

ANNUAL REPORT

2023 | 2024



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CORPORATE INFORMATION

INNER BACK COVER

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. CURRENT FITCH CREDIT RATING OF THE COMPANY IS BBB+ (lka) NEGATIVE OUTLOOK.

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 ELEVEN BRANCHES, EIGHT CUSTOMER CENTERS EXTENDED ITS VISIBILITY THROUGH THE BACKING OF ITS PARENT COMPANY ABANS PLC'S 400 OUTLETS.

FINANCIAL HIGHLIGHTS

Financial Performance (Rs.000)

	2023/2024 Rs.	2022/2023 Rs.	Change %
Income	2,863,208	2,857,850	0.19%
Net interest Income	1,212,448	1,420,904	-14.67%
Net Fee and Commission Income	178,298	164,437	8.43%
Total Operating Income	1,438,951	1,600,468	-10.09%

Financial Position at the Year End (Rs. '000)

Total Assets	11,010,321	11,188,660	-1.59%
Total Loans and Advances to customers	7,691,022	8,807,132	-12.67%
Public Deposits	6,366,848	5,376,614	18.42%
Borrowings	663,298	1,955,111	-66.07%
Shareholders' Funds	3,079,118	2,969,963	3.68%

Profitability

Return on Assets (%)	2.73%	3.28%	-0.55%
Return on Equity (%)	3.45%	13.16%	-9.71%
Net Interest Margin (%)	11.01%	13.06%	-2.05%
Cost to Income Ratio (%)	58.55%	52.22%	6.33%

Investor Information

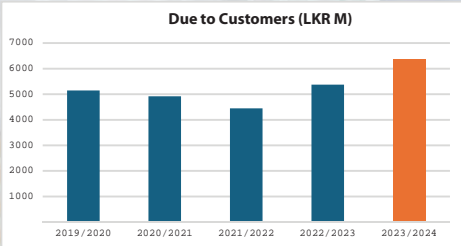
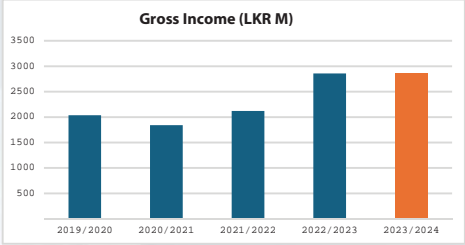
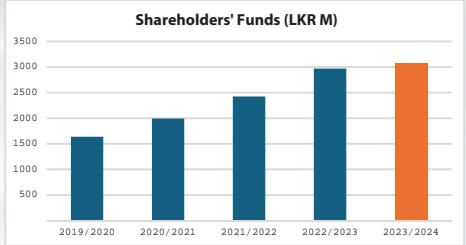
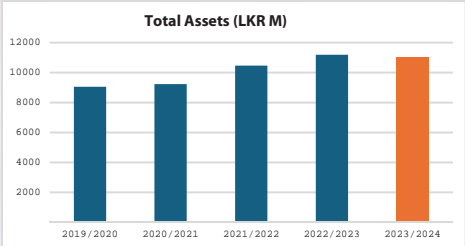
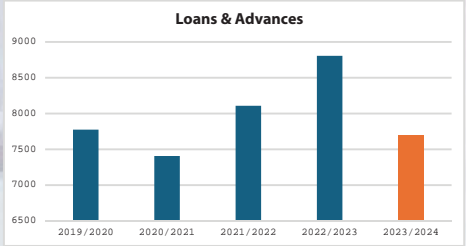
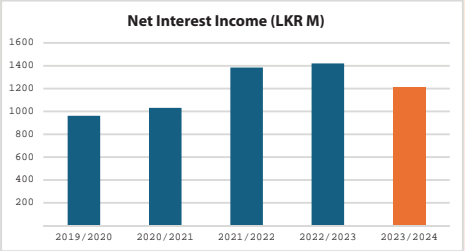
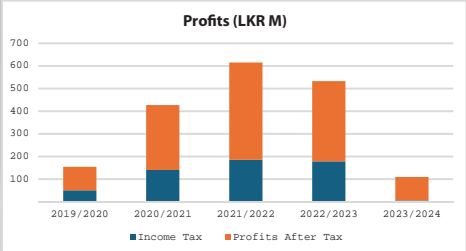
Earnings Per Share (Rs.)	1.42	4.82	-70.63%
Price to Earnings Ratio (Times)	14.83	4.85	205.82%
Net Assets Value per share (Rs.)	41.78	40.30	3.68%
Market Value per share (Rs.)	21.0	23.4	-10.26%
Market Capitalization (Rs.Mn)	1,548	1,724	-10.23%

Regulatory Ratios

Capital Adequacy

Tier 1 Capital Ratio, % (Minimum 8.5% / 7%)	21.81%	19.79%	2.02%
Tier 2 Capital Ratio, % (Minimum 12.5% / 11%)	21.81%	20.84%	0.97%
Statutory Liquid Assets Ratio, (%)	32.30%	27.81%	4.49%
Capital Funds/Total deposit liabilities	39.80%	54.07%	-14.27%

FINANCIAL HIGHLIGHTS



CHAIRMAN'S MESSAGE

Abans Finance PLC - Annual Report 2023/24

Dear Shareholders,

On behalf of the board of directors I am honored to present to you the Annual Report of Abans Finance PLC for the year ending 31st March 2024. As we take a moment to glance back on the past fiscal year it was no doubt that FY23/24 presented us with challenges in terms of macroeconomic fluctuations, despite which we have emerged successful with a topline of Rs. 2,863Mn and a PAT of Rs. 104Mn with a total asset base Rs. 11Bn. Given the ongoing uncertainty during this period we took measures to uphold substantial liquidity reserves as a cautious approach. As the macro-economic conditions gradually stabilize, the company intends to reduce these surplus liquidity reserves.

During the year we consistently aligned ourselves with industry best practices to enhance our operations and provide our customers with more valuable and convenient financial services. We also expanded our lending portfolio across various sectors and geographic regions to mitigate portfolio risk. Additionally, as part of our strategy to diversify our offerings, the company plans to enter the gold loan market in the foreseeable future.

This year marks a special milestone where Abans Finance PLC entered the market of financing for Electric Motorcycles, further acknowledging our interests in sustainability. We have further invested in our human capital with the belief that our invaluable team of dedicated staff members will add value to the operations of the business.

I take this opportunity to express my gratitude to my colleagues on board for their perseverance in strategic decisions that have been taken so far to accomplish the greater financial stability. My commendation goes to the Chief Executive Officer, Senior Management, and to all staff members for delivering acceptable 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 2024

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 2024.

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

As at the end of FY 23 / 24, the NBFI sector consisted of 33 licensed finance companies (NBFI's), with a total asset base of Rs 1.76 trillion where year on year (YOY) basis movement in assets showed a 7.7% increase. In terms of depositors there were 4.7 million in numbers and Rs 1 trillion approx. in value, whereas in terms of loans it was 3.6 million in number of facilities with a Rs. 1.2 trillion loan book which amounts to approx. 69% of total assets.

A 64.7% of the loan book accounted for auto financing, whereas loans secured by gold was 19.0%. In terms of lending product categories, YOY increase value in Business & Working Capital Loans were the highest among all products, followed by Personal & Housing Loans, Finance Leases & Vehicle Loans, and Loans Secured by Gold with increased amounts on YOY basis as Rs. 18 billion, Rs 14.2 billion, Rs 14.1 billion and Rs 13.3 billion respectively. On the other hand, loans against fixed deposits, micro financing and other loans showed a YOY reduction in portfolio values.

Historically, NBFI's have provided funding for vehicle purchases and their business model has developed around auto financing. However, continuous restrictions on vehicle imports as a measure to limit foreign exchange outflow, and more stringent credit assessments appear to have significantly restricted financial facilities for the auto industry. Further, with the slowdown in domestic economic activities, the sector was compelled to deviate from its core business to a more diversified loan portfolio. Pawning advances/gold-backed loans are related to this. However, though pawning portfolios increased sharply in 2021 and 2022, the year 2023 noted a slowing in the progress of pawning. Debtors resorted to pawning mainly for consumption as high inflation eroded disposable income. During this period regulators also cautioned on pawning advances due to heightened exposure, and inherent instability of gold prices in the global market. In other words, while moving towards diversification presents opportunities for growth, it simultaneously produces an evolving risk to the sector.

In terms of overall gross NPL of the NBFI sector which was at 15.9 % by end FY 22/23, it had dropped to 14.7 % by end FY 23/24 indicating some form of economic revival. (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. The company's strong branch network, together with over four hundred outlets island wide of its parent company Abans PLC, serviced a wide spectrum of clients during this period. As of now the 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 the company is BBB+(lka) Rating Outlook Negative by Fitch Rating Lanka Limited. Despite it being the most difficult economic climate, the last 04 years as a whole was a milestone in the journey of the company which recorded a cumulative PAT of Rs 1.2 billion approx.,

whereas in the 15-year period prior to that since inception, the cumulative PAT was less than Rs 600 million. Leasing of registered motorcycles and registered three wheelers have been the key income source for the company during the last 04 years.

The PAT of FY 23/24 was Rs. 104 m after accounting for Rs 382 million as an impairment cost (Credit loss expenses on financial assets) both from specific as well as provision perspective. Furthermore, 52 % of that impairment cost of Rs 382 m (Rs 200 m) relates to portfolios that consisted of registered three wheelers. The three-wheel client segment faced a fuel crisis in year 22/23 which materially impacted the above impairment charge on three wheelers in FY 23/24. However, we now observe that three-wheel prices have stabilized, and based on RMV figures, that many investments grading NBFI's have materially re-entered the market for financing of registered three wheelers. With that we note that the magnitude of the impairment charge incurred in relation to registered three wheelers is highly unlikely to be repeated in the near future.

YOY interest income remained almost the same at Rs 2.6 billion as more focus was diverted to collections and lowering lending rates, whereas cost of capital dropped from 23.92% to 16.78%. YOY impairment charge increased from Rs 82 million to Rs 382 million primarily due to provisions accounting for registered three-wheel portfolios. Rest of the overhead cost of the company remained almost unchanged due to many cost cutting initiatives. YOY PAT changed from Rs 355 million to Rs 104 million which is a drop that occurred primarily due to accounting for higher impairment for registered three wheelers.

The company fell short of the regulatory minimum capital requirement of Rs 2.5 billion in October 2023, having met this target in October 2022. The reason for the shortfall in core capital was due to the maintenance of the additional loss allowance in a non-distributable manner. During the FY 23/24 the company managed to take action to comply with the Finance Business Act (Minimum Core Capital) Direction No 02 of 2017 and thereby the deposit cap imposed on Abans Finance PLC (AFP) was removed on 17th July 2024 (Post balance sheet event).

Furthermore, the credit portfolio dropped from Rs 8.8 billion to Rs 7.7 billion (approx. 14 %) mainly due to more focus on impairment management instead of new lending. The company kept liquidity buffers well above regulatory requirement as contingency measures and placements with Banks and Unit Trusts were increased from Rs 443 million to Rs 1.8 billion on YOY basis which accounted for a 320% increase. Total assets of the company remained almost at the same levels, at approx. Rs 11 billion.

Sustainability Risk Mitigation and Growth Strategies

Towards reaching the above results, YOY training cost was increased from Rs 5.3 million to Rs 6.5 million with a view to adding value to business operation. Timely identification, and management of credit risk is one of the key areas that the company invested in during FY 23 / 24 and will continue the same to understand the changes happening at ground level in a consistent manner. Key performance indicators (KPI's) during the period were realigned to suit the external factors and long-term sustainability goals within the framework of a balanced score card.

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONT'D)

Due to the continued uncertain situation which prevailed during this period as noted above, the company maintained sizable liquidity buffers as a prudent measure. Subject to gradual normalization of the macro-economic situation, the company plans to scale down the excess liquidity buffers.

The company continued to diversify its lending portfolio into multiple sectors / geographic areas with a view to diversifying portfolio risk. Furthermore, as a part of its product diversification, the company will enter in to the gold loan business, and towards this the management team has initiated sourcing staff, and attending to logistical matters which includes sourcing an IT system. During the financial year, the company also entered into the market of financing for electric motorcycles, and so far, has shown a steady portfolio growth. By encouraging the use of electric motorcycles, Abans Finance PLC inspires sustainable transport, and reduces dependence on fossil fuels. This is significant in the context of changing to a low-carbon economy.

