration policy	
-	Aggregate remuneration paid to executive and non-executive directors.	Refer the Note No. 47 of the Audited Financial Statements.
7.10.6	**Audit Committee**	
7.10.6 (a)	A Listed Entity shall have an audit committee in conformity with,	Complied.
	(a) Composition - a minimum of two independent non-executive directors or a majority of independent Non- Executive Directors whichever is higher.	Audit Committee is comprised of three Directors and all of them are Independent Non-Executive Directors and hence complied with the requirements.
	- Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Chief Executive Officer/ Chief Financial Officer attend the meetings regularly by invitation
	- The Chairman of the Audit Committee or one member should be a member of a professional accounting body	The Chairman is a fellow member of the Institute of Chartered Accountants of Sri Lanka and fellow member of the Association of Accounting Technicians (AAT). Please refer page 24 for the complete profile of Mr. Sanjaya Bandara

Rule No	Requirement	Status
7.10.6 (b)	Function - Should be as outlined in the Section 7.10 of the Listing Rules	Complied Please refer Audit Committee Report on page 71 of the Annual Report for description of its functions.
7.10.6 (c)	Disclosure in the Annual Report	Complied.
	- The names of the Directors who comprise the Audit committe	Please refer Audit Committee Report on page 71 for the composition of the Audit Committee.
	- Make a determination of the independence of the auditors and shall disclose the basis for such determination	The extent of compliance with this requirement is disclosed on page No. 28 under "Engagement of External Auditors to Provide Non Audit Services and Auditors' Independence".
	- A report by the audit committee, setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules.	Please refer Board Audit Committee Report on page 71.

Corporate Governance [Contd.]

Section Three – Code of Best Practice on Corporate Governance 2017, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Charted Accountants of Sri Lanka

The Corporate Governance Code issued in 2013 was revised and updated in 2017, which comprises of eight fundamental principles such as Directors, Directors Remuneration, Relation with Shareholders, Accountability and Audit, Institutional Investors, Other Investors, Internet of things and cybersecurity, Environment and society and Governance (ESG).
The Company's adherence with Code of Best Practice on Corporate Governance is tabulated below.

Section	Rule	Degree of Compliance
I. THE COMPANY		
A.	**DIRECTORS**	
A.1	**The Board –** The Company should be headed by an effective Board of Directors, which should direct, lead and control the Company. The Board comprises of professionals with required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and creates a sound environment for the successful functioning of the Company.	
A.1.1.	Board meetings – The Board should meet at least once in every quarter	The Board usually meets monthly and special meetings are convened wherever necessary. During the year, the Board met 12 times. Please refer page 28 for the Board meetings and attendance.
A.1.2	Board's responsibilities –	
	- Formulation and implementation of a sound business strategy	The Board engages in providing direction in formulating strategic direction for the development of strategy which is aimed at the long-term success of the Company. The Company's strategic business plan covering the period, 2022/23 to 2024/25 was approved by the Board in December 2022.
	- CEO, Executive Directors and Senior Management team possess the skills, experience and knowledge	The CEO and other Key Management Personnel possess extensive skills, knowledge, competencies and experience.
	- CEO and Key Management Personnel (KMP) succession planning	The Company has a Board approved one to one succession plan in place for the Key Management Personnel.
	- Implementing security and integrity of information, internal controls, business continuity and risk management	The Board ensures that an effective system is in place to secure the integrity of information, internal controls and risk management. The Audit Committee and the IRMC on behalf of the Board monitor the integrity of financial information, the robustness of financial control and system of risk management of the Company.
	- Ensuring compliance with laws, regulations and ethical standards	The Board has established a separate Compliance function to ensure that the Company has complied with the relevant laws, regulations, ethical standards and other regulatory frameworks.

Section	Rule	Degree of Compliance
	- Ensuring all stakeholder interests are considered in corporate decisions	The Board considers the stakeholder interests in the decision-making process.
	- Recognizing sustainable business development	The Board recognizes the importance of sustainable development in corporate strategy and business development.
	- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate Accounting Policies	The Company's accounting policies are reviewed annually by the Audit Committee so as to be updated with new developments, changing business requirements and best practices.
	- Fulfilling other Board functions is vital, given the scale, nature and the complexity of the organization	The Board has attempted to fulfill the obligations towards all stakeholders during the year.
A.1.3	Compliance with laws and access to independent professional advice	The Board collectively and individually recognizes its duty to comply with the laws prevailing in the country. The Board ensures that policies and procedures are in place to comply with applicable laws and regulations. The Board has approved a procedure to seek Independent Professional advice by Directors at the expense of the Company. No such advice has been taken during the year under review.
A.1.4	All Directors should have access to the services and advice of the Company Secretary	A Board approved policy is in place to enable all Directors to have access to the Company Secretaries. Directors are authorized to access the Company Secretaries to obtain advice and services as and when required on any matter relating to the Board procedures and all applicable rules and regulations.
A.1.5	Independent judgment of Directors	All Directors exercise independent judgment in the decisions made by the Board on issues of strategy, performance, resources and conduct of business.
A.1.6	Every Director should dedicate adequate time and effort to the matters of the Board and the Company	All Directors of the Company have dedicated adequate time and attention to the affairs of the Company. The Company circulates Board papers and relevant information with adequate notice in order for them to review before the Board / Board Sub Committee meetings. The number of Board / Board Sub Committee meetings held and attendance is presented on page 28.

Section	Rule	Degree of Compliance
A.1.7	One third of directors can tell for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	No such situation has been arised.
A.1.8	Every Director should receive appropriate training	Every Director is provided appropriate induction with regard to the affairs, rules and regulations of the Company and subsequent training on latest trends and issues facing the Company and the industry in general.
A.2	**Chairman and Chief Executive Officer –** There should be a clear division of responsibilities at the head of the Company, which will ensure the balance of power and authority, so that no one individual has unfettered powers of decision.	
A.2.1.	If CEO and Chairman is one-person justification in the Annual Report	Since CEO's and Chairman's roles are segregated, a specific disclosure is not made.
A.3	**Chairman's Role –** The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board functions.	
A.3.1	Chairman's role	The Chairman conducts Board procedures in a proper manner and ensures that Board members discharge their responsibility effectively to make a contribution to Board's affairs. Agenda for meetings and matters to be taken up at Board Meetings are duly scheduled.
A.4	**Financial Acumen –** The Board should ensure the availability of those with sufficient financial acumen and knowledge to offer guidance on matters of finance within the Board.	
A.4	Financial Acumen	The Board is comprised with sufficient number of directors with financial acumen who provide guidance to the Board on matters relating to finance. Please refer pages 21 to 24 of the Annual Report for the profile of the Directors.
A.5	**Board Balance –** It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individu al or small group can dominate the Board's decision taking.	
A.5.1	The Board should include at least two Non- Executive Directors or one-third of total Directors, whichever is higher	The extent of compliance with this requirement is disclosed in page No. 26 under "Board Composition and balance"
A.5.2	Two or one-third of Non- Executive Directors whichever is higher should be independent	The extent of compliance with this requirement is disclosed in page No. 26 under "Board Composition and balance"
A.5.3	Evaluation of independence of Non- Executive Directors	
A.5.4	Signed declaration of Independence by the Non- Executive Directors	In terms of Assessment of fitness and propriety of key responsible person direction no 6 of 2021, annual assessment of directors have been conducted for the financial year 2022/2023.
A.5.5	Determination of the independence and non-independence of each Non- Executive Directors annually	The extent of compliance with this requirement is disclosed in page No. 27 under "Determination of Independence of Non-Executive Directors"

Section	Rule	Degree of Compliance
A.5.6	Alternate Directors to meet the criteria for independence / Non-Executive status of the appointer.	No alternate director was appointed to represent any Independence / Non-Executive status of the appointer.
A.5.7	Senior Independent Director (SID)	Since, Mr. K.J.C Perera, the chairman is an Independent Non-Executive Director SID is not applicable.
A.5.8	Confidential discussion with other Directors by the Senior Independent Director	The Terms of Reference adopted by the Board for the Senior Independent Director requires him to make himself available for any confidential discussion with Non-Executive Directors. However, no such situation has arisen during 2022/23
A.5.9	Meetings held by the Chairman with Non-Executive Directors	Chairman meets the Non-Executive Directors without the presence of CEO on a need basis.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	Concerns raised by Directors at Board Meetings and the final decisions are recorded in the Minutes of the meetings.
A.6	**Supply of Information –** The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties.	
A.6.1	Management should provide timely information to the Board	The Management ensured that the Board has been provided with timely and accurate information that is circulated within the prescribed period. Key Management Personnel make themselves available to respond to any queries raised at the meetings and for the provision of additional information.
A.6.2	Adequate time for effective Board meetings.	In order to facilitate an effective Board Meeting the minutes, agenda and Board papers are circulated to the Directors prior to 7 days of the Board Meeting.
A.7	**Appointments to the Board –** There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1	Nomination Committee	The Nomination Committee makes recommendations to the Board on all new appointments to the Board. Refer page 75 for the details of the Nomination Committee.
A.7.2	Assessment of Board composition by the Nomination Committee	The Nomination Committee reviews the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications.
A.7.3	Disclosure requirements when appointing new Directors to the Board	Details of new Directors are disclosed to shareholders when appointed, with immedi ate notification to the Colombo Stock Exchange along with a brief resume of such Director.

Section	Rule	Degree of Compliance
		Further, prior approvals for such appoint ments are obtained from the Central Bank of Sri Lanka in terms of regulations applicable to Finance Companies.
A.8	**Re-election –** All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1 – A.8.2	Re-election of Directors	The extent of compliance with this requirement is disclosed in page No. 27 under "Appointment, Resignation and Re-election"
A.8.3	**Resignation** Provide a written communication to the board of his reason for resignation subsequently prior approval shall be obtained from the DSNBFI. The details of the resigned directors of the financial period are included in the page no 28, Directors' attendance at board and subcommittee meetings.	
A.9	**Appraisal of Board Performance -** The Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	
A.9.1 - A.9.3	Appraisal of Board Performance Annual self-evaluation by the Board members and of its Committees Disclosure of evaluation process	Annual assessment for the BOD and sub committees have been conducted for the financial period. The extent of compliance with this requirement is disclosed in page No. 27 under "Board and its Sub Committees' effectiveness".
A.9.4	The Board should state how such performance evaluations have been conducted, in the Annual Report. The process adopted by the AFPLC is detailed on page no. 27, "Board and its Sub Committees' effectiveness" of this report.	
A.10	**Disclosure of information in respect of Directors** Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1	Annual Report disclosure in respect of Directors (Name, Qualifications, etc.)	Profiles of the Board of Directors are given on pages 21 to 24.
A.11	**Appraisal of Chief Executive Officer (CEO)** The Board should require at least annually to assess the performance of the CEO.	
A.11.1	Targets for CEO at the commencement of each fiscal year	CEO's performance targets are aligned with business strategies of the Company. Targets are set at the beginning of every financial year by the Board which is in line with the short, medium and long-term objectives of the Company.
A.11.2	Evaluation of the performance at the end of each fiscal year	At the end of each financial year the Board evaluates the set targets and the actual performance.
B.	**DIRECTORS' REMUNERATION**	
B.1	**Remuneration procedure** The Company has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his / her remuneration.	

Section	Rule	Degree of Compliance
B.1.1	Setting up of Remuneration Committee	The HR and RC Committee determines the compensation and benefits of the Executive Directors/Key Management Personals and ensures no director is involved in determining his own remuneration. Further, the Commit tee is responsible for deciding the overall remuneration structure of the Company.
B.1.2	Composition of Remuneration Committee	Remuneration Committee is comprised of Independent Non-Executive Directors. Refer the Human Resource and Remuneration Committee report on page 74.
B.1.3	Disclosure in the Annual Report about the Remuneration Committee members	Human Resource and Remuneration Committee report is given on page 74.
B.1.4	Remuneration of Non-Executive Directors	The Non-Executive Directors (Independent) receive fixed remuneration for attending meetings of the Board and Board Sub-committees.
B.1.5	Remuneration Committee consult Chairman / CEO and other Executive Directors and access to the professional advice	The Directors are empowered to seek appropriate professional advice within and outside the Company as and when it is deemed necessary by the Committee.
B.2	**The level and make up of Remuneration** Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors' to run the company successfully. A proportion of Executive Director's remuneration should be structured to link rewards to corporate and individual performance.	
B.2.1 – B.2.10	Level and make up of remuneration of Executive Directors including performance element in pay structure - Remuneration packages in line with industry practices - Executive share option - Non-Executive Directors' remuneration	The Remuneration Committee gives due consideration to the provisions of these sections and arrives at final recommendations as specified. The Remuneration Committee ensures that remuneration packages are in line with the industry practices. The Company does not have an executive share option scheme The Non-Executive Directors (Independent) receive fixed remuneration for attending meetings of the Board and Board Sub-committees.
B.3	**Disclosure of Remuneration** Annual Report of the Company should contain a statement of remuneration policy and details of remuneration of the Board as a whole.	
B.3.1	Disclosure in the Annual report about the (a) Remuneration Committee members (b) statement of remuneration policy (c) aggregate remuneration paid	Please refer the Remuneration Committee report on page No. 74 and Note No. 47 to the Financial Statements. Aggregate Remuneration paid included in the corporate governance section.16.1. iv. Refer page 54.
C. RELATIONS WITH SHAREHOLDERS		
C.1	**Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.** Board should use the AGM to communicate with shareholders and should encourage their participation.	

Section	Rule	Degree of Compliance
C.1.1	Arrange for the notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Annual Report including Financial Statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM.
C.1.2	Separate resolutions for separate issues	Separate resolutions are placed before shareholders for business transactions at the AGM.
C.1.3	Use of proxy	The Company has recorded all proxy votes for each resolution prior to the General Meeting.
C.1.4	Arrangement made by the Chairman of Board that all Chairmen of Sub-Committees make themselves available at the AGM	The Chairman of the Board ensures that the Chairmen of the Board Sub-Committees are present at the AGM unless under exceptional circumstances.
C.1.5	Circulate, along with every Notice of General Meeting, a summary of the procedures governing voting at General Meeting.	A summary of the procedure is set out in the Proxy form itself sent to each shareholder.
C.2	Communication with Shareholders The Board should implement effective communication with shareholders.	
C.2.1	Channel to reach all shareholders to disseminate timely information	The Board approved communication policy addresses this matter.
C.2.2	Policy and methodology of communicating	The Annual General Meeting of the Company is the main forum where the Board maintains effective communication with the shareholders. Hence all shareholders are encouraged to participate at the AGM. Further, the Company's website, corporate disclosures and other news releases to the Colombo Stock Exchange function as additional communication channels.
C.2.3	Implementation of the methodology	Refer the comment on principle C.2.2
C.2.4	Contact person in relation to communications	Shareholders may contact the Chief Financial Officer for queries, if any.
C.2.5	Awareness of Directors on major issues and concerns of shareholders	The Company Secretaries maintain records of all correspondence received from shareholders and direct the same to appropriate channels for resolution.
C.2.6	Contact person in relation to shareholders' matters	The Company Secretaries can be contacted for any queries of shareholders, whose details are given below, Varners International (Pvt.) Ltd., Corporate Secretaries, Level 14, West Tower, World Trade Centre, Echelon Square, Colombo – 01.
C.2.7	Process for responding to shareholders	Refer the comment on principle C.2.5
C.3	**Major and Material Transactions** Directors should disclose all proposed corporate transactions which would materially alter the net asset base of the Company.	

Section	Rule	Degree of Compliance
C.3.1	Disclosure of major and material transactions	The Company did not enter into major transactions during the year.
C.3.2	Comply with the disclosure requirements and shareholder approval by special resolution as required by SEC.	The company did not engage in or commit any major and material related party transaction during the year which materially affected the company's/group's net asset base to make a disclosure to SEC and CSE.
D. ACCOUNTABILITY AND AUDIT		
D.1	**Financial and Business Reporting (The Annual Report)** The Board should present a balanced and an understandable assessment of the Company's financial position and prospects.	
D.1.1 D.1.2	Present balanced and understandable assessment of the company's financial position and prospects. The Board should present interim and other price sensitive information to the public and reports to regulators.	The Company has reported the Audited Financial Statements as at 31st March, 2023 and the Interim Financial Statements at the end of each quarter of the financial year which has complied with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the directions made there under and in conformity with the Sri Lanka Accounting Standards. This information is initially uploaded to the Colombo Stock Exchange website in order to ensure the maintenance of a fair and orderly securities market as required by Listing Rules of the CSE. All price sensitive information has been disclosed in a timely manner.
D.1.3	Board should obtain a declaration from CEO and CFO in their opinion about the financial records, financial position and performance of the company	The Board obtained declarations from CEO and CFO that Company's interim and annual financial statements are prepared inconformty with applicable accounting standards, relevant laws and regulations and gives true and fair view of the financial position and performance, risk management and effectiveness of the internal controls.
D.1.4	Directors' Report in the Annual Report	Refer the Report of the Board of Directors on pages 84 to 87.
D.1.5	Annual report should contain a report/ statement on Internal Control	Statement of Directors' responsibilities is given on page 88, Auditors statement given on page 90 and Directors statement of internal control over financial reporting on page 89.
D.1.6	Management discussion and analysis	Management Discussion and Analysis is given on pages 7 to 14.
D.1.7	In the event of the company fall below 50% of the value of the company`s shareholder funds the directors should report periodically to the shareholders.	This situation has not arisen during the year and the likelihood of such a situation is remote.
D.1.8	Disclosure of related party transactions	Refer the Note No. 47 to the Audited Financial Statements and Report of the Board of Directors on pages 84 to 87.

Section	Rule	Degree of Compliance
D.2	**Risk Management and Internal control** The Board should maintain a sound system of internal control to safeguard shareholders' investments and Company assets.	
D.2.1	Evaluation of internal controls by the Board	The Audit Committee, with the assistance of the Internal and External Auditors reviews the effectiveness of the internal control procedures and takes corrective action where necessary.
D.2.2	Evaluation of the process and effectiveness of risk management and internal controls.	The Internal Audit Division regularly reviews and reports to the Audit Committee on Risk Management measures and internal control system. The Audit Committee on behalf of the Board monitors and takes corrective action where necessary on the said controls and risk management measures.
D.2.3	Internal Audit function	The Company's Internal Audit Function is carried out by the Chief Internal Auditor of Abans Group. Findings together with appropriate recommendations are discussed at Audit Committee Meetings. Please refer the Audit Committee Report on page 71 for more details.
D.2.4	Ensure carrying out the reviews of the process and effectiveness of the process and effectiveness of risk management and internal controls.	A process has been setup to provide reasonable assurance on reliability of internal controls over financial reporting process. The Board Audit Committee annually reviews the effectiveness of internal controls and risk management process through fully fledged internal audit department to ensure effective discharge of their duties. Refer Directors statement of internal control over financial reporting on page 89.
D.2.5	Responsibilities of Directors in maintaining a sound system of internal control and statement of internal control	Refer Directors' Statement on Internal Control over Financial Reporting on page 89.
D.3	**Audit Committee** The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintain an appropriate relationship with the Company's Auditors.	
D.3.2	Terms of reference of the Audit Committee	The extent of compliance with this requirement is disclosed on page 71 under "Audit Committee Report"The Audit Commitee is guided by the Terms of Reference approved by the Board which outlines its authority and responsibility.
D.3.3	Disclosure made in the Annual Report about the Audit Committee.	Refer the Audit Committee Report on page 71.
D.4	**Related Party Transactions Review Committee** The Board should establish a procedure to ensure that company does not engage in transactions with "related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in normal course of business.	

Section	Rule	Degree of Compliance
D.4.1	A related party and related party transaction will be as defined in LKAS 24	According to the Related Party policy and procedure in place for identification of related parties and related party transactions as defined in LKAS 24 and other regulations.
D.4.2	Composition of Related Party Transactions Review Committee	The Board has established a Related Party Transactions (RPT) Review Committee consisting of three Independent Non-Execu tive Directors including the chairman of the committee. Please refer Related Party Transactions Review Committee on page 73.
D.4.3	Terms of Reference of the RPTRC	The Related Party Transactions Review Committee is guided by the Terms of Reference approved by the Board which outlines its authority and responsibility
D.5	**Code of Business Conduct and Ethics** The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the Senior Management team. Any non-compliance with the said Code should be promptly disclosed.	
D.5.1	Code of business conduct and ethics	The Company has in place a code of conduct and ethics and whistleblowing which is applicable to Directors and Employees. Corporate governance and Page 56.
D.5.2	Process to ensure material and price sensitive information is prompty identified and reported in accordance with the relevant regulations.	A process is in place to obtain declaration from Directors, KRPs and all staff members on compliance of these policies.
D.5.3	Establish Company policy for monitoring, and disclosure of shares purchased by any director, KMP or any other employee involved in financial reporting.	The Chairman and the Board affirm that all Directors and KRPs have declared compliance with this Code
D.5.4	Violation of any of the provisions of the code of business conduct and ethics.	The Chairman of RPTRC is not aware of any violation of any of the provisions in these Codes
D.6	**Corporate Governance disclosures** Directors should be required to disclose the extent to which the company adheres to established princples and practices of good corporate governance.	
D.6.1	Disclosure of which extent to which the company has complied with the principles and provisions of this code.	This requirement is met through the Corporate Governance Report on Pages 24 to 56
II.	**SHAREHOLDERS**	
E.	**INSTITUTIONAL INVESTORS**	
E.1	**Shareholder Voting** Institutional shareholders are required to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.	

Section	Rule	Degree of Compliance
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders views to the Board	The company has 3,039,720 Ordinary voting shareholders of which above 70,653,451 are institutional shareholders All shareholders are encouraged to participate at AGM and cast their votes. Investor relations hotline/email is open for any investor to reach out to the CEO or Directors if required Annual General Meeting is a forum to have an effective dialogue with shareholders.
E.2	**Evaluation of Governance disclosure** Institutional investors are encouraged to give due weight to all relevant factors in the Board structure and composition.	
F. OTHER INVESTORS		
F.1	**Investing / Divesting Decisions**	
F.1	Individual shareholders' investment decisions	Individual shareholders investing directly in the Company are encouraged to seek independent advice on their investment holding or divesting decisions.
F.2	**Shareholder Voting**	
F.2	Individual shareholder voting	Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights. Notices of the meetings are dispatched to all shareholders within the prescribed time period.
G.	**INTERNET OF THINGS AND CYBERSECURITY**	
G.1.	Identify connectivity and related cyber risks	Refer Page 13, Information Technology & Information Security
G.2.	Appoint a CISO and allocate budget to implement a cybersecurity policy	For the time being the CISO role has been outsourced to a third party.
G.3	Include cyber security on Board agenda	Refer Page 13, Information Technology & Information Security
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Refer Page 13, Information Technology & Information Security
G.5	**Disclosures in Annual Report**	
	H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)	
	H.1 ESG REPORTING	Refer Section of 1.3 (c) of Page 30.
	H1.2 ENVIRONMENTAL FACTORS	Refer page 20.
	H1.3 SOCIAL FACTORS	Refer page 20.
	H1.4 GOVERNANCE	Refer pages from 24 to 70.
	H1.5 BOARD`S ROLE ON ESG FACTORS	Refer Section 1.3 (c) of Page 30.

BOARD AUDIT COMMITTEE (BAC) REPORT

CHARTER OF THE COMMITTEE

The Terms of Reference of the Board Audit Committee (BAC) are clearly defined in the Charter of the BAC which is periodically reviewed and revised with the concurrence of the Board of Directors.

The functions of the BAC are designed to assist the Board of Directors in its general oversight on financial reporting, internal and external audits and compliance with legal and regulatory requirements and risk management.

THE ROLE AND RESPONSIBILITIES

The BAC is expected to ensure;

- The integrity of the financial reporting of the company and the compliance with financial reporting requirements, information requirements of the company's Act and other related financial reporting regulations
- The effectiveness of the internal control system and the company's Risk Management function
- The company's ability to continue as a going concern in the foreseeable future
- Independence and effectiveness of the company's External Auditors
- Performance of the company's Internal Audit function
- The company's compliance with legal and regulatory requirements including the performance of the company's compliance function

The BAC is currently in compliance with section 10.2 Corporate Governance Direction No.5 of 2021.

AUTHORITY

The BAC has the entire authority to investigate into any matter, including call any employee to be questioned at a meeting of the BAC, full access to information and authority to obtain external professional advice, at the Company's expense.

COMPOSITION

Members of the BAC are appointed by the Board and comprised of three Independent Non-Executive Directors as of 31 March 2023,
as shown below:

Name of the Director	Director Status
Mr. Sanjaya Bandara Appointment w.e.f. 09.09.2022	Chairman of the committee /Independent Non-Executive Director
Mr. Thulci Aluwihare	Independent Non-Executive Director
Mr. K. J. Cecil Perera	Independent Non-Executive Director

The Chairman of the Committee was a fellow member of the Institute of Chartered Accountants of Sri Lanka and a fellow member of the Association of Accounting Technicians (AAT). Mr. Bandara is a partner and the head of assurance of B.R De Silva & Co, Chartered Accountants and counts over 23 years of experience in practice.

The Secretaries of the Company functioned as the Secretaries of the Committee.

MEETINGS

15 meetings were held during the financial year and the attendance of the BAC members at the meetings during the financial year under review was as follows,

Name	No. of meetings applicable	No. of meetings attended
Mr. Ajith Ratnayake*	05	05
Mr. Sanjaya Bandara **	08	08
Mr. Thulaci Aluwihare ***	15	12
Mr. K. J. Cecil Perera ****	09	09

* Mr. Ajith Ratnayake (Former Chairman) resigned w.e.f. 30th June 2022.

** Mr. S M S Sanjaya Bandara (Chairman) has been appointed as a Chairman of Board Audit Committee w.e.f. 09th September 2022.

*** Mr. Thulci Aluwihare has been appointed as the Interim Chairman of Board Audit Committee from 1st of July 2022 to 08th September 2022.

**** Mr. K J C Perera has been appointed as a member of Board Audit Committee w.e.f. 25th July 2022.

On the invitation of the BAC, any officer of the Company, External Auditors and any outsider may attend all or part of any meeting. The proceedings of the BAC meetings are recorded with adequate details and reported to the Board of Directors.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT

The financial information of the company was reviewed by the Committee, with a view to monitor the integrity of the financial statements of the company. In reviewing the company's interim financial statements, the committee focused particularly on major judgmental areas, any changes in accounting policies and practices, the going concern assumption, and compliance with relevant accounting standards and other legal requirements.

Board Audit Committee (BAC) Report

The committee had meetings with the external auditors to discuss issues, problems and reservations arising from the interim and final audits, and any other matters the auditors wished to discuss. The committee met external auditors without the presence of the management to discuss any matters that were needed to be discussed in the absence of Key Responsible Persons (KRPs).

The external auditor's management letter received during the year and the management's response thereto were reviewed by the committee.

EXTERNAL AUDIT

The BAC monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards and best practice. The committee made recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes and their audit fee. Before the audit commenced, the committee discussed and finalized with the external auditors the nature and scope of the audit.

The BAC met the external auditors Messrs Ernst & Young to discuss issues, problems and reservations arising from the interim and final audits, and any other matters the auditors wished to discuss. The Committee met external auditors without the presence of the management to discuss any matters that were needed to be discussed in the absence of key management personnel. The BAC also reviewed the external auditors' Management Letter and management responses thereto.

INTERNAL AUDIT

The BAC reviewed the adequacy of the scope, functions and resources of the internal audit department and satisfied itself that the department has the necessary authority to carry out its work and monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system.

The internal audit plan and results of the internal audit process were reviewed by the committee. Where necessary, the committee advised the management to take appropriate actions on the recommendations of the internal audit department. The committee shall assess the performance of the head of internal audit and other senior staff members of the Internal audit department.

COMMITTEE EVALUATION

An annual evaluation of the committee was carried out by the Board with contributions from individual committee members.

CONCLUSION

The evaluation of reports and based on independent judgment, the BAC is satisfied about the financial reporting, internal control environment, compliance with statutory requirements, independence and effectiveness of external auditors and performance of internal audits of the company under review.

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S. M. S. S. Bandara
Chairman, Audit Committee
19th August 2023

Related Party Transactions Review Committee (RPTRC) Report

According to the Terms of Reference of the Related Party Transaction Review Committee, the main purpose of the committee is to consider all transactions with related parties and take necessary steps to avoid any conflicts of interest and favorable treatment that may arise from any transaction of the company with any parties categorize under "related parties", of the company.