Management also improved its information system within the existing core system on a regular basis, of which management information in relation to credit related matters was given priority. The company also entered into an agreement with an independent audit firm to guide the internal team in finalizing a request for proposal (RFP) which will be used in soliciting bids for potential IT solutions for its core business operation. Based on Technology Risk Management and Resilience guidelines set by the regulator, based on what is unique to us and based on our scope for the future, our focus in managing Information Technology risk will continue to evolve. Furthermore, the company is also in the process of revisiting its Disaster Recovery Plan and planning to get ratification from an independent audit firm on its adequacy. The Management believes that much larger benefits in information Technology will occur with a new core system in place.

During the FY 23/24 both the Gampaha and Badulla branches were moved to much more specious, and economical locations. The refurbishment commenced of the Galle Branch, which is a pivotal part of company's business operation.

The Risk Department was separated from compliance function and a Risk Officer was appointed during 23/24. Since then, in terms of Corporate Governance Direction No. 05 of 2021, the Risk Department has developed a board approved Risk Management Policy & Risk Appetite Statement. Further to Corporate Governance direction, i.e. Technology Risk Management and Resilience direction No. 01 of 2022, the board level Information Committee was established & the Risk Department along with IT has prepared a comprehensive gap analysis to focus on IT risk management. The company also commenced Board level IT subcommittee meetings & discussed the way forward of compliance to IT resilience framework as well as risks that are unique to us. This process will be continued with value additions as we move on. With the support of the IT department, the compliance function was improved especially

on matters relating to FIU. Abans Finance PLC was categorized as a high-risk entity during the CBSL onsite examination in year 2019, and due to corrective action taken since then, the company was classified as "moderate risk" during the subsequent CBSL onsite examination conduct in the month of July 2023.

Way forward and appreciation

We, as a nation, have passed through a period of great uncertainty of what to do on the following day, both in terms of operating businesses and addressing the political crisis. Compared to that situation, by now we have come a long way, and in that process the Governor and officials of the Central Bank of Sri Lanka (CBSL) have contributed a lot to calm things and bring about the stability we have gained so far. In these circumstances it will be a critical need for continued economic reforms and political stability to move forward towards economic prosperity.

As a member of the diversified Abans Group, Abans Finance PLC, with a history of 18 years in the financial services sector has managed, with its team to maintain operations at investment grading despite the turbulent business environment.

In a period of constant disruption in the local and global economy, we continued to understand the situation in a timely manner to manage our company. In 24/25 we have commenced steps to take decisive action to refocus the company's strategy in terms of talent acquisition, low-cost funding, product diversification, digitalization, improving value chains, portfolio management and risk management whilst continuing to strengthen our core businesses.

I take this opportunity to express my sincere gratitude to the shareholders, Chairman and the Board of Directors who have put their faith in the team. I also wish to extend my gratitude to the CBSL officers for their guidance and to say thank you to our external auditors, fixed deposit holders, other fund providers, and all other stake holders who were pivotal in our journey in 23/24 despite a very turbulent business environment.

As commented, above, despite the challenges that we faced in 23/24, I am proud of the progress that the company made especially during last 04 years where we recorded a cumulative PAT of Rs 1.2 billion approx., whereas in the 15-year period prior to that since inception, the cumulative PAT was less than Rs 600 million. The foundation of our achievement is the extraordinary efforts of our TEAM at Abans Finance PLC who form the backbone of our company and for that a big Thank you for all the Heads of Departments and to the entire Team.

We have placed the company in a stronger position for 2024 and beyond, as we continue to execute our growth strategy, serve our clients with excellence, and deliver stronger returns for our shareholders.

Thank you again, stay safe.



Dharshan Silva
Chief Executive Officer (CEO)
Colombo, Sri Lanka
19th August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

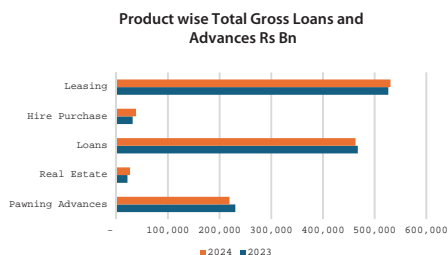
Economic Overview

The Sri Lankan economy is down the trail of healing from its deepest economic catastrophe that had to witness after the independence in 1948. The recovery was reinforced by stronger fiscal balances, rapid disinflation, improved external resilience and the preserved financial system stability. The government and Central Bank implemented policy measures, structural reforms, and the IMF-EFF arrangement, resulting in a growth trajectory. The economy experienced expansion in the second half of 2023, with unemployment decreasing and labor force participation declining. The financial sector demonstrated resilience, with the banking sector maintaining stability and a surplus.

Driven by the growth in nominal GDP and the decline in mid-year population, GDP per capita increased to Rs. 1,253,785 in 2023, compared to Rs. 1,084,882 in 2022. Meanwhile, GNI per capita also increased to Rs. 1,213,159 in 2023, compared to Rs. 1,056,424 in 2022. In US dollar terms, GDP per capita in 2023 was 3,830, compared to 3,464 in 2022, while GNI per capita was 3,706, compared to 3,378 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. 1,693.1 billion as of end 2023, representing a marginal increase of Rs.57.3 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, Rs. in Bn

Deposits	2023/24	2022/23	2023/24	2022/23
Fixed Deposits	903	877	96.5%	96.5%
Saving Deposits and Other	33	32	3.5%	3.5%
Total Deposits	935	908	100.0%	100.0%

Assets: The asset base of the sector increased by 5.09 per cent (by Rs. 81.9 billion) to reach Rs. 1,693.15 billion by December 2023, compared to Rs. 1,611.21 billion in December 2022. The sector's expansion was mainly driven by the growth in the Investments of 56.64%. Loans and advances accounted for 68.6 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 45.7 per cent of total loans and advances as at end 2023.

However, the leasing portfolio of the sector has declined by 3.4% and there is a substantial growth of 57% in the real estate 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.56.6 Bn growth reaching Rs. 312.7 billion in 2023 compared to the growth of 14.5 per cent in 2022.

Liabilities: Customer deposits continued to dominate the liabilities of the LFCs and SLCs sector accounting for a share of 73 per cent. The deposits increased by 8 per cent (Rs. 70 billion) to reach Rs. 935.28billion, while borrowings declined by 17.88 per cent to Rs. 264.89 billion during the year.

Profitability: The net interest income of the sector significantly increased by 19.84 per cent (Rs. 84.79 billion) in 2022 to reach Rs. 101.612 billion. The interest expense has increased by 9.78% per cent (Rs. 13,489 billion). The total income of the sector has also increased by 16.21% or Rs. 255.3 billion to reach Rs. 296.7 billion by December 2023. The non-interest income increased by 34.05 per cent (Rs 11.08 billion) and non-interest expenses were increased by 13.97 per cent (Rs. 10.01 billion) during the year, which significantly contributed to the profitability of the sector. The loan loss provisions made against NPLs decreased by 38.8 per cent to reach Rs. 8.16 billion by December 2023. The sector's profit after tax showed a sharp improvement of 87.68 per cent YoY with Rs. 16.3 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. 12.261 billion to reach Rs. 329,817 billion by December 2023 compared to Rs. 317.55 billion recorded by end December 2022. The sector's core capital and total capital ratios increased to 5.10 per cent and 3.86 per cent, respectively, by end December 2023 from the reported levels of 30.14 per cent and 26.21 per cent at end December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

AFPLC PERFORMANCE DURING THE YEAR 2023/24

MARKETING PLAN & STRATEGIES

Sri Lankan economy had to undergone the post-adverse impact of political insurgencies taken place in year 2022, economic growth depicted an disarray especially due to the import restrictions. Despite such hostile conditions, Abans Finance PLC has carefully fostered its marketing plan and strategies to be in par with the market conditions. Main concentration was pointed on to leasing of registered two wheelers and three wheelers which amicably assisted in to sustain the bottom lines of the company. During the year registered two wheelers and three wheelers posted a quantum of 77% whilst the company was able to record a healthy post-tax profit of Rs 104.34Mn for the year ended 31st March 2024.

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

An appropriate level of continuous training / workshops for the marketing staff to improve their know-how, skill and knowledge was provided to be in parity with the highly competitive marketplace. Moreover, identifying potential staff members to groom to the next level as part of succession plan as required by CBSL guidelines was also an ancillary objective of the continuous training.

MARKETING COMMUNICATION

Company marketing communication strategy strictly approached only with BTL activities including sales promotions, dealer promotions, matters connected to direct marketing, direct mailing, e-base marketing, Telemarketing to escalate the brand awareness towards the target segmentations.

RECOVERY STRATEGIES

AFPLC recoveries division has gone through yet another challenging year as the country is also pulling through with the same challenge. Nevertheless, company a subsidiary of a well-regarded mother company could not any way compromise trust it had been kept upon it by its stakeholders specially as an entity which accept public deposits. So even such a challenge the division time and again proved that it had shown its resilience even with most difficult times providing smooth cash inflow to ensure all its business activities are unhindered. This has led to a very strong financial position at the yearend, which is witnessed by its balance sheet and cash flow statements.

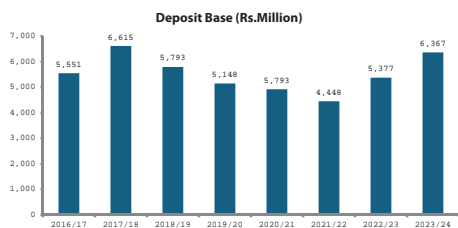
However, once again the biggest challenge economic recession brought for AFPLC collection team is how best it could prevent slipping contracts between overdue buckets as we are engaged in providing financial facilities to lower income groups. Our main two products consist of leasing facilities of motor bikes 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 these 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 safe guard 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.

Key achievements of company recoveries division could be attributable to its ability to reverse slip over trend of looming negative aspect of the economy impacted on our portfolio. As economy shows a gradual trend of recovery which resulted from economic recession last year coupled with high cost of living, high interest rate etc. However, the previous year's impact still could be seen specially in the 01st half of the financial year as the company was focusing on providing financial facilities to lower income group of the society who had been mostly impacted during the previous year. Nevertheless, as witnessed by the company financial statements all financial indicators improved drastically towards the end of the financial year compared to the beginning of the year providing strong foundation to quantum growth for the Year 2024/2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 2024, the company recorded a growth of 18.42% of the deposit base. The total new deposits including renewals reached over Rs. 6 billion with a net increase of Rs. 990Mn. The company has been able to achieve a retention ratio of 74.48% during the financial year 2023/2024.

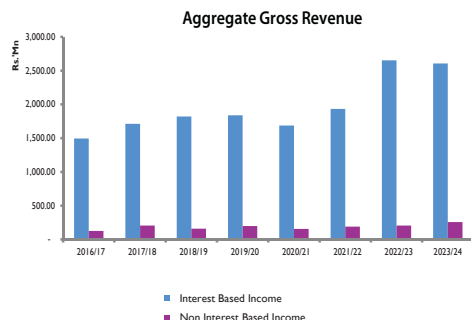


Financial Review

Abans Finance PLC recorded a commendable performance during FY 2023/2024 despite the challenging macro-economic landscape. The Company recorded a net profit after tax of Rs. 104.33 million as compared to Rs. 355.06million with a 70.6% reduction YoY mainly due to the significant increase in the Expected Credit Loss.

Revenue

The total aggregate Gross Revenue of the Company showed an increase of 0.19% to reach Rs. 2,863.2 million in the year under review. The components of gross revenue consist of items of income that are 'Interest based' and 'non-Interest based'.

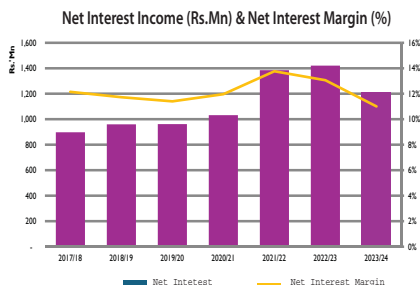


Interest based items of the revenue consist of interest income earned from Finance leases, Hire Purchase, Loans and Advances and interests earned from the investments. Non-Interest based sources of Income consists of fee and commission income, net gain/ (loss) from trading and other operating income.

The interest earned on Finance Leases and Loans and Advances has contributed 91.3% as compared to the corresponding year 92.8% to the main source of income.