The Board Related Party Transactions Review Committee (RPTRC) was established on 2016, in accordance with the Code of Best Practice on Related Party Transactions issued by the SEC and with the Section 9 of the Listing Rules of the CSE. The committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

COMPOSITION OF THE COMMITTEE

During the financial year under review, the Related Party Transactions Review Committee (the Committee) comprised of the following Independent Non-Executive Directors and the profiles of the members as at 31 March 2023, are indicated on pages 21 to 24.

Name of the Director	Director Status
Mr. K J Cecil Perera	Chairman/Independent Non-Executive Director
Mr. Thulci Aluwihare	Independent Non-Executive Director
Mr. Sanjaya Bandara	Independent Non-Executive Director

MEETING ATTENDANCE

The committee met four times during the financial year and attendance of the members was as follows,

Name	No. of meetings applicable	No of meetings attended
Mr. Ajith S. Ratnayake*	01	01
Mr. Sanjaya Bandara***	02	01
Mr. Thulci Aluwihare**	03	03
Mr. K J Cecil Perera****	04	04

* Mr. Ajith S.Ratnayake resigned w.e.f. 30th June 2022.
**Mr. Thulci Aluwihare has been appointed as a member of RPTRC w.e.f. 25th July 2022.
*** Mr. Sanjaya Bandara has been appointed as a member of RPTRC w.e.f. 26th September 2022.

Secretaries of the company function as the secretary to the committee.

The committee shall invite officers, directors, and employees of the company, as it may deem appropriate, to attend committee meeting and assist in discussion and consideration of matters relating to the directors.

RESPONSIBILITIES AND DUTIES

Responsibilities of the committee includes;

- Take the necessary steps to avoid any conflicts of interest that may arise from any transaction with parties who shall be considered as "related parties".
- Ensure that the company 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 company.
- Shall make whatever recommendations to the board it deems appropriate on any area within its limits where action or improvement is needed.

ACTIVITIES IN 2022/23.

- The committee has prior reviewed and recommended all the related party transactions in compliance with its terms of reference.
- An annual evaluation of the committee was carried out by the committee with the contributions from individual committee members.

For and on behalf of Related Party Transactions Review Committee

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K. J. Cecil Perera
Chairman

19th August 2023

Human Resource And Remuneration Committee

The Committee operates within the agreed Terms of Reference and the main objectives of the committee are to provide necessary guidance for implementation of Human Resources Management and Human Resources Development functions of the company while ensuring accountability, transparency and improving the well-being of the employees. The committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

COMPOSITION OF THE COMMITTEE

The committee consists of three (03) Independent, non–Executive Directors as at 31st March 2023 as mentioned below.

Name of the Director	Director Status
Mr. K J Cecil Perera	Chairman/Independent Non-Executive Director
Mr. Thulci Aluwihare	Independent Non-Executive Director
Mrs. D S Rathnayake	Independent Non-Executive Director

The profiles of the committee members are set out on pages 21 to 24 of this Annual Report.
The secretaries of the company functioned as the secretaries of the committee

MEETING ATTENDANCE

The committee held one meeting during the financial year.

Name	No. of meetings applicable	No of meetings attended
Mr. Thulci Aluwihare	01	01
Mr. K J Cecil Perera*	01	01
Mrs. D S Ratnayake	01	01
A S Ratnayake	00	00

*Mr. K J C Perera has been appointed as a Chairman of Remuneration Committee w.e.f. 25th July 2022

*Mr. Ajith Ratnayaka resigned w.e.f. 30th June 2022

RESPONSIBILITIES AND DUTIES

Responsibilities of the committee includes;

- Ensure that there shall be a formal and transparent procedure in developing the remuneration policy.
- Ensuring that the company adopts, monitors, and applies appropriate remuneration policies and procedures.
- Determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the company and fees and allowances structure for Non-Executive Directors.
- 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.
- Ensure remuneration structure in line with the business strategy, objectives, values, long-term interests and cost structure of the company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.
- Ensure that a proper performance appraisal system for the staff of the company is in place.
- Ensure proper succession plan for Senior Management is in place.

COMMITTEE EVALUATION

The committee completed an evaluation process with self-assessment of members in March 2023, which was forwarded to the Board.

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K. J. Cecil Perera
Chairman
19th August 2023

Nomination Committee Report

OBJECTIVES AND SCOPE

The Board Nomination Committee is appointed by the Board of Directors of Abans Finance PLC (the Company) to which it is responsible. The Committee operates within the agreed Terms of Reference and work closely with the Board in reviewing the structure and skills needed in a successful organization.

The Nomination Committee is established to assist the Board to run effectively, and the Company can go through a formal, fair and transparent process of reviewing the balance and effectiveness of the Board, identifying the skills, experience and diversity of perspectives needed and appointing those who can provide them to the Board.

THE ROLE AND RESPONSIBILITIES

The nomination committee has following role and responsibilities.

I. Lead the process for the appointment of the directors, and to identify and nominate suitable candidates for appointment to the Board.

II. Implement a formal and transparent procedure to select/appoint new directors and senior management.

III. Ensure the selection process shall include whether the proposed directors possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board, have a record of integrity and good repute and have sufficient time to fully carry out their responsibilities.

IV. set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.

V. Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: a brief resume of the director, the nature of the expertise in relevant functional areas, the names of companies in which the director holds directorship or memberships in Board committees and whether such director can be considered as independent.

VI. Consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management.

COMPOSITION

The nomination committee comprised three (3) Non-Executive Directors as at 31 March 2023 as mentioned below.

Name of the Director	Director status
Mr. K J Cecil Perera	Chairman/Independent Non-Executive Director
Mr. Thulci Aluwihare	Independent Non-Executive Director
Mrs. D S Rathnayake	Independent Non-Executive Director

The Profiles of the committee members are set out on pages 21 to 24 of this Annual Report.

The Secretaries of the Company functioned as the Secretaries of the Committee

MEETINGS

According to the nomination Committee Terms of Reference, Meeting of the Committee shall be held not less than once a year and at such other times as the chairman of the Committee shall require. The company shall not hold any meeting during the reporting financial period.

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Mr. K. J. Cecil Perera
Chairman – Nomination committee
19th August 2023

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee (BIRMC) is a Board Sub-Committee established in conformity with Section 10.3 of the Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka with the Board approved Terms of Reference. The BIRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the Compliance Function of the Company.

TERMS OF REFERENCE OF THE COMMITTEE

Pursuant to Finance Companies (Corporate Governance) Direction No.03 of 2008 and Finance Business Act Direction N0. 05 of 2021 on Corporate Governance, Abans Finance PLC (AFPLC) has established the Board Integrated Risk Management Committee (BIRMC) as a sub-committee of the Board of Directors ("The Board") to discharge the responsibilities and the functions as set out in the aforementioned Directions. Accordingly, the Board has established the Terms of Reference (TOR) which articulates the committee's role and responsibilities, composition, structure and membership requirements, authority, processes and procedures.

The Board Integrated Risk Management Committee (BIRMC) oversees and monitors the company's risk management framework, policies and procedures. The purpose of BIRMC is to continuously identify and assess the risk profile of the Organization and approve a Risk Management Policy for the Organization, within the context of the Risk-Reward strategy determined by the Board of Directors.

COMPOSITION OF THE COMMITTEE

The BIRMC comprises three Independent Non-Executive Directors, with knowledge and experience in finance, risk management issues and practices. The CEO & Compliance Officer may attend the meetings upon invitation. The Committee shall invite officers, directors, and employees of the Company, as it may deem appropriate, to attend a Committee meeting and assist in the discussion and consideration of matters relating to the Committee.

Name	Designation	No. of Meetings Applicable	No. of Meetings Attended
Mr. K. J. Cecil Perera	Chairman/Independent Non-Executive Director	04	04
Mr. Ajith S. Ratnayake*	Independent Non- Executive Director	01	01
Mr. Thulci Aluwihare**	Independent Non- Executive Director	02	02
Mrs. D. S. Ratnayake***	Independent Non- Executive Director	02	02

* Mr. Ajith S. Ratnayake resigned w.e.f. 30th June 2022

** Mr. Thulci Aluwihare has been appointed as a member of IRMC w.e.f. 26th September 2022

*** Mrs. D. S. Ratnayake has been appointed as a member of IRMC w.e.f. 26th September 2022

Company secretary serves as the secretary for the committee.

All key risk areas such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Strategic Risk are assessed by the Committee on a regular basis through MIS reports and other reports that cover the risk profile of AFPLC. Apart from assisting the Board in performing its oversight in relation to both qualitative and quantitative risks, the Committee also ensures the adequacy, soundness and effectiveness of the risk management policy of the Company.

COMMITTEE MEETINGS

The Committee meets on an approximately quarterly basis and the attendance of the Directors at the meetings is given on page 28. The Committee assesses all key risks of the Company and discussions and conclusions reached at meetings are recorded in the minutes of the meetings and the committee shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.

Board Integrated Risk Management Committee Report

DUTIES AND RESPONSIBILITES OF THE COMMITTEE

The main responsibility of the Committee is to assess risks faced by the Company such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Strategic Risk. In fulfilling its duties, the Committee covers the following areas,

- The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the company in monthly 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) (including quantitative and qualitative measures), 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.
- The committee shall review the company's risk policies including RAS, at least annually.
- The committee 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.
- The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.
- The committee shall annually assess the performance of the compliance officer.
- The committee 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 shall ensure responsibilities of a compliance officer would broadly encompass with the responsibilities stipulated in the section 10.3 (i) (iv) of the Finance Business Act Direction No. 05 of 2021.
- The committee shall establish an independent risk management function responsible for managing risk-taking activities across the company.
- The committee shall ensure that the Chief Risk Officer is responsible for developing and implementing a Board approved integrated risk management policy that covers;
- Various potential risks and frauds;
- Possible sources of such risks and frauds;
- Mechanism of identifying, assessing, monitoring and reporting of such risks which 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.
- All policies and procedures related to the risk function shall be reviewed and updated at least annually.
- The IRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.

On behalf of the Board Integrated Risk Management Committee,

Mr. K.J. Cecil Perera
Chairman
19th August 2023

Risk Management Report

OVERVIEW

In the course of our daily operations, the Company takes on a wide variety of risks. These risks arise from the products services we offer and the business activities that the Company is engaged in. An effective risk management is fundamental to the business activities of the Company. While we remain committed to increasing shareholder value by developing and growing our business within our Board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

The Board determines the risk appetite based on current and anticipated exposures and views on the economy in normal and stressed conditions. In effect, the risk appetite is designed to measure the magnitude of market volatility and stress which the Company can withstand, while meeting its financial goals and regulatory requirements. This enables the risk function to set, monitor and enforce appropriate risk limits.

RISK GOVERNANCE

We believe that an effective Risk Management begins with effective risk governance. The Company has an established risk governance structure with an active and engaged Board of Directors supported by an experienced management team. The following figure illustrates the risk governance structure of the Company.

The risk management function serves to enable the business risk owners and executive management to carry out their respective responsibilities for the execution of risk framework. The ultimate risk oversight responsibilities remain at the Board level and the Board of Directors, either directly or through Board Integrated Risk Management Committee (BIRMC) ensures that decision-making is aligned with the company's strategies. The Board receives regular updates on key risks indicators of the company.

The BIRMC plays an imperative role in formulating and recommending relevant policy framework to the board in conformity with the directions issued by the regulator on Risk Management to ensure the safety and financial soundness of the company. The BIRMC is entrusted with the responsibility by the board to have in place a well structured and effective risk policy and framework. The BIRMC is supported by the Credit Committee, Asset and Liability Management Committee (ALCO) and an independent Risk & Compliance Department.

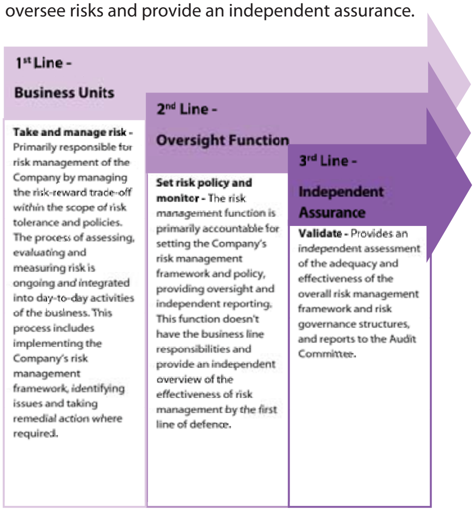
The Credit Committee is entrusted to implement credit policies approved by the board while reviewing and making recommendations periodically, that arise in day to day high value credit decisions, managing of portfolio delinquency and establishing strategies to improve the quality of credit disbursements.

The Asset and Liability Committee (ALCO) is engaged in Liquidity Risk Management, Interest Rate Risk Management, Capital Planning, Product Pricing, Settings of appropriate Margins and conducting reviews on shock analysis, stress testing and sensitivity analysis and reporting the identified concerns to BIRMC and / or Board.

Independent Risk & Compliance Department is entrusted with independent oversight function, assisting in identifying and managing risks, monitoring the status of remedial actions and monitoring the compliance with risk limits and reporting.

Three lines of defence

The Company's three lines of defence model facilitate to oversee risks and provide an independent assurance.



CREDIT RISK

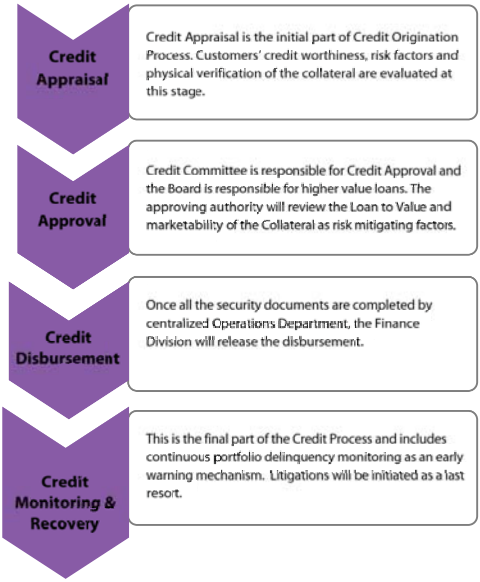
Credit Risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the company. Credit Risk arises in the company's direct lending operations, and investment activities where counterparties have repayment or other obligations to the company. The Credit Risk Management of lending operations and investment activities are the responsibilities of the two key Management Committees; Credit Committee and Asset & Liability Committee (ALCO). The Board of Directors monitors the performance of these Management Committees with the assistance of the Board Integrated Risk Management Committee.

The Board of Directors approves the Company's Credit Risk framework, which provides the overall structure that supports effective governance of the Company's Credit Risk. The Company's Credit Policy, Credit Risk Appetite and the Credit Risk framework set expectations for the conduct of the Credit Risk Management activities and behaviour throughout the organization. This ensures,

- Consistent and effective execution of Credit Risk Management activities across the Company
- Strong Credit Risk Management culture
- Performance that is in line with strategic objectives
- Compliance with regulatory requirements in relation to lending activities

Credit Process

The Company's credit process ensures that loans are granted within the customers' financial capacity and that delinquent loans are identified at an early stage and managed proactively. Assessing customers' financial capacity is an element of the credit approval process. The company follows a policy of mitigating Credit Risk by means of collateralization and/or guarantees. The credit control environment verifies that credit facilities granted are in compliance with credit policies and in position with the Company's Credit Risk Appetite. The following figure defines the credit process of the Company.

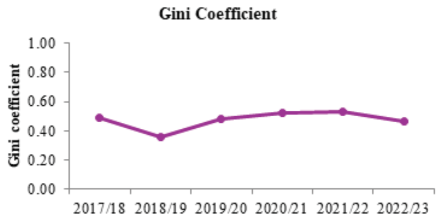


Concentration Risk

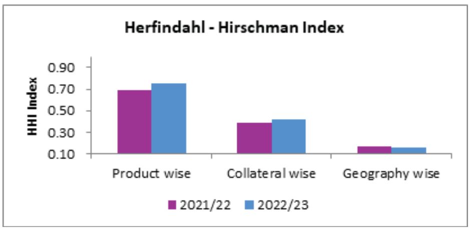
The Credit Risk profile is monitored and strengthened in accordance with the Credit Risk Appetite, which encompasses credit quality and Credit Concentration (limits on single borrowers, products, collateral and geographical regions). As a part of the overall risk appetite framework, the Company has implemented a set of frameworks to manage Credit Concentrations. The frameworks cover the following concentrations:

- Single-borrower concentration
- Product concentration
- Collateral concentration
- Geographical concentration

The company uses the Gini Coefficient, based on the Lorenz curve of inequalities to measure the single-borrower concentrations. The Gini Coefficient varies from zero to one. The closer to zero, the more equal is the distribution of loans in the portfolio. A Coefficient closer to one indicates a less equal distribution of loans in the portfolio.



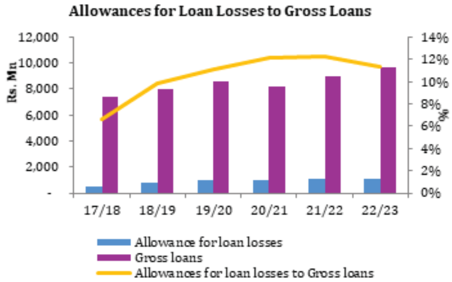
The Herfindahl - Hirschman Index (HHI) is used to measure the Concentration risk (Product, Collateral and Geographical concentrations). A well diversified portfolio has an HHI value close to zero and a high concentrated portfolio may represent a very high HHI value.

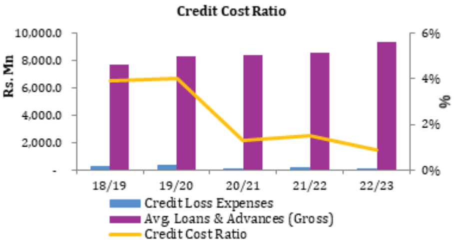


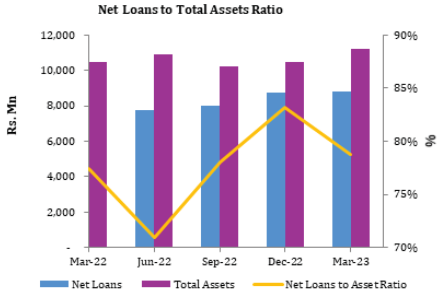
Impairment Charges and Non-Performing Loans

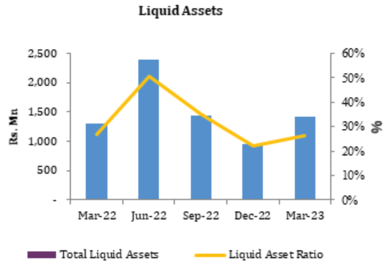
The Company conducts impairment tests collectively as well as individually (for individually significant loans and advances) in accordance with International Financial Reporting Standards (IFRSs). The new accounting standard, IFRS 9 uses the forward looking "expected credit loss" (ECL) method as it introduces a new classification approach for financial assets and financial liabilities in line with the business model in which they are managed and their cash flow characteristics. When doing impairment calculations, the Company adopted the Modified Retrospective method as prescribed in the standard.

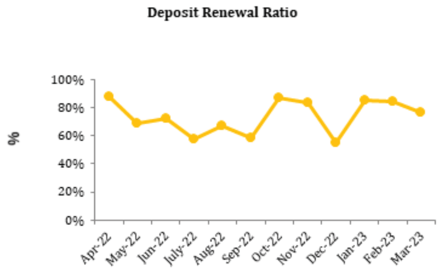
The allowance for Loan Losses to Gross loan ratio has decreased to 11.38% during the financial year compared to 12.26% in the previous year. However, the credit cost ratio has slitly decreased to 0.88% in the year under review compared to 1.52% in 2021/22.









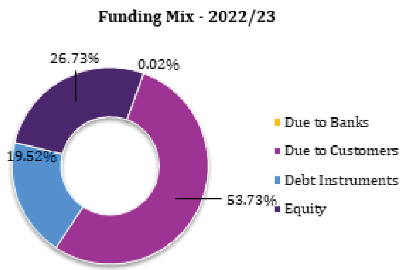


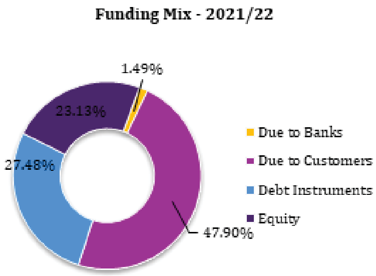
LIQUIDITY RISK

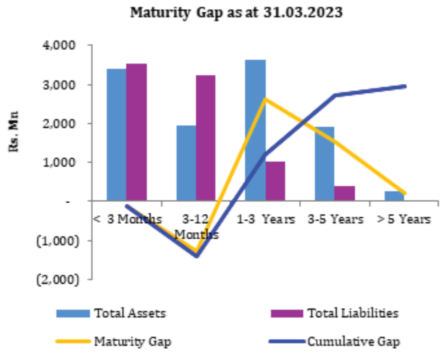
Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due to suppliers, settlement of borrowings and lending and investment commitments. An effective Liquidity Risk Management is crucial to maintain the confidence of depositors and counterparties, manage the funding cost and to enable the core businesses to continue the generation of revenue even under adverse circumstances.

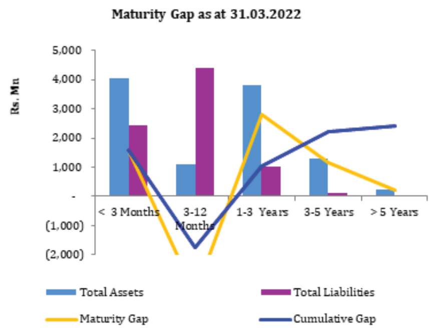
The objective of Liquidity Risk Management is to ensure that sufficient funding is available at all times irrespective of cyclical fluctuations in the market. The Company analyzes periodical liquidity requirements with the assistance of ALCO in order to ensure satisfactory liquidity status at all times. The ALCO uses the Statutory Liquid Asset Ratio, Net Loans to Total Assets Ratio, Deposit Renewal Ratio and Funding Mix to evaluate the liquidity position on a regular basis. ALCO also considers the Funding / Deposits concentration risk on a regular basis. During the year under review, the Company maintained a pool of high liquid, unencumbered assets that can be readily sold or pledged to secure any borrowings.

Funding Mix









Contingency Funding Plan

The Company maintains a Contingency Funding Plan (CFP) that specifies the approach for analyzing and responding to actual and potential liquidity requirements. The CFP outlines an appropriate governance structure for the management and monitoring of liquidity events (Company specific triggers as well as Systemic triggers), processes for effective internal and external communication, Severity Levels and Reponses including identification of potential counter measures to be considered at various stages of an event.

This Board Integrated Risk Management Committee and the Board of Directors continuously review the liquidity position of the Company and contingency funding sources.

Liquidity Gap

The Company assesses on a continuous basis the vulnerability of liquidity and solvency related issues that arise mainly due to mismatches in its assets and liabilities. ALCO monitors the Maturity Gap Statement on a monthly basis to reduce the mis-matches as much as possible in each of the time frames. Maturity Gap represents the ratio of assets to liabilities maturing or having a scheduled amortization in a given time period. This Gap represents the estimated cash flows of the month end Financial Position.

Stress Testing for Liquidity Risk

Liquidity Stress Testing is one of the key tools for measuring liquidity risk and evaluating the Company's short-term liquidity position. We use stress testing to evaluate the impact of sudden and severe stress events on our liquidity position. This helps ALCO to assess and determine the buffers against potential liquidity shocks. Stress testing were carried out by the Company to determine the potential impact of the following hypothetical stress scenarios

Unexpected Fall in Deposit Base

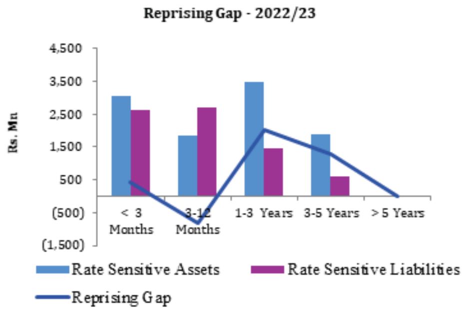
Statutory Liquid Asset Ratio - 26.39%

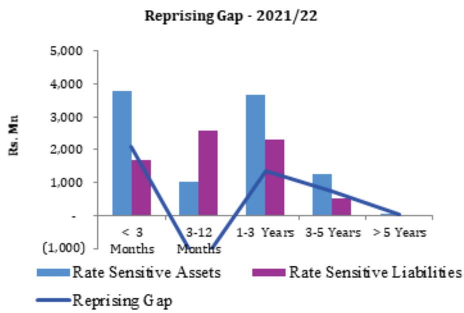
Scenario	Magnitude of the Shock (Fall in Deposit Base by)	Stress Adjusted Liquid Asset Ratio	Stress Adjusted Liquid Asset Ratio with Contingent Funds
1	5.0%	22.51%	25.15%
2	7.5%	20.42%	23.13%
3	10.00%	18.21%	21.00%

Unexpected Fall in the Deposit Renewal Ratio (over next 6 months)

Liquid Asset Ratio - 26.39%

Scenario	Magnitude of the Shock (Fall in Renewal Ratio by)	Stress Adjusted Liquid Asset Ratio	Stress Adjusted Liquid Asset Ratio with Contingent Funds
1	75%	13.67%	16.61%
2	50%	-4.35%	-0.80%
3	25%	-31.89%	-27.40%





MARKET RISK

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, equity and commodity prices. The Company is exposed to Market risk that may arise as a result of values of assets and liabilities or revenues being adversely affected by changes in market conditions. This includes interest rates, equity prices and commodity prices (vehicle / collateral prices).

INTEREST RATE RISK

Interest rate risk management in finance business has assumed more significant during the last decades in relation to the interest rate volatility. Interest rate risk is the risk that changes in market rates which will adversely affect the financial institution's net worth and earnings. The Company's major line of business is the financial intermediation function and the impact of interest rate risk is mainly on interest earnings.

The Asset and Liability Committee (ALCO) monitors and reviews the company's net interest income that ultimately affects the performance in financial terms. For the purpose of proper mitigation of risks in this area, ALCO takes into account the proper maintenance of the interest spread and net interest margin for the Company, principally through minimizing of gaps between rate sensitive assets and rate sensitive liabilities.

The change in interest rates in the market place from time to time requires the Company to assess its assets and liabilities portfolio with particular attention in re-pricing the both. In order to ensure that the interest spread and net interest margin are maintained, ALCO conducts reviews and re-prices the assets and liabilities, where necessary.

OPERATIONAL RISK

Operational risk is the risk of loss, whether direct or indirect, to which the company is exposed due to inadequate or failed internal processes or systems, human errors, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every company's business and function. Operational risk cannot only result in financial loss, but also regulatory sanctions and damage to the company's reputation. The company is very successful in managing operational risk with the view to safeguarding client assets and preserving shareholder value.

The company has developed policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls. The governing principles include the three lines of defence model which helps to ensure proper accountability and clearly definition of roles and responsibilities for operational risk management. The individual business units are accountable for management and control of the significant operational risks to which they are exposed.

The company has a governance and organizational structure through which operational risk is managed. As pre-requisite to management of operational risk, the company defined the areas of responsibility for key management including segregation of duties between key functions. The system has as its priorities to find out errors/ frauds or other aspects on mismanagement, to prevent errors or frauds or other related aspects, monitoring of operational procedures, assisting in resolving issues for the purpose of control, directing human resources in the execution of businesses and providing a favourable business environment with good governance. Further, an independent Internal Audit Division is responsible for verification of significant risks are identified and assessed, and for testing controls to ensure that overall risk is at an acceptable level. The Internal Audit Division is also responsible for auditing and assessing the company's operational risk management framework and its design and effectiveness.

STRATEGIC RISK

Strategic risk is the risk that the company's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment. The Board of Directors is ultimately responsible for oversight of strategic risk, by adopting a strategic planning process and approving, on a regular basis. The Key Management Team meets regularly to evaluate the effectiveness of the company's strategic plan, and consider amendments, if any, is required and recommends to the Board for final approval. The Company's Strategic Business Plan covering the period, 2022/23 to 2024/25 was approved by the Board in 27th December 2022 and it describes the overall business plan with clearly defined risk limits.

REPUTATIONAL RISK

Reputational risk is the risk of negative publicity about the Company's conduct, business practices, whether true or not, will adversely affect its revenue, operations or customer base, or require costly litigation or other defensive measures. Negative publicity about the Company's practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk is managed and controlled throughout the Company by codes of conduct, governance practices and risk management programs, policies, procedures and training. All Directors, Officers and Employees have a responsibility to conduct their activities in accordance with the guidelines for business conduct, and in a manner that minimizes reputational risk.

Report Of The Board Of Directors

GENERAL

The Board of Directors of Abans Finance PLC have the pleasure of presenting its Annual Report together with the Audited Financial Statements for the year ended 31 March 2023 and the Independent Auditor's Report on those Financial Statements in compliance with the requirements of the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011 and the directions issued thereunder. The Company was incorporated as a Public Company in terms of the Companies Act No. 17 of 1982 and was subsequently re-registered as per the requirements of the Companies Act No. 7 of 2007 on 15 June 2009. The Company registration No. is PB-1015-PQ. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange. The Registered Office is at No. 498, Galle Road, Colombo 03 and the Head Office/ principal place of business is located at No. 456, R. A. De Mel Mawatha, Colombo 03.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is the conduct of finance business as defined in the Finance Business Act No. 42 of 2011 and includes the acceptance of Deposits, Finance Leasing, Hire Purchase, Mortgage Loans, Personal Loans & Real Estate and Capital Market Operations.

REVIEW OF PERFORMANCE FOR 2022/2023

The Chairman's Message and Chief Executive Officer's Review along with the Management Discussion and Analysis highlight the financial performance, financial position and the state of affairs of the Company during the year under review.

FINANCIAL STATEMENTS

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) comprising accounting standards prefixed SLFRS and LKAS, Statements of Recommended Practice (SoRPs), Statements of Alternative Treatments (SoATs), Interpretations adopted by the Council of the Institute of Chartered Accountants of Sri Lanka, and Financial reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act. The Financial Statements are duly certified by the Chief Financial Officer, recommended by the management, reviewed by the Audit Committee, approved by the Board of Directors and signed on behalf of the Board by two directors of the Company in accordance with the Companies Act No. 7 of 2007.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of the Directors' Responsibilities for Financial Statements is given on page 84.

INDEPENDENTAUDITOR'S REPORT

The Auditors of the company are M/s Ernst & Young, Chartered Accountants. M/s Ernst & Young carried out the audit of the Financial Statements for the year ended 31 March 2023 and their report as required by Section 168 (1)(c) of the Companies Act is provided together with the Audited Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are disclosed in the Audited Financial Statements.

GOING CONCERN

The Board of Directors has reasonable expectation that the Company has adequate resources to continue the business activities in the foreseeable future. Therefore, the Company has adopted a "Going Concern" basis in preparing its Financial Statements.

ACCOUNTING PERIOD

The financial reporting period reflects the information from 01 April 2022 to 31 March 2023.

FINANCIAL PERFORMANCE

The Company's Profit before Taxation amounted to Rs. 533,228,422/- (after deducting Value Added Tax on Financial Services of Rs. 149,266,744/- in comparison to Rs. 615,238,205/- in 2021/2022. After deducting Rs178,165,934/- (Rs.184,929,414/- in 2021/2022) for Taxation, the Profit after Tax for the year amounted to Rs.355,062,488/- (Rs.430,308,791/- in 2021/2022). This represents net profit increased by 17.49% compared to the previous financial year. Details are given in the Statement of Comprehensive Income on page 97 of the Financial Statements.

PROFIT APPROPRIATIONS

A summary of the financial results of the Company for the year ended 31 March 2023 and 31 March 2022 are given below;

Description	2022/2023 (Rs)	2021/2022 (Rs)
Profit before Taxation from Operations	533,228,422	615,238,205
Provision for Income Tax	(178,165,934)	(184,929,414)
Profit for the Year	355,062,488	430,308,791
Transfer to Statutory Reserve Fund	(17,753,124)	(86,061,758)
Retained Profit Brought Forward From the Previous Year	956,131,916	610,075,860
Other Comprehensive Income Net of Tax	9,901,806)	1,809,023
Regulatory Loss Allowances Reserve	755,907,050	-
Retained Earnings Carried Forward	535,358,399	956,131,916

TOTAL OPERATING INCOME

The Total Operating Income of the Company for 2022/2023 was Rs. 1,600,467,606/- compared to Rs.1,553,313,359/- in 2021/2022. An analysis of the Income is given on page 75 of the Financial Statements.

EQUITY AND RESERVES

The stated capital and reserves were
Rs. 2,969,963,402/- as at 31 March 2023
(Rs 2,425,117,976/- as at 31 March 2022). The Equity and Reserves of the Company as at the end of each of the following years were follows;

Description	2022/2023 (Rs)	2021/2022 (Rs)
Stated Capital *	1,321,097,699	1,121,412,955
Statutory Reserve	294,922,322	277,169,198
Revaluation Reserve	62,677,935	70,403,907
Retained Earnings	535,358,397	956,131,916
Regulatory Loss Allowances Reserve	755,907,050	-
Total Shareholders' Funds	2,969963,402	2,425,117,976

PROPERTY, PLANT AND EQUIPMENT

Capital Expenditure incurred on Property, Plant and Equipment amounted to Rs. 32,947,642/- in 2022/2023 (Rs. 22,457,184/- in 2021/2022). Details applicable to Capital Expenditure are given in Note 28.5 to the Financial Statements.

RIGHTS ISSUE OF SHARES

During the year, the company has issued 7,131,598 shares by way of a Rights Issue and raised Rs. 199,684,744 and increased the stated Capital of the company from Rs. 1,121,412,955 representing 66,561,573 shares to Rs. 1,321,097,699 representing 73,693,171 shares. The summary of the Issue proceeds utilization is as follows.

Objective No	Objective	Amount Allocated in Rs.	Proposed Date of Utilization	Amount allocated upon the receipt of proceeds in Rs.	As a % of Total Proceeds	Amount Utilized in the objective in Rs.	% of utilize Against allocation	Clarification if not fully utilized.
1.	Loan Disbursements	199,684,744	Immediately after the issue	199,684,744	100%	199,684,744	100%	N/A

Report Of The Board Of Directors

BOARD OF DIRECTORS

In terms of the Articles of Association of the Company, the Board of Directors, as at 31 March 2023 consisted of Six Directors including the Chairman. The list of Directors who held office as at the end of the financial year is as follows.

Name of the Director	Independent / Non-Independent	Executive/Non-Executive
Mr. K.J.C Perera (Appointed w.e.f 19th February 2021)	Independent	Non-Executive
Mr. R. Pestonjee (Completed 9 years of service & CBSL approval is pending for the resignation)	Non-Independent	Non-Executive
Mr. H.C. Embuldeniya	Non-Independent	Non-Executive
Mr. W.B.W.M.R.A.M.T.G Aluwihare (Appointed w.e.f 17th December 2020)	Independent	Non-Executive
Mrs. D.S Ratnayake (Appointed w.e.f 19th February 2021)	Independent	Non-Executive
Mr. S.M.S Sanjaya Bandara (Appointed w.e.f 9th September 2022)	Independent	Non-Executive

Mr. Ajith S. Ratnayake was resigned w.e.f. 30th June 2022

RE – ELECTION OF DIRECTORS

Mr. H.C. Embuldeniya has submitted information in terms of section A.8 of the Code of Best Practice on Corporate Governance 2017.

In conformity with Article 26 (05) of the Articles of Association of the Company, Mr. Singappuli Mudiyanselage Susantha Sanjaya Bandara will retire at the Annual General Meeting and being eligible offer himself for re-election with the unanimous support of the other Directors

MEETINGS OF THE BOARD OF DIRECTORS AND BOARD SUB COMMITTEES

Details of Directors' meetings and Board Sub Committee meetings are given in the Corporate Governance Report.

BOARD AUDIT COMMITTEE (BAC)

All members of the Audit Committee are Independent Non-Executive Directors. The Chief Executive Officer, Senior Management, Internal and External Auditors attend the meeting by invitation as and when required.

- Mr. S.M.S. Sanjaya Bandara - Chairman (Independent Non-Executive Director) – Appointed w.e.f 09th September 2022
- Mr. Ajith S. Ratnayake (Independent Non-Executive Director) – Resigned w.e.f 30th June 2022
- Mr. W.B.W.M.R.A.M.T.G Aluwihare – (Independent Non-Executive Director)
- Mr. K J C Perera - (Independent Non-Executive Director) - Appointed w.e.f 25th July 2022

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HRRC)

- Mr. K.J.C. Perera - Chairman (Independent Non-Executive Director) - Appointed as a Chairman of Remuneration Committee w.e.f. 25th July 2022
- Mr. Ajith S. Ratnayake - (Independent Non-Executive Director) – Resigned w.e.f 30th June 2022
- Mr. W.B.W.M.R.A.M.T.G Aluwihare (Independent Non-Executive Director)
- Mrs. D.S Ratnayake (Independent Non-Executive Director)

NOMINATION COMMITTEE (NC)

- Mr. K.J.C Perera – Chairman (Independent Non-Executive Director)
- Mr. W.B.W.M.R.A.M.T.G Aluwihare (Independent Non-Executive Director)
- Mrs. D. S. Rathnayake (Independent Non-Executive Director)

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

- Mr. K.J.C Perera – Chairman (Independent Non-Executive Director)
- Mr. Ajith S. Ratnayake (Independent Non-Executive Director) – Resigned w.e.f 30th June 2022
- Mr. W.B.W.M.R.A.M.T.G Aluwihare (Independent Non-Executive Director)
- Mr. S.M.S. Sanjaya Bandara (Independent Non-Executive Director)

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

- Mr. K.J.C Perera – Chairman (Independent Non-Executive Director)
- Mr. Ajith S. Ratnayake (Independent Non-Executive Director) – Resigned w.e.f 30th June 2022
- Mr. W.B.W.M.R.A.M.T.G Aluwihare (Independent Non-Executive Director) - appointed as a member of IRMC w.e.f. 26th September 2022
- Mr. D.S. Rathnayake (Independent Non-Executive Director) - appointed as a member of IRMC w.e.f. 26th September 2022

DISCLOSURE OF DIRECTORS INTERESTS IN SHARES

Directors	As at 31-03-2023	As at 31-03-2022
Mr. R. Pestonjee	220,660*	220,660*
Mr. K.J.C Perera	Nil	Nil
Mr. H C Embuldeniya	Nil	Nil
Mr.W.B.W.M.R.A.M.T.G Aluwihare	Nil	Nil
Mrs. D.S Ratnayake	Nil	Nil
Mr. S.M.S Bandara	Nil	Nil

* This includes 28,800 (as at 31/03/2022) shares held jointly Miss J E S Fernando.

DIRECTORS' INTERESTS IN CONTRACTS AND RELATED PARTY TRANSACTIONS

The Directors' interests in contracts, if any, that could be classified as related party transactions in terms of the Sri Lanka Accounting Standard LKAS 24, are disclosed in Note 47 to the Audited Financial Statements.

Recurrent Related Party Transactions which exceed 10% of the gross revenue require disclosure as per Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange. As required, we tabulate below the relevant transactions:

Report Of The Board Of Directors

Recurrent Transactions with Abans Auto (Private) Limited

Name of the Related Party	Abans Auto (Pvt.) Ltd.
Relationship	Affiliate Company
Nature of Transaction	Purchase of Motorcycles for Finance Leases
Aggregate value of Related Party Transactions entered into during the financial year	LKR 3,424,027/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	0.16%
Terms and Conditions of the Related Party Transactions	Usual Terms available to the general public

RELATED PARTY TRANSACTIONS

Transactions of related parties with the Company (as defined in LKAS 24 Related Party Disclosures) are set out in Note 47 to the Financial Statements.

The Board of Directors confirm that that it has taken all measures necessary to ensure compliance with section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the year ended 31st March 2023.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all material statutory payments due to the Government, other Regulatory Institutions and related to the employees have been made. The Board of Directors has assessed the status pertaining to statutory payments at the Board meetings for which regular Board Papers have been submitted by the Key Management Personnel.

APPOINTMENT OF AUDITORS

The financial statements for the year ended 31st March 2023 have been audited by Messrs Ernst & Young, Chartered Accountants, who have expressed their willingness to continue in the office. In accordance with Section 158 of the Companies Act No.07 of 2007, the auditors will be deemed to have been re-appointed at the forthcoming Annual General Meeting and accordingly a resolution authorizing the Board of Directors to determine their remuneration will be proposed thereat

Total audit fees paid to Messrs. Ernst & Young by the Company is disclosed in Note 122 to the Financial Statements.

As far as the Board of Directors is aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest in the Company.

INTERNAL CONTROL ON FINANCIAL REPORTING

The financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles.

The Board has issued a Statement on the Internal Controls for Financial Reporting and an Assurance Report from External Auditors in terms of the Corporate Governance Direction No. 5 of 2021 has been obtained.

CORPORATE GOVERNANCE

The report on Corporate Governance covers the extent of compliance in Corporate Governance.

OUTSTANDING LITIGATION

The Directors are of the opinion that pending litigation against the Company will not have any material impact on the financial position of the Company.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No circumstances have arisen after the reporting period which require adjustments to or disclosures in the Financial Statements.

DONATIONS

No Donations were made by the Company during the year.

NOTICE OF THE ANNUAL GENERAL MEETING

The Seventeenth Annual General Meeting of the Company will be held by way of Electronic means on 27th September 2023 at 10.00 am. as a fully virtual meeting.

For and on behalf of the Board of Directors,

K. J. Cecil Perera
Director's Name

Signature

Rusi Pestonjee
Director's Name

Signature

Varners International (Pvt) Ltd.
Company Secretaries

19th August 2023

Director's Resoponsibility for Financial Reporting

Section 150 of the Companies Act No. 7 of 2007 require the board of directors of the Company to ensure that within six months or within such extended period as may be determined by the Registrar General of Companies after the balance sheet date of the Company, financial statements that comply with the requirements of section 151 are—

(a) completed in relation to the company and;

(b) certified by the person responsible for the preparation of the financial statements that it is in compliance with the requirements of that Act; and

(c) dated and signed on behalf of the board by two directors of the Company.

Section 151 of the Companies Act state that the financial statements of a company shall give a true and fair view of—
(a) the state of affairs of the Company as at the balance sheet date; and

(b) the profit or loss or income and expenditure, as the case may be, of the company for the accounting period ending on that balance sheet date.

It also states that the financial statements of the Company shall comply with—

(a) any regulations made under the Companies Act which specifies the form and content of financial statements; and
(b) any requirements which apply to the company's financial statements under any other law.

Section 6 of the Accounting and Auditing Standards Act No. 15 of 1995 require the company to prepare its accounts in compliance with Sri Lanka Accounting and Auditing Standards and take all necessary measures to ensure that its accounts are audited in accordance with Sri Lanka Auditing Standards with the object of presenting a true and fair view of the financial performance and financial condition of the Company.

Section 148 of the Companies Act require the company to keep accounting records which correctly record and explain the company's transactions, and will—

(a) at any time enable the financial positions of the company to be determined with reasonable accuracy;

(b) enable the directors to prepare financial statements in accordance with this Act; and

(c) enable the financial statements of the Company to be readily and properly audited.

The relevant section also state that the accounting records shall contain—

(a) entries of money received and expended each day by the company and the matters in respect of which such money was spent;

(b) a record of the assets and liabilities of the Company;

(c) if the company's business involves dealing in goods—

(i) a record of goods bought and sold, except goods sold for cash in the ordinary course of carrying on a retail business that identifies both the goods and buyers and sellers and the relevant invoices;

(ii) a record of stock held at the end of the financial year together with records of any stock takings during the year;

(d) if the company's business involves providing services, a record of services provided and relevant invoices.
Section 189 of the Companies Act state that a person exercising powers or performing duties as a director of a company—

(a) shall not act in a manner which is reckless or grossly negligent; and

(b) shall exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience.

Section 190 (1) of the Companies Act states that subject to the provisions of subsection (2), a director of a company may rely on reports, statements, and financial data and other information prepared or supplied, and on professional or expert advice given by any of the following persons :—

(a) an employee of the company;

(b) a professional adviser or expert in relation to matters which the director believes to be within the person's professional or expert competence;

(c) any other director or committee of directors in which the director did not serve, in relation to matters within the directors or committee's designated authority.

Section 190 (2) states that provisions of subsection (1) shall apply to a director, if, and only if, the director—

(a) acts in good faith;

(b) makes proper inquiry where the need for inquiry is indicated by the circumstances; and

(c) has no knowledge that such reliance is unwarranted.
The Board of Directors of the Company is of the view that the Board has discharged its responsibilities accordingly.
By order of the Board

....

K. J. Cecil Perera
Chairman
19th August 2023

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Ernst & Young
Chartered Accountants
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Email: eysl@lk.ey.com
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Independent Assurance Report
To The Board of Directors of Abans Finance PLC

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

We were engaged by the Board of Directors of Abans Finance PLC ("The Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2023 ("The Statement") included in the annual report.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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Summary of work performed

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

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

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

The procedures selected depend on 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.

29 June 2023
Colombo

Directors' Statement On Internal Control

Direcors' Statement On Internal Control Over Financial Reporting

The Board of Directors ("Board") of Abans Finance PLC presents this report on Internal Control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance.

This statement describes the Company'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.
The Board is responsible for the implementation of an adequate and effective internal control mechanism and the continuous reviewing of its design and effectiveness. An ongoing process has been established within the Company to identify, evaluate and manage the significant risks faced by the Company which is inclusive of enhancing the system of Internal Controls over Financial Reporting as and when there are changes to the business environment or regulatory guidelines. These processes are regularly reviewed by the Board and Board - appointed sub committees.

Board's policies and procedures pertaining to internal control over financial reporting, have been documented. The implementation of such policies and procedures is carried out with the assistance of the management. In assessing the Internal Control System Over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

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

The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non- compliance. All departments and branches are subjected to audits, the frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these departments and branches. The Internal Audit Department submits the Annual Audit Plan for review and approval of the Board Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.

• The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities, and the Management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. It also reviews the internal audit function with particular emphasis on the scope of audits and quality of the same. Further details of the activities undertaken by the Board Audit Committee of the Company are set out in the Audit Committee Report.

• In order to assess the internal control systems, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are being continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and effectiveness of such procedures and controls, on an ongoing basis.

Company adopted SLFRS 9, the new Sri Lanka Accounting Standards on Financial Instruments with effect from 01 April, 2018. Continuous monitoring is being carried out and steps are being taken to make improvements to the processes where required, to enhance effectiveness and efficiency. In addition, required enhancements in control process are being carried out in respect of Management Information System and its reports. The Board will continuously strengthen the processes required for validation and compliance with SLFRS 9.

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 Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors, Messrs Ernst & Young, have reviewed the above Directors' Statement on Internal Control over financial reporting for the year ended 31 March 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There were no instances of non-compliance with prudential requirements, regulations and laws and was no material non-compliance with internal control.

There was no supervisory concern on lapses in 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.

By order of the Board,

Chairman :

Director :

Chairman Audit Committee :

29th June 2023

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABANS FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Abans Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics 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 the audit of the financial statements of the current period. These matters were addressed in the context of the 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Allowance for impairment losses on Loans & advances and Lease rentals receivable & stock out on hire carried at amortized cost

As at 31 March 2023 , Allowance for impairment losses on Loans & advances and Lease rentals receivable & stock out on hire carried at amortized cost net of impairment allowances amounted to LKR 8,807 Mn as disclosed in notes 19 & 20 to the financial statements.

This was a key audit matter due to the materiality of the reported allowance for impairment losses which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets.

Key areas of significant judgements, estimates and assumptions used by the management in the assessment of the provision for credit impairment included the following.

- Management overlays to incorporate the current economic contraction.
- The incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.

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In addressing the adequacy of the allowance for impairment losses on Loans & advances and Lease rentals receivable & stock out on hire carried at amortized cost ,our audit procedures included the following key procedures;

- We assessed the alignment of the Company's Allowance for impairment losses computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report.
- We evaluated the Internal controls over estimation of credit impairment , which included assessing the level of oversight , review and approval of impairment allowances policies and procedures by the Board and management.
- We checked the completeness , accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company.
- In addition to the above, following procedure were performed.

For loans & advances and Lease rentals receivable & stock out on hire assessed on an individual basis for impairment:

- We evaluated reasonableness of credit quality assessment.
- We checked the arithmetical accuracy of the underlying individual impairment calculations.
- We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries , debt moratoriums , status of recovery actions of collater als in forecasting the value and timing of cashflows.

For loans & advances and Lease rentals receivable & stock out on hire assessed on a collective basis for impairment:

- We tested key inputs as disclosed in note 3.1.10 and the calculations used in the provision for credit impairment.
- We assessed whether judgments used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation , elevated risk industries , evaluating the reasonableness of forward-looking information,different economic scenarios and probability weighting assigned to each scenario.

We assessed the adequacy of the related financial statement disclosures set out in notes 19 & 20 of the financial statements .

</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are complied and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following; • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls , including those related to user access and change management. • We also obtained high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. • We checked source data of the reports used to generate disclosure for accuracy and completeness , including review of general ledger reconciliations.

Other information included in the 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 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 wether the other information materially inconsistent with the financial statements or our knowledge 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 SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 Company's internal controls.

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.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

09 June 2023
Colombo

Statement Of Comprehensive Income
Year ended 31 March 2023

	Notes	2023 Rs.	2022 Rs.
Income	5	2,857,850,498	2,122,022,275
Interest Income	5.1	2,651,738,774	1,932,052,227
Interest Expense	5.2	(1,230,834,778)	(547,034,438)
Net Interest Income		1,420,903,996	1,385,017,788
Fee and Commission Income	6.1	190,985,038	161,686,573
Fee and Commission Expense	6.2	(26,548,114)	(21,674,478)
Net Fee and Commission Income		164,436,924	140,012,096
Net Gain/(Loss) from Trading	7	2,650,600	6,443,343
Other Operating Income (net)	8	12,476,086	21,840,132
Total Operating Income		1,600,467,606	1,553,313,359
Credit Loss Expense on Financial Assets	9	(82,156,789)	(130,500,395)
Net Operating Income		1,518,310,817	1,422,812,965
Operating Expenses			
Personnel Costs	10	(399,834,364)	(335,541,769)
Depreciation & Amortization	11	(66,347,264)	(65,188,794)
Other Operating Expenses	12	(369,634,023)	(282,140,919)
Operating Profit before Taxes on Financial Services		682,495,166	739,941,482
Taxes on Financial Services	13	(149,266,744)	(124,703,277)
Profit before Taxation from Operations		533,228,422	615,238,205
Provision for Income Taxation	14.1	(178,165,934)	(184,929,414)
Profit for the Year		355,062,488	430,308,791
Other Comprehensive Income (OCI)			
Items that will not be reclassified to profit or loss			
Actuarial Gains/(Losses) on Defined Benefit Plan	36.1	(3,108,334)	2,380,293
Deferred Tax Effect of above	14.1	932,500	(571,270)
		(2,175,834)	1,809,023
Items that will be reclassified to profit or loss			
Surplus from Revaluation of Property, Plant & Equipment		80,000	-
Deferred Tax Effect of above	30	(24,000)	-
Tax change impact on Revaluation Reserve	30	(7,781,972)	-
		(7,725,972)	-
Other Comprehensive Profit/(Loss) for the Year, Net of Tax		(9,901,806)	1,809,023
Total Comprehensive Income for the Year		345,160,682	432,117,813
Earnings Per Share : Basic / Diluted (Rs.)	15.1	4.82	6.46

Accounting Policies and Notes from pages 101 to 165 form an integral part of these Financial Statements.

Statement Of Financial Position
As at 31 March 2023

	Notes	2023 Rs.	2022 Rs.
Assets			
Cash and Bank Balances	16	371,545,331	183,803,274
Placement With Banks	17	433,981,434	485,662,416
Repurchase Agreements	18	271,331,939	255,049,144
Loans and Advances	19	1,019,648,500	1,109,139,474
Lease Rentals Receivable & Stock out on Hire	20	7,787,483,346	6,999,758,895
Financial Investments at Fair Value through P&L	21	8,613,335	291,202,975
Equity Instruments at Fair Value through OCI	22	80,400	80,400
Debt Instruments at Amortised Cost	23	713,692,026	587,159,325
Other Financial Assets	24	112,611,633	110,968,742
Real Estate Stock	25	38,468,202	32,066,726
Other Non Financial Assets	26	88,215,996	57,812,919
Property, Plant & Equipment	28	168,485,711	152,722,069
Intangible Assets	27	23,126,958	27,950,766
Right-of- use Assets	29	151,375,430	175,125,283
Total Assets		**11,188,660,241**	**10,468,502,408**
Liabilities			
Due to Banks	31	2,087,507	138,597,100
Due to Customers	32	5,376,613,892	4,448,008,287
Other Borrowed Funds	33	1,953,023,415	2,552,107,092
Other Financial Liabilities	34	561,484,647	644,871,381
Other Non Financial Liabilities	35	59,890,451	43,821,143
Current Tax Liabilities		214,913,361	175,080,456
Deferred Tax Liabilities	30	13,251,024	13,298,359
Retirement Benefit Liability	36	37,432,541	27,600,613
Total Liabilities		**8,218,696,838**	**8,043,384,431**
Shareholders' Funds			
Stated Capital	37	1,321,097,699	1,121,412,955
Statutory Reserve Fund	38.2.1	294,922,322	277,169,198
Revaluation Reserve	38.2.2	62,677,935	70,403,907
Regulatory Risk Allowance Reserve	38.2.3	755,907,050	-
Retained Earnings	38.1	535,358,397	956,131,916
Total Shareholders' Funds		**2,969,963,403**	**2,425,117,976**
Total Liabilities and Shareholders' Funds		**11,188,660,241**	**10,468,502,408**

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

....
B. G. P. Samantha
Chief Financial Officer

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

....
K. J. C. Perera
Director

....
R. Pestonjee
Director

Accounting Policies and Notes from pages 101 to 165 form an integral part of these Financial Statements.

09 June 2023, Colombo

Statement Of Changes in Equity
Year ended 31 March 2023

	Stated Capital Rs.	Statutory Reserve Rs.	Revaluation Reserve Rs.	Regulatory Loss Allowance Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31 March 2021	**1,121,412,955**	**191,107,440**	**70,403,907**		**610,075,860**	**1,993,000,162**
Net Profit for the year	-	-	-		430,308,791	430,308,791
Other Comprehensive Income net of tax	-	-			1,809,023	1,809,023
Transfer to Statutory Reserve Fund	-	86,061,758	-		(86,061,758)	-
Balance as at 31 March 2022	**1,121,412,955**	**277,169,198**	**70,403,907**	**-**	**956,131,916**	**2,425,117,976**
Net Profit for the year	-	-	-	-	355,062,488	355,062,488
Rights Issue	199,684,744	-	-	-	-	199,684,744
Other Comprehensive Income net of tax	-	-	(7,725,972)	-	(2,175,834)	(9,901,806)
Transfer to Statutory Reserve Fund	-	17,753,124	-	-	(17,753,124)	-
Transfer to Regulatory Loss Allowance Reserve	-	-	-	755,907,050	(755,907,050)	-
Balance as at 31 March 2023	**1,321,097,699**	**294,922,322**	**62,677,935**	**755,907,050**	**535,358,397**	**2,969,963,403**

Accounting Policies and Notes from pages 101 to 165 form an integral part of these Financial Statements.