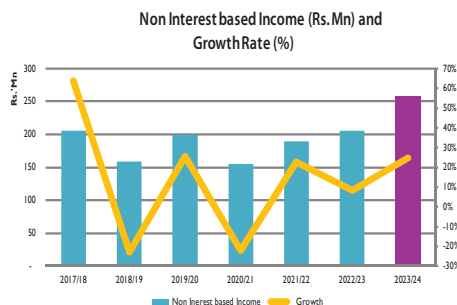
Net Interest Income (NII) / Net Interest Margin(NIM)

The Company managed to record a Net Interest Income (NII) of Rs.1,212.4 million in 2023/24 compared to Rs.1,420.9 million in 2022/23. The company recorded a NIM of 11.01% as at March 2024, with a slight drop of 2.05% from the achieved NIM of 2022/23.



Non-Interest Based Income

The Company recorded non-Interest based income of Rs. 256.90 million during FY 2023/24, compared to Rs.206.11 million recorded in FY 2022/23, reflecting a growth of 24.6% YoY.



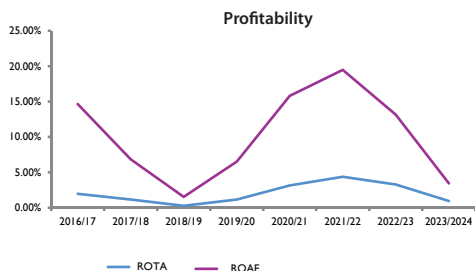
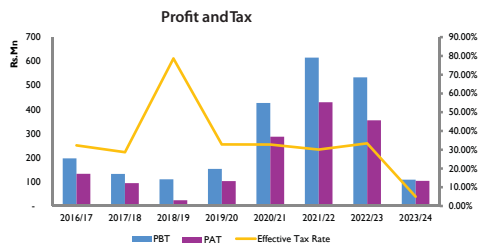
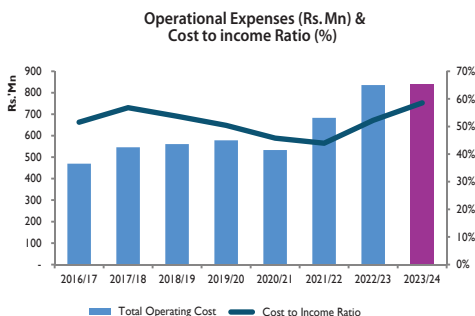
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Operating Expenses

Operating Expenses including Personnel Costs, Depreciation and Amortization and Other Operating Expenses which stood at Rs. 835.81 million in 2022/23, increased to Rs. 842.4 million by March 2024, reflecting an increase of 0.8% due to increase of inflation and economic conditions prevailed in the country.

Cost to Income Ratio

The Cost to Income ratio has increased to 58.55% by March 2024 recording an increase of 6.33% from the corresponding period ended 31st March 2023.



Credit Loss Expense on Financial Assets

Impairment charge for the year has increased to Rs.382.42 million from Rs.82.15 million compared to the FY ended 31st March 2023, recording an increase of 365.48%.

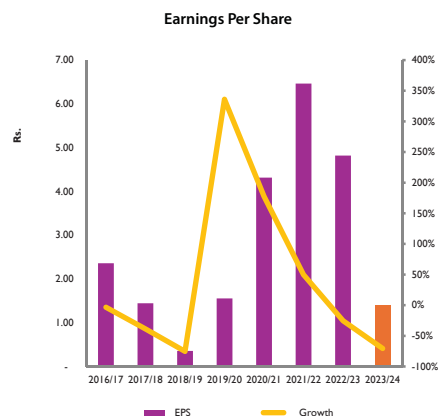
Profitability and Taxation

The profit before tax for the year reached a total of Rs.109.41 million compared to Rs.533.22 million recorded in FY 2022/23, down by 79.48% YOY. The corporate tax expense for the year amounted to Rs. 5.07 million has resulted in profits after tax to remain at Rs. 104.33 million.

The Taxes on Financial services which include Value Added tax (VAT) decreased by 29.9% amounting to Rs.104.6 million compared to Rs.149.3 million the year 2022/23. The drop in profitability has impacted profitability ratios for the year; the Company has recorded Return on Total Assets (ROA) and Return on Equity (ROE) of 2.73% and 3.45% as opposed to the recorded 3.28% and 13.16% in 2022/23.

Earnings Per Share (EPS)

The EPS for 2023/24 stood at Rs. 1.42 per ordinary share in issue, as opposed to Rs. 4.82 reported in 2022/23.

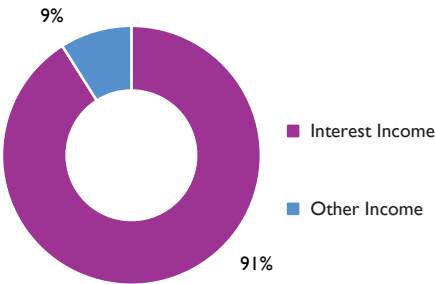


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

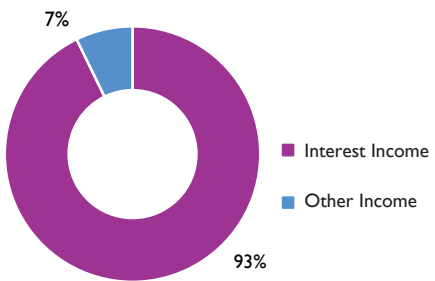
Sources and Distribution of Income

Interest Income represented 91.03% of Total Income for the year 2023/24 as against 92.79% for the year ended 31 March 2023. In terms of distribution of income, interest costs absorbed a major portion with 48.68% of Total Income (2022/23= 43.07%) and 17.10 % distributed among the suppliers. (2022/23= 16.18%)

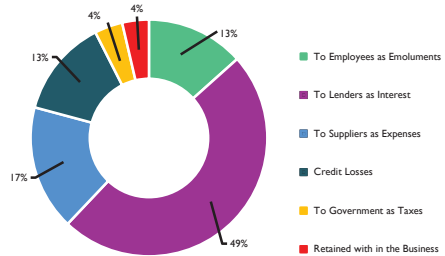
Sources of Income - 2023/24



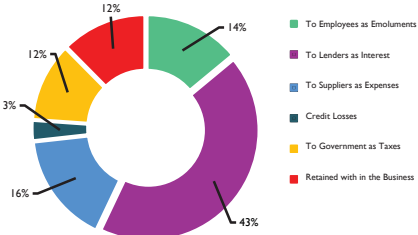
Sources of Income - 2022/23



Distribution of Income - 2023/24



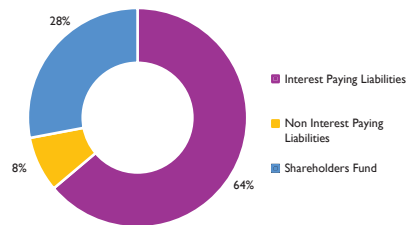
Distribution of Income - 2022/23



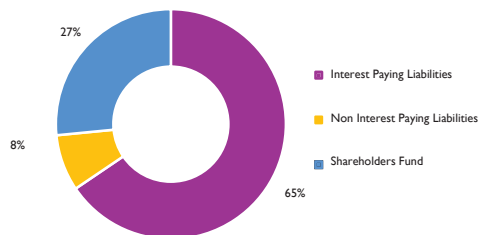
Sources and Uses of Funds

Interest paying liabilities accounted for 63% of funding sources for the year 2023/24, (2022/23=65%), whilst 95% of the funds were utilized to finance Interest Earning Assets maintaining similar levels of the FY ended 2023/24.

Sources of Funds - 2023/24

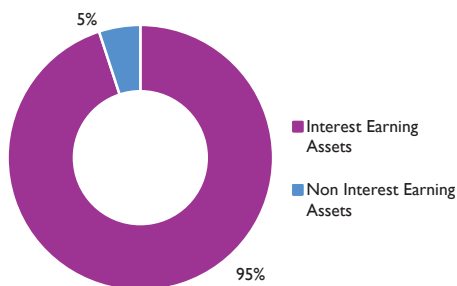


Sources of Funds - 2022/23

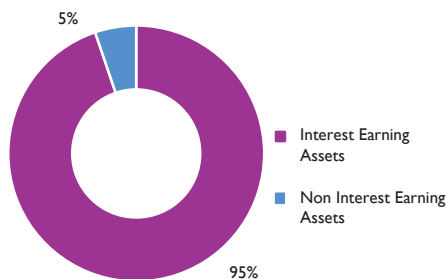


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Uses of Funds -2023/24



Uses of Funds - 2022/23



Credit Quality

With the ultimate objective of improving the overall credit quality the company introduced strict credit evaluation measures to minimize the probability of credit risk. This involved the concentration on selected customers and products, introduction of new products, implementing collection strategies based on system data and effectively coordinating with financially challenged customers to restructure debt payments promptly.

Overview of the Credit Process

Strict credit controls are implemented, closely monitored and reviewed on a regular basis to ensure that there any unforeseen contingency would be mitigated in the credit process.

The country continued to be gripped by an economic downturn with very high inflation levels and import restrictions of brand new vehicles.

In addition, the change in the number of days from 120 days to 90 days to be categorized under stage 3 of impairment was also introduced by CBSL in its Direction No. 01 of 2020 dated 14th February 2020.

Despite the mounting challenges the company has forged with the senior management and the department heads closely monitoring the behavior of the competition to identify areas where the company can thrive in such demanding situations.

During the period in review the company increased lending for electric motor bikes with the overall impact on the environment foremost in its mind.

In addition, the company embarked into lending of solar panels which is an additional income earner for users since the government will payout a guaranteed sum for such clients and in turn offers the government can derive foreign exchange by selling these carbon credits to other countries.

Credit Committee

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

- Oversight of the credit strategies and objectives of the Company.
- 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.
- Identify knowledge gap and facilitate training.
- Reviewing of Credit quality / Asset quality, Impairment Allowances on Credit Quality deterioration and performance of the Company's Credit Portfolio.
- Setting the credit evaluation guideline within the company risk appetite.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- 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 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 Credit Committee meets regularly and implements credit controls if required while ensuring that facility approvals occur based on established Delegated Authority Limits and discussing 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.

The Credit Committee played a pivotal role to ensure that the company implemented tight credit controls and consistently followed them while focusing on expanding the product portfolio mix and introducing new products within the company.

Information Technology and Information Security

Governance

Information technology plays a vital role in the company's success journey. The company is highly dependent on information systems. Most of the internal processes are technology driven and controls are built through information systems, hence Information Technology (IT) forms the backbone of operations. 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 provide accurate information on timely manner which leads the management to take effective decisions on time. Company IT infrastructure is designed also to drive innovation, enhance customer experience, and ensure robust security measures.

AFPLC maintains a state-of-the-art IT infrastructure that includes robust hardware and cutting-edge software systems, and it is designed to handle large volumes of transactions securely and efficiently to ensure uninterrupted service to our customers. Further, in order to enhance IT infrastructure security, the company has implemented a new firewall (FortiGate 400F) during the year 2023/24.

Digital Transformation Initiatives

Over the past years, AFPLC has embarked on several digital transformation initiatives aimed at improving operational efficiency and enhancing customer satisfaction. Key initiatives include:

- Implementation of e-Receipt: With that, issuing paper-based receipt to the customers has been reduced.
- Enhancement of existing Mobile App: to enhance efficiency and to provide a user-friendly mobile app. Thus the marketing and recovery staff will be able to provide better solution to the valuable customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Cybersecurity Measures

The security of clients' data is utmost importance to AFPLC, where company have implemented stringent cybersecurity measures to safeguard against evolving threats. Company's cyber security strategy includes regular vulnerability assessments, penetration testing, and rigorous system audits conducted by both internal and external experts. These measures help to identify and mitigate potential risks before they impact company operations.

Additionally, organization has implemented continuous security awareness training programs for employees to cultivate a culture of vigilance and ensure adherence to best practices. In addition, all the steps have been taken to implement the "Technology Risk Management and Resilience" guidelines issued by Central Bank of Sri Lanka which AFPL has partially completed.

IT Governance and Compliance

The Company adheres to rigorous IT governance practices to ensure alignment with business objectives and regulatory requirements. Company's IT governance framework encompasses risk management, compliance monitoring, and strategic planning to support sustainable growth and innovations.

Future Outlook

Moreover, AFPLC remains committed to leveraging IT as a strategic enabler of business growth and innovation. The company will continue to invest in emerging technologies such as AI, Data Analysis, and machine learning to enhance operational efficiency and deliver superior customer experiences. Organization is focusing on cybersecurity will remain unwavering as Company adapt to new threats and regulatory changes.