Statement Of Cash Flows
Year Ended 31 March 2023

Cash Flows From / (Used in) Operating Activities	Notes	2023 Rs.	2022
Profit before Income Tax Expense		533,228,422	615,238,205
Adjustments for			
Depreciation	28.2	16,693,991	15,775,818
Amortization of Intangible Assets	27	6,004,183	5,915,655
Amortization of Right to use assets	29	43,972,272	43,497,322
Interest Expense on Borrowings	5.2	438,608,327	142,002,027
Interest Expense on Lease Liability	29.2	17,408,500	13,543,777
Impairment Provision	9	82,156,789	130,500,395
Loss/(Profit) from Sale of Unit Trust	7	(2,410,360)	(6,203,343)
Loss/(Profit) on Disposal of Property & Equipment	8	888,197	(3,990)
Provision/(Reversal) for Defined Benefit Plans	10	9,287,345	5,261,365
Dividend Received		(240,240)	(240,000)
Operating Profit before Working Capital Changes		1,145,597,426	965,287,231
(Increase)/Decrease in Real Estate Stock		(6,401,476)	(1,000,000)
(Increase)/Decrease in Loans and Advances		100,874,582	247,937,550
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		(792,522,688)	(1,062,798,619)
(Increase)/Decrease in Other Financial Assets		(90,355,051)	(29,021,340)
(Increase)/Decrease in Other Non Financial Assets		(30,403,077)	(8,523,067)
Increase/(Decrease) in Amounts Due to Customers		928,605,604	(470,793,850)
Increase/(Decrease) in Other Financial Liabilities		(68,415,197)	(8,521,225)
Increase/(Decrease) in Other Non Financial Liabilities		16,069,308	27,943,985
Cash Generated from Operations		1,203,019,431	(339,489,335)
Interest Expense Paid		(219,166,970)	(99,483,344)
Retirement Benefit Liabilities Paid	36	(2,563,751)	(2,295,385)
Taxes Paid		(145,253,835)	(134,552,174)
Net Cash From/(Used in) Operating Activities		836,034,875	(575,820,238)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	28.1	(32,942,647)	(22,457,183)
Acquisition of Intangible Assets	27	(1,180,375)	-
Proceeds from Sales of Property , Plant & Equipment		(1,583,557)	5,000
Cash Flow from /(Used in) Fixed Deposits		(97,319,400)	4,915,471
Sale/(Purchase) of Debt Instruments at Amortised Cost		336,127,928	(323,237,950)
Dividend Received		240,240	240,000
Net Cash Flows from/(Used in) Investing Activities		203,342,189	(340,534,662)
Cash Flows from / (Used in) Financing Activities			
Cash Outflow from Long Term Bank Borrowings	31	(121,116,610)	(128,400,000)
Cash Inflow from Other Borrowings	33	828,602,510	1,979,015,444
Cash outflow from Other Borrowings	33.2	(1,647,127,542)	(680,059,569)
Payment of Capital portion of Lease Liabilities	29.2	(50,547,501)	(51,889,911)
Proceeds from the right issue	37	199,684,744	-
Net Cash Flows from/(Used in) Financing Activities		**(790,504,399)**	**1,118,665,964**
Net Increase in Cash and Cash Equivalents		**248,872,665**	**202,311,064**
Cash and Cash Equivalents at the beginning of the year		**1,427,457,257**	**1,225,146,193**
Cash and Cash Equivalents at the end of the year		**1,676,329,922**	**1,427,457,257**

Accounting Policies and Notes from pages 101 to 165 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Abans Finance PLC is domiciled, public limited liability company incorporated in Sri Lanka on 08 April 2005 under the Companies Act No. 17 of 1982, The Company was reregistered under the Companies Act No.7 of 2007 on 15 June 2009.It is a Licensed Finance Company registered under the Finance Business Act No.42 of 2011.The Company was listed on the Colombo Stock Exchange in 2011.

The registered office of the Company is located at No. 498, Galle Road, Colombo 03 and the principal place of business is situated at No. 456, R.A. De Mel Mawatha, Colombo 03.

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Maintenance of saving Deposits, Providing Finance Leases, Hire Purchase, Mortgage Loans, Personal Loans and Other Credit Facilities.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent company is Abans PLC and the ultimate parent company is Abans International (Pvt) Limited which are incorporated in Sri Lanka.

1.4 Approval of Financial Statements by Directors

The Financial Statements of Abans Finance PLC for the year ended 31 March 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 09 June 2023.

1.5 Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRSs (hereafter "SLFRS").

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position and Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2023 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

2.2 Basis of Measurement

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

- Financial Assets at fair value through other comprehensive income (applicable from 1 January 2018) at fair value (Note 22)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 36)
- Financial Assets at Fair value through Profit or Loss (FVPL) (Note 21)
- Freehold land, which is measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation.

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment in which Abans Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 01 on "Presentation of Financial Statements". There was no change in the Company's presentation and functional currency during the year under review.

2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 42.

2.5 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.6 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's presentation.

2.7 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. 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 include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

2.8 Events After the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, other than those disclosed in Note 46 to the Financial Statements.

2.9 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based these assumptions and estimates on parameters available at the time Financial Statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are taken in to consideration in the assumptions when they occur.

I. Going Concern

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, board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

II. Defined Benefit Plans

The cost of defined benefit pension plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date as disclosed in Note 36.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 36.5 to the Financial Statements.

III. Impairment losses on Loans and Advances (Finance Leases, Hire Purchases, Mortgage Loans, Revolving Loans and Business/ Personal Loans)

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

Accordingly, the Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics.

As per SLFRS 09, the Company's expected credit loss (ECL) calculations are output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their fair values when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

IV. Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instrument is described in Note 40 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 40.1 to the Financial Statements.

V. Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instrument is given in Note 40 "Analysis of Financial Instruments by Measurement Basis".

VI. Useful life of Property, Plant and Equipment and Intangible Assets

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

VII. Taxation

The Company is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The Company has adopted the requirements of the New Inland Revenue Act 24 of 2017 which was effective from 1 April 2018 and deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

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

VIII. Provisions, 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. Refer Note 43.2 for more details on Commitments and Contingencies.

IX. Revaluation of Free Hold Land (Property, Plant and Equipment)

Prior to 31st March 2021, the Company's accounting policy was to measure Free Hold Land under the cost model in LKAS 16 Property, Plant and Equipment (LKAS 16) whereby, after initial recognition, free hold land was carried at its historical cost less accumulated impairment losses, if any.

At the period ended 31 March 2021 the Company changed its accounting policy to measure the Company's free hold land from a cost model to revaluation model, where free hold land is measured at fair value less accumulated impairment losses recognized after the date of revaluation ("revaluation model"), in accordance with LKAS 16. The Company determined that the land constitute separate class of property, plant and equipment, based on their nature, characteristics and risks. The Company engages an independent valuation specialist to determine the fair value of freehold land in terms of Sri Lanka Accounting Standard off Fair Value Measurement (SLFRS 13).

The Company believes that a revaluation model provides more relevant information to the users of its financial statements as it is aligned to accounting practices adopted by its parent. In addition, available valuation techniques provide reliable estimates of the free hold land fair value where, the results of the revaluation were brought into the Financial Statements ensures that the carrying amount of such freehold land reflects the market price prevailed at that time.

Revaluation Model

The Company applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalue amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses.

On an asset revaluation, Income Statement was get charged where, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3. GENERAL ACCOUTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the company unless otherwise indicated.

3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.1.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date. i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trade means purchases or sales of financial assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

3.1.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

3.1.4 Measurement categories of Financial Assets and Financial Liabilities

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either; On initial recognition, a financial asset is classified as measured at,

- Amortised Cost,
- Fair Value Through Other Comprehensive Income (FVOCI) or
- Fair value Through Profit or Loss. (FVPL)

The subsequent measurement of financial assets depends on their classification.

Financial liabilities are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.1.4 (a) (i). Financial Assets at Amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial Assets consist of cash and bank balances, securities purchased under repurchase agreements, placement with banks, lease rentals receivable & stock out on hire, loan receivables, and other financial assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's Key Management Personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4 (a) (ii)Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non- quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 22 to the Financial Statements.

4 (a) (iii) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, debentures.

3.1.4 (a) (iv) Fair value Through Profit or Loss. (FVPL)

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs and net trading profit or loss are recognised in statement of profit or loss as incurred.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and the net trading.

Financial assets at fair value through profit or loss comprises of unit trusts.

3.1.5 Cash and Bank balances

Cash and bank balances comprise cash in hand, balances with banks, loans at call and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Details of cash and bank balances are given in Note 16 to Financial Statements.

3.1.6 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
   a) Financial liabilities held for trading
   b) Financial liabilities designated at fair value through profit or loss
(ii) Financial liabilities at amortised cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement. No such liabilities as at the reporting date.

ii. Financial Liabilities at Amortised Cost

Financial liabilities issued by the Company that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to customers" and "Other borrowed fund, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, financial liabilities are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Currently, the Company has recorded Due to Banks & Other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans and securitizations.

3.1.7 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities during the financial year.

3.1.8 Derecognition of Financial Assets and Financial Liabilities

3.1.8 (a)Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.
When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.1.8 (b) Derecognition other than for substantial modification

3.1.8 (b) (i) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset
  Or
- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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 the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.1.8 (b) (ii) Derecognition - Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.1.9 Determination of Fair Value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 39 to the Financial Statements.

3.1.10 Impairment Financial Assets

3.1.10 (i) a. Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 41.4.1 (c)

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

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

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

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

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanisms of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

c. Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. (Note 41.4.1(g))

3.1.10(ii) Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.1.10 (iii) Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by- case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

3.1.10 (iv)Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

3.1.10 (v) Collateral Valuation

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

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models.

Nonfinancial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

3.1.10 (vi). Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

3.1.10 (vii). Offsetting Financial Assets and Liabilities

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

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

3.1.11 Other Financial Assets

Other Financial Assets includes the Other Receivables and Refundable Deposits. Refundable Deposits are initially recorded at Fair value and subsequently measured and amortized cost.

3.1.12 Other Financial Liabilities

Other Financial liabilities including Due to Customer (Deposits), Due to Banks, Other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the Effective Interest Rate method.

Amortised cost is calculated by taking in to account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

3.1.13 Borrowings

Borrowings obtained by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments.

After initial measurement, borrowings are subsequently measured at amortised cost using the Effective Interest Rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

3.2 Leases

3.2.1 Identification of a Lease

The Company assesses at the inception of a contract, whether 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 as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used. After the assessment of whether a contract is, or contains, a lease, the Company determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3.2.1.1 Company as a lessee

As per SLFRS 16, when the Company has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand- alone price of the non-lease components. At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the Incremental Borrowing Rate.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Details of "Right-of-use asset" are given in Note 29.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Details of "Lease liability" are given in Notes 29.2

3.2.1.2 Company as a lessor

Similar to above, at the commencement of the contract, the Company determines whether the contract contains a lease component and one or more additional lease components or non-lease components. When there is one or more additional lease or non-lease component, the Company allocates consideration based on the guidelines given in SLFRS 15.

However, SLFRS 16 largely retains the lessor accounting requirements in LKAS 17 and classification of leases is based on the extent to which risks and rewards incidental to ownership of leased asset lie with the lessor or lessee.

3.2.1.2.1 Finance leases – Company as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.2.1.2.2 Operating leases – Company as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Company recognises lease payments from operating leases as income on straight line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Details of "Operating leases" are given in Note 29.

3.3 Real Estate Stock

Real Estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition.

Purchase Cost	-	Land Cost with Legal Charges.
Cost of Conversion	-	Actual Development Costs.

Real Estate stocks are valued at the lower of cost and net realisable value, after making due allowances for slow moving items. Net realisable value is the price at which the real estate stocks can be sold in the ordinary course of business less estimated cost necessary to make the sale

3.4 Non – Financial Assets

3.4.1 Property, Plant & Equipment

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

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

Basis of Recognition and Measurement

- **Cost Model**

An item of property, plant & equipment that qualifies or recognition as an asset is initially measured at its costs. Costs include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it.

The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs.

When parts of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

The Company applies the cost model to property, plant & equipment except the freehold land and records at cost of purchase or construction together with any incidental expense thereon less accumulated depreciation and any accumulated impairment losses.

Changes in the expected useful life are accounted by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Revaluation Model

The Company applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land of the Company is revalued once in every year, if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company has revalued its freehold land as at 31.03.2023 and details of the revaluation are given in Note 28.7 to the Financial Statements.

On revaluation of an asset, any increase in the carrying amount is recognised in Other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing property, plant and equipment are charged to the Statement of Comprehensive Income.

Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Depreciation

The provision for depreciation is calculated by using the straight-line method over the useful life of the assets on cost or valuation of the Property & Equipment other than freehold land, commencing from when the assets are available for use. The rates of depreciations are given below;

Asset Category	Rate of Depreciation (per annum)
• Furniture & Fittings	12.5% - 33.33%
• Office Equipment	12.5%
• Motor Vehicle	12.5%
• Computer Equipment	25%

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.4.2 Intangible Assets

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

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible Assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on Intangible Asset 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.

Useful Economic life, Amortization and Impairment

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year– end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortization

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

Asset Category	Useful life
• Computer software	10 Years

The residual value of the intangible asset is zero.

The unamortized balances of Intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

3.4.3 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or Cash Generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

3.5 Retirement Benefit Obligations

3.5.1 Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise.

Interest Cost

Interest cost is the expected increase due to interest during the period in the present value of the planned liabilities because the benefits are one year closer to settlement

Recognition of Past Service Cost (Applicable only when a plan has been changed)

Past Service Costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognized immediately.

Funding Arrangements

The Gratuity liability is not externally funded.

3.5.2 Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'.

Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's total earnings (as defined in the Employees' Provident Fund) to the Employees' Provident Fund.

Employees' Trust Fund

The Company contributes 3% of the employee's total earnings (as defined in the Employees' Trust Fund) to the Employees' Trust Fund.

3.6 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with Sri Lanka Accounting Standard– LKAS 37 on 'provision, contingent liabilities and contingent assets.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at that date.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

3.7 Recognition of Interest Income Interest Expense

3.7.1 Interest income and Interest Expense

Under SLFRS 9, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is 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.

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortised through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired (as set out in Note 41 and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

3.7.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted when they are received.

3.8 Fee and Commission Income and Expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fee and Commission income – including account Credit related fees & commission, Service charge, Transfer Fees and other fees income – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight- line basis over the commitment period.

Fees earned for the provision of services over a period of time are accrued over that period

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.9 Dividend Income

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

3.10 Income from Government Securities and Securities purchased under Re-Sale Agreement

Discounts/ premium on Treasury bills &Treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreement is recognised in the Income Statement on an accrual basis over the period of the agreement.

3.11 Net Trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

3.12 Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised upon received.

3.13 Personnel Expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

3.14 Other Operating Expenses

Other operating expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenditure incurred in the running business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income in arriving at the profit of the year.

3.15 Taxes

As per Sri Lanka Accounting Standard –LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

3.15.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantially enacted on the reporting date and any adjustment to the tax payable in respect of prior years.

Accordingly, The Company computed the income tax liability for the first six month of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the Company for second six month of the year of assessment 2022/2023

Current tax relating to items recognised directly in equity is recognised in equity and in the Statement of Comprehensive Income.

3.15.2 Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

3.15.3 Value Added Tax on Financial Services (VATFS) and Social Security Contribution Levy (SSCL)

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VATFS and income tax adjusted for the economic depreciation and emoluments of employees including cash, non-cash benefits and provisions relating to terminal benefits, computed on prescribed rate.

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

3.16 Segment Reporting

The Company's segmental reporting is based on the following operating segments identified based on products and services;

- Leasing
- Hire Purchase
- Term Loans
- Others

A segment is a distinguishable component of a Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

3.17 Regulatory provisions

a. Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

b. Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Company's Act Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments there to all Registered Finance Companies are required to 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 32E of the Monetary Law Act with effect from 1 October 2010. The said scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No 1 of 2013.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following;

a) Deposit liabilities to member institutions
b) Deposit liabilities to Government of Sri Lanka
c) Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
d) Deposit liabilities held as collateral against any accommodation granted
e) Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month

c. Crop Insurance Levy (CIL)

In terms Section 15 of the Finance Act No 12 of 2013 all institutions under the purview of Banking Act No 30 of 1988, Finance Companies Act No 78 of 1988 and Regulation of Insurance Industry Act No 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund Board effective from 01 April 2013.

d. Regulatory Loss Allowance Reserve

Where the loss allowances for expected credit loss falls below the regulatory provisions (i. e., provision and accrued interest in NPL) Company shall maintain the additional loss allowance in a non-distributable regulatory loss alllowance reserve (RLAR) through and appropriation of its retained earnings. The additional loss allowance shall be maintain in the RLAR at all times. When loss allowance for expected credit losses exceeds the regulatory provision, the Company may transfer the excess amount in the RLAR to its retained earnings. Company has provided the difference of regulatory provision and impairment provision as per SLFRS 09.

3.18 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity shareholders of the Company 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 if any.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2023. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2023.

Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

- **SLFRS 17 Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Definition of Accounting Estimates - Amendments to LKAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12.

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

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify.

* What is meant by a right to defer settlement
* That a right to defer must exist at the end of the reporting period
* That classification is unaffected by the likelihood that an entity will exercise its deferral right
* That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
* Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5. INCOME

	2023 Rs.	2022 Rs.
Interest Income	2,651,738,774	1,932,052,227
Fee & Commission Income	190,985,038	161,686,573
Net Gain/(Loss) from Trading	2,650,600	6,443,343
Other Operating Income	12,476,086	21,840,132
	2,857,850,498	**2,122,022,275**

5.1 Interest Income

	2023 Rs.	2022 Rs.
Loans and Advances	199,372,607	191,076,821
Lease Rentals Receivable & Stock out on Hire	2,144,986,203	1,671,717,496
Financial Investments in Government Securities	206,234,552	53,095,051
Interest Income on Debt Securities	25,372,894	1,922,510
Other Financial Assets	277,295	1,421,847
Placement with Banks	75,495,223	12,818,502
Total Interest Income	**2,651,738,774**	**1,932,052,227**

5.2 Interest Expenses

	2023 Rs.	2022 Rs.
Due to Banks	13,532,809	17,159,191
Due to Customers	774,817,951	391,488,634
Other Borrowed Funds	425,075,518	124,842,837
Leased Assets (Note 29.2)	17,408,500	13,543,777
Total Interest Expenses	**1,230,834,778**	**547,034,438**

6. NET FEE AND COMMISSION INCOME

6.1 Fee and Commission Income

	2023 Rs.	2022 Rs.
Credit Related Fees and Commissions	94,261,119	78,723,161
Service Charge	60,974,217	49,288,610
Transfer Fees	35,253,790	32,849,324
Other Fees	495,912	825,478
Total Fee and Commission Income	**190,985,038**	**161,686,573**

6.2 Fee and Commission Expenses

	2023 Rs.	2022 Rs.
Brokerage Fees	26,548,114	21,674,478
Total Fee and Commission Expenses	26,548,114	21,674,478
Net Fee and Commission Income	**164,436,924**	**140,012,096**

7. NET GAIN/(LOSS) FROM TRADING

	2023 Rs.	2022 Rs.
Dividend Income from Financial Investments - Held for Trading	240,240	240,000
Income- Unit trust investments	2,410,360	6,203,343
	2,650,600	**6,443,343**

8. OTHER OPERATING INCOME

	2023 Rs.	2022 Rs.
Profit on disposal of Property & Equipment	(888,197)	3,990
Bad Debt Recoveries	6,354,923	10,698,452
Income From Sale of Real Estate	-	-
Others	7,009,360	11,137,690
Total Other Operating Income	**12,476,086**	**21,840,132**

9. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

9.1 The table below shows the expected credit loss (ECL) charges for Financial Instruments for the year 2022/2023 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	(18,307,445)	(4,374,799)	11,298,636	(11,383,608)
Lease Rentals Receivable & Stock Out on Hire	(19,509,166)	(22,659,361)	46,996,764	4,828,237
Other Debtors			88,712,160	88,712,160
	(37,816,611)	(27,034,160)	147,007,560	82,156,789

9.2 The table below shows the expected credit loss (ECL) charges for Financial Instruments for the year 2021/2022 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Cash and Bank Balances				-
Placement With Banks				-
Loans and Advances	25,239,564	(4,268,646)	1,460,650	22,431,568
Lease Rentals Receivable & Stock Out on Hire	48,010,380	28,244,227	13,919,065	90,173,672
Other Debtors	-	-	17,895,155	17,895,155
	73,249,944	23,975,581	33,274,870	130,500,395

10. PERSONNEL COSTS

	2023 Rs.	2022 Rs.
Salaries and Bonus	282,604,536	254,527,745
Employer's Contribution to EPF	27,767,200	23,959,258
Employer's Contribution to ETF	6,941,800	5,989,815
Gratuity Charge/ (Reversals) for the Year (Note 36.1)	9,287,345	5,261,365
Other Allowances & Staff Related Expenses	73,233,483	45,803,587
	399,434,364	335,541,769

11. DEPRECIATION & AMORTIZATION

	2023 Rs.	2022 Rs.
Depreciation of Property Plant & Equipment	16,370,809	15,775,818
Amortization of intangible assets	6,004,183	5,915,655
Depreciation of Leased Assets (Note 29.1)	43,972,272	43,497,322
	66,347,264	65,188,794

12. OTHER OPERATING EXPENSES

		2023 Rs.	2022 Rs.
Directors' Emoluments		6,340,000	5,760,000
Auditors Remuneration	- Audit	1,903,508	985,600
	- Non Audit	400,000	1,426,546
Professional & Legal Expenses		7,490,638	28,919,996
Office Administration & Establishment Expenses		183,341,828	106,615,746
Advertising & Business Promotion Expenses		54,988,374	41,134,960
Deposit Insurance premium		5,947,605	6,589,843
Loss on disposal of Property & Equipment		-	-
Others		109,222,070	90,708,229
		369,634,023	282,140,919

13. TAXES ON FINANCIAL SERVICES

	2023 Rs.	2022 Rs.
Value added tax on financial services	134,307,374	124,530,792
Social Security Contribution Levy	14,919,141	-
Nation building tax on financial services	40,229	-
Debt repayment levy on financial services	-	172,485
	149,266,744	124,703,276

14. TAXATION

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

		2023 Rs.	2022 Rs.
(A)	**Statement of Profit or Loss**		
	Current Income Tax		
	Income Tax for the year	185,086,740	162,387,182
	Deferred Tax		
	Deferred Taxation Charge/ (Reversal) (Refer Note 30)	(6,920,806)	22,542,232
		178,165,934	184,929,414
(B)	**Other Comprehensive Income**		
	Deferred Tax		
	Deferred Taxation Charge/ (Reversal) (Refer Note 30)	6,873,472	571,270
		6,873,472	571,270
(C)	**Total Tax Expense for the year**	185,039,406	185,500,684

(D) Effect of tax rate change on deferred taxes: It is necessary to present the amount of deferred tax expense (income) relating to changes in income tax rates on the opening balance. This is the effect on the opening deferred tax asset/liability by change in tax rate from 24% to 30%.

Statement of Profit or Loss	**2023**	**2022**
Charge /(Reversal) arising on during the year movement	(5,221,547)	22,542,232
Charge /(Reversal) due to changes in Tax Rate	(1,699,259)	0

14.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate as per the Inland Revenue Act for the Years ended 31 March 2023 and 2022 is as follows.

	2023 Rs. Total	2022 Rs.
Accounting Profit Before Income Taxation	533,228,422	615,238,205
At the statutory income tax rate of 24%/30%	143,889,500	147,657,169
Tax Effect on		
Disallowable Expenses	83,823,214	82,233,317
Tax Deductible Expenses	(48,653,100)	(76,225,718)
Non-taxable Income/ Losses	6,027,126	8,722,414
Income Tax	185,086,740	162,387,182
Deferred Taxation Charge/(Reversal) (Note 30)	(6,920,806)	22,542,232
Total Tax Expense (Note 14.1 (A))	178,165,934	184,929,414
Effective tax rate	33%	30%

The inland revenue (Amendent) Act No. 45 of 2022 was certified by the speaker on 19th December 2022. The staandard rate of Income Tax has been increased to 30% from 24% w.e.f. 1st October 2022 . The increase in income tax rate 30% in mid year has resulted in two tax rates being applicable for the year of Assessment 2022/23. The Company has computered the current tax payable on a pro-rate basis (i. e. 50% for fist six months and balance 50% for second six months) for the year of Assessment 2022/23.

15. EARNINGS PER ORDINARY SHARE

The Company presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity share holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares if any.

15.1 Earnings per Share: Basic / Diluted

	2023 Rs.	2022 Rs.
Amount used as the numerator		
Profit after tax for the year attributable to equity holders (Rs.)	355,062,488	430,308,791
No. of ordinary shares used as the denominator		
Number of ordinary shares (Note 37.1)	73,693,171	66,561,573
Basic / diluted earnings per ordinary share (Rs.)	4.82	6.46

16. CASH AND BANK BALANCES

	2023 Rs.	2022 Rs.
Cash in Hand	67,635,464	50,348,022
Balances with Banks	303,926,087	133,471,472
Less: Allowance for expected credit losses	(16,220)	(16,220)
	371,545,331	183,803,273

16.1 The movement in provision for expected credit losses are as follows.

	2023		2022	
	Rs. Stage 01	Rs. Total	Rs. Stage 01	Rs. Total
Balance as at 01 April	16,220	16,220	19,174	19,174
Charge/(Reversal) to Income Statement	-	-	(2,954)	(2,954)
Balance as at 31 March	16,220	16,220	16,220	16,220

16.2 Cash and Cash Equivalents in the Cash Flow Statement

	2023 Rs.	2022 Rs.
Cash and Bank Balances	371,561,551	183,819,494
Bank Overdrafts	(2,087,507)	(17,480,490)
Treasury Bills and Repurchase Agreements	985,023,964	790,285,958
Placement with Banks	321,831,914	470,832,295
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	**1,676,329,922**	**1,427,457,257**

17. PLACEMENT WITH BANKS

	2023 Rs.	2022 Rs.
Fixed Deposit Investments	434,017,093	485,698,075
Less: Allowance for expected credit losses	(35,659)	(35,659)
	433,981,434	485,662,416

17.1 The movement in provision for expected credit losses are as follows.

	2023		2022	
	Rs. Stage 01	Rs. Total	Rs. Stage 01	Rs. Total
Balance as at 01 April	35,659	35,659	35,659	35,659
Charge/(Reversal) to Income Statement	-	-	-	-
Balance as at 31 March	35,659	35,659	35,659	35,659

Fixed Deposit Investments include Investments amounting to Rs.53,775,584/- that have been Pledged for facilities obtained from Banks.

18. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

	2023 Rs.	2022 Rs.
Repurchased Agreements	271,331,939	255,049,144
	271,331,939	255,049,144

19. LOANS AND ADVANCES

	2023 Rs.	2022 Rs.
Real Estate Loans	47,513	47,513
Mortgage Loans	174,043,830	206,910,292
Personnel Loans	212,664,908	421,650,383
Loans against Fixed Deposits	245,230,622	75,896,051
Staff Loans	65,476,280	53,018,288
Revolving Loans	80,286,196	92,253,218
Auto draft	134,727,494	151,730,692
Business Loans	207,780,923	211,026,669
Other Loans	202,124,454	212,994,384
	1,322,382,220	1,425,527,490
Other Charges Receivable	32,668,630	30,397,943
	1,355,050,850	1,455,925,433
Less : Allowance for Impairment Losses (Note 19.1)	(335,402,350)	(346,785,959)
Net Loans and Advances	**1,019,648,500**	**1,109,139,474**

19.1 Analysis of Loans and Advances on Maximum Exposure to credit Risk as at 31 March 2023

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Advances			378,870,780	378,870,780
Loans and Advances subject to Collective Impairment	602,368,471	103,272,315	270,539,284	976,180,070
Allowances for Expected Credit Losses	(11,667,792)	(10,907,395)	(312,827,163)	(335,402,350)
	590,700,679	92,364,920	336,582,901	1,019,648,500

Analysis of Loans and Advances on Maximum Exposure to credit Risk as at 31 March 2022	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Advances	-	-	419,111,413	419,111,413
Loans and Advances subject to Collective Impairment	632,565,461	99,058,033	305,190,526	1,036,814,020
Allowances for Expected Credit Losses	(29,975,237)	(15,282,194)	(301,528,527)	(346,785,959)
	602,590,224	83,775,839	422,773,412	1,109,139,474

19.2 Allowance for Impairment Losses

	2023 Rs.	2022 Rs.
As at 01 April	346,785,959	324,354,391
Charge / (Reversal) for the year	(11,383,610)	22,431,568
Amounts written off	-	-
As at 31 March	335,402,350	346,785,959
Individual Impairment	249,864,946	237,301,869
Collective Impairment	85,537,403	109,484,090
	335,402,350	346,785,959
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	378,870,780	419,111,412

19.3 Movement in Allowance for Expected Credit Loss (ECL)

Movement in Allowance for Expected Credit Loss (ECL)	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	29,975,237	15,282,194	301,528,527	346,785,959
Charge/(Reversal) to Income Statement	(18,307,445)	(4,374,799)	11,298,636	(11,383,609)
Amounts written off	-	-	-	-
Balance as at 31 March 2023	11,667,792	10,907,395	312,827,163	335,402,350

Movement in Allowance for Expected Credit Loss (ECL)	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2021	4,735,673	19,550,841	300,067,877	324,354,391
Charge/(Reversal) to Income Statement	25,239,564	(4,268,647)	1,460,650	22,431,567
Amounts written off	-	-	-	-
Balance as at 31 March 2022	29,975,237	15,282,194	301,528,527	346,785,958

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

	2023 Rs.	2022 Rs.
Gross rentals receivables		
- Lease Rentals	12,041,992,983	10,763,223,051
- Amounts Receivable form Hirers	23,478,086	26,760,489
	12,065,471,069	10,789,983,540
Less: Unearned Income	(3,731,952,729)	(3,199,915,036)
Net rentals receivables	**8,333,518,340**	**7,590,068,504**
Less : Suspended VAT	(3,446,174)	(3,554,596)
	8,330,072,166	7,586,513,908
Other Charges Receivable	220,653,661	171,659,231
	8,550,725,827	7,758,173,139
Less : Allowance for Impairment Losses (Note 20.1)	(763,242,481)	(758,414,244)
Total Net Rentals Receivable	**7,787,483,346**	**6,999,758,895**

20.1 Analysis of Lease Rental Receivable & Stock Out on Hire on Maximum Exposure to credit Risk as at 31 March 2023

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Receivables			159,250,771	159,250,771
Lease Rental Receivable & Stock out of Hire subject to Collective Impairment	3,953,692,736	1,731,962,468	2,705,819,852	8,391,475,056
Allowances for Expected Credit Losses	(145,756,402)	(110,561,656)	(506,924,423)	(763,242,481)
	3,807,936,334	1,621,400,812	2,198,895,430	7,787,483,346

Analysis of Lease Rental Receivable & Stock Out on Hire on Maximum Exposure to credit Risk as at 31 March 2022

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Receivables	-	-	315,804,213	315,804,213
Lease Rental Receivable & Stock out of Hire subject to Collective Impairment	4,197,424,718	1,501,445,852	1,743,498,356	7,442,368,926
Allowances for Expected Credit Losses	(165,265,568)	(133,221,017)	(459,927,659)	(758,414,244)
	4,032,159,150	1,368,224,835	1,599,374,910	6,999,758,895

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd...)