In conclusion, IT plays a pivotal role in driving AFPLC's mission to provide innovative financial solutions while maintaining the highest standards of security and customer service. We are dedicated to staying at the forefront of technological advancements and are excited about the opportunities that lie ahead in our journey towards digital transformation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 Objective	Engagement Mechanism	Frequency of Engagement	Our Responses/Achievements
Shareholder	<ul style="list-style-type: none"> ✦ 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 	<ul style="list-style-type: none"> ✦ Annual General Meeting ✦ Extra Ordinary General Meeting ✦ Official Website ✦ Annual Reports 	<ul style="list-style-type: none"> ✦ Annually ✦ Whenever necessary ✦ Regularly ✦ Annually 	<ul style="list-style-type: none"> ✦ Return on Investment ✦ Development of Shareholder communication ✦ Continuous engagement
Customers	<ul style="list-style-type: none"> ✦ Customer complaint handling ✦ Quality customer service 	<ul style="list-style-type: none"> ✦ Customer Surveys ✦ Customer complain handling mechanism ✦ Call Centre & Official web-site ✦ Social Media Interactions 	<ul style="list-style-type: none"> ✦ Regularly ✦ Regularly ✦ Regularly 	<ul style="list-style-type: none"> ✦ Promotional Campaign ✦ Customer care service
Employees	<ul style="list-style-type: none"> ✦ Career Development ✦ Work Life Balance ✦ Promotions and Job Opportunities 	<ul style="list-style-type: none"> ✦ Annual Get together ✦ Training Procedures ✦ Department Head involvement with the employees 	<ul style="list-style-type: none"> ✦ Annually ✦ Monthly ✦ Monthly 	<ul style="list-style-type: none"> ✦ Organized periodically ✦ Continuous Training ✦ Job Enrichment
Regulators	<ul style="list-style-type: none"> ✦ Reporting to CSE and Central Bank to ensure compliance ✦ Meetings with Regulatory bodies ✦ Industry Forums 	<ul style="list-style-type: none"> ✦ Compliance with the regulatory requirements 	<ul style="list-style-type: none"> ✦ Whenever required 	<ul style="list-style-type: none"> ✦ Strengthening relationships with public and professional institutions
Society & Environment	<ul style="list-style-type: none"> ✦ Employment Opportunities ✦ Community Development 	<ul style="list-style-type: none"> ✦ Sponsorships ✦ Feedback Comments ✦ Call Centre 	<ul style="list-style-type: none"> ✦ Ongoing 	<ul style="list-style-type: none"> ✦ 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.

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 2024 was 1547.5 Mn. and Rs.21 respectively. Float Adjusted Market Capitalization was recorded at Rs.116.7 Mn. as at 31 March 2024. 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. 27.30 and at the lowest of Rs. 19.50 during the financial year of 2023/2024. The changes of market price in comparison to the previous year are given below.

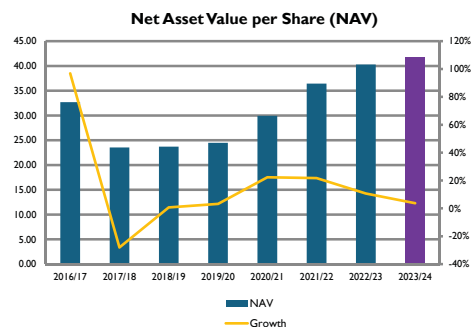
Market Price	2023/24	2022/23
Highest	27.3	28.40
Lowest	19.50	17.80
Price as at 31 March (Rs.)	21.00	23.40

Earnings

The Basic Earnings per Share (EPS) of Rs. 1.42 has been achieved by the company during the year compared to the corresponding previous period value of Rs. 4.82.

Net Assets Value per Share (NAV)

The company has achieved a 4% growth in Net Assets during the year from Rs. 2,969 million in 2022/23 to Rs. 3,079 million in 2023/24. The Net Assets per Share reached the mark of Rs. 41.78 as at 31 March 2024.



DISTRIBUTION OF EQUITY AS AT 31-03-2024

NO OF SHARES HELD	NO OF SHAREHOLDERS		NO OF SHARES	
	NO.OF HOLDERS	PERCENTAGE (%)	TOTAL HOLDINGS	PERCENTAGE (%)
1-1,000	646	81.51	104,097	0.14
1,001-10,000	106	13.38	337,707	0.46
10,001-100,000	27	3.41	663,024	0.90
100,001-1,000,000	10	1.26	3,584,768	4.86
OVER 1,000,000	3	0.38	69,003,575	93.64
GRAND TOTAL	792	100.00	73,693,171	100.00

ANALYSIS OF SHAREHOLDERS AS AT 31-03-2024

CATEGORY	NO. OF SHAREHOLDERS	PERCENTAGE (%)	TOTAL HOLDING	PERCENTAGE (%)
RESIDENT	790	99.75	73,689,161	99.99
NON-RESIDENT	2	0.25	4,010	0.01
TOTAL	792	100.00	73,693,171	100.00

COMPOSITION OF SHAREHOLDINGS AS AT 31-03-2024

CATEGORY	NO. OF SHAREHOLDERS	PERCENTAGE (%)	TOTAL HOLDING	PERCENTAGE (%)
INDIVIDUAL	747	94.32	3,059,910	4.15
INSTITUTIONAL	45	5.68	70,633,261	95.85
TOTAL	792	100.00	73,693,171	100.00

DIRECTORS SHAREHOLDING - ABANS FINANCE PLC - AS AT 31ST MARCH 2024

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 2024

No	Name of the Shareholder	As at 31/03/2024	
		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.PHAPANGAMA	205,224	0.28
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	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G.SOYSA	103,569	0.14
14	MRS A. PESTONJEE	80,000	0.11
15	MRS H.I. SALGADO (DECEASED)	66,600	0.09
16	MR G.C. GOONETILLEKE	48,105	0.06
17	DR K. POOLOGASUNDRAM	36,000	0.05
18	MR R.E. RAMBUKWELLE	34,517	0.05
19	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	31,882	0.04
20	MR M. D. S GOONATILLEKE	29,157	0.04
	OTHERS	778,567	1.06
	Total	73,693,171	100.00

MARKET VALUE - ABANS FINANCE PLC FROM 01ST APRIL 2023 TO 31ST MARCH 2024

Highest Market Price (18/08/2023)	Lowest Market Price (01/03/2024)	As at 31st March 2024
Rs.27.30	Rs.19.50	Rs.21.00

EMPLOYEE CAPITAL (CONT'D)

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 384 employees for 11 branches and 8 customer centers nationwide.

Out of a total workforce of 384 employees:

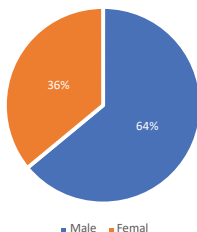
- 73% were permanent employees
- 25% were on probation; and
- 2% were on contract

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	189	90	279
Probationers	49	49	98
Contract	7	-	7
Total	245	139	384

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 64% male and 36% 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	13	1	14
Middle Management	58	12	70
Executive	170	126	296
Non Executive	4	-	4
Total	245	139	384

Age Group	Male	Female	Total
Below 21 years	2	2	4
21-30 years	110	102	212
31-40 years	87	27	114
41-50 years	35	7	42
Above 51 years	11	1	12
Total	245	139	384

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	37	25	62
Eastern	21	6	27
North Central	16	5	21
Northwestern	16	5	21
Northern	11	4	15
Sabaragamuwa	16	5	21
Southern	29	8	37
Uva	9	2	11
Western	90	79	169
Total	245	139	384

EMPLOYEE CAPITAL

Performance Management

At the heart of a flourishing business lies a formidable and devoted workforce. Hence, 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 2023/2024, 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



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. AFPLC is in the process of developing 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

The company is in the position of ensuring that our entire business is conducted in accordance with professional, ethical and legal standards. The management of Abans Finance concerns in creating the working environment which fit with the company culture and more comfortable to entire staff of Head office as well as branches that is ultimately effect on making a productive environment.

Health and safety

Health and safety of our employees, customers, and other stakeholders the utmost priority of our company. 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 also continuously aware employees to develop positive attitudes and behaviors on safety. We took safety measures to 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 two 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 of AFPL: Nomination Committee, Integrated Risk Management Committee, Remuneration Committee & the Related Party Transactions Review Committee and a Member of the company's Audit Committee.



BOARD OF DIRECTORS (CONT'D)

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 (MBA ,MENG)

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 leading 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 (CONT'D)

MR. THULCI ALUWIHARE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed as director of Abans Finance PLC on 17th December 2020. Mr Aluwihare is an experienced business strategist and an investment professional with international experience in corporate wealth creation, specialized in investment strategy, transaction advisory, divestiture, capital raising and restructuring. +23 years of work experience in London, Melbourne and Colombo.

Mr Aluwihare is the Deputy Managing Director of CHEC Port City Colombo (Pvt) Ltd and was a member of the Colombo International Financial Centre (CIFIC) – Steering Committee Task Force and worked closely with the Government to set up the first foreign currency designated multi services Special Economic Zone (SEZ) in Sri Lanka. With the enactment of the Colombo Port City Economic Commission Act, his primary role now is to promote FDIs and create a destination appeal for international businesses to set up in Port City. Port City project is a USD 15 billion new township development, an extension of the existing Colombo CBD.

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.

He is currently serving as a Non Executive Independent Director of Expack Corrugated Cartons PLC. Mr Aluwihare is also a member of the Ceylon Chamber of Commerce Investment Promotion Sector Committee and Infrastructure Sector Committee.

He 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 (CONT'D)

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 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 2024. 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 directs 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 27 to 93 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 2024

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 operate 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

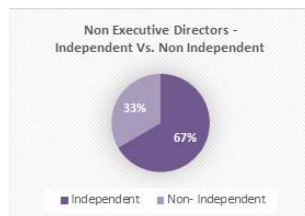
- Mr. R. Pestonjee
- Mr. H.C. Embuldeniya

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

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 22 to 25 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.

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.

CORPORATE GOVERNANCE

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 conducting 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.

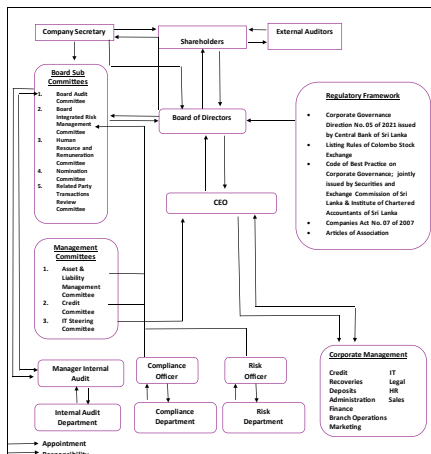
Determination of Independence of Non-Executive Directors

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's 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

CORPORATE GOVERNANCE

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 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.

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 2023/24 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	Attendance
K.J.C.Perera		√	C	12/12	M	14/14	C	4/4	M	4/4	M	-	C	-
R Pestonjee	√		M	12/12										
Hiran Embuldeniya	√		M	11/12										
Thulci Aluwihare		√	M	11/12	M	9/14	M	2/4	M	3/4	C	-	M	-
D S Ratnayake		√	M	12/12			M	4/4			M	-	M	-
S.M.S. Sanjaya Bandara		√	M	12/12	C	14/14			C	2/4				

*C indicates the Chairman of the Committee & M indicates Member of the Committee
Column Attendance Indicates the number of Meetings attended*

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 statutes, the service period, audit fee and any registration or dismissal of the auditor.

CORPORATE GOVERNANCE (CONT'D)

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. Hence the Audit Committee recommended appointing Messer. KPMG Chartered Accountants of No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03 as the Auditors from the year 2024/25.

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 Governance direction no. 5 of 2021 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

Section Two - The level of compliance with the Listing Rules - Section 9 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.	Complied The Board approved three-year business strategy is in force. The Board as a whole review the business strategy periodically to ensure that the Business strategy aligns with current economic environment.

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
	<ul style="list-style-type: none"> c) Assessing the effectiveness of its governance framework periodically. d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities. 	<p>The Governance Framework of AFPLC was approved by the Board in June 2024 and Gap analysis for CG framework done quarterly to assessed the Effectiveness of Governance Framework.</p> <p>The Board has appointed the Chairman and the Chief Executive Officer, and clear division of responsibilities have been defined in the Governance Framework.</p>
1.3	<p>Corporate Culture and Values</p> <ul style="list-style-type: none"> 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 culture and values, including developing a code of conduct and managing conflicts of interest. c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies 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. 	<p>The AFPLC Board actively contributes to ensure sound corporate culture and values within the company.</p> <p>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.</p> <p>The sustainable financing is incorporated in the Board approved strategic plan and Board reviews the progress of the implementation of the same. We are in process of preparing Sustainable Financing Policy and ESG.</p> <p>The Board approved Stakeholder Communication Policy reflects the effective delivery of stakeholder communication, and the board reviews the policy to enhance its scope of policy implementation.</p>
1.4	<p>Risk Appetite, Risk Management and Internal Controls</p> <ul style="list-style-type: none"> a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework. b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. 	<p>AFPLC has established the Risk Appetite Statement in line with the AFPLC three- year strategic plan and the overall governance framework.</p> <p>AFPLC Board ensures the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently,</p>

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
	<p>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.</p> <p>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.</p>	<p>AFPLC reviews the adequacy and the effectiveness of the internal control systems and management information systems periodically.</p> <p>AFPLC has a Board approved Disaster Recovery Plan that ensures stability, financial strength, and preserve critical operations and services under unforeseen circumstances. Company planning to have comprehensive disaster recovery drill for all identified critical information system during next year 2024/25.</p>
1.5	<p>Board Commitment and Competency</p> <p>a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.</p> <p>b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.</p> <p>c) The Board shall regularly review and agree the training and development needs of all the members.</p> <p>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.</p> <p>e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.</p>	<p>Complied</p> <p>The Board as a whole allocate sufficient time in exercising functions of the Company.</p> <p>Members of the Board possess sufficient competency levels including necessary qualifications, knowledge, experience and skills.</p> <p>During the annual appraisal process, the Board reviews and agrees on the training and development needs of all the members .</p> <p>An annual appraisal procedure is in place for self-assessment and assessment of individual performance of each director of its Board as a whole and that of its committees and maintains records of such assessments.</p>
1.6	<p>Oversight of Senior Management</p> <p>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.</p>	<p>Complied</p> <p>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 responsibilities of each member. Board approved succession plan is available for AFPLC Senior management and management meeting conducted weekly to meet the senior management.</p>

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
	<ul style="list-style-type: none"> 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. 	
1.7	<p>Adherence to the Existing Legal Framework</p> <ul style="list-style-type: none"> 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. 	<p>Complied</p> <p>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.</p>
2. Governance Framework		
2.1	<p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.</p> <ul style="list-style-type: none"> 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. 	<p>Complied</p> <p>The AFPLC Board has approved a Corporate Governance framework in line with the Corporate Governance Direction No.5 of 2021.</p>

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
3.	Composition of the Board	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	The 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.
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 22 to 25.
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	Complied The AFPLC Board comprise of four Independent Non-Executive Directors.

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
	<p>c) A non-executive director shall not be considered independent if such:</p> <ul style="list-style-type: none"> 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 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. <p>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</p> <p>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 of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.</p>	The Independent Directors of AFPLC fulfil the given independent requirements.

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
3.8	<p>Alternate Directors</p> <ul style="list-style-type: none"> 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 	<p>Not applicable</p> <p>No alternate Director has been appointed.</p>
3.9	<p>Cooling off Periods</p> <ul style="list-style-type: none"> 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. 	<p>Not applicable</p> <p>Such a situation has not arisen during the Financial Year 2023/2024</p>
3.10	<p>Common Directorships</p> <p>Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f)</p>	<p>Not applicable</p> <p>The AFPLC Board does not hold directorships in another Finance Companies.</p>
3.11	<p>The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies /bodies, including subsidiaries and associates of the FC.</p>	<p>Not Appropriate</p> <p>The Directorships or any equivalent positions held by the Directors of AFPLC in other entities do not exceed the given threshold.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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.
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, Complaint subject to 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 non-executive directors. 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	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.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
	<ul style="list-style-type: none"> 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 that 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 	
6.5	<p>Responsibilities of the CEO</p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include:</p> <ul style="list-style-type: none"> 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 	<p>Complied</p> <p>The Chief Executive Officer is responsible for implementing business strategy of the Company while ensuring sound internal controls and effective risk management.</p>
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	<p>Complied</p> <p>There have been twelve Board meetings during the financial year 2023/2024.</p>
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.	<p>Complied</p> <p>Company has established a procedure to enable all Directors to include matters and proposals in the agenda for regular Board meetings.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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.
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.	Complied Meeting was held during the period to discuss strategic matters.
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 29 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	<p>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 statutes and other regulations.</p> <p>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</p>	<p>The Board has appointed M/S. Varners International (Pvt) Limited as the secretary 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</p> <p>Company will comply the new governance requirement prior to the date of transitional provision provided.</p> <p>Section 8 of Finance Companies (Corporate Governance) Direction No. 3 of 2008, is currently being adhered.</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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
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.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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 2023/24. Please refer respective Board Sub-Commit tee reports for more details on pages 94 to 100
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 all Board Sub Committees.
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 94 to 100 and on page 108 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 94 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 94 Board Audit Committee (BAC) report

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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 appointment of Messer. KPMG, 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 M/s Ernst & Young the previous audit partner is terminating from 2023/24 and M/S KPMG external Auditor firm is appointing with effect from 2024/25.
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.
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 into account of the regulations and guidelines.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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: <ul style="list-style-type: none"> (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 integrity 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 2023/24.
10.2.d.ix	The BAC shall review the external auditor's management letter and the management's response there to 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.

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Rule Reference	Principle	Extent of Compliance
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 company. The BAC reviews and ensures that 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 2024.
10.2.g.iii	<p>The BAC shall take the following steps with regard to the internal audit function of the FC:</p> <p>(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.</p> <p>(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.</p>	<p>The Internal Audit functions are available in the BAC TOR.</p> <p>(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.</p> <p>(ii). The Audit Committee has reviewed and approved the Internal Audit Plan</p>

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
	<p>(iii) Assess the performance of the head and senior staff members of the internal audit department</p> <p>(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.</p> <p>(v). Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies</p> <p>(vi).Examine the major findings of internal investigations and management's responses thereto.</p>	<p>(iii). BAC Assess the performance of the head and senior staff members of the internal audit department</p> <p>(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</p> <p>(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.</p> <p>(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.</p>
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	
	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.	Complied 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.

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Rule Reference	Principle	Extent of Compliance
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.
10.3	Board Integrated Risk Management Committee (BIRMC)	
10.3.a	<p>The chairperson should be an independent director.</p> <p>The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.</p>	The Chairman of the Committee (Mr Cecil Perera) 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 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 has finalized 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.

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Rule Reference	Principle	Extent of Compliance
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.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The Committee is in process of reviewing 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 policies 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 management, operational activities, or income generating 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.

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Rule Reference	Principle	Extent of Compliance
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 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.	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 administration 4. Manage Compliance Audits 5. Risk Management
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 has developed 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 integrated risk management framework that covers: (i) Various potential risk 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

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Rule Reference	Principle	Extent of Compliance
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.	Risk Officer (RO) participates for ALCO meetings and BIRMC meetings where capital and liquidity is planned. Further, new products and services are reviewed by RO in order to identify and mitigate the risks.
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 2023/24. Refer Page 98, 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 are evaluated on an annual basis and for Senior Management fitness and propriety is evaluated at the time of appointment, promotion, renewal of contracts or on lateral moves.
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 22 to 25

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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.
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.	Complied & ongoing The company did not hold any meetings 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 nomination & Governance committee 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.

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Rule Reference	Principle	Extent of Compliance
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.	<p>The remuneration policy is the part of the HR manual and it has been developed to achieve fair and equitable benefits with transparent guidelines.</p> <p>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.</p> <p>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 97 for more details.</p>
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.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
10.5.g	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	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.
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-Executive Director. AFPLC has adopted a Board approved Related Party Transaction Policy and Procedure and RPTRC TOR.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
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	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ul style="list-style-type: none"> 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.
12.3	<p>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:</p> <ul style="list-style-type: none"> a) Granting of total accommodation to a related party exceeding a prudent 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 e) 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.

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
13.	Group Governance	
13.1	Responsibilities of the FC as a Holding Company	Not Applicable
13.2	Responsibilities as a Subsidiary	Not Applicable.
14.	Corporate Culture	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, 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.
15.	Conflicts of Interest	
15.1. a	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	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.
15.1. b	<p>The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,</p> <ol style="list-style-type: none"> Identify circumstances which constitute or may give rise to conflicts of interests Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest Identify those responsible for maintaining updated records on conflicts of interest with related parties, and <p>Articulate how any non-compliance with the policy to be addressed</p>	A Board approved Conflict of Interest Policy is in place covering all aspects of this directions and best practices.

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Rule Reference	Principle	Extent of Compliance								
16. Disclosures										
16.1. i	<p>Financial statements In addition to the set of financial statements as per LKAS1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none">A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.A statement of responsibility of the Board in preparation and presentation of financial statements.	<p>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.</p> <table><tr><th>Medium of Publication</th><th>Date(s) of Publication</th></tr><tr><td>Sinhala (Dinamina)</td><td>27.06.2024</td></tr><tr><td>Tamil (Thinakaran)</td><td>27.06.2024</td></tr><tr><td>English (Daily FT)</td><td>27.06.2024</td></tr></table>	Medium of Publication	Date(s) of Publication	Sinhala (Dinamina)	27.06.2024	Tamil (Thinakaran)	27.06.2024	English (Daily FT)	27.06.2024
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Sinhala (Dinamina)	27.06.2024									
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16.1. ii	<p>Chairperson, CEO and Board related disclosures</p> <ul style="list-style-type: none">Name, qualification and a brief profile.Whether Executive, Non-Executive and/or Independent Director.Details of the Director who is serving as the senior Director, if any.The nature of expertise in relevant functional areas.Relatives and/or any business transaction relationships with other directors of the CompanyNames 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; andNames of board committees in which the director serves as the Chairperson or a member.	<p>Complied The profiles of the board of directors are on pages 22 to 25</p> <p>Attendance of Board Meetings and Sub-Committee meetings are given on page 29 respectively.</p>								
16.1. iii.	<p>Appraisal of board performance</p> <ul style="list-style-type: none">An overview of how the performance evaluations of the Board and its committees have been conducted.	<p>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 94 to 100</p>								
16.1. iv.	<p>Remuneration</p> <ul style="list-style-type: none">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)	<p>A statement on remuneration policy has been disclosed in Board Human Resource and Remuneration Committee Report appeared on page 97 of the Annual report. Aggregate remuneration paid to Directors and Senior Management</p>								

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance									
	<ul style="list-style-type: none"> The aggregate values of remuneration paid by the FC to its directors and senior management. 	<table border="1"> <thead> <tr> <th></th><th>Annual Remuneration (Rs.)</th><th>Annual non-cash benefits (Fuel Reimbursement)</th></tr> </thead> <tbody> <tr> <td>Directors</td><td>6,340,000</td><td>-</td></tr> <tr> <td>Senior Management</td><td>72,453,668</td><td>7,018,167</td></tr> </tbody> </table>		Annual Remuneration (Rs.)	Annual non-cash benefits (Fuel Reimbursement)	Directors	6,340,000	-	Senior Management	72,453,668	7,018,167
	Annual Remuneration (Rs.)	Annual non-cash benefits (Fuel Reimbursement)									
Directors	6,340,000	-									
Senior Management	72,453,668	7,018,167									
16.1. v	<p>Related party transactions</p> <ul style="list-style-type: none"> The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, Refer 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. 	<p>Complied.</p> <p>Refer the report of the Board of Director On the affairs of the company on pages 108 to 111 and the the financial statements note 47 related party transactions.</p>									
16.1. vi	<p>Board appointed committees</p> <ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings. 	<p>Complied</p> <p>Details of Chairperson, members and the attendance of the below mentioned Sub- Committees are stated in respective Sub-Committee reports as follows.</p> <p>Board Audit Committee Report – page 94</p> <p>Board Integrated Risk Management Committee Report – page 99</p> <p>Board Nomination Committee Report –page 98</p> <p>Board Human Resources and Remuneration Committee Report –page 97</p> <p>Board Related Party Transactions Review Committee Report –page 96</p>									
16.1. vii	<p>Group Structure</p> <ul style="list-style-type: none"> The group structure of the FC within which it operates. The group governance framework. 	<p>Refer Page 55, Governance Structure</p> <p>The Group Governance Framework is disclosed in Corporate Governance report on page 28 of the annual report.</p>									

CORPORATE GOVERNANCE

Rule Reference	Principle	Extent of Compliance
16.1. viii	<p>Director's report</p> <p>report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> The FC has not engaged in any activity, which contravenes laws and regulations. The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. 	<p>Complied</p> <p>Refer page 27 of Corporate Governance report. Refer report of the Board Directors on page 108 to 111 for following disclosures.</p> <ul style="list-style-type: none"> 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
16.1. ix	<p>Statement on Internal Control</p> <ul style="list-style-type: none"> A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. 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. 	<p>Complied - Refer Page 115</p> <p>Refer Page 113</p> <p>Refer Page 115</p>
16.1.x	<p>Corporate governance report</p> <ul style="list-style-type: none"> Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. 	<p>Complied Refer Page 30</p>
16.1.xi	<p>Code of conduct</p> <ul style="list-style-type: none"> 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 	<p>Complied</p> <p>Company has a Board approved Code of Conduct (HR Policy Manual). Refer Page 26, Chairman's Statement on Corporate Governance</p>

CORPORATE GOVERNANCE (CONT'D)

Rule Reference	Principle	Extent of Compliance
16.1.xii	<p>Management report</p> <ul style="list-style-type: none">• Industry structure and developments• Opportunities and threats• Risks and concerns• Sustainable finance activities carried out by the Company• Prospects for the future.	<p>Complied</p> <p>Refer Page 7 to 15</p>
16.1.xiii	<p>Communication with shareholders</p> <ul style="list-style-type: none">• The policy and methodology for communication with shareholders.• The contact person for such communication.	<p>Complied</p> <p>Company has a Borad approved communication 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.</p>

CORPORATE GOVERNANCE

SECTION TWO – LISTING RULES- SECTION 9 ON CORPORATE GOVERNANCE FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

The Listing Rules – Section 9 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 9) is tabulated below.