20.2 Allowance for Impairment Losses

	2023 Rs.	2022 Rs.
As at 01 April	758,414,244	668,240,572
Charge / (Reversal) for the year	4,828,237	90,173,672
Amounts written off	-	-
As at 31 March	763,242,481	758,414,244
Individual Impairment	83,410,308	145,436,567
Collective Impairment	679,832,173	612,977,677
	763,242,481	758,414,244
Gross amount of lease and hire purchase rental receivables i ndividually determined to be impaired, before deducting the individually assessed impairment allowance	159,250,771	315,804,213

20.3 Movement in Allowance for Expected Credit Loss (ECL)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2022	165,265,568	133,221,017	459,927,659	758,414,244
Charge/(Reversal) to Income Statement	(19,509,166)	(22,659,361)	46,996,764	4,828,237
Amounts written off			-	-
Balance as at 31 March 2023	145,756,402	110,561,656	506,924,423	763,242,481

Movement in Allowance for Expected Credit Loss (ECL)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2021	117,255,188	104,976,790	446,008,594	668,240,572
Charge/(Reversal) to Income Statement	48,010,380	28,244,227	13,919,065	90,173,672
Amounts written off	-	-		-
Balance as at 31 March 2022	165,265,568	133,221,017	459,927,659	758,414,244

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd…)

20.4 As at 31 March 2023

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
- Lease Rentals	11,079,880,530	714,311,144	247,801,310	12,041,992,984
- Amounts Receivable form Hirers	2,711,452	4,773,607	15,993,027	23,478,086
	11,082,591,982	719,084,751	263,794,337	12,065,471,070
Less: Unearned Income	(3,634,286,160)	(97,666,568)	-	(3,731,952,728)
Net rentals receivables	7,448,305,822	621,418,183	263,794,337	8,333,518,342
Less : Suspended VAT				(3,446,174)
				8,330,072,168
Other Charges Receivable				220,653,661
				8,550,725,829
Less : Allowance for Impairment Losses				(763,242,481)
Total net rentals receivable				7,787,483,348

As at 31 March 2022

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
- Lease Rentals	4,628,019,854	6,093,322,094	41,881,103	10,763,223,051
- Amounts Receivable form Hirers	26,744,026	16,463	-	26,760,489
	4,654,763,880	6,093,338,557	41,881,103	10,789,983,540
Less: Unearned Income	(1,528,192,924)	(1,665,890,571)	(5,831,541)	(3,199,915,036)
Net rentals receivables	3,126,570,956	4,427,447,986	36,049,562	7,590,068,504
Less : Suspended VAT				(3,554,596)
				7,586,513,908
Other Charges Receivable				171,659,231
				7,758,173,139
Less : Allowance for Impairment Losses				(758,414,244)
Total net rentals receivable				6,999,758,895

21. FINANCIAL INVESTMENTS -FAIR VALUE THROUGH PROFIT AND LOSS

	2023 Rs.	2022 Rs.
Unit trust investments	8,613,335	291,202,975
	8,613,335	291,202,975

22. FINANCIAL INVESTMENTS -FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE FOR SALE

	2023 Rs.	2022 Rs.
Credit Information Bureau-Unquoted Equities *	80,400	80,400
	80,400	80,400

* Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

23. DEBT INSTRUMENTS AT AMORTISED COST / FINANCIAL INVESTMENTS - HELD TO MATURITY

	2023 Rs.	2022 Rs.
Government of Sri Lanka Treasury Bills	713,692,026	535,236,815
Investment in Debt Securities	-	51,549,658
Interest Receivable on Debt Securities	0	372,852
	713,692,026	587,159,325

24. OTHER FINANCIAL ASSETS

	2023	2022
Repossessed Stock	40,554,235	2,010,024
Other Receivables	113,172,754	87,054,490
	153,726,989	89,064,514
Less : Allowance for Impairment Losses (Note 24.1)	(67,827,218)	(2,010,024)
	85,899,771	87,054,490
Deposit	23,562,214	20,220,959
Due From Related Parties	3,149,648	3,693,293
	112,611,633	110,968,742

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

24.1 Allowance for Impairment Losses

	2023 Rs.	2022 Rs.
As at 01 April	2,010,024	5,219,722
Charge / (Reversal) for the year	88,712,161	17,895,155
Amounts written off	(22,894,967)	(21,104,853)
As at 31 March	67,827,218	2,010,024
Individual Impairment	186,852	-
Collective Impairment	67,640,366	2,010,024
	67,827,218	2,010,024

24. OTHER FINANCIAL ASSETS (Contd...)

24.2 Movement in Allowance for Expected Credit Loss (ECL)

	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	2,010,024	2,010,024
Charge/(Reversal) to Income Statement	67,827,218	67,827,218
Amounts written off	(22,763,898)	(22,763,898)
Balance as at 31 March 2023	47,073,344	47,073,344

Movement in Allowance for Expected Credit Loss (ECL)

	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2021	5,219,722	5,219,722
Charge/(Reversal) to Income Statement	17,895,155	17,895,155
Amounts written off	(21,104,853)	(21,104,853)
Balance as at 31 March 2022	2,010,024	2,010,024

25. REAL ESTATE STOCK

	2023 Rs.	2022 Rs.
Real Estate Stocks	38,468,202	32,066,726
	38,468,202	32,066,726

26. OTHER NON FINANCIAL ASSETS

	2023 Rs.	2022 Rs.
Advances	20,884,995	15,253,891
Pre-paid Staff Cost (Note 26.1)	34,942,919	19,480,944
Other Receivables	212,630	212,630
Pre Paid Rent Deposit	(67,596)	162,170
Pre-Paid Expenses	32,243,048	22,703,284
	88,215,996	57,812,919

26.1 The movement in the Pre-Paid Staff Cost

	2023 Rs.	2022 Rs.
Balance as at 1 April	19,944,071	23,819,448
Add: Adjustment for new grants (net of settlements)	19,204,998	342,733
Charge to Personnel Expenses	(4,206,150)	(4,218,109)
Balance as at 31 March	34,942,919	19,944,071

27. INTANGIBLE ASSETS

	2023 Rs.	2022 Rs.
Cost		
Cost as at 01 April	84,519,798	84,519,798
Additions	1,180,375	-
As at 31 March	85,700,173	84,519,798
Amortisation & Impairment:		
As at 1 April	56,569,032	50,653,376
Amortisation Charge for the year	6,004,183	5,915,656
As at 31 March	62,573,215	56,569,032
Net book value:		
As at 31 March	23,126,958	27,950,766

Nature and Amortization Method

Intangible Assets represent acquisition of computer software from third parties. These software are amortized over the estimated useful life of 10 years on a straight line basis.

During the financial year, the Company acquired intangible assets value of Rs.1,180,375 /- (Computer Software) (2021/2022 - Rs.0/-).

28. PROPERTY, PLANT AND EQUIPMENT

28.1 Gross Carrying Amounts

Cost /Valuation	Balance As at 31.03.2022 Rs.	Additions Transfers Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Freehold Assets				
Land	114,400,000	80,000	-	114,480,000
Furniture & Fittings	78,960,564	3,697,670	16,260,585	66,397,649
Office Equipment	27,425,269	2,845,779	9,146,765	21,124,283
Motor Vehicles	9,924,000			9,924,000
Computer Hardware	81,773,591	26,399,198	7,882,185	100,290,604
Total Value of Depreciable Assets	**312,483,424**	**33,022,647**	**33,289,535**	**312,216,536**

28.2 Depreciation

	Balance As at 31.03.2022 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Furniture & Fittings	68,927,016	5,001,019	15,994,779	57,933,256
Office Equipment	20,950,754	2,301,997	8,876,407	14,376,344
Motor Vehicles	1,246,958	1,240,500		2,487,458
Computer Hardware	68,636,627	8,150,475	7,853,334	68,933,767
	159,761,355	16,693,991	32,724,520	143,730,825

28.3 Net Book Values

	2023 Rs.	2021 Rs.
At Cost/Valuation		
Land	114,480,000	114,400,000
Furniture & Fittings	8,464,393	10,033,548
Office Equipment	6,747,939	6,474,515
Motor Vehicles	7,436,542	8,677,042
Computer Hardware	31,356,837	13,136,964
Total Carrying Amount of Property, Plant & Equipment	**168,485,711**	**152,722,069**

28.4 The useful lives of the assets are estimated as follows;

	2023	2022
Furniture & Fittings	3 - 8 Years	3 - 8 Years
Office Equipment	8 Years	8 Years
Motor Vehicles	8 Years	8 Years
Computer Hardware	4 years	4 years

28.5 During the Financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 32,942,647/- (2021/2022- Rs.22,457,183/-).

28.6 Cost of fully depreciated assets of the company as at 31 March 2023 is Rs 98,876,646 /- (2020/2021 - Rs. 110,503,110/-).

28. PROPERTY, PLANT AND EQUIPMENT (Contd...)

28.7 Fair value related disclosures of freehold land

Fair value of the land was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 31 March 2023, the lands' fair values are based on valuations performed by H.R De Silva, a professionally qualified independent valuer .

Reconciliation of carrying amount	Rs.
Revalued amount (carrying value) as at 31.03.2022	114,400,000
Revaluation gain as at 31.03.2023	80,000
Impairment losses recognized during FY 2022/2023	-
Carrying Value and fair value as at 31 March 2023	114,480,000

Fair value hierarchy

The fair value the Company's freehold land was determined using the market comparable method. This means that valuations performed are based on prices of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of freehold land, as well as the significant unobservable inputs used.

Name of the Professional Valuer/Location	Extent	Method of Valuation and Significant Unobservable	Valued in 31 March 2022 Rs.
H.R De Silva			
Freehold land at Awissawella Road, Galwana, Mulleriyawa	71.5 perches	Market Comparable Method-Estimated price per perch: Rs.1,600,000	114,480,000

The carrying value of Company's revalued freehold land, if it was carried at cost, would be as follows.

	2023 Cost Rs.	2023 Carrying Value Rs.	2022 Cost Rs.	2022 Carrying Value Rs.
Freehold Land	24,940,093	24,940,093	24,940,093	24,940,093
	24,940,093	24,940,093	24,940,093	24,940,093

29. RIGHT-OF-USE-ASSETS

Set out below are the carrying amounts of right-of-use-assets recognised and movements during the year.

29.1 Cost

	2023 Rs.	2022 Rs.
Balance as at 01 April	304,268,788	148,137,055
Additions and Improvements	20,222,419	156,131,734
Cost as at 31 March	324,491,207	304,268,788
Accumulated Amortisation		
Balance as at 01 April	129,143,505	85,646,183
Charge for the year (Note 11)	43,972,272	43,497,322
Accumulated Amortisation as at 31 March	173,115,777	129,143,505
	-	
Net Book Value as at 31 March	151,375,430	175,125,283

29.2 Lease Liability

Set out below are the carrying amounts of Lease Liabilities (Included under Other Financial Liabilities in Note 34) and movements during the year.

	2023 Rs.	2022 Rs.
Balance as at 01 April	181,093,889	63,308,285
Additions	18,167,463	156,131,738
Accretion of Interest (Note 5.2)	17,408,500	13,543,777
Payments	(50,547,501)	(51,889,911)
Balance as at 31 March	166,122,351	181,093,889

29.3 Maturity Analysis of Lease Liability

As at 31 March	2023 Rs.	2022 Rs.
Less than 01 year	31,046,315	32,518,754
01 to 05 years	125,319,442	130,807,111
More than 05 years	9,756,594	17,768,024
	166,122,351	181,093,889

29.4 Sensitivity of Right-of use Assets /Lease Liability to Key Assumptions

Sensitivity to Discount Rates

1% increase / (Decrease) in discount rate as at 31 March 2023 would have increased/(decreased) the lease liability by approximately Rs.1,740,850/- with a similar increase/(decrease) in the Right- of-use Assets. Had the Company increased/(decreased) the discount rate by 1% the Company's profit before tax for the year would have increased/(decreased) by approximately Rs.1,392,680/-

30. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings

	Statements of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss		Recognized in Statement of Statement of Changes in Equity	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred Tax Liability								
Capital Allowances for Tax Purposes								
- Property Plant & Equipment	10,545,755	9,250,256	-	-	1,295,500	4,001,749	-	-
- Leased Asset	2,614,157	7,437,207	-	-	(4,823,050)	(1,035,290)	-	-
Revaluation of Land-Previous Year	26,837,972	19,056,000	7,781,972	-	-	-	-	-
Revaluation of Land -Current Year	24,000	-	24,000	-	-	-	-	-
Define Benefit Plan- Other Comprehensive Income	106,897	1,039,397	(932,500)	571,270	-	-	-	-
	40,128,781	36,782,860	6,873,472	571,270	(3,527,550)	2,966,459	-	-
Deferred Tax Assets								
Capital Allowances for Tax Purposes								
- Leased Asset	-	-	-	-	-	-	-	-
Defined Benefit Plans- Income Statement	(11,229,763)	(6,624,147)	-	-	(4,605,615)	327,564	-	-
Define Benefit Plan- Other Comprehensive Income	-	-	-	-	-	-	-	
Provision for Impairment on Financial Assets	(9,689,247)	(13,942,027)	-	-	4,252,780	20,453,196	-	-
Impact of Adoption of SLFRS 09	-	-	-	-	-	-	-	
Operating Leased Assets-SLFRS 16	(5,958,747)	(2,918,326)	-	-	(3,040,421)	(1,204,987)	-	-
Brought Forward Tax Losses	-	-	-	-	-	-	-	
	(26,877,757)	(23,484,500)	-	-	(3,393,256)	19,575,773	-	-
Deferred income tax charge/(reversal)			6,873,472	571,270	(6,920,806)	22,542,232	-	-
Net Deferred Tax Liability/ (Asset)	13,251,024	13,298,359						

31. DUE TO BANKS

	2023 Rs.	2022 Rs.
Bank Overdrafts	2,087,507	17,480,490
Bank Facilities (Note 31.2 (a), 31.2 (b))		121,116,610
	2,087,507	138,597,100

31. DUE TO BANKS (Contd...)

31.1 Due to Banks

			2023			2022		
			Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs..	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.
Bank Facilities	-	-	-	-	-	121,116,610	-	121,116,610
	-	-	-	-	-	121,116,610	-	121,116,610

31.2 (a) Bank Facilities

	As at 01.04.2022 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2023 Rs.	Period Rs.	Security Rs.
Direct Bank Borrowings								
Term Loans								
Term Loan 01 Seylan Bank PLC	15,000,000	-	1,254,017	15,000,000	1,254,017	-	60 Months	Lease Portfolio
Term Loan 02 Seylan Bank PLC	22,916,610	-	2,370,272	22,916,610	2,370,272	-	48Months	Lease Portfolio
Term Loan 03 Seylan Bank PLC	83,200,000	-	9,358,921	83,200,000	9,358,921	-	36 Months	Lease Portfolio
	121,116,610	-	12,983,210	121,116,610	12,983,210	-	-	

31.2 (b) Bank Facilities

	As at 01.04.2021 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2022 Rs.	Period Rs.	Security Rs.
Direct Bank Borrowings								
Term Loans								
Term Loan 01 Seylan Bank PLC	35,000,000	-	2,415,302	20,000,000	2,415,302	15,000,000	60 Months	Lease Portfolio
Term Loan 02 Seylan Bank PLC	47,916,610	-	3,196,147	25,000,000	3,196,147	22,916,610	48Months	Lease Portfolio
Term Loan 03 Seylan Bank PLC	166,600,000	-	11,351,208	83,400,000	11,351,208	83,200,000	36 Months	Lease Portfolio
	249,516,610	-	16,962,657	128,400,000	16,962,657	121,116,610		

32. DUE TO CUSTOMERS

	2023 Rs.	2022 Rs.
Fixed Deposits	5,334,360,603	4,383,417,670
Savings Deposits	42,253,289	64,590,618
	5,376,613,892	4,448,008,287

33. OTHER BORROWED FUNDS

	2023 Rs.	2022 Rs.
Securitization Loan (Note 33.1)	1,953,023,415	2,161,315,277
Borrowings on Commercial Papers	-	390,791,814
	1,953,023,415	2,552,107,092

33.1 Other Borrowed Fund

	2023			2022		
	Amount repayable within 1 year Rs.	Amount repayabl after 1 year Rs.	Total Rs.	Amount repayable with 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.
Securitized Borrowings	1,684,285,320	268,738,095	1,953,023,415	1,675,806,970	485,508,307	2,161,315,277
	1,684,285,320	268,738,095	1,953,023,415	1,675,806,970	485,508,307	2,161,315,277

33.2 (a) Other Borrowed Funds

	As at 01.04.2022 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2023 Rs.	Period Rs.	Security Rs.
Securitized Borrowings 02	-	-	-	-	-	-	24 Months	Lease Portfolio
Securitized Borrowings 03	-	-	-	-	-	-	15 Months	Lease Portfolio
Securitized Borrowings 04	39,297,213	-	852,208	30,000,000	8,515,044	1,634,377	24 Months	Lease Portfolio
Securitized Borrowings 06	248,236,317	-	8,599,288	223,691,405	31,693,210	1,450,989	24 Months	Lease Portfolio
Securitized Borrowings 07	194,227,097	-	5,972,353	174,000,000	25,331,885	867,565	30 Months	Lease Portfolio
Securitized Borrowings 08	622,984,358	-	50,137,008	578,000,000	66,669,767	28,451,599	18Months	Lease Portfolio
Securitized Borrowings 09	506,159,827	-	54,311,662	281,436,137	30,373,073	248,662,280	18 Months	Lease Portfolio
Securitized Borrowings 10	550,410,466	-	69,055,490	360,000,000	43,600,781	215,865,175	24 Months	Lease Portfolio
Securitized Borrowings 11	-	735,434,655	177,905,783	-	-	913,340,438	16 Months	Lease Portfolio
Securitized Borrowings 12	-	499,617,858	43,133,134	-	-	542,750,992	20 Months	Lease Portfolio
	2,161,315,278	1,235,052,513	409,966,926	1,647,127,542	206,183,760	1,953,023,415		

	As at 01.04.2021 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2022 Rs.	Period Rs.	Security Rs.
Securitized Borrowings 01	-	-	-	-	-	-	22 Months	Lease Portfolio
Securitized Borrowings 02	54,002,785	-	1,919,451	41,000,000	14,922,236	-	24 Months	Lease Portfolio
Securitized Borrowings 03	-	-	-	-	-	-	15 Months	Lease Portfolio
Securitized Borrowings 04	277,959,240	-	17,887,597	220,000,000	36,549,624	39,297,213	24 Months	Lease Portfolio
Securitized Borrowings 05	71,051,719	-	2,549,925	66,500,000	7,101,644	-		Lease Portfolio
Securitized Borrowings 06	255,605,001	-	20,593,877	26,559,569	1,402,992	248,236,317	24 Months	Lease Portfolio
Securitized Borrowings 07	505,665,551	-	37,105,736	326,000,000	22,544,190	194,227,097	30 Months	Lease Portfolio
Securitized Borrowings 08	-	603,000,000	19,984,358	-	-	622,984,358	18Months	Lease Portfolio
Securitized Borrowings 09	-	501,944,445	4,215,382	-	-	506,159,827	18 Months	Lease Portfolio
Securitized Borrowings 10	-	550,000,000	410,466	-	-	550,410,466	24 Months	Lease Portfolio
	1,164,284,296	1,654,944,445	104,666,792	680,059,569	82,520,686	2,161,315,278		

34. OTHER FINANCIAL LIABILITIES

	2023 Rs.	2022 Rs.
Trade Payables - Related Parties (Note 34.1)	2,544,841	2,328,698
Non Trade Payables - Related Parties (Note 34.2)	1,489,834	1,057,234
Trade Payables - Other Parties	11,378,026	64,450,112
Lease Liability (Note 29.2)	166,122,351	181,093,889
Accrued Expenses	379,949,595	395,941,448
	561,484,647	644,871,381

34.1 Trade Payables to Related Parties

	Relationship	2023	2022
Abans PLC	Parent Company	463,251	247,108
Abans Auto (Pvt)Ltd	Affiliate Company	2,081,590	2,081,591
		2,544,841	2,328,698

34.2 Non Trade Payables to Related Parties

	Relationship	2023	2022
Abans PLC	Parent Company	196,054	70,200
Abans Retail (Pvt) Ltd	Affiliate Company	-	-
Abans Graphics (Pvt) Ltd	Affiliate Company	-	176,850
Abans Environmental Services	Affiliate Company	146,070	197,781
ABS Gardner Dixon Hall International (Pvt) Ltd	Affiliate Company	221,840	47,450
AB Securitas (Pvt) Ltd	Affiliate Company	463,963	434,927
AB Logistics (Pvt) Ltd	Affiliate Company	-	-
ABS Courier (Pvt) Ltd	Affiliate Company	461,907	130,025
		1,489,834	1,057,234

35. OTHER NON FINANCIAL LIABILITIES

	2023 Rs.	2022 Rs.
VAT on Financial Services	41,414,793	41,677,478
VAT Payable	6,749,914	525,219
SSCL Payabe	7,296,466	-
Others	4,429,278	1,618,446
	59,890,451	43,821,143

36. RETIREMENT BENEFIT OBLIGATIONS

Retirement Benefit Obligations - Gratuity

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	27,600,613	27,014,926
Current Service Cost	5,173,241	4,292,989
Past Service Cost	-	(995,609)
Payments made during the year	(2,563,751)	(2,468,635)
Interest Charged/(Reversed) for the year	4,114,104	1,963,985
Due to change in Demographic Assumptions	(1,160,780)	(133,893)
Due to change in Financial Assumptions	4,787,398	(4,111,260)
Experience Adjustment	(518,284)	1,864,860
Prior year gratuity payment cancellation	-	173,250
Balance at the end of the year	37,432,541	27,600,613

36. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

36.1 Expenses on Defined Benefit Plan

	2023 Rs.	2022 Rs.
Current Service Cost for the year	5,173,241	4,292,989
Interest Charge for the year	4,114,104	1,963,985
Past Service Cost	-	(995,609)
	9,287,345	5,261,365
Amount Recognized in the Other Comprehensive Income		
(Gain)/Loss arising from changes in the assumption (Note 36.2)	3,108,334	(2,380,293)
	3,108,334	(2,380,293)

36.2 (Gain) / Loss arising from the changes in the assumption

	2023 Rs.	2022 Rs.
Due to change in Demographic Assumptions	(1,160,780)	(133,893)
Due to change in Financial Assumptions	4,787,398	(4,111,120)
Experience Adjustment	(518,284)	1,864,860
	3,108,334	(2,380,153)

36.3 Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2023 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Project Unit Credit Method" as recommend by LKAS 19-'Employee Benefits'.

36.4 Assumptions

	2023	2022
Discount Rate	18.00%	15.00%
Salary Increment Rate	15.00%	10.00%
Staff Turnover	11.00%	14.00%
Retirement Age	60 Years	60 Years

Assumptions regarding future mortality are based on 1967/70 Mortality Table and issued by the Institute of Actuaries, London.

** The minimum retirement age has been extended up to 60 years with effect from 17 November 2021 as per the "Minimum Retirement Age of Workers Act, No. 28 of 2021" .

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 19.

36.5 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligations measurement. The sensitivity of the Statement of Financial position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retiring Gratuity obligation for the year.

		2023		2022	
Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%		12,934,657	(12,934,657)	1,212,929	(1,212,929)
-1%		(1,129,289)	1,129,289	(1,328,448)	1,328,448
	1%	(1,344,910)	1,344,910	(1,506,084)	1,506,084
	-1%	1,248,054	(1,248,054)	1,392,853	(1,392,853)

36.6 Maturity Profile of the Defined Benefit Obligation Plan

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below;

	2023 Years	2022 Years
Weighted Average Duration of the Defined Benefit Obligation	6.60	5.31
Average Time to Benefit Payout	8.03	6.46

36. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

36.7 Distribution of Defined Benefit Obligation Over Future Lifetime

The following table demonstrates distribution of the future working lifetime of the Defined Benefit Obligation as at the reporting period.

	2023 Rs.	2022 Rs.
Less than 1 year	4,376,203	4,423,615
Between 1-5 years	13,932,021	11,650,853
Between 5-10years	10,599,940	7,657,710
Over 10 years	8,524,377	3,868,435
	37,432,541	27,600,613

37. STATED CAPITAL

37.1 Issued and Fully Paid-Ordinary shares

	2023		2022	
	No. of Shares	Rs.	No. of Shares	Rs.
As at 31 March	73,693,171	1,321,097,699	66,561,573	1,121,412,955
	73,693,171	1,321,097,699	66,561,573	1,121,412,955

37.2 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

38. RETAINED EARNINGS AND OTHER RESERVES

38.1 Retained Earnings

	2023 Rs.	2022 Rs.
As at 01 April	956,131,916	610,075,860
Dividend Paid	-	-
Profit /(Loss) for the Year	355,062,488	430,308,791
Other Comprehensive Income net of tax	(2,175,834)	1,809,023
Transfers to Statutory Reserve Fund	(17,753,125)	
	(755,907,050)	
As at 31 March	535,358,396	956,131,916

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

38.2 Other Reserves

38.2.1Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

	Statutory Reserve	Total
	2023 Rs.	2022 Rs.
Balance as at 01 April	277,169,198	191,107,440
Transfers to/(from) during the year	17,753,124	86,061,758
Balance as at 31 March	294,922,322	277,169,198

38.2.2 Revaluation Reserve

	2023 Rs.	2022 Rs.
Balance as at 01 April	70,403,907	70,403,907
Revaluation Surplus (Net of Tax)	56,000	-
Tax change impact on Revaluation Reserve	(7,781,972)	
Balance as at 31 March	62,677,935	70,403,907

38.2.3 Regulatory Loss Allowance Reserve

In terms of the section 7.0 on Classification and Measurement of Credit Facilities Direction No. 01 of 2020, ensure the following.

Section 7.1.3

Where the loss allowances for expected credit loss falls below the regulatory provisions (i.e., provision and accrued interest in NPL), Company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings. The additional loss allowance shall be maintained in the RLAR at all times. When loss allowance for expected credit losses exceeds the regulatory provision, the Company may transfer the excess amount in the RLAR to its retained earnings. Company has provided the difference of regulatory provision and impairment provision as per SLFRS 09, Rs. 755,907,050 as of 31.03.2023.

39. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

39.1 As at 31 March 2023

	Amortised Cost Rs.	Financial Investments FVP&L	Equity Instruments FVOCI Rs.	Total Rs.
Assets				
Cash and Bank Balances	371,545,331	-	-	371,545,331
Placement With Banks	433,981,434	-	-	433,981,434
Repurchase Agreements	271,331,939	-	-	271,331,939
Loans and Advances	1,019,648,500	-	-	1,019,648,500
Lease rentals receivable & Stock out on Hire	7,787,483,346	-	-	7,787,483,346
Financial Investments at Fair Value through P&L	-	8,613,335	-	8,613,335
Equity instruments at fair value through OCI	-	-	80,400	80,400
Debt Instruments at Amortised Cost	713,692,026	-	-	713,692,026
Other Financial Assets	112,611,633	-	-	112,611,633
Total Financial Assets	10,710,294,209	8,613,335	80,400	10,718,987,944
Liabilities				
Due to Banks	2,087,507	-	-	2,087,507
Due to Customers	5,376,613,892	-	-	5,376,613,892
Other Borrowed Funds	1,953,023,415	-	-	1,953,023,415
Other Financial Liabilities	561,484,647	-	-	561,484,647
Total Financial Liabilities	7,893,209,460	-	-	7,893,209,460

39.2 As at 31 March 2022

	Amortised Cost Rs.	Financial Investments FVP&L	Equity Instruments FVOCI Rs.	Total Rs.
Assets				
Cash and Bank Balances	183,803,274	-	-	183,803,274
Placement With Banks	485,662,416	-	-	485,662,416
Repurchase Agreements	255,049,144	-	-	255,049,144
Loans and Advances	1,109,139,474	-	-	1,109,139,474
Lease rentals receivable & Stock out on Hire	6,999,758,895	-	-	6,999,758,895
Total Liabilities	-	291,202,975		291,202,975
Equity instruments at fair value through OCI	-	-	80,400	80,400
Debt Instruments at Amortised Cost	587,159,325	-		587,159,325
Other Financial Assets	110,968,742	-		110,968,742
Total Financial Assets	9,731,541,270	291,202,975	80,400	10,022,824,645
Liabilities				
Due to Banks	138,597,100	-	-	138,597,100
Due to Customers	4,448,008,287	-	-	4,448,008,287
Other Borrowed Funds	2,552,107,092	-	-	2,552,107,092
Other Financial Liabilities	644,871,381	-	-	644,871,381
Total Financial Liabilities	7,783,583,860	-	-	7,783,583,860

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the financial instruments.

40.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 :Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.

Level 2 : Valuation technique using observer able inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets and are valued using models where all significant inputs are observable.

Level 3: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Assets and Liabilities Measured at Fair Value - Fair Value Hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

As at 31 March 2023	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments - Held for Trading				
Quoted Equities	-	-	-	-
Investment in Unit trust	-	8,613,335	-	8,613,335
Financial Investments - Available for Sale				
Unquoted Equities	-	-	80,400	80,400
Total Financial Assets measured at fair value	-	8,613,335	80,400	8,693,735
Non Financial Assets				
Freehold land & buildings (included under Property, Plant& Equipment)	-	-	114,480,000	114,480,000
Total Non - Financial Assets measured at fair value	-	-	114,480,000	114,480,000

As at 31 March 2022	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments - Held for Trading				
Quoted Equities	-	-	-	-
Investment in Unit trust	-	291,202,975	-	291,202,975
Financial Investments - Available for Sale				
Unquoted Equities	-	-	80,400	80,400
Total Financial Assets	-	291,202,975	80,400	291,283,375
Non Financial Assets				
Freehold land & buildings (included under Property, Plant& Equipment)	-	-	114,400,000	114,400,000
Total Non - Financial Assets measured at fair value	-	-	114,400,000	114,400,000

There were no financial liabilities recorded at fair value as at 31 March 2023 & 2022

There were no transfers between Level 1 and Level 2 during 2023 & 2022.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

40.2 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

Set out below is the comparison, by class, of the carrying amounts of Fair Values of the Company's Financial Instruments that are not carried at Fair Value in the Financial Statements. This table does not include the Fair Values of Non- Financial Assets and Non- Financial Liabilities.

	2023					2022				
	Carrying	Fair Value				Carrying Amount	Fair Value			
	Amount	Level 01	Le vel 02	Level 03	Total		Level 01	Level 02	Level 03	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Advances	1,019,648,500	-	1,162,381,650	-	1,162,381,650	1,109,139,474	-	816,296,108	-	816,296,108
Lease rentals receivable & Stock out on Hire	7,787,483,346	-	7,550,971,872	-	7,550,971,872	6,999,758,895	-	6,527,249,912	-	6,527,249,912
Debt instruments at amortised cost	713,692,026	-	713,692,026	-	713,692,026	587,159,325	-	587,159,325	-	587,159,325
	9,520,823,872	-	9,427,045,548	-	9,427,045,548	8,696,057,694	-	7,930,705,345	-	7,930,705,345
Financial Liabilities										
Due to Customers	5,376,613,892	-	5,622,231,330	-	5,622,231,330	4,448,008,287	-	4,515,778,314	-	4,515,778,314
Other Borrowed Funds	1,953,023,415		2,331,657,929		2,331,657,929	2,552,107,092		2,552,107,092		2,552,107,092
	7,329,637,307	-	7,953,889,259	-	7,953,889,259	7,000,115,379	-	7,067,885,406	-	7,067,885,406

The following describes the methodologies and assumptions used to determine the Fair Values for those Financial Assets & Liabilities which are not already recorded at fair value in the Financial Statements.

Fixed Rate Financial Instruments

Carrying amounts are considered as Fair Values for short term credit facilities. All credit facilities with fixed interest rates were fair valued using market rates at which fresh credit facilities were granted during the last month of the reporting year. Conversely, fixed deposits with remaining tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the last month of the reporting year.

Assets & Liabilities for which Fair Value Approximates Carrying Value

The Following is a list of Financial Investments whose carrying amount is a reasonable approximation of Fair Value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

Assets

Cash and Bank Balances
Placement With Banks
Repurchase Agreements
Other Financial Assets

Liabilities

Due to Banks
Due to Customers
Other borrowed funds
Other Financial Liabilities

Reclassification of Financial Assets

There have been no reclassifications during 2022/2023

41. RISK MANAGEMENT DISCLOSURES

41.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

41.2 Risk Management Structure

The Board is primarily responsible for risk management initiatives. Integrated Risk Management Committee (IRMC), which is a sub-committee of the Board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the Company is willing to accept is decided at the IRMC level, and the decisions made by this Committee are communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

The Committee consists of Three Non Executive Directors and the Chairman of the committee is an Independant Non executive Director who is one of Three memebrs.

IRMC is supported by two sub committees such as Assets and Liabilities Committee (ALCO) and Credit Committee (CC). ALCO is entrusted with the identification and managing of Market Risk and Liquidity Risk where as CC is responsible for managing Assets Quality and credit policy of the Company.

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

41.3 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

41. RISK MANAGEMENT DISCLOSURES (Contd…)

41.4 Credit Risk

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

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

41.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.10 under Accounting policies. The referenc es below should be read in conjunction with those Accounting policies.

41.4.1 (a)Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and interbank balances defaulted and takes immediate action when the required intra day payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

* Internal assessment of the borrower indicating default or near-default
* The borrower requesting emergency funding from the Company
* The borrower having past due liabilities to public creditors or employees
* The borrower is deceased
* A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
* A material decrease in the borrower's turnover or the loss of a major customer
* A covenant breach not waived by the Company
* The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
* Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

41.4.1 (b)Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly. The Company has identified industries such as tourism, construction, Agriculture and Transport (including condominiums), as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1.

This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

41. RISK MANAGEMENT DISCLOSURES (Contd…)

41.4 CREDIT RISK (Contd...)

41.4.1 (c) Assessment of Expected Credit Losses

41.4.1(c)Analysis of the total allowance for expected credit losses is as follows.

	2023			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	(11,667,792)	(10,907,395)	(312,827,163)	(335,402,350)
Lease Rentals Receivable & Stock Out on Hire	(145,756,402)	(110,561,656)	(506,924,423)	763,242,481
Other Debtors			(67,827,218)	67,827,218
Total Allowance for Expected Credit Losses	(157,424,194)	(121,469,051)	(887,578,804)	1,166,472,049

	2022			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	(29,975,237)	(15,282,194)	(301,528,527)	(346,785,959)
Lease Rentals Receivable & Stock Out on Hire	(165,265,568)	(133,221,017)	(459,927,659)	(758,414,244)
Other Debtors			(2,010,024)	(2,010,024)
Total Allowance for Expected Credit Losses	(195,240,805)	(148,503,211)	(763,466,210)	(1,107,210,227)

The methodology used in the determination of expected credit losses is explained in Note 3.1.10 to Financial Statements.

41.4.1(d)Movement of the total allowance for expected credit losses during the period

	2023 Rs.	2022 Rs.
Balance as at 01 April	1,107,262,107	997,866,565
Charge/(Reversal) to Income Statement (Note 9)	82,156,789	130,500,395
Write- off during the year	(22,946,845)	(21,104,853)
Balance as at 31 March	1,166,472,050	1,107,262,107

41.4.1(e) Sensitivity Analysis : Impact of increase/(Decrease) of loss rate by 1% on collective allowance for expected credit losses

If the loss rates used by the Company indetermining collective impairment has increased / decreased by below mentioned rates, ECL provision of the company as at 31 March 2023 would have increased / decreased as follows.

	Impact to the ECL provisionas at 31 March 2023	Impact to the ECL provisionas at 31 March 2022
Increased/Decreased of loss rate used by the Company by 1%	91,084,804	43,300,801
Increased/Decreased of loss rate used by the Company by 2%	182,169,608	86,601,602

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.1(f) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due but not classified as impaired because they are less than 90 days past due. Loans past due 30 days or less are not presented in this analysis as they are not administratively considered past due.

As at 31 March 2023	2023 31-60 Days Rs.	61-90 Days Rs.	Total Rs.
Loans and Advances	83,466,779	19,805,535	103,272,314
Lease Rentals Receivable & Stock Out on Hire	1,073,000,365	658,959,102	1,731,962,468
Other Debtors			
	1,156,470,144	678,764,637	1,835,234,782

As at 31 March 2022	2022 31-60 Days Rs.	61-90 Days Rs.	Total Rs.
Loans and Advances	65,276,744	28,405,210	93,681,954
Lease Rentals Receivable & Stock Out on Hire	956,037,834	583,053,673	1,539,091,507
Other Debtors	-	-	-
	1,021,314,578	611,458,883	1,632,773,461

41.4.1(g) Overview of rescheduled loans and advances (except individually impaired loans and advances)

	2023				
As at 31 March 2023	Gross Carrying Value		Allowance for ECL		
	Stage 3	Total	Stage 3	Total	Value
Loans and Advances	78,887,126	78,887,126	21,642,538	21,642,538	57,244,588
Lease Rentals Receivable & Stock Out on Hire	538,397,734	538,397,734	78,801,323	78,801,323	459,596,411
	617,284,860	617,284,860	100,443,861	100,443,861	516,840,999

	2022				
As at 31 March 2022	Gross Carrying Value		Allowance for ECL		Net Carrying
	Stage 3	Total	Stage 3	Total	Value
Loans and Advances	29,864,554	29,864,554	6,243,348	6,243,348	23,621,206
Lease Rentals Receivable & Stock Out on Hire	166,856,166	166,856,166	33,796,866	33,796,866	133,059,298
	196,720,720	196,720,720	40,040,214	40,040,214	156,680,504

41. RISK MANAGEMENT DISCLOSURES (Contd…)

41.4 CREDIT RISK (Contd...)

41.4.2 Maximum Exposure to Credit risk

The following table shows the maximum exposure to credit risk by class of Financial Asset and the value of Financial Assets covered by the collateral.

Type of Collateral	Maximum	Fair Value of Collateral Held				Total	Net
As at 31 March 2023	Exposure to Credit Risk Rs.	Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets* Rs.	Other** Rs.	Collateral Value Rs.	Exposure to Credit Risk Rs.
Cash and Bank Balances (Excluding cash in hand)	303,909,867	-	-	-	-	-	303,909,867
Placement With Banks	433,981,434	-	-	-	-	-	433,981,434
Repurchase Agreements	271,331,939	-	-	-	-	-	271,331,939
Loans and Advances	1,355,050,850	358,676,874	317,710,518	608,169,552	530,000	1,285,086,944	69,963,906
Lease rentals receivable & Stock out on hire	8,550,670,053	-	-	12,811,730,179	-	12,811,730,179	-
Equity instruments at fair value through OCI	80,400	-	-	-	-	-	80,400
Debt instruments at amortised cost	713,692,026	-	-	-	-	-	713,692,026
Other Financial assets	112,611,633	-	-	-	-	-	112,611,633
	11,741,328,202	358,676,874	317,710,518	13,419,899,731	530,000	14,096,817,123	1,905,571,205

Type of Collateral	Maximum	Fair Value of Collateral Held				Total	Net
As at 31 March 2022	Exposure to Credit Risk Rs.	Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets* Rs.	Other** Rs.	Collateral Value Rs.	Exposure to Credit Risk Rs.
Cash and Bank Balances (Excluding cash in hand)	133,455,252	-	-	-	-	-	133,455,252
Placement With Banks	485,662,416	-	-	-	-	-	485,662,416
Repurchase Agreements	255,049,144	-	-	-	-	-	255,049,144
Loans and Advances	1,455,925,433	71,350,581	405,835,786	45,732,072	47,513	522,965,952	932,959,481
Lease rentals receivable & Stock out on hire	7,758,173,139	-	-	7,311,348,583	-	7,311,348,583	446,824,556
Equity instruments at fair value through OCI	80,400	-	-	-	-	-	80,400
Debt instruments at amortised cost	587,159,325	-	-	-	-	-	587,159,325
Other Financial assets	110,968,742	-	-	-	-	-	110,968,742
10,786,473,851	10,786,473,851	71,350,581	405,835,786	7,357,080,655	47,513	7,834,314,535	2,952,159,316

* Movable assets includes absolute ownership/ mortgage over motor vehicles and Machineries & Equipments.
** Other collateral includes secured by consumer durables & title deed transfers (Real Estate Loans).

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.3 Credit Quality by Class of Financial Assets

The amounts presented are gross of Impairment allowances.

As at 31 March 2023	Neither Past Time nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	371,545,331	-	-	371,545,331
Placement With Banks	433,981,434	-	-	433,981,434
Repurchase Agreements	271,331,939	-	-	271,331,939
Loans and Advances	483,791,970	492,388,098	378,870,782	1,355,050,850
Lease Rentals Receivable & Stock Out on Hire	2,461,009,855	5,930,409,427	159,250,771	8,550,670,053
Equity instruments at fair value through OCI	80,400	-	-	80,400
Debt instruments at amortised cost	713,692,026	-	-	713,692,026
Other Financial Assets	65,056,529	88,670,460	-	153,726,989
Total	4,800,489,483	6,511,467,985	538,121,553	11,850,079,022

As at 31 March 2022	Neither Past Time nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	183,803,274	-	-	183,803,274
Placement With Banks	485,662,416	-	-	485,662,416
Repurchase Agreements	255,049,144	-	-	255,049,144
Loans and Advances	563,977,970	472,836,051	419,111,412	1,455,925,434
Lease Rentals Receivable & Stock Out on Hire	3,024,869,360	4,417,499,566	315,804,213	7,758,173,139
Equity instruments at fair value through OCI	80,400	-	-	80,400
Debt instruments at amortised cost	587,159,325	-	-	587,159,325
Other Financial Assets	87,054,490	2,010,024	-	89,064,514
Total	5,187,656,379	4,892,345,642	734,915,625	10,814,917,646

41.4.3.1 Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of Financial Assets as at the end of the relevant financial period.

As at 31 March 2023	Past Due but Not Individually Imapired				
	1 to 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Advances	110,525,872	83,466,779	19,805,535	278,589,911	492,388,097
Lease Rentals Receivable & Stock Out on Hire	1,548,793,958	1,073,003,365	658,959,102	2,649,653,000	5,930,409,425
Other Financial Assets				88,670,460	88,670,460
	1,659,319,830	1,156,470,144	678,764,637	3,016,913,371	6,511,467,982

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets as at the previous financial period.

As at 31 March 2022	Past Due but Not Individually Imapired				
	1 to 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Advances	108,758,213	65,518,335	28,554,623	270,004,880	472,836,051
Lease Rentals Receivable & Stock Out on Hire	1,060,067,576	963,260,437	587,817,694	1,806,353,859	4,417,499,566
Other Financial Assets				2,010,024	2,010,024
	1,168,825,789	1,028,778,772	616,372,317	2,078,368,763	4,892,345,641

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2023	Cash and Bank Balances	Placement with Banks	Securities Purchased Under Repurchase Agreement Rs.	Loans and Advances	Lease rentals receivable & Stock Out on Hire Rs.	Financial Investment at fair value through P & L Rs.	Equity instruments at fair value through OCI Rs..	Debt instruments at amortised cost Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
Agriculture	-	-	-	8,871,601	44,559,727	-	-	-	-	53,431,328
Manufacturing	-	-	-	4,130,736	9,315,924	-	-	-	-	13,446,660
Construction	-	-	-	6,073,081	21,829,385	-	-	-	-	27,902,466
Financial Services	371,545,331	433,981,434	-	1,801,479	6,247,308	8,613,335	80,400	-	-	822,269,287
Trading	-	-	-	61,770,788	270,025,738	-	-	-	-	331,796,526
Government	-	-	271,331,939			-	-	713,692,026	-	985,023,965
Hotels	-	-	-	125,111	4,593,934	-	-	-	-	4,719,045
Services	-	-	-	8,085,493	18,736,255	-	-	-	-	26,821,748
Others	-	-	-	928,790,212	7,412,175,076	-	-	-	112,611,633	8,453,576,921
Total	**371,545,331**	**433,981,434**	**271,331,939**	**1,019,648,501**	**7,787,483,347**	**8,613,335**	**80,400**	**713,692,026**	**112,611,633**	**10,718,987,946**

As at 31 March 2022	Cash and Bank Balances	Placement with Banks	Securities Purchased Under Repurchase Agreement Rs.	Loans and Advances	Lease rentals receivable & Stock Out on Hire Rs.	Financial Investment at fair value through P & L Rs.	Equity instruments at fair value through OCI Rs..	Debt instruments at amortised cost Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
Agriculture	-	-	-	53,163,819	10,796,308	-	-	-	-	63,960,127
Manufacturing	-	-	-	36,252,434	3,936,152	-	-	-	-	40,188,586
Construction	-	-	-	27,789,505	9,255,065	-	-	-	-	37,044,570
Financial Services	183,803,274	485,662,416	-	38,649,292	1,290,110	291,202,975	80,400	-	-	1,000,688,467
Trading	-	-	-	33,585,579	10,593,401	-	-	-	-	44,178,980
Government	-	-	255,049,144	-	-	-	-	587,159,325	-	842,208,469
Hotels	-	-	-	7,659,956	331,415	-	-	-	-	7,991,371
Services	-	-	-	492,348,200	54,477,901	-	-	-	-	546,826,101
Others	-	-	-	419,690,689	6,909,078,543	-	-	-	110,968,742	7,439,737,974
Total	**183,803,274**	**485,662,416**	**255,049,144**	**1,109,139,474**	**6,999,758,895**	**291,202,975**	**80,400**	**587,159,325**	**110,968,742**	**10,022,824,645**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.5 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and / or the fair values of financial instruments. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

* Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.

* Yield curve risk arising from unanticipated shifts of the market yield curve.

Assets and Liabilities Committee of the company is having the primary responsibility of managing the Interest Rate Risk. Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

ALCO closely scrutinizing the probable impact on Net interest impact resulting from interest rate related relief measures announced by CBSL to the Covid-19 affected the Company. Management is in the process of finalizing the Impact of the same.

41.5.1 Interest Rate Sensitivity

41.5.1.1 The f ollowing table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Profit or Loss and Equity.

Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity Rs. Mn
Long Term Loans linked to AWPLR -LKR	2023	2023	2023
	+100/ (-100)	-	-
	+300/ (-300)	-	-
	+500/ (-500)	-	-
	2022	2022	2022
	+100/ (-100)	(1.21) / 1.21	(0.68) / 0.68
	+300/ (-300)	(3.63)/3.63	(2.32) / 2.32
	+500/ (-500)	(6.05)/6.05	(3.40) /3.40

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.5 INTEREST RATE RISK (Contd...)

41.5.2 Interest Rate Risk

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount categorized by the earlier of contractual reprising or maturity dates as at the end of the relevant financial period.

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest bearing	Total as at 31 March 2023
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	52,032,307	-	-	-	-	319,529,244	371,545,331
Placement with Banks	321,796,253	112,185,182	-	-	-	-	433,981,434
Securities Purchased under Repurchase Agreement	271,331,939	-	-	-	-	-	271,331,939
Loans and Advances	596,145,422	104,048,289	160,856,764	137,545,680	21,052,345	-	1,019,648,500
Lease Rentals Receivable & Stock out on Hire	1,091,659,459	1,647,426,427	3,309,986,995	1,738,410,465	-	-	7,787,483,346
Financial Investments at Fair Value through P&L	8,613,355	-	-	-	-	-	8,613,335
Equity instruments at fair value through OCI	-	-	-	-	80,400	-	80,400
Debt instruments at amortised cost	713,692,026	-	-	-	-	-	713,692,026
Other Financial Assets	-	-	-	-	-	112,611,633	112,611,633
TOTAL ASSETS	3,055,270,741	1,863,659,898	3,470,843,759	1,875,956,145	21,132,745	432,140,877	10,718,987,944
LIABILITIES							
Due to Banks	2,087,507	-	-	-	-	-	2,087,507
Due to Customers	2,605,128,010	1,817,215,995	690,042,664	260,126,207	4,101,016	-	5,376,613,892
Other Borrowed Funds	-	866,162,061	753,294,910	333,566,444	-	-	1,953,023,415
Other Financial Liabilities	-	-	-	-	-	561,484,647	561,484,647
TOTAL LIABILITIES	2,607,215,517	2,683,378,056	1,443,337,574	593,692,651	4,101,016	561,484,647	7,893,209,460
TOTAL INTEREST SENSITIVITY GAP	448,055,224	(819,718,158)	2,027,506,185	1,282,263,494	17,031,729	(129,343,770)	2,825,778,484

41.5 INTEREST RATE RISK (Contd...)

41.5.2.1 Interest Rate Risk

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on non- trading financial assets & liabilities. The Company's assets & liabilities are included at carrying amount categorized by the earlier of contractual reprising or maturity dates as at the end of the previous financial period.

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest bearing	Total as at 31 March 2023
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	73,983,353					109,819,921	183,803,274
Placement with Banks	470,760,984	14,901,432					485,662,416
Securities Purchased under Repurchase Agreement	255,049,144						255,049,144
Loans and Advances	621,341,925	27,405,926	376,447,521	67,616,245	16,327,855		1,109,139,472
Lease Rentals Receivable & Stock out on Hire	1,486,848,104	997,006,230	3,283,910,258	1,195,944,742	36,049,562		6,999,758,896
Financial Investments at Fair Value through P&L	291,202,975						291,202,975
Equity instruments at fair value through OCI					80,400		80,400
Debt instruments at amortised cost	587,159,325						587,159,325
Other Financial Assets						110,968,742	110,968,742
TOTAL ASSETS	3,786,345,810	1,039,313,588	3,660,357,779	1,263,560,987	52,457,817	220,788,663	10,022,824,644
LIABILITIES							
Due to Banks	49,580,490	89,016,610			-	-	138,597,100
Due to Customers	1,640,271,511	2,267,965,305	481,335,038	58,436,433	-	-	4,448,008,287
Other Borrowed Funds	-	238,150,468	1,838,448,316	475,508,308	-	-	2,552,107,092
Other Financial Liabilities	-	-	-	-	-	644,871,381	644,871,381
TOTAL LIABILITIES	1,689,852,001	2,595,132,383	2,319,783,354	533,944,741	-	644,871,381	7,783,583,860
TOTAL INTEREST SENSITIVITY GAP	2,096,493,809	(1,555,818,795)	1,340,574,425	729,616,246	52,457,817	(424,082,718)	2,239,240,784

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet the demand on deposits and new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An instituti on might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity. The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk, and maintains an adequate margin of safety in liquid assets.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

"Management of the Company maintaining a stable liquidity position even during this challenging period due to economic crisis and closely monitoring the position on daily basis and taking necessary measures to ensure the safeguard of the entity. The company introduced more rigour to the processes already in place to manage its liquid assets including cost saving measures These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic. "

41.6.1 Statutory Liquid Asset Ratio

As per the requirements of Finance companies (Liquid Assets) Direction No.4 of 2013 the Company has to maintain minimum liquid assets comprises of 10% of Time Deposits and Certificates of Deposits at the close of the business on such day and 15% of Savings Deposits at the close of the business on such day. In addition to the above, with effect from 01st July, 2014 the company needs to maintain 10% on Borrowings which are not included in the Tier –II capital base and borrowings which are not secured by mortgage of any assets. Further the Company has to maintain liquid assets in the form of Sri Lanka Government Securities not less than 7.5% of average month end total deposit liabilities and the above said borrowings of twelve months of the preceding financial year.

The Company maintained a healthy statutory liquid asset ratio throughout the year. The Company considers cash balances, Favorable Balances held with Commercial Banks on demand deposits, Placement with banks in the form of Time Deposits and Savings, Investment in Treasury Bills, Securities Purchased under Repurchase Agreement are considered as Liquid Assets for the purpose Statutory Liquid Asset Ratio calculation.

	Statutory Liquid Asset Ratio	
	2023	2022
Maximum	46.98%	29.26%
Minimum	17.66%	18.09%
Average	28.79%	24.19%
Closing	27.81%	26.76%

41.6.2 Advances to Deposits ratio

The Company stresses the importance of maintaining an adequate Customer Deposit Base such as Time and Savings Deposits as sources of funds to finance Loans and Advances. They are monitored using the Advances to Deposits ratio which comprises accommodations to customers as a percentage of customer deposits.

	Advances to Deposits Ratio	
	2023	2022
Maximum	230.65%	182.30%
Minimum	185.88%	142.59%
Average	208.77%	155.63%
Closing	185.88%	182.30%

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

41.6.3.1 The table below analyses the maturity profile of the undiscounted cash flows of the Company's Financial Assets & Liabilities as at the end of relevant financial period.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total As at 31 March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	371,545,331	-	-	-	-	-	371,545,331
Placement With Banks	-	331,470,223	117,673,207	-	-	-	449,143,430
Securities Purchased under Repurchase Agreement	-	271,331,939	-	-	-	-	271,331,939
Loans and Advances	736,425,865	81,381,585	197,098,506	291,413,020	231,176,379	29,741,821	1,567,237,176
Lease rentals receivable & Stock out on Hire	614,496,417	1,167,099,295	3,233,761,721	5,244,227,271	2,417,840,545	-	12,677,425,249
Financial Investments at Fair Value through P&L	8,613,335	-	-	-	-	-	8,613,335
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	742,000,000	-	-	-	-	742,000,000
Other Financial Assets			3,149,648			109,461,985	112,611,633
Total Financial Assets	1,731,080,948	2,593,283,042	3,551,683,082	5,535,640,291	2,649,016,924	139,284,206	16,199,988,493
LIABILITIES							
Due to Banks	2,087,507						2,087,507
Due to Customers	42,253,289	2,632,334,369	1,965,195,597	732,544,999	287,312,752	4,165,712	5,663,806,718
Other Borrowed Funds	-	887,094,399	1,120,870,420	413,824,427			2,421,789,246
Other Financial Liabilities	-		426,408,610		125,319,441	9,756,594	561,484,647
Total Financial Liabilities	44,340,796	3,519,428,768	3,512,474,627	1,146,369,426	412,632,193	13,922,306	8,649,168,118
	1,686,740,152	(926,145,726)	39,208,455	4,389,270,865	2,236,384,731	125,361,900	7,550,820,375

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

41.6.3.2 The table below analyses the maturity profile of the undiscounted cash flows of the Company's Financial Assets & Liabilities as at the end of previous financial period.

ASSETS	On Demand Rs.	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total as at 31 March 2022 Rs.
Cash and Bank Balances	183,803,274	-	-	-	-	-	183,803,274
Placement With Banks	10,035,068	464,894,978	15,805,650	-	-	-	490,735,697
Securities Purchased under Repurchase Agreement	-	255,049,144	-	-	-	-	255,049,144
Loans and Advances	558,955,814	92,128,844	96,129,936	448,439,374	78,041,502	17,568,334	1,291,263,804
Lease rentals receivable & Stock out on Hire	968,697,001	956,980,823	2,070,448,841	4,726,645,592	1,435,020,571	41,881,103	10,199,673,930
Financial Investments at Fair Value through P&L	291,202,975	-	-	-	-	-	291,202,975
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	602,068,096	-	-	-	-	602,068,096
Other Financial Assets	12,271,059	90,747,783	1,580,000	4,472,200	1,005,000	892,700	110,968,742
Total Financial Assets	2,024,965,192	2,461,869,668	2,183,964,427	5,179,557,166	1,514,067,073	60,422,537	13,424,846,062
LIABILITIES							
Due to Banks	17,480,490	35,290,365	93,343,633	-	-	-	146,114,488
Due to Customers	190,135,346	1,444,128,780	2,418,492,785	576,171,104	81,434,966	-	4,710,362,981
Other Borrowed Funds	-	295,557,848	1,925,167,366	627,360,821	-	-	2,848,086,035
Other Financial Liabilities	-	511,640,320		83,493,328	74,521,287	21,533,872	691,188,807
Total Financial Liabilities	207,615,836	2,286,617,312	4,437,003,784	1,287,025,253	155,956,253	21,533,872	8,395,752,311
	1,817,349,356	175,252,356	(2,253,039,357)	3,892,531,913	1,358,110,820	38,888,665	5,029,093,751

41.7 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

42. MATURITY ANALYSIS (CONTRACTUAL)

42.1 An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining term at the date of the Statement of Financial Position to the respective contractual maturity dates are given below.