Rule No.	Requirement	Status
9.2	Policies	
9.2.1	<p>Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p> <ul style="list-style-type: none"> (a) Policy on the matters relating to the Board of Directors (b) Policy on Board Committees (c) Policy on Corporate Governance, Nominations and Re-election (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistleblowing (l) Policy on Anti-Bribery and Corruption 	<p>Complied</p> <p>will be adhered as per the requirement and transitional provisions provided till 1st October 2024.</p>
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted.
9.2.3	<p>Listed Entities shall disclose in its Annual Report:</p> <ul style="list-style-type: none"> (i) The list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website. (ii) Details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above. 	We are in process to adhered as per the requirement and transitional provisions provided till 1st October 2024.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	We are in process to adhered as per the requirement and transitional provisions provided till 1st October 2024.

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Rule No.	Requirement	Status
9.3	Board Committees	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	Complied Please refer the page no. 94 to 98 Nominations and Governance Committee, Remuneration Committee, Audit Committee, Related Party Transactions Review Committee reports
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	Complied
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	We are in process to adhered as per the requirement and transitional provisions provided till 1st October 2024.
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favor of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.	Complied
9.4.2	Communication and relations with shareholders and investors (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	Complied

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Rule No.	Requirement	Status
9.5	Policy on matters relating to the Board of Directors	
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>(a) recognize the need for a balance of representation between Executive and Non- Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</p> <p>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>(i) set out the rational for combining such positions.</p> <p>(ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</p> <p>(iii) set out the measures implemented to safeguard the interests of the SID.</p> <p>(c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>(d) stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>(f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</p> <p>(g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p> <p>(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</p>	We are in process to adhere this requirement
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	We are in process to adhere this requirement

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Rule No.	Requirement	Status
9.6	Chairperson and CEO	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	Complied
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO	Not Applicable
9.6.3	The Requirement for a SID: (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement. (b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. (c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. (d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3.(b) and (c) above. (e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.	Not Applicable
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	Not Applicable
9.7.	Fitness of Directors and CEOs	
9.7.1	The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules: In evaluating fitness and propriety of the persons referred in these Rules, Listed Entities shall utilize the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 below.	Complied
9.7.2	Listed Entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.	Complied

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Rule No.	Requirement	Status
9.7.3	<p>Fit and Proper Assessment Criteria:</p> <p>a) Honesty, Integrity and Reputation A Director or the CEO of a Listed Entity shall not be considered 'fit and proper' if she or he;</p> <p>(i) has been convicted by a competent court of law in respect of a market offence for which he/she has been charged under the SEC Act or Securities Laws outside of Sri Lanka</p> <p>(ii) in his/her individual capacity or as a part of any business that he/she has been involved in, who/which has had a license or registration that has been cancelled by the SEC or any other regulatory authority.</p> <p>(iii) has been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that he/she acted fraudulently or dishonestly.</p> <p>(iv) has been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies.</p> <p>(v) has been disqualified from acting as a Director or CEO of a company or has been dismissed or requested to resign from any position or office by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.</p> <p>(vi) has been disqualified from acting as a CEO/Key Management Person/Director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRCSL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRCSL respectively.</p> <p>(vii) has been a Director or the CEO of any Listed Entity which has been delisted by the Exchange in the circumstances specified in Rule 11.3 of these Rules.</p> <p>b) Competence and Capability A Director or the CEO of an Entity shall not be considered as 'fit and proper' if she or he;</p> <p>(i) does not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Listed Entity in terms of Rule 9.11.5 of these Rules which are required to efficiently contribute to the business operations of the Entity in his/her capacity as a Director/ CEO (as applicable).</p> <p>(ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.</p> <p>c) Financial Soundness A Director or the CEO of an Entity shall not be considered as a 'fit and proper person' by the Exchange, if she or he;</p>	Complied

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Rule No.	Requirement	Status
	<p>(i) is an undischarged bankrupt or a person on whose behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.</p> <p>(ii) has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.</p> <p>(iii) has been in a position capable of exercising significant influence in a company that has:</p> <p>(a) been declared bankrupt within or outside of Sri Lanka; or</p> <p>(b) its assets sequestered for the non-satisfaction of a judgement debt.</p>	
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	Complied
9.7.5	<p>Disclosures in the Annual Report of Listed Entities shall include the following disclosures/reports in the Annual Report;</p> <p>a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.</p> <p>b) Any non-compliance/s by a director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.</p>	<p>Complied</p> <p>Not Applicable</p>
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Complied
9.8.2	<p>Minimum Number of Independent Directors:</p> <p>(a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.</p> <p>(b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.</p>	Complied
9.8.3	<p>Criteria for determining independence:</p> <p>A Director shall not be considered independent if he/she:</p> <p>(i) has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director.</p> <p>(ii) currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with the Listed Entity, whether directly or indirectly.</p> <p>(iii) currently has/had during the preceding financial year a Close Family Member who is a director and/or CEO in the Listed Entity.</p> <p>(iv) has a Significant Shareholding in the Listed Entity.</p> <p>(v) has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment.</p>	Complied

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Rule No.	Requirement	Status
	<p>(vi) is employed in another company or business.</p> <p>a. in which a majority of the other directors of the Listed Entity are employed or are directors; or</p> <p>b. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or</p> <p>c. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.</p> <p>(iii) is a director of another company;</p> <p>a. in which a majority of the other directors of the Listed Entity are employed or are directors; or</p> <p>b. that has a Business Connection in the Listed Entity or a Significant Shareholding.</p> <p>(viii) has a Material Business Relationship or a Significant Shareholding in another company or business;</p> <p>a. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or</p> <p>b. which has a Business Connection with the Listed Entity or Significant Shareholding in the same; and/or</p> <p>c. where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.</p> <p>(ix) is above the age of seventy (70) years.</p>	
9.8.5	<p>The Board of Directors of Listed Entities shall require:</p> <p>(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p>(b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.</p> <p>(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</p>	<p>(a) Ongoing</p> <p>(b) Ongoing</p> <p>(C) Not Applicable</p>
9.9	Alternate Directors	
9.9.1	<p>If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity:</p> <p>(a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.</p> <p>(b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity.</p> <p>(c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of</p>	Not Applicable

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Rule No.	Requirement	Status
	<p>Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made.</p> <p>(d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following:</p> <ul style="list-style-type: none"> i. The exceptional circumstances leading to such appointment; ii. The information on the capacity in which such Alternate Director is appointed, i.e., whether as an Executive, Non-Executive or Independent Director; iii. The time period for which he/she is appointed, which shall not exceed one (1) year from the date of appointment; and iv. A Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity. <p>(e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.</p>	
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	We are in process to adhere this requirement
9.10.2	<p>Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;</p> <ul style="list-style-type: none"> i. a brief resume of such Director; ii. his/her capacity of directorship; and, iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity. 	Complied
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Complied
9.10.4	<p>Listed Entities shall also disclose the following in relation to the Directors in the Annual Report:</p> <ul style="list-style-type: none"> (a) name, qualifications and brief profile; (b) the nature of his/her expertise in relevant functional areas; (c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity; (d) whether Executive, Non-Executive and/or independent Director; (e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed 	<p>Complied</p> <p>Please refer the page no 22 to 25 & page no 94 to 100</p>

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Rule No.	Requirement	Status
	<p>Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;</p> <p>(f) number of Board meetings of the Listed Entity attended during the year;</p> <p>(g) names of Board Committees in which the Director serves as Chairperson or a member;</p> <p>(h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,</p> <p>(i) The terms of reference and powers of the SID (where applicable)</p>	
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE	
9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules.	Complied
9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	Complied
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied
9.11.4	<p>Composition</p> <p>(1) The members of the Nominations and Governance Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.</p> <p>(3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.</p>	<p>Complied</p> <p>Please refer page no. 98 in nomination and governance committee report</p>
9.11.5	<p>Functions</p> <p>The functions of the Nominations and Governance Committee shall include the following:</p> <p>(i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.</p> <p>(ii) Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account; the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and, the number of directorships held by the Director in other listed and unlisted companies and other principal</p>	will be adhered as per the requirement and transitional provisions provided till 1st October 2024.

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Rule No.	Requirement	Status
	<p>(iii) Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.</p> <p>(iv) Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.</p> <p>(v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.</p> <p>(vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.</p> <p>(vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.</p> <p>(viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.</p> <p>(ix) Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.</p> <p>(x) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.</p>	
9.11.6	<p>Disclosures in Annual Report</p> <p>The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson. The said report shall include the following;</p> <p>(a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members);</p> <p>(b) the date of appointment to the Committee;</p> <p>(c) whether a documented policy and processes are in place when nominating Directors;</p> <p>(d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years;</p> <p>(e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance;</p> <p>(f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors.</p> <p>(g) The following information regarding directors who are re-elected or being proposed for re-election during the year:</p> <ul style="list-style-type: none"> • Board Committees served on (as a member or Chairperson), • Date of first appointment as a Director, • Date of last re-appointment as a Director, 	<p>Complied</p> <p>Transitional provisions provided till 1st October 2024.</p>

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Rule No.	Requirement	Status
	<ul style="list-style-type: none"> • Directorships or Chairpersonships and other principal commitments both present and those held over preceding three years in other Listed Entities; and, • Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity. <p>(h)Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Entity as specified in Rule 9.11.5 above</p> <p>(i)Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity;</p> <p>(j)Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement;</p> <p>(k)Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement.</p> <p>(l)A statement that the Directors of the Listed Entity meet the criteria for determining independence.</p> <p>(m)A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Listed Entity's fail to comply with any provisions of such Rules, a statement explaining the reason for such non-compliance and the proposed remedial action taken for the rectification of such non-compliance.</p>	
9.12	REMUNERATION COMMITTEE	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	Complied
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	Complied
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	Complied
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied

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Rule No.	Requirement	Status
9.12.6	<p>Composition</p> <p>(1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p>	<p>Complied</p> <p>Please refer page no. 97 on remuneration committee report.</p> <p>2) Not applicable – company has a separate Remuneration Committee</p> <p>3) The Committee is chaired by an Independent Director.</p>
9.12.7	<p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p>	Complied
9.12.8	<p>Disclosure in Annual Report</p> <p>The Annual Report should set out the following:</p> <p>(a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such member (or persons in the parent company's Remuneration Committee in the case of a group company);</p> <p>(b) A statement regarding the remuneration policy; and,</p> <p>(c) The aggregate remuneration of the Executive and Non-Executive Directors.</p>	Complied
9.13	AUDIT COMMITTEE	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	Not Applicable A company has two separate committees in operation to perform the audit and risk functions.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Complied
9.13.3	<p>Composition</p> <p>(1) The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.</p>	<p>Complied</p> <p>Please refer the page no. 99 on Integrated risk management committee report</p> <p>2) Complied</p>

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Rule No.	Requirement	Status
	<p>(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.</p> <p>(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary..</p> <p>(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.</p> <p>(6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.</p> <p>(7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.</p>	<p>3) Complied</p> <p>4) Not applicable – Company has its own Audit Committee</p> <p>5) Complied</p> <p>6) Complied</p> <p>7) Complied</p>
9.13.4	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) Changes in or implementation of major accounting policy changes;</p> <p>(b) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) Compliance with accounting standards and other legal requirements;</p> <p>(d) Any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) Any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) Whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</p> <p>(iii) To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p> <p>(iv) Obtain and review assurance received from:</p>	will be adhered as per the requirement and transitional provisions provided till 1st October 2024.