	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2023
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	371,545,331	-	-	-	-	-	371,545,331
Placement With Banks	111,680,798	210,151,114	112,149,522	-	-	-	433,981,434
Securities Purchased under Repurchase Agreement	-	271,331,939	-	-	-	-	271,331,939
Loans and Advances	554,097,375	42,048,048	104,048,289	160,856,764	137,545,679	21,052,346	1,019,648,501
Lease rentals receivable & Stock out on Hire	559,701,545	531,957,913	1,647,426,427	3,309,986,995	1,738,410,466	-	7,787,483,346
Financial Investments at Fair Value through P&L	8,613,335	-	-	-	-	-	8,613,335
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	713,692,026	-	-	-	-	713,692,026
Other Financial Assets			3,149,648			109,461,985	112,611,633
Real Estate Stock	-	-	-	38,468,202	-	-	38,468,202
Other Non Financial Assets	-	22,053,999	30,875,599	35,286,398	-	-	88,215,996
Property, Plant & Equipment		4,576,822	12,721,966	26,232,403	7,728,984	117,225,536	168,485,711
Intangible Assets		1,508,423	4,525,269	9,176,669	6,135,323	1,781,272	23,126,956
Right-of- use Assets	-	-	31,471,082	64,678,685	42,544,708	12,680,956	151,375,431
Deferred tax assets	-	-	-	-	-	-	-
Total Assets	1,605,638,384	1,797,320,284	1,946,367,802	3,644,686,116	1,932,365,160	262,282,495	11,188,660,241
LIABILITIES							
Due to Banks	2,087,507	-				-	2,087,507
Due to Customers	42,253,289	2,562,874,721	1,817,215,995	690,042,664	260,126,207	4,101,016	5,376,613,892
Other Borrowed Funds	-	866,162,061	753,294,910	333,566,444		-	1,953,023,415
Other Financial Liabilities	-	-	426,408,610		125,319,441	9,756,594	561,484,647
Other Non Financial Liabilities	-	59,890,451	-	-	-	-	59,890,451
Current Tax Liabilities	-	-	214,913,361	-	-	-	214,913,361
Retirement Benefit Liability	-	-	4,376,204	3,550,640	10,381,381	19,124,316	37,432,541
Deferred Tax Liabilities	-		13,251,024	-	-	-	13,251,024
Total Liabilities	44,340,796	3,488,927,233	3,229,460,103	1,027,159,748	395,827,029	32,981,926	8,218,696,837

42. MATURITY ANALYSIS (CONTRACTUAL) (Contd...)

42.2 An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining term at the end of the previous financial period to the respective contractual maturity dates are given below

ASSETS	On Demand Rs.	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total as at 31 March 2022 Rs.
Cash and Bank Balances	183,803,274	-	-	-	-	-	183,803,274
Placement With Banks	10,030,685	460,765,959	14,865,772	-	-	-	485,662,416
Securities Purchased under Repurchase Agreement	-	255,049,144	-	-	-	-	255,049,144
Loans and Advances	558,362,915	62,979,011	27,405,926	376,447,521	67,616,245	16,327,856	1,109,139,474
Lease rentals receivable & Stock out on Hire	943,445,985	543,402,118	997,006,230	3,283,910,258	1,195,944,742	36,049,562	6,999,758,895
Financial Investments at Fair Value through P&L	291,202,975	-	-	-	-	-	291,202,975
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	587,159,325	-	-	-	-	587,159,325
Other Financial Assets	12,271,059	90,747,783	1,580,000	4,472,200	1,005,000	892,700	110,968,742
Real Estate Stock	-	-	-	32,066,726	-	-	32,066,726
Other Non Financial Assets	-	19,915,206	10,058,394	121,649	8,236,726	19,480,944	57,812,919
Property, Plant & Equipment	-	165,517	1,669,503	9,553,105	15,962,271	125,372,013	152,722,069
Intangible Assets	-	780,770	446,122	2,251,436	5,027,064	19,445,374	27,950,766
Right-of- use Assets	-	10,038,657	29,092,435	106,154,100	9,684,514	20,155,577	175,125,283
Deferred tax assets	-	-	-	-	-	-	-
Total Assets	1,999,116,893	2,030,854,490	1,082,124,382	3,814,976,995	1,303,476,562	237,804,426	10,468,502,408
LIABILITIES							
Due to Banks	17,480,490	32,100,000	89,016,610		-	-	138,597,100
Due to Customers	210,243,371	1,430,028,140	2,267,965,305	481,335,038	58,436,433	-	4,448,008,287
Other Borrowed Funds	-	238,150,468	1,838,448,316	475,508,308	-	-	2,552,107,092
Other Financial Liabilities	-	471,983,953	24,584,666	65,450,528	63,240,683	-19,611,551	644,871,381
Other Non Financial Liabilities	-	43,821,143	-	-	-	-	43,821,143
Current Tax Liabilities	-	-	175,080,456	-	-	-	175,080,456
Retirement Benefit Liability	-	-	4,423,615	3,550,640	8,100,213	11,526,145	27,600,613
Deferred Tax Liabilities	-	-	13,298,360	-	-	-	13,298,360
Total Liabilities	227,723,861	2,216,083,704	4,412,817,328	1,025,844,514	129,777,329	31,137,696	8,043,384,432

42. MATURITY ANALYSIS (CONTRACTUAL)

42.3 LKAS 1 requirements: The entity is required to disclose the amount expected to be recovered or settled within 12 months and after 12 months for each asset and liability line item that combines amounts expected to be recovered or settled:

	Within 12 Months		After 12 Months		As at 31 March	As at 31 March
	2023	2022	2023	2022	2023	2022
						Rs
ASSETS						
Cash and Bank Balances	371,545,331	183,803,274	-	-	371,545,331	183,803,274
Placement With Banks	433,981,434	485,662,416	-	-	433,981,434	485,662,416
Securities Purchased under Repurchase Agreement	271,331,939	255,049,144	-	-	271,331,939	255,049,144
Loans and Advances	700,193,712	648,747,852	319,454,789	460,391,624	1,019,648,501	1,109,139,476
Lease rentals receivable & Stock out on Hire	2,739,085,885	2,483,854,333	5,048,397,461	4,515,904,563	7,787,483,346	6,999,758,896
Financial Investments at Fair Value through P&L	8,613,335	291,202,975	-	-	8,613,335	291,202,975
Equity instruments at fair value through OCI	-	-	80,400	80,400	80,400	80,400
Debt instruments at amortised cost	713,692,026	587,159,325	-	-	713,692,026	587,159,325
Other Financial Assets	3,149,648	104,598,842	109,461,985	6,369,900	112,611,633	110,968,742
Real Estate Stock	-	-	38,468,202	32,066,726	38,468,202	32,066,726
Other Non Financial Assets	52,929,598	29,973,599	35,286,399	27,839,320	88,215,996	57,812,919
Property, Plant & Equipment	17,298,788	1,834,681	151,186,922	150,887,389	168,485,711	152,722,069
Intangible Assets	6,033,692	1,226,890	17,093,264	26,723,875	23,126,956	27,950,765
Right-of- use Assets	31,471,082	39,131,092	119,904,349	135,994,191	151,375,431	175,125,283
Deferred tax assets	-	-	-	-	-	-
Total Assets	5,349,326,470	5,112,244,423	5,839,333,771	5,356,257,987	11,188,660,241	10,468,502,410
LIABILITIES						
Due to Banks	2,087,507	138,597,100	-	-	2,087,507	138,597,100
Due to Customers	4,422,344,005	3,908,236,816	954,269,887	539,771,471	5,376,613,892	4,448,008,287
Other Borrowed Funds	1,638,846,412	2,076,598,784	314,177,003	475,508,308	1,953,023,415	2,552,107,092
Other Financial Liabilities	426,408,610	496,568,620	135,076,035	148,302,761	561,484,645	644,871,381
Other Non Financial Liabilities	59,890,451	43,821,143	-	-	59,890,451	43,821,143
Current Tax Liabilities	214,913,360	175,080,456	-	-	214,913,360	175,080,456
Retirement Benefit Liability	4,376,204	4,423,615	33,056,337	23,176,998	37,432,541	27,600,613
Deferred Tax Liabilities	13,251,026	13,298,360	-	-	13,251,026	13,298,360
Total Liabilities	6,782,117,575	6,856,624,893	1,436,579,262	1,186,759,538	8,218,696,837	8,043,384,431

43. COMMITMENTS AND CONTINGENCIES

43.1 Commitments

There is no Operating Lease Commitments as at 31 March 2023 as all the Operating Leases has been reclassified in accordance with SLFRS 16

43.2 Contingent Liabilities

There is no Contingent Liabilities as at 31st March 2023

43.3 Capital Commitments

The Company has no commitments for acquisition of Property, Plant & Equipment and Intangible assets incidental to the ordinary course of business.

44. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy is to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

Abans Finance PLC has complied with the minimum core capital requirement i.e. Rs. 2.5 Billion , set out in the Direction No.02 of 2017 of Finance Business Act and subsequent amendments thereof as of 31 March 2023.

45. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

		Carrying Amount Pledged		
Nature of Assets	**Nature of Liability**	**2023 Rs.**	**2022** Rs.	**Included Under**
Lease & Hire Purchase Receivables	Bank Overdraft	-	-	Lease Rental Receivables and Stock Out on Hire
Placement With Banks	Bank Overdraft	53,775,584	53,365,669	Placement With Banks
Lease & Hire Purchase Receivables	Term Loan	3,932,043,955	3,551,307,642	Lease Rental Receivables and Stock Out on Hire
		3,985,819,539	3,604,673,311	

46. EVENTS AFTER THE REPORTING DATE

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date of the financial statements are authorised for issue.

There are no events occurring after the reporting date which require adjustments to or disclosure in the financial statements as at 31 March 2023

47. RELATED PARTY TRANSACTIONS

The Company carried out transactions with key management and their related concerns and other related entities in the ordinary course of its business on an arm's length basis at commercial rates with the parties who are defined as Sri Lanka Accounting Standard No. 24 Related Party Disclosure, details of which are reported below. such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

Outstanding balances as at the year - end are unsecured, interest free, and due on demand. There have been no guarantees provided or received for any related party receivables or payables.

Details of related party transactions during the year are as follows:

47.1 The Parent

Abans PLC owns 50.22% (2022- 49.67%) shareholding of the Company.

47.2 The Ultimate Parent

Abans International (Pvt) Ltd is the ultimate parent of Abans Finance PLC.

47.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company and Chief Executive Officer (CEO) and the KMPs of Abans PLC.

Other related parties include CFMs of the KMPs who are family members who may be expected to influence or be influenced by that KMP in their dealings with the entity.

Compensation to Key Management Personnel	2023 Rs.	2022 Rs.
Short Term Employee Benefits	29,324,043	20,747,178
Post-employment benefits	2,250,000	1,220,000
	31,574,043	21,967,178

Other transactions with Key Management Personnel	2023 Rs.	2022 Rs.
Fixed Deposits accepted during the year	36,100,000	15,000,000
Fixed Deposits held at the end of the year	119,928,148	17,180,603
Consultancy Fee paid during the year	350,000	243,340

In addition to the above, the Company has also provided non-cash benefits such as vehicle & fuel allowance to Key Management Personnel in line with the approved employment benefits of the Company.

Loans and Advances granted

No loans or advances were given to Key Managerial Personnel and their close family members during the year.(2022/2023- Nil).

47. RELATED PARTY TRANSACTIONS (Contd..)

47.4 Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close member of family, or shareholders who have either control, significant influences or joint control over entity.

Nature of Transaction	Abans PLC Parent Company		Abans Auto (Pvt) Ltd Affiliate Company		Abans Tours (Pvt) Ltd. Affiliate Company		Abans Transport (Pvt) Ltd Affiliate Company		Other Related Parties**		Total	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fixed Deposits Accepted during the year	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits held at the end of the year	-	-	-	-	-	-	-	-	79,166,542	253,380,622	79,166,542	253,380,62
As at 1 April	3,375,986	7,316,888	2,081,590	(1,439,066)	-	-	4,068,039	8,205,221	(1,005,392)	(702,041)	(3,497,526)	13,381,00
Purchase of Motor Bikes - Lease Granting			-	(3,424,027)	-	-	-		-	-	-	(3,424,02)
Collections made on behalf of Abans Finance	475,753,884	465,788,631	-	-	-	-	-		-	-	475,753,884	465,788,63
Expense on collection commission	(2,742,871)	(1,947,589)	-	-	-	-	-		-	-	(2,742,871)	(1,947,58)
Support Services Expenses			-	-	-	-	-		(18,036,884)	(12,321,100)	(18,036,884)	(12,321,10)
Rent Income Recognized & Expense Recoveries	(4,740,910)	(912,600)	-	-	-	-	-				(4,740,910)	(912,60)
Rent Expense Paid	-	-	-	-	-	-	-	-	-			
Settlements Paid/(Received)	(466,781,740)	(466,869,344)	-	6,944,683	-	-	(434,200)	(4,571,382)	17,748,497	12,017,749	(449,467,443)	(464,496,04)
Facilities Granted and Interest Accrued	-	-	-	-	-	-	487,370	434,200	-	-	487,370	434,20
Settlements received for the facilities	-	-	-	-	-	-	-	-	-			
As at 31 March	4,864,349	3,375,986	2,081,590	2,081,590	-	-	4,121,209	4,068,039	(1,293,779)	(1,005,392)	(2,244,380)	(3,497,52)

Included in	2023 Rs.	2022 Rs.
Loans and Advances	4,121,209	4,068,03
Other Financial Assets	3,149,648	3,693,29
Other Financial Liabilities	(4,034,675)	(3,404,29)
	3,236,182	4,357,04

**Other Related Parties include the following companies

Abans Graphics (Pvt) Ltd
Abans Retail (Pvt) Ltd
Abans Marketing (Pvt) Ltd
Abans Electricals PLC (Service Department)
Abans Office Automation (Pvt) Ltd
AB Creation (Pvt) Ltd
Add Outdoor Advertising (Pvt) Ltd
ABS Gardiner Dixon Hall International (Pvt) Ltd
Abans Environment Services (Pvt) Ltd
AB Logistics (Pvt) Ltd
AB Logistics (Pvt) Ltd
ABS Courier (Pvt) Ltd
Abans International (Pvt) Ltd
Ironwood Investments Holdings (Pvt) Ltd
Elizabeth Moir School

Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personnel.

48. FINANCIAL REPORTING BY SEGMENT

	Leasing		Hire Purchase		Term Loans		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs..
Interest Income	2,165,995,074	1,668,820,856	(21,008,871)	2,896,639	199,372,607	191,076,821	307,379,964	69,257,910	2,651,738,774	1,932,052,227
Fee Based Income & Others	176,073,888	151,588,572	8,624,077	5,587,758	2,408,739	4,444,792	4,118,569	305,452	191,225,273	161,926,574
Unallocated Income	-	-	-	-	-	-	14,886,445	28,043,475	14,886,445	28,043,475
Total Revenue	2,342,068,962	1,820,409,428	(12,384,794)	8,484,397	201,781,346	195,521,614	326,384,978	97,606,837	2,857,850,492	2,122,022,275
Interest Expenses	(908,902,070)	(387,453,502)	(2,829,871)	(1,340,811)	(131,253,953)	(74,274,981)	(187,848,884)	(83,965,144)	(1,230,834,778)	(547,034,439)
Fee Based Expenses & Others	(242,355)	(5,727,522)	-	-	(138,000)	(393,000)	(26,167,761)	(15,553,956)	(26,548,115)	(21,674,478)
Impairment Reversal / (Provision)	(3,106,484)	(89,860,210)	(8,664)	(313,461)	9,539,453	(22,431,568)	(88,581,092)	(17,895,155)	(82,156,788)	(130,500,394)
Net Operating Income	1,429,818,054	1,337,368,193	(15,223,329)	6,830,125	79,928,846	98,422,065	23,787,241	(19,807,417)	1,518,310,810	1,422,812,964
Unallocated Expenses									(985,082,395)	(807,574,758)
Profits/ (Loss) before Tax									533,228,415	615,238,206
Income Tax expenses									(178,165,934)	(184,929,414)
Net Profit /(Loss) for the period									355,062,481	430,308,792
Other Comprehensive Income									(9,901,806)	1,809,023
Total Comprehensive Income for the Year									345,160,675	432,117,815
Segment Assets	7,765,921,041	6,975,423,948	21,562,306	24,334,947	1,019,648,500	1,109,139,474	1,427,618,734	1,619,073,860	10,234,750,579	9,727,972,230
Unallocated Assets	-	-	-	-	-	-	-	-	953,909,661	740,530,179
Total Assets	7,765,921,041	6,975,423,948	21,562,306	24,334,947	1,019,648,500	1,109,139,474	1,427,618,734	1,619,073,860	11,188,660,241	10,468,502,408
Unallocated Liabilities									8,218,696,838	8,043,384,432
Total Liabilities									8,218,696,838	8,043,384,432

Value Addition

Financial Value Addition

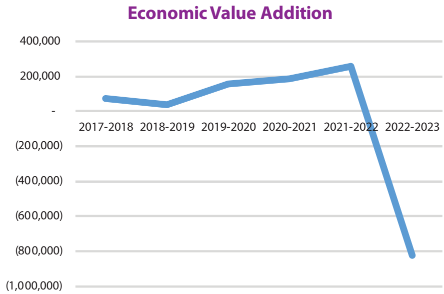
For the year ended 31 March	2023 Rs.'000	%	2022 Rs.'000	%
Value Added	2,855,200		2,115,579	
Cost of Services	(1,627,017)		(850,850)	
Value added by financial services	1,228,183		1,264,729	
Net gain / (loss) from trading	2,651		6,443	
Impairment	(82,157)		(130,500)	
Total Value Added	1,148,677		1,140,672	
Value Allocated				
Employees as Remuneration	399,834	34.8%	335,542	29.4%
Government as Taxes	327,433	28.5%	309,633	27.1%
Shareholders as Dividend				
Retained within the Business				
As depreciation & amortization	66,347	5.8%	65,189	5.7%
As reserves	355,062	30.9%	430,308	37.7%
Total Value Allocated	1,148,677	100.0%	1,140,672	100.0%

Economic Value Added (EV)

Responsibility towards Economic Value Addition is the core of the business strategy that adds value to our stake holders comprising equity holders, customers, employees and finally the entire community

For the year Ended 31 March	2023 Rs.'000	2022 Rs.'000
Shareholders' Funds	2,969,963	2,425,118
Accumulated Provision for Impairment chargers	1,166,472	1,107,262
	4,136,435	3,532,380
Profit Attributable to		
Shareholders	355,062	430,309
Add-Impairment Provision	82,157	130,500
	437,219	560,809
Economic Cost (Average treasury		
bill rate +2% Risk Premium)	30.41%	8.67%
Economic Cost	1,257,890	306,257
Economic Value Addition	-820,671	254,552

Value Addition (Contd.)



Capital Adequacy

For a financial institution, capital is a safeguard against insolvency. It is available to absorb unpredicted losses consequently the Company can continue in business. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies in Sri Lanka. Thus the Company's operations are directly supervised by the CBSL and the Company is required to comply with Directions on Risk Weighted Capital Adequacy Ratio issued by CBSL. Licensed Finance Companies in Sri Lanka need to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5 percent and a Core Capital Ratio (Tier 1) of at least 8.5 percent

$$\text{Tier 1 Capital Ratio, \%} = \frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Amount}}$$

$$\text{Total Capital Ratio, \%} = \frac{\text{Total Capital}}{\text{Total Risk Weighted Amount}}$$

Tier I -Core capital

The Tier I core capital mainly consist of shareholder's equity (paid up shares/common stock) and reserves created or increased by appropriations of retained earnings or other surpluses, i.e. retained profits and other reserves.

Tier II-Supplementary capital

The Tier II supplementary capital representing revaluation reserves approved by CBSL, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as subordinated term debt.

31st March	2023	2022
Total Tier I core capital (After adjustments)	2,128,250	1,860,498
Total Capital Base (After adjustments)	2,240,721	1,988,418
Total Risk Weighted Amount for Credit Risk	10,752,016	11,905,759
Core Capital Tier I Capital Ratio (Minimum 8.5%)	19.79	15.63
Total Risk Weighted Capital Ratio (Minimum12.5%)	20.84	16.70

Tier Capital ratios stood at 20.84% while Total capital ratio reported at 16.30%, as of 31st March, 2023. Both Tier Capital ratio and Total Capital ratio of the Company have increased during the year under due raising of capital by a rights issue and net profits earned for the period.

As result this constant performance has contributed increase in Tier 1 Capital and Total Capital

Statement of Comprehensive Income

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Income	2,857,850,498	2,122,022,274	1,841,057,823	2,037,875,523	1,978,548,890	1,917,670,594	1,620,506,380	1,317,233,363	958,110,639	751,979,154
Interest Income	2,651,738,774	1,932,052,226	1,686,328,068	1,838,845,339	1,820,102,486	1,711,585,707	1,494,673,696	1,189,278,894	853,772,285	688,523,379
Interest Expense	-1,230,834,777	-547,034,438	-654,608,734	-876,732,041	-860,326,072	-813,594,238	-623,639,761	-481,221,503	409,914,041	387,218,811
Net Interest Income	1,420,903,996	1,385,017,788	1,031,719,333	962,113,298	959,776,414	897,991,469	871,033,935	708,057,391	443,858,244	301,304,568
Fee and Commission Income	190,985,038	161,686,573	129,899,513	185,760,201	144,729,403	185,717,691	104,114,176	111,586,810	91,787,158	48,243,961
Fee and Commission Expenses	-26,548,114	-21,674,477	-22,341,043	-13,633,994	-74,074,243	-143,550,479	-84,747,252	-76,888,915	-45,314,982	22,452,896
Net Fee and Commission Income	164,436,924	140,012,096	107,558,470	172,126,207	70,655,160	42,167,212	19,366,924	34,697,895	46,472,176	25,791,065
Net Gain/(Loss) from Trading	2,650,600	6,443,343	320,000	240,800	206,400	1,676,964	948,394	-582,293	1,830,282	272,657
Other Operating Income(Net)	12,476,087	21,840,132	24,510,242	13,029,183	13,510,601	18,690,232	20,770,114	16,949,952	10,720,913	14,939,157
Total Operating Income	1,600,467,606	1,553,313,359	1,164,108,045	1,147,509,488	1,044,148,576	960,525,877	912,119,367	759,122,945	502,881,616	342,307,447
Impairment(Charge)/Reversal										
(Prov .For Bad Debts)	-82,156,789	-130,500,395	-108,266,753	-333,253,807	-301,980,973	-223,102,119	-189,369,393	-225,840,117	115,592,554	115,721,812
Net Operating Income	1,518,310,818	1,422,812,964	1,055,841,292	814,255,682	742,167,602	737,423,758	722,749,974	533,282,828	387,289,061	226,585,635
Less: Operating Expenses										
Personnel Cost	-399,834,362	-335,541,769	-273,473,301	-269,968,327	-239,637,004	-256,394,681	-217,088,659	-166,916,649	118,587,829	-78,998,858
Other Operating Expenses	-435,981,286	-347,329,713	-259,488,534	-308,552,961	-321,369,195	-289,425,141	-252,936,224	-205,696,824	160,067,903	118,563,171
Operating Profit before VAT on FS	682,495,168	739,941,482	522,879,458	235,734,393	181,161,404	191,603,937	252,725,091	160,669,355	108,633,329	29,023,606
Value Added Tax on Financial Services	-149,266,744	-124,703,277	-95,713,451	-81,785,541	-70,281,850	-58,654,511	-55,318,763	-30,188,461	-11,123,943	-3,655,613
Profit before Taxation from Operations	533,228,423	615,238,205	427,166,007	153,948,852	110,879,553	132,949,426	197,406,328	130,480,894	97,509,387	25,367,993
Income Tax Expenses	-178,165,932	-184,929,414	-139,975,056	-50,521,758	-87,158,231	-38,085,738	-63,842,188	-40,356,230	-24,707,819	-16,672,634
Profit for the year	355,062,491	430,308,791	287,190,951	103,427,095	23,721,323	94,863,688	133,564,140	90,124,664	72,801,568	8,695,359

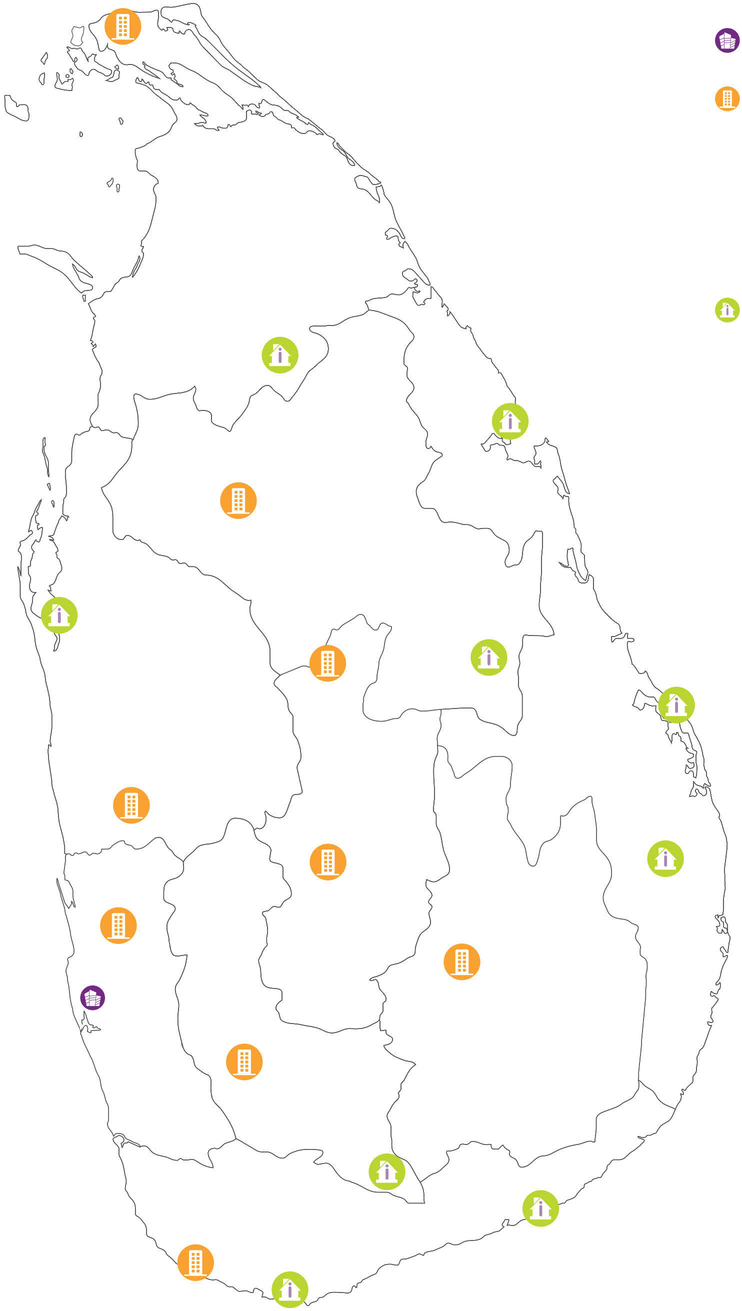
Statement of Financial Position

Assets	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Cash and Bank Balances	371,545,331	183,803,274	226,092,543	146,941,688	263,517,684	405,474,541	376,968,804	73,385,295	68,497,383	105,135,491
Placements with Banks	433,981,434	485,662,416	207,264,972	204,354,154	249,659,017	550,601,090	384,100,772	224,098,165	283,645,333	127,536,938
Investment in Government Securities	985023964.8	842,208,469	955,919,868	504,564,284	517,451,563	601,878,210	489,382,853	651,828,340	448,038,936	326,071,980
Financial Investment- HeldforTrading	8,613,335	291,202,975	-	-	-	-	7,624,408	6,915,241	7,370,358	7,050,136
FinancialInvestments –DebtSecurities	0	-	-	-	-	-	-	-	49,278,340	49,436,762
LoansandAdvances	1,019,648,501	1,109,139,474	1,379,508,592	1,920,095,538	2,127,780,588	2,435,821,344	2,145,676,031	1,188,546,845	637,248,600	742,249,738
LeaseRentalsReceivable &StockOutonHire	7,787,483,346	6,999,758,895	6,027,133,949	5,854,327,613	5,261,624,352	4,492,296,195	3,679,965,646	3,596,251,779	2,903,285,248	2,073,588,417
FinancialInvestments- AvailableforSale	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	100,210,655	80,400
RealEstateandVehicleStock	38,468,202	32,066,726	31,066,726	39,313,213	50,793,213	58,049,675	66,050,693	83,066,481	97,139,978	130,860,857
Other Assets	200,827,629	168,781,661	149,132,408	160,440,683	235,590,140	230,473,365	149,232,541	171,697,004	123,914,661	117,875,934
Tax Recoverable	-	-	-	-	19,422,858	20,800,270	-	-	-	-
Intangible Assets	23,126,958	27,950,766	33,866,422	29,339,420	32,758,835	21,098,350	22,681,042	15,608,896	10,241,083	9,340,722
Property,Plant&Equipment	168,485,710	152,722,069	146,041,713	70,332,907	85,287,696	89,641,860	85,843,673	75,811,265	26,807,373	17,957,131
Right-of-use Assets	151,375,431	175,125,283	62,490,871	81,250,333	-	-	-	-	-	-
DeferredTaxAssets	-	-	9,815,140	45,073,647	35,767,246	52,586,166	57,800,324	61,419,536	18,446,150	155,429
Total Assets	11,188,660,241	10,468,502,408	9,228,413,606	9,056,113,880	8,860,310,735	8,957,424,054	7,486,207,457	6,148,709,246	4,774,124,097	3,707,339,935
Liabilities										
Due to Banks & Other Financial Institutions	1,955,110,921.86	2,690,704,192	1,590,866,771	1,459,510,044	932,354,136	218,381,026	213,738,920	78,114,723	155,850,542	263,270,842
DuetoCustomers	5,376,613,892	4,448,008,287	4,918,802,137	5,148,142,044	5,792,966,524	6,615,159,367	5,550,552,545	4,539,362,221	3,591,961,005	2,600,119,545
OtherFinancialLiabilities	621,375,096	688,692,524	551,484,161	743,854,696	574,636,384	537,343,013	496,511,915	845,112,032	463,476,075	255,500,318
RetirementBenefitLiability	37,432,542	27,600,613	27,014,926	19,435,147	17,471,181	18,912,720	15,138,320	15,249,338	11,474,701	7,411,816
CurrentTaxLiabilities	214,913,360	175,080,456	147,245,448	47,853,948	8,822,247	-	-	56,345,826	26,491,603	5,876,796
DeferredTaxLiability	13,251,026	13,298,360	-	-	-	-	-	-	-	-
Total Liabilities	8,218,696,838	8,043,384,432	7,235,413,443	7,418,795,879	7,326,250,472	7,389,796,126	6,275,941,700	5,534,184,140	4,249,253,926	3,254,444,940
Shareholders'Funds										
Stated Capital	1,321,097,699	1,121,412,955	1,121,412,955	1,121,412,955	1,121,412,955	1,121,412,955	844,073,080	382,373,630	382,373,630	382,373,630
Statutory Reserve	294,922,322	277,169,198	191,107,440	133,669,250	112,983,832	108,239,567	89,266,829	62,554,000	44,529,000	29,968,000
Investment Fund	-	-	-	-	-	-	-	-	18,454,242	14,723,671
ReserveonAvailableforSale Financial Instruments	62,677,935	70,403,907	70,403,907	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	130,255	130,255	-
Retained Earnings	535,358,397	956,131,917	610,075,861	382,235,796	299,663,476	337,975,406	276,925,848	169,597,476	97,837,286	22,099,123
TotalShareholders'Funds	2,969,963,403	2,425,117,976	1,993,000,163	1,637,318,001	1,534,060,263	1,567,627,928	1,210,265,757	614,525,106	524,870,171	452,894,995
Total Liabilities and Shareholders'Funds	11,188,660,241	10,468,502,408	9,228,413,606	9,056,113,880	8,860,310,734	8,957,424,054	7,486,207,457	6,148,709,246	4,774,124,097	3,707,339,935

Branch Network

	Branch	Category	Address	Telephone Number	Fax Number	E-mail Address	Name of the Branch Manager/ Officer in Charge	Branch Code
1	Colombo	Head Office/ Branch	No.456, R.A.De Mel Mawatha, Colombo 03	011-2208888	011-2375517	inquiries@abansfinance.lk	Mr. Muditha Silva	HO
2	Kurunegala	Branch	No.193/A, Colombo Road, Kurunegala	037-2228115	037-2222611	kurunegala@abansfinance.lk	Mr. Sudath Wijerathna	KG
3	Dambulla	Branch	Sujatha Building, Kurunegala Junction, Dambulla	066-2285004/066-2285007	066-2285000	dambulla@abansfinance.lk	Mr. Nuwan.Wanasinghe	DB
4	Badulla	Branch	No.05, Muthiyangana Road , Badulla	055-2228180 / 055-3053757	055-2222101	badulla@abansfinance.lk	Mr. Harendra Kumara	BD
5	Anuradhapura	Branch	No.348A & 348B Maithripala Senanayaka Mw, Anuradhapura	025-2220679/025-2220680	025-2234557	anuradhapura@abansfinance.lk	Mr. Indira Basnayaka	AP
6	Galle	Branch	No.02, Malwatta Road, Kaluwella, Galle	091-2235888/091-2230495	091-2227122	galle@abansfinance.lk	Mr. Ranjith Kalyananda	GL
7	Gampaha	Branch	No.95, Colombo Road, Gampaha	033-2215073	033-2234970	gampaha@abansfinance.lk	Mr. Nimantha Kuruppu	GM
8	Jaffna	Branch	No.221, Power House Road, Jaffna	021-2217022/021-3207686	021-2217022	jaffna@abansfinance.lk	Mr. Thushyanthan	CH
9	Rathnapura	Branch	No.176, Main Street, Rathnapura	045-2221226	045-2226873	rathnapura@abansfinance.lk	Mr. Sampath Kumarasinghe	RT
10	Kandy	Branch	No.26, Hill Street, Kandy	081-2220744/081-2204488/081-2220745	081-2205675	kandy@abansfinance.lk	Mr. Samantha Gunawardane	KD
11	Kaduruwela	Customer Centre	No.16, Opposite Police Station, Kaduruwela	027-2223323/027-3900995	027-2223323	kaduruwela@abansfinance.lk	Mr .Rushan Amarathunga	KW
12	Embilipitiya	Customer Centre	No.125/A, Dhankotuwa Uluhala New Town Road, Embilipitiya	047-3220400/ 047-3220401	047-2262261	embilipitiya@abansfinance.lk	Mr. Uditha Rubasinghe	EB
13	Ampara	Customer Centre	No.19, D.S. Senanayaka Veediya, Ampara	063-2050543/063-2224747	063-2223141	ampara@abansfinance.lk	Mr. Darshana Padmakumara	AM
14	Batticaloa	Customer Centre	No.395, Trinco Road, Batticaloa	065-2052795	065-2229799	batticaloa@abansfinance.lk	Mr. Ramalingam Rasalingam	BT
15	Puttalam	Customer Centre	No. 138,138A ,Kurunegala Road, Puttalam	032-3295105 /032-2265127	032-2267667	puttalam@abansfinance.lk	Mr. Sarath Wickramasinghe	PT
16	Matara	Customer Centre	No. 641,641 1/1, "Laksara Madura "Galle Road, Walgama, Matara	041-2228570 / 041-2228571	041-2238440	matara@abansfinance.lk	Mr. Chinthaka	MT
17	Thissamaharama	Customer Centre	No.18, Pahala Veediya Tissamaharama	047-2237933 / 047-2237935	047-2237937	thissamaharama@abansfinance.lk	Mr. Thisara De Silva	TS
18	Trincomalee	Customer Centre	No. 123 Inner Harbour Road ,Trincomalee	026-3207334/026-3207333	026-2054849	trinco@abansfinance.lk	Mr. Rajendran Jerome	TR
19	Vavuniya	Customer Centre	No.39A,Second Cross Street, Vavuniya	024-2228322	024-2228222	vavuniya@abansfinance.lk	Mr. Sivalingam Kobi	VY

Branch Network [Contd.]



Head Office
Colombo

Branch
Kurunegala
Dambulla
Badulla
Anuradhapura
Galle
Gampaha
Jaffna
Rathnapura
Kandy

Customer Centre
Kaduruwela
Embilipitiya
Ampara
Batticaloa
Puttalam
Matara
Thissamaharama
Trincomalee
Vavuniya

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and Presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available for Sale (AFS)

AFS are those non-derivative financial assets that are designed as available for sale or are not classified as loans and receivable, held –to-maturity investment or financial assets at fair value through profit or loss.

C

Capital Adequacy

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Capital Reserves

Capital Reserves consist of revaluation reserves arising from revaluation of properties owned by the Company and Reserve Fund set aside for specific purposes defined under the Business Finance Act No.42 of 2011 which is not available for distribution.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Collective Impairment

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

Contingencies

A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

Commitments

Credit facilities approved but not yet utilized by the clients as at the Balance Sheet Date.

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.

Credit Risk

Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

D

Dealing Securities

These are marketable securities acquired and held with the intention to resale over a short period of time.

Deferred Tax

Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognized financial assets or financial liability from an entity's statement of financial position.

E

Earnings per Share (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Effective Tax Rate

Provision for taxation expressed as a percentage of Profit Before Tax

Events after Reporting Date

Transactions that are not recognized as assets or liabilities in the statement of financial position, but which give rise to the contingencies and commitments.

Expected Credit Loss (ECL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A contract where by a lessor conveys to the lessee the right to use asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains ownership of asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Assets

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Instruments

Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

Financial Liabilities

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

H

Held for Trading

Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Held To Maturity Investment

A non derivative financial asset with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Hire purchase

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impairmet

This occurs when recoverable amount of an asset is less than the carrying amount.

Individual Impairment

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in production/supply of goods/services or for rental to others or for administrative purposes.

Interest Bearing Liabilities

Liabilities on which the Company is paying interest.

Glossary

Interest Margin

Net interest income as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on Non-Performing Loans, Lease, hire purchase and advances (as per CBSL Guidelines)

K

Key Management Personnel

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

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks and bills of exchange and Treasury Bills.

Lifetime Expected Credit Losses

The Expected Credit Losses that result from all possible default events over the expected life of a Financial Instrument.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan/Credit Losses and Provision

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

M

Market Capitalization

Number of ordinary shares in issues multiplied by the market value of a share as at the year end.

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.

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, equity prices and commodity prices.

Glossary

N

Net-Interest Income (NII)

The difference between what a Company earn on assets such as loans and securities and what it pays on liabilities such as deposits refinance funds and other borrowings.

Non-Performing Loans (NPL)

All loans classified as Non-Performing when a payment of capital and/or interest is in arrears for 6 months or more.

NPL Ratio (Gross)

Total Non-Performing Advances as a percentage of total advances portfolio (Net of interest in suspense).

NPL Ratio (Net)

Total Non-Performing Advances as a percentage of total advances portfolio (Net of interest in suspense and Loan loss provision).

O

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

P

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio

A valuation ratio of a company's current share price to it's per share earnings. It can be calculated by dividing the market Value per share by Earnings per share.

Probability of Default (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Prudence

Inclusion of a degree of caution in the exercise of judg-ment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understand.

R

Return on Average Assets (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profit-ability and as a basis of intra-industry performance comparison.

Revenue Reserve

Reserves set aside for future distribution and investment.

Return on Equity (ROE)

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary share-holders' equity.

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions

A transfer of resources, services, obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specific date and price.

Risk Weighted Assets

On Balance Sheet Assets and the credit equivalent of off Balance Sheet Assets multiplied by the relevant risk weighting factors as specified by Central Bank of Sri Lanka.

Risk Adjusted Asset

Used the calculation of risk based capital ratio. The face amount of lower risk assets is discounted using risk weighted factor in order to reflect a comparable risk per-rupee among all type of asset.

S

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Finance Business Act No. 42 of 2011.

T

Tier 1 Capital

Core Capital representing permanent Shareholders' equity and reserve created or increased by appropriation of retained earnings or other surpluses.

Tier 2 Capital

Tier 2 Capital or Supplementary Capital represents total value of Re-valuation reserves, General provisions and subordinated Debt.

Transaction Costs

They are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Y

Yield

Rate of return on an investment in percentage terms, taking in to account annual income and any changes in capital value.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of ABANS FINANCE PLC will be held on 27th September 2023 at 10.00 am as a fully virtual meeting for the following purposes:

1. To receive and adopt the Report of the Directors, the Audited Financial Statements of the Company for the year ended 31st March 2023 and the Report of the Auditors thereon.

2. To re-elect Mr. Singappuli Mudiyanselage Susantha Sanjaya Bandara a Director of the Company who retires by rotation in conformity with Article 26 (05) of the Articles of Association of the Company as recommended by the Directors.

3. To re-elect Mr. Hiran Chaminda Embuldeniya, a Director of the Company who retires by rotation in conformity with section A.8 of the Code of Best Practice on Corporate Governance 2017, as recommended by the Directors.

4. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

5. To inform of non-compliance with the Minimum Public Holding Requirement in terms of Rule No. 7.14.2(1) (g) of the listing rules of CSE and the adopted / proposed remedial action.

6. To authorize the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2024.

BY ORDER OF THE BOARD

Sgd.
Varners International (Private) Limited
Company Secretaries of Abans Finance PLC,
Level 14, West Tower,
World Trade Center,
Echelon Square,
Colombo 01.

25th August 2023

Notes;

1. A member unable to attend the above meeting is entitled to appoint a proxy, who need not be a member, to attend and vote in his/her place.

2. The completed Form of Proxy should be deposited at the office of the Secretaries at Level 14, West Tower, World Trade Center, Echelon Square, Colombo 1, or No. 05, Bethesda Place, Colombo 04 not less than 48 hours before the time fixed for the meeting.

3. For reasons of security, it is essential that you bring with you, your National Identity Card/ Passport.

METHOD OF HOLDING THE AGM/ELECTRONIC PLATFORM

Only the key officials who are essential for the administration of the formalities of the meeting will be physically present in the Board Room of the Company and all others including shareholders will participate via an online meeting platform in line with the guidelines issued by the Colombo Stock Exchange (CSE) for conducting of virtual AGMs.

REGISTRATION PROCEDURE

Those Shareholders and Proxy holders, who wish to participate via the Online Meeting Platform, should notify the Company of such intention by completing the attached Registration of Shareholders Details Form.

Registration of Shareholders Details Form. Will also be made available on the website of the Colombo Stock Exchange (https://www.cse.lk/ home/market). Arrangements will be made for shareholders who wish to participate in the AGM via an online meeting platform, with log-in information being forwarded to shareholders in advance of the meeting.

In order to enable such facilities, shareholders who wish to participate in the AGM via the online meeting platform are requested to forward us their details, by duly completing the annexure 1, (Registration of Shareholders Details Form.) by way of emailing it to the Company to the emailing address tharushi@abansfinance.lk or nipunim@abansfinance.lk or send the duly completed form, by post to reach the company, 48 hours prior to the time fixed for the meeting to the registered address of the Company Secretaries as stated below; Varners International (Private) Limited, Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01.

APPOINTMENT OF PROXY HOLDERS

The Shareholders may vote by Proxy through the appointment of a Proxy to present, speak and vote at the meeting on his/her behalf in line with instructions contained herein.

The Form of Proxy will also be made available on the corporate website of the Company and the website of the CSE and those shareholders who wish to submit their Form of Proxy should duly complete the same as per the instructions given herein.

The duly completed Form of Proxy should be forwarded to the Company by way emailing it to the Company emailing addresses tharushi@abansfinance.lk or nipunim@abansfinance.lk or send the duly completed Form, by post to Varners International (Private) Limited, Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01 or No. 05, Bethesda Place, Colombo 04 to reach the Company Secretaries , 48 hours prior to the time fixed for the meeting to the registered address of the company.

QUERIES OF SHAREHOLDERS

Shareholders who are unable to participate at the virtual meeting via the designated online meeting platform are invited to forward their suggestions, questions & concerns (if any) relating to items on the agenda, to the following email address tharushi@abansfinance.lk or nipunim@abansfinance.lk to reach Company 48 hours prior to the time fixed for the meeting, the Board will ensure that they are discussed and addressed at the AGM, if relevant.

ACCESSING THE ANNUAL REPORT

In keeping with circular 04/2022 dated 27th May 2022, issued by the Colombo Stock Exchange, the Company will not be circulating the Annual Report for the Financial Year 2022/2023 in printed form, to the Shareholders.

Shareholders may access the Annual Report in the CSE website and from the Company's corporate website.

You may contact Ms. Tharushi Jayaneththi if you require assistance in accessing the above link any time between 9.00 am to 5.00 pm on working days on the number of 011-2208888 ext: 406, 415

Form of Proxy

I/We*…………………………………………………………………………………………......……(NIC/Passport No./Co Reg. No)………………………………of………………………………………………………………...……………………..…....……

being a Shareholder/Shareholders* of ABANS FINANCE PLC, hereby appoint...

of.. or failing him

Mr. Rusi Pestonjee .... of Colombo or failing him

Mr. Hiran Chaminda Embuldeniya ....of Colombo or failing him

Mr. W B W M R A M T G Aluwihare... of Colombo or failing him

Mr. K J C Perera .... of Colombo or failing him

Mrs. D S Ratnayake .... of Colombo or failing him

Mr. S M S Sanjaya Bandara .... of Colombo or failing him

....of

....(National Identity Card Number ....) as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 27th September 2023 at 10.00 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof

		FOR	AGAINST
1.	To receive and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2023 and the Report of the Auditors there on.		
2.	To re-elect Mr. S M S Sanjaya Bandara, a Director of the Company who retires by rotation in conformity with Article 26 (05) of the Articles of Association of the Company		
3.	To re-elect Mr. Hiran Chaminda Embuldeniya, a Director of the Company who retires by rotation in conformity with section A.8 of the Code of Best Practice on Corporate Governance 2013		
4.	To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuring year and to authorize the Directors to determine their remuneration.		
5.	To inform of non-compliance with the Minimum Public Holding Requirement in terms of Rule No. 7.14.2(1) (g) of the listing rules of CSE and the adopted / proposed remedial action.		
6.	To authorize the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2024.		

Signed this ………......…… day of …………………….. 2023

…………………………………………

Signature of Shareholder

* Please delete the inappropriate words.

Instructions for the Completion of the Form of Proxy

1. Please perfect the Form of Proxy after filling in legibly your name and address and by signing in the space provided and inserting the date of signature.

2. Please return the completed Form of Proxy to the Office of the Secretaries at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01 or No. 05, Bethesda Place, Colombo 04 after crossing out one or the other of the alternative words indicated by the asterisks on the body of the form. The Form of Proxy shall be lodged with the Secretaries not less than Forty Eight (48) hours before the time appointed for holding the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the completed Form of Proxy for registration, if a Power of Attorney has not already been registered with the Company.

4. If the shareholder is a company or body corporate, the Form of Proxy should be under its Common Seal in accordance with its Articles of Association or Constitution.

5. If there is any doubt as to the manner in which the proxy holder should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/ he thinks fit.

Guidelines And Registration Process For The Annual General Meeting (AGM) Via Online Meeting Platform

Shareholders / Proxy holders who wish to participate in the Annual General Meeting of Abans Finance PLC to be held via an Online Meeting Platform (Virtual AGM), could do so by using a smart phone or a desktop computer.

If a Shareholder/Proxy holder intends to join the Virtual AGM via a smart device, it is necessary for him/her to download the "Zoom Mobile App" onto his /her smart device.

Similarly, if a Shareholder/Proxy holder wishes to attend the Virtual AGM via a Laptop / desktop computer, the link can be opened by downloading the "Zoom Desktop App" to the respective Laptop / Desktop computer (compatible web browser: Google Chrome).

1. Shareholder who wishes to participate in the Virtual AGM of Abans Finance PLC either by themselves or through their Proxies are requested to forward their details to the Company Secretaries as per the attached REGISTRATION FORM.

2. The duly completed and signed REGISTRATION FORM should be delivered to the Company Secretaries, Varners International (Private) Limited, Level 14, West Tower, World Trade Center, Echelon Square, Colombo 01 or to the email address, asanka@varners.lk to be received by the Secretaries by 10.00 a.m. on 25th September 2023. If participation in the meeting through a Proxy, the duly completed and signed FORM OF PROXY should accompany the REGISTRATION FORM.

   Note:

   If a Proxy is appointed, the information set out in the REGISTRATION FORM pertaining to the Proxy holder should tally with the information indicated in the duly completed FORM OF PROXY submitted by the Shareholder.

3. The Company will verify all registration requests and identification details received as aforesaid, against the details of Shareholders set out in the Shareholders' Register and accept the registrations for the Virtual AGM if it is satisfied with the request and supporting documents (if any). Shareholders whose registration requests are accepted will receive an email confirmation from the Company acknowledging the acceptance of their request.

4. The Shareholders whose registration requests have been accepted will receive a further email from the Company 24 hours prior to the commencement of the AGM. This email will provide a web link for online registration referred to as "Virtual AGM Registration". If the Shareholder has appointed a valid Proxy this email will be forwarded to the relevant Proxy holder.

5. (i) The Shareholders / Proxy holders are requested to use the web link, which will be forwarded by the Company as referred to in 4 above and click on the "Virtual AGM Registration" in order to complete online registration for the Virtual AGM.

   (ii) On clicking the link "Virtual AGM Registration", 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 NIC No. / Passport No. / Co. Reg. No (In entering these details the participants are required to ensure that correct details as included in the REGISTRATION FORM referred to in 2 above are entered in the said online registration process, since any mismatch will be considered as an unsuccessful log in)

   (iii) After successful completion of entering of the details as referred to in 5 (ii) above, the participants are requested to click on "REGISTER" which will be prompted on their screens enabling them to receive the meeting link.

6. The Shareholders who successfully complete their online registration as set out in 5 above, will receive the log in link for participation in the meeting referred to as 'Click here to Join the Virtual Meeting' and credentials.

7. In order to join the Virtual AGM, participants are required to click on 'Click here to Join the Virtual Meeting' In some instances the system calls for the credentials and if that is required, please enter the credentials to gain access to the Virtual AGM.

8. On completion of this process, you will be directed to the Virtual AGM Zoom Platform, where you can participate in the Virtual AGM.

Guidelines And Registration Process For The Annual General Meeting (AGM) Via Online Meeting Platform (Contd.)

It is recommended that the Shareholders / Proxy holders complete the process outlined in 5, 6, 7 and 8 above and join the AGM at least ten (10) minutes before the start of the AGM. The Online Meeting Platform will be active thirty (30) minutes before the time appointed for the commencement of the meeting.

9. 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 microphones and to allow video options.

10. After completion of the process outlined in 7 above in respect of all eligible Shareholders and Proxy holders, the Company will forward a separate email to the Shareholders / Proxy holders or representatives (as applicable) who are entitled to vote, providing a separate link to vote on all resolutions included in the Notice of Annual General Meeting dated 25th August 2023.

11. Shareholders / Proxy holders who intend participating in the meeting are requested to open the said link and be prepared to cast their vote when each resolution is taken up for voting by the Chairman. Participants are advised to "refresh" the voting page and cast the vote as per their discretion in the given space and click "SUBMIT" enabling the Company to receive the responses.

12. When declaring the voting on a resolution, Chairman will take in to account the voting of the Shareholders/ Proxy holders participating virtually.

13. 60 seconds will be allocated for Shareholders/ Proxy holders to cast their vote in respect of each resolution.

14. The results will be processed and announced by the Chairman 30 seconds after the end of the time slot allocated for voting.

15. In a situation where a Poll is demanded and Shareholders are required to vote on the Poll, a mechanism similar to that referred for voting, will be applicable. This will be moderated by the Chairman of the meeting.

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 could participate in the AGM comfortably.

Abans Finance PLC
Annual General Meeting 2023
Registration Of Shareholder Details For Online Virtual Meeting

To : Abans Finance PLC, No.456, R. A. De Mel Mawatha, Colombo 03

1. Full Name of the Shareholder: ....

....

2. Shareholder's Address : ....

....

3. Shareholder's NIC No. / Passport No. / Co. Reg No. : ....

4. Shareholder's Contact No.: (Residence) .... (Mobile) ....

5. Name of the Proxy Holder : ....

6. Proxy holder's NIC No. / Passport No. / Co. Reg. No.: ....

7. Proxy holder's Contact No.: (Residence) .... (Mobile) ....

8. Shareholder's/ Proxy holder's E-mail : ....

9. Participation at the AGM via an online platform: YES /NO

10. Name of Joint holder/s (If any) : (i) ....

(ii) ....

11. National Identity Card number/s of Joint holder/s: (i) ....

ii)..

....	....	....
Shareholder's signature	1st Joint holder's signature	2nd Joint holder's signature
Date :	Date :	Date :

Abans Finance Plc
Annual General Meeting 2023
Registration Of Shareholder Details For Online Virtual Meeting

Note:

1) 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.

2) In the case of a Company/Corporation, the Shareholder details form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

3) In the case of a Power of Attorney, the Shareholder Details Form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.

ANNUAL REPORT 2022/2023

A QR Code containing the Annual Report information is forwarded herewith.
All documents relating to the AGM must be forwarded to the Company by post or by email to the following email address tharushi@abansfinance.lk or nipunim@abansfinance.lk 48 hours prior to the time fixed for the meeting.

The Notice of meeting, Form of Proxy, and other related documents will also made available on the website of the Colombo Stock Exchange (https://www.cse.lk / home/market) The Company will endeavor to dispatch the aforementioned documents by ordinary post to the shareholders in due course provided the postal services are duly operational.

DOCUMENTS ATTACHED

The following documents are attached to this circular to shareholders:

- Notice of Meeting
- Form of Proxy
- Circular to Shareholders giving Guidelines & Regulations Process for the Annual General Meeting.
- Online meeting Registration Form

By Order of the Board of Abans Finance PLC

Sgd.
Varners International (Private) Limited
Company Secretaries of Abans Finance PLC
25th August 2023

Corporate Information

NAME OF THE COMPANY

Abans Finance PLC LEGAL FORM A Public Limited Liability Company Incorporated in Sri Lanka on 8 April 2005 under the Companies Act No. 17 of 1982. Re-registered on 15 June 2009 in terms of the Companies Act No. 7 of 2007. A Finance Company licensed by the Monetary Board of the Central Bank of Sri Lanka in terms of The Finance Business Act No. 42 of 2011. A Registered Finance Leasing Establishment under the Finance Leasing Act No. 56 of 2000. An approved Credit Agency under the Mortgage Act No. 6 of 1949 and the Trust Receipts Ordinance No. 12 of 1947.

REGISTRATION NO. – PB 1015 PQ

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the
Colombo Stocks Exchange of Sri Lanka.

REGISTERED OFFICE

No. 498, Galle Road, Colombo 3.

HEAD OFFICE

No. 456, R.A.De Mel Mawatha, Colombo 3. Tel. 011- 2208888
E-mail : inquiries@abansfinance.lk

AUDITORS

M/s Ernst & Young Chartered Accountants, 201, De Saram Place,
P.O.Box 101, Colombo10.

INTERNAL AUDITORS

Chief Internal Auditor Abans Group of Companies
498, Galle Road, Colombo 3.

SECRETARIES

Varners International (Pvt) Ltd., Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 1.

LAWYERS

Varners, Level 14, West Tower, World Trade Centre,
Echelon Square, Colombo 1.

BANKERS

Bank of Ceylon
Seylan Bank
People's Bank
Commercial Bank
Pan Asia Bank Union Bank
Sampath Bank
Hatton National Bank
Cargills Bank
Nations Trust Bank
National Development Bank

TAX IDENTIFICATION NO. 134012439-0000

BOARD OF DIRECTORS

Mr. K. J. C. Perera Chairman
Mr. R. Pestonjee Non-Executive Officer
Mr. H. C. Embuldeniya Non-Executive Director
Mr. W.B. W. M. R. A. M. T. G. Aluwihare Independent Non-Executive Director
Mrs. D. S. Ratnayake Independent Non-Executive Director
Mr. S. M. S. S. Bandara Independent Non-Executive Director

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