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Rule No.	Requirement	Status
	<p>(a)The CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</p> <p>(b)The CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p> <p>(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.</p> <p>(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.</p> <p>(viii) Review the risk policies adopted by the Entity on an annual basis.</p> <p>(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.</p> <p>(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.</p> <p>(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.</p> <p>(xii)If a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.</p> <p>(xiii)Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.</p> <p>(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.</p>	

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Rule No.	Requirement	Status
9.13.5	<p>Disclosures in Annual Report</p> <p>(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.</p> <p>(2) The Audit Committee Report shall contain the following disclosures:</p> <p>(a) The names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);</p> <p>(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).</p> <p>(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.</p> <p>(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(e) Whether the Listed Entity has a formal Audit Charter;</p> <p>(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;</p> <p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p> <p>(h) A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</p> <p>(i) A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.</p>	will be adhered as per the requirement and transitional provisions provided till 1st October 2024.
9.14	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	Complied
9.14.2	<p>Composition</p> <p>(1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the</p>	<p>Complied</p> <p>Please refer page no. 96 on related party transaction committee report</p>

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Rule No.	Requirement	Status
	(2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	2) Not Applicable -Company has its own Related Party Transaction Review Committee
9.14.3	<p>Functions</p> <p>(1) Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.</p> <p>(2) The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.</p> <p>(3) When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.</p> <p>(4) The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.</p>	Complied
9.14.4	<p>General Requirements</p> <p>(1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.</p> <p>(2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.</p> <p>(3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.</p> <p>(4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:</p> <p>(a) be present while the matter is being considered at the meeting; and,</p> <p>(b) vote on the matter.</p>	Complied

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Rule No.	Requirement	Status
9.14.5	<p>Review of Related Party Transactions by the Related Party Transactions Review Committee</p> <p>(1) Subject to the exemptions given in terms of Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.</p> <p>(2) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.</p> <p>(3) The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management to facilitate the review of a Related Party Transaction. Such information shall include where applicable:</p> <ul style="list-style-type: none"> (i) the Related Party's relationship to the Listed Entity and interest in the transaction; (ii) the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction; (iii) the benefits of the proposed Related Party Transaction to the Listed Entity; (iv) the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Party Transaction is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally. <p>(4) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall take into account the following, among other factors it deems appropriate:</p> <ul style="list-style-type: none"> (i) the facts and circumstances made available to it as set out above, (ii) the views of the Chairperson of the Board of Directors and the Chairperson of the Nominations and Governance and/or Audit Committee of the impact of the proposed Related Party Transaction on a director's independence (if the related party is a director, a close family member of a director or an entity in which a director is a partner, shareholder or executive officer); and iii) whether the Related Party Transaction requires immediate market disclosure, as set out in these Rules. <p>(5) No Director shall participate in any discussion of a proposed Related Party Transaction in which he or she is a Related Party, except that the Director, at the request of the Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the Committee, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.</p> <p>(6) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.</p>	<p>Ongoing</p> <p>We are in process to the including to the TOR</p>

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Rule No.	Requirement	Status
9.14.6	<p>Shareholder Approval</p> <p>(1) Entities shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions:</p> <p>(A) If a non-recurrent transaction;</p> <p>(i) Any Related Party Transaction of a value equal to, or more than:</p> <p>(a) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; or</p> <p>(b) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year.</p> <p>(ii) If the Listed Entity acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity or its associates.</p> <p>(B) If a recurrent transaction;</p> <p>Any recurrent Related Party Transaction of a value equal to, or more than:</p> <p>(i) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity; or</p> <p>(ii) One third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year; And;</p> <p>(iii) the transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favorable to the Related Party than those generally available to the public.</p> <p>(2) In relation to Rules 9.14.6 (1) (A) (i) (b) and 9.14.6 (1)(B) (ii) above, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.</p> <p>(3) If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.</p>	Complied
9.14.7	<p>Disclosures</p> <p>(1) Immediate Disclosures</p> <p>A Listed Entity shall make an immediate Market Announcement to the Exchange;</p> <p>(a) of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements; or</p> <p>(b) of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements.</p>	Currently Not Applicable

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Rule No.	Requirement	Status
	<p>Listed Entities shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.</p> <p>The Market Announcement to the Exchange shall include:</p> <ul style="list-style-type: none"> (i) the date of the transaction or the period where applicable (ii) the name of the relevant Related Party (iii) the relationship between the Listed Entity and the Related Party (iv) details of the transaction including the amount, relevant terms of the transaction and the basis on which the terms were arrived at (v) the rationale for entering into the transaction (vi) the following statement: "The Related Party Transactions Review Committee of the Entity is of the view that the transaction/s is/are on normal commercial terms, and is/are not prejudicial to the interests of the Entity and its minority shareholders and the Related Party Transaction Review Committee is/is not (delete as applicable) obtaining an opinion from an independent expert prior to forming its view on the transaction." (vii) the aggregate value of the Related Party Transactions for the financial year with the particular Related Party whose transaction is the subject of the announcement and the aggregate value of all non-recurrent Related Party Transactions for the same financial year. 	
9.14.8	<p>Disclosures in the Annual Report</p> <p>(1) In the case of Non-recurrent Related Party Transactions: if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets of the Listed Entity, whichever is lower, as per the latest Audited Financial Statements the following information must be presented in the Annual report.</p> <ul style="list-style-type: none"> • Name of the Related party • Relationship • Value of the Related Party Transaction(s) entered into during the financial year • Value of Related Party Transaction(s) as a % of equity and as a % of total assets. • Terms and conditions of the Related Party Transaction(s) • The rational for entering into the transaction(s) <p>(2) In the case of Recurrent Related Party Transactions: if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the tabular format: Please refer page 111.</p> <p>(3) The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:</p>	Not Applicable

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Rule No.	Requirement	Status
	<ul style="list-style-type: none"> The names of the Directors comprising the Committee; A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. <p>(4) An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Entity has not entered into any Related Party Transaction/s a negative statement to that effect.</p>	
9.14.9	ACQUISITION AND DISPOSAL OF ASSETS FROM/TO RELATED PARTIES	
	<p>(1) Except for transactions set out in Rule 9.14.10, Listed Entities shall ensure that neither the Listed Entity nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution. An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Entity as per the latest Audited Financial Statements.</p> <p>(2) If a transaction requires shareholder approval as set out in Rule 9.14.9(1) above, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.</p> <p>(3) Rule 9.14.9(1) does not apply to:</p> <ul style="list-style-type: none"> a transaction between the Listed Entity and a wholly owned subsidiary. a transaction between wholly owned subsidiaries of the Listed Entity. a takeover offer made by the Listed Entity in accordance with Takeovers and Mergers Code 1995 (as amended). any transaction entered into by the Listed Entity with a Bank as principal, on arm's length terms and in the ordinary course of its banking business. <p>(4) The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of the Listed Entity or who has a Significant Interest in or Financial Connection with the Listed Entity or the relevant Related Party shall not be eligible to give such advice.</p> <p>(5) The competent independent advice obtained in terms of Rule 9.14.9 (4) above should be circulated with the notice of meeting to obtain the shareholder approval as set out in Rule 9.14.9 (1) above.</p> <p>(6) The competent independent advice required in terms of Rule 9.14.9 (4) shall include:</p> <p>(a) the key assumptions, conditions or restrictions that impact the estimate value;</p>	Not Applicable

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Rule No.	Requirement	Status
	<p>(b)the different valuation methodologies considered and employed in valuing the subject asset/s and justification for adopting one or more of them in the valuation;</p> <p>(c) the sources of information relied upon for the valuation;</p> <p>(d)the identity of individuals participating in the valuation assignment and their qualifications;</p> <p>(e)statement confirming the independence of the parties participating in the advice;</p> <p>(f) a statement as to whether the transaction is on usual commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Listed Entity and its shareholders as a whole.</p>	
9.16	ADDITIONAL DISCLOSURES	
9.16	<p>The following declarations by the Board of Directors to be included in the Annual Report:</p> <p>(i) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;</p> <p>(ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;</p> <p>(iii)they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;</p> <p>(iv)disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.</p>	Complied
7.6.iv (a)	<p>Minimum Public Holding Requirement</p> <p>Disclosure in terms of rule 7.6. iv (a) of the Listing Rules of the Colombo Stock Exchange ("CSE")</p>	<p>Not Complied</p> <p>The Company is not compliant with the Minimum Public Holding Requirement stipulated by the CSE Rule 7.6.iv(a) as at end of March 2024: Float Adjusted Market Capitalization was Rs. : 116,700,465 /- The public Holding percentage was 7.54% : The number of Public Shareholders were : 786 The Company is exploring possibilities of complying with the Listing Rules of the Colombo Stock Exchange.</p>

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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 Chartered 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).

Section	Rule	Degree of Compliance
I.	THE COMPANY	
A.		
A.1	DIRECTORS 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 29 for the Board meetings and attendance.
A.1.2	Board's responsibilities – <ul style="list-style-type: none"> - Formulation and implementation of a sound business strategy - CEO, Executive Directors and Senior Management team possess the skills, experience and knowledge - CEO and Key Management Personnel (KMP) succession planning - Implementing security and integrity of information, internal controls, business continuity and risk management - Ensuring compliance with laws, regulations and ethical standards 	<p>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.</p> <p>The Company's strategic business plan covering the period, 2022/23 to 2024/25 was approved by the Board in December 2022.</p> <p>The CEO and other Key Management Personnel possess extensive skills, knowledge, competencies and experience.</p> <p>The Company has a Board approved one to one succession plan in place for the Key Management Personnel.</p> <p>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.</p>

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Section	Rule	Degree of Compliance
	<ul style="list-style-type: none"> - Ensuring all stakeholder interests are considered in corporate decisions - Recognizing sustainable business development - Ensuring that the Company's values and standards are set with emphasis on adopting appropriate Accounting Policies - Fulfilling other Board functions is vital, given the scale, nature and the complexity of the organization 	<p>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.</p> <p>The Board considers the stakeholder interests in the decision-making process.</p> <p>The Board recognizes the importance of sustainable development in corporate strategy and business development.</p> <p>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.</p> <p>The Board has attempted to fulfill the obligations towards all stakeholders during the year.</p>
A.1.3	Compliance with laws and access to independent professional advice	<p>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.</p> <p>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.</p>
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.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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 29.
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 22 to 25 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 individual or small group can dominate the Board's decision taking.	

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Section	Rule	Degree of Compliance
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. 27 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. 27 under "Board Composition and balance"
A.5.3	Evaluation of independence of 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 2023/2024.
A.5.4	Signed declaration of Independence by the Non- Executive Directors	
A.5.5	Determination of the independence and non-independence of each Non- Executive Directors annually	
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 2023/24
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.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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 98 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 immediate notification to the Colombo Stock Exchange along with a brief resume of such Director. Further, prior approvals for such appointments 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. 28 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 29, 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. 28 under "Board and its Sub Committees' effectiveness".

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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. 28, "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 22 to 25.
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.	
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 Committee is responsible for deciding the overall remuneration structure of the Company.
B.1.2	Composition of Remuneration Committee	The Remuneration Committee is comprised of Independent Non-Executive Directors. Refer the Human Resource and Remuneration Committee report on page 97.
B.1.3	Disclosure in the Annual Report about the Remuneration Committee members	Human Resource and Remuneration Committee report is given on page 97.
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.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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	<p>Level and make up of remuneration of Executive Directors including performance element in pay structure</p> <ul style="list-style-type: none"> - Remuneration packages in line with industry practices - Executive share option - Non-Executive Directors' remuneration 	<p>The Remuneration Committee gives due consideration to the provisions of these sections and arrives at final recommendations as specified.</p> <p>The Remuneration Committee ensures that remuneration packages are in line with the industry practices.</p> <p>The Company does not have an executive share option scheme</p> <p>The Non-Executive Directors (Independent) receive fixed remuneration for attending meetings of the Board and Board Sub-committees.</p>
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	<p>Disclosure in the Annual report about the</p> <ul style="list-style-type: none"> (a) Remuneration Committee members (b) statement of remuneration policy (c) aggregate remuneration paid 	<p>Please refer the Remuneration Committee report on page No. 97 and Note No. 47 to the Financial Statements.</p> <p>Aggregate Remuneration paid included in the corporate governance section.16.1. iv. Refer page 57.</p>
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.	
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.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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.	
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.	

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
D.1.1	Present balanced and understandable assessment of the company's financial position and prospects.	The Company has reported the Audited Financial Statements as at 31st March, 2024 and the Interim Financial Statements at the end of each quarter of the financial year
D.1.2	The Board should present interim and other price sensitive information to the public and reports to regulators.	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 in conformity 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 108 to 111.
D.1.5	Annual report should contain a report/ statement on Internal Control	Statement of Directors' responsibilities is given on page 112, Auditors statement given on page 113 and Directors statement of internal control over financial reporting on page 115.
D.1.6	Management discussion and analysis	Management Discussion and Analysis is given on pages 7 to 15.
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 108 to 111.
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.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
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 94 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 115.
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 115.
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 Committee 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 94.
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.	

CORPORATE GOVERNANCE

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-Executive Directors including the chairman of the committee. Please refer Related Party Transactions Review Committee on page 96.
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 58.
D.5.2	Process to ensure material and price sensitive information is promptly 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 principles 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 30 to 59
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.	

CORPORATE GOVERNANCE

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	The company has identified potential cyber risk which can occur. To secure its assets, many actions has been taken a) Continue the vulnerability assessments done by independent professional body and act on their recommendations b) Upgrade the internal and external firewalls c) Staff awareness of cyber risks
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	An independent assessment is conducted by a third party twice a year. It will be more strengthened and continue.

CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
G.5	Disclosures in Annual Report	
H.	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)	
H.1	ESG REPORTING	Refer Section of 1.3 (c) of Page 31.
H1.2	ENVIRONMENTAL FACTORS	Refer page 21.
H1.3	SOCIAL FACTORS	Refer page 21.
H1.4	GOVERNANCE	Refer pages from 27 to 93.
H1.5	BOARD’S ROLE ON ESG FACTORS	Refer Section 1.3 (c) of Page 31.

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.

AUDIT COMMITTEE CHARTER

The Charter of the Audit Committee outlines the committee's purpose, responsibilities, and authority within an organization. It typically includes provisions regarding oversight of financial reporting, internal controls, risk management processes, and compliance with legal and regulatory requirements. The charter also defines the committee's structure, composition, and procedures for meetings, ensuring transparency and accountability in the organization's financial practices. This document serves as a crucial framework for maintaining integrity and reliability in financial reporting and upholding ethical standards across the board.

With the approval of the Board of Directors, the Audit Committee Charter is periodically reviewed and updated to ensure that any new information pertaining to the Committee's role is covered.

"Code of Best Practice on Corporate Governance," published by the Institute of Chartered Accountants of Sri Lanka in 2023, "Rules on Corporate Governance" under the Colombo Stock Exchange's listing rules, and "Finance companies (Corporate Governance) Direction No. 03 of 2008 and Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011."

COMPOSITION

Members of the BAC are appointed by the Board and comprised of three Independent Non-Executive Directors as of 31 March 2024, as shown below:

Name of the Director	Director Status
Mr. Sanjaya Bandara Appointment	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. The Chief Executive Officer, Chief Operating Officer, Head of Finance, Compliance officer, Head of credit & legal, Senior Manager Recoveries and the Internal Auditor attend all meetings of the Committee by invitation.

MEETINGS

14 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. Sanjaya Bandara	14	09
Mr. Thulci Aluwihare	14	12
Mr. K. J. Cecil Perera	14	14

BOARD AUDIT COMMITTEE (BAC) REPORT

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.

Regulatory compliance

The board audit committee plays a crucial role in ensuring regulatory compliance within organizations. It oversees financial reporting processes, internal controls, and adherence to legal guidelines. This committee helps mitigate risks associated with non-compliance, ensuring transparency and accountability in business operations. By conducting regular audits and reviews, it strengthens governance frameworks and promotes ethical practices. Effective collaboration between the audit committee, management, and external auditors is essential for maintaining regulatory standards and upholding stakeholder trust.

The compliance officer, in collaboration with the board audit committee, ensures adherence to regulatory requirements and internal policies. They monitor and assess risks, develop compliance programs, and conduct regular audits to verify adherence. The officer also serves as a liaison between the committee, management, and external regulators, providing guidance on emerging compliance issues and fostering a culture of integrity and ethics within the organization. Together, they strengthen oversight, mitigate legal and operational risks, and uphold standards that safeguard the organization's reputation and stakeholder trust.

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.

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.

Appointment of External Auditors

According to Finance Business Act Section 10.2 (d)(ii) and Direction No. 5 of 2021 on Corporate Governance, a company is not permitted to hire the same external audit firm for more than ten years in a row.

Consequently, the Audit Committee proposed to the Board that KPMG, Chartered Accountants be appointed as the External Auditors for the year ending March 31, 2025, in accordance with this directive, subject to the approval of the shareholders at the Annual General Meeting.

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.

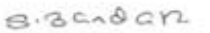
The internal audit plan and results of the internal audit process were reviewed by the committee. Where necessary, the committee advised the management to take appropriate actions on the recommendations of the internal audit department. The committee shall assess the performance of the head of internal 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 2024

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 in 2016, in accordance with the Code of Best Practice on Related Party Transactions issued by the SEC and with 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 2024, are indicated on pages 22 to 25.

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

MEETING ATTENDANCE

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

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

* Mr. K J C Perera step downed as Chairman w.e.f. 29th March 2024

** Mr. S M S Sanjaya Bandara appointed as Chairman of RPTRC w.e.f. 29th March 2024

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 meetings 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.
- Prevent conflicts of interest in company transactions with related parties by maintaining and periodically updating a list of related parties, including directors, senior management, significant shareholders, subsidiaries, affiliates, and their associates and relatives.
- Ensure transactions with related parties do not grant them more favourable treatment compared to other constituents by avoiding excessive financial accommodations, better interest rates, preferential treatment, or bypassing proper evaluation procedures. Additionally, safeguard proprietary, confidential, or sensitive information, sharing it only as necessary for legitimate duties.

ACTIVITIES IN 2023/24.

- 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.
- The Committee reviewed the related party transactions and their compliance and communicated to the Board.
- The Committee in its review process recognized the adequacy of the content and quality of the information forwarded to its members by the Management and in compliance with Section 9 of the CSE Listing Rules.

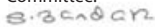
Related Party Transactions are disclosed in the Note 47 to the Financial Statements

Reporting to the Board

All Board members have access to the RPTRC meeting minutes since they are tabled at board meetings.

A verbal statement on any significant related party transactions is also given to the Board by the Chairman during the quarterly meetings.

For and on behalf of Related Party Transactions Review Committee.



S. M. S. S. Bandara

Chairman

19th August 2024

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee operates within the agreed Terms of Reference and the main objective of the committee is 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 2024 as mentioned below.

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

The profiles of the committee members are set out on pages 22 to 25 of this Annual Report.

The secretaries of the company functioned as the secretaries of the committee

MEETING ATTENDANCE

According to the Human resources and Remuneration 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 meetings during the reporting financial period.

*Mr. Mr. K J C Perera step downed as Chairman w.e.f. 29th of March 2024

**Mr. W B W M R A M T G Aluwihare appointed as Chairman of Remuneration Committee w.e.f. 29th March 2024

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Board established the Human Resources and Remuneration Committee in accordance with Section 9.18.6 of the Colombo Stock Exchange Listing Rules, and the Committee's structure and operations comply with the Listing Rules.

RESPONSIBILITIES AND DUTIES

Responsibilities of the committee includes;

- Determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the company and fee and allowance 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.

REMUNERATION OF THE DIRECTORS

The financial statements' Note 12 details the remuneration paid to Directors during the year.

The remuneration is paid to each Independent Non-Executive Director for their service on the board and its subcommittee.

COMMITTEE EVALUATION

The committee completed an evaluation process with self-assessment of members in March 2024, which was forwarded to the Board.



W B W M R A M T G Aluwihare
Chairman
19th August 2024

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 roles 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 2024 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 22 to 25 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.



Mr. K. J. Cecil Perera
Chairman
Nomination Committee
19th August 2024

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 NO. 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. Thulci Aluwihare	Independent Non- Executive Director	04	02
Mrs. D. S. Ratnayake	Independent Non- Executive Director	04	04

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 29. 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 RESPONSIBILITIES 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 2024

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), Risk Department and 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): established by the Board of Directors, guides the Board and BIRMC in assessing and monitoring the Company's Asset and Liabilities Management Policy. ALCO ensures adherence to Board set limits and aligns business strategy with the Company's Strategic Plan, Annual Budget, and Risk Management objectives.

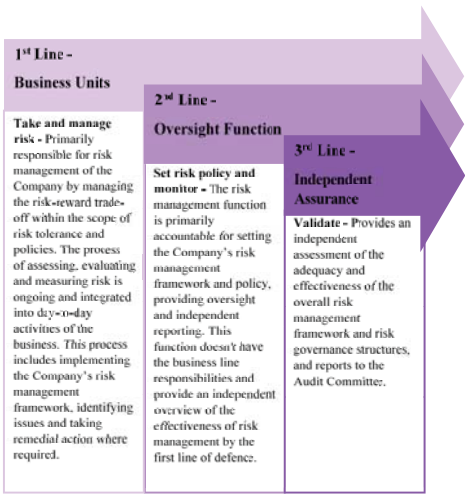
ALCO manages the Company's liquidity, interest rate, and market risks, developing appropriate policies, risk limits, and capital levels. Responsibilities include Liquidity Management, Interest Rate Risk Management, Investment Management, Pricing of Assets and Liabilities, Funding, Capital Planning and Management, Profit Planning, and Growth Projections.

ALCO conducts liquidity risk management, interest rate risk management, capital planning, product pricing, margin settings, and reviews shock analysis, stress testing, and sensitivity analysis, reporting concerns to BIRMC and/ or the Board.

Risk Department and Compliance Department are 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.

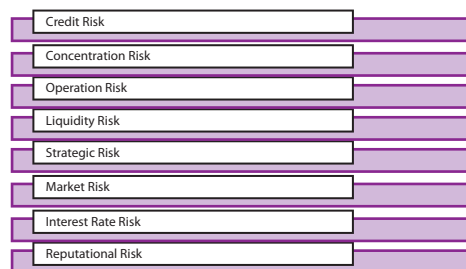
Three lines of defence

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



RISK MANAGEMENT REPORT

RISK TYPES



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.

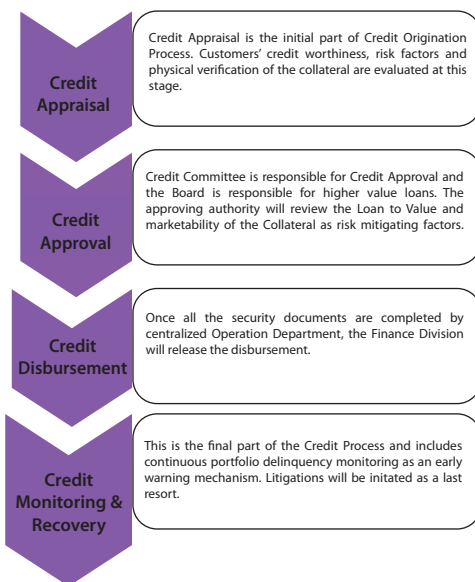
The Asset and Liability Committee (ALCO) has been established by the Board of directors to guide the Board of Directors and / or (BIRMC) by assessing the adequacy and monitoring the implementation of the Company's Asset and Liabilities Management Policy and related procedures. ALCO shall be responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Company in line with the Company's Strategic Plan, Annual Budget and Risk Management objectives.

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.



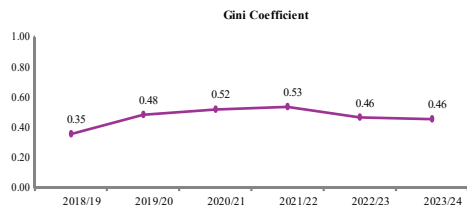
Concentration Risk

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:

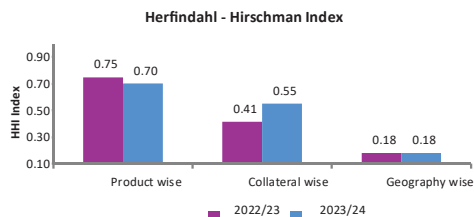
- Single-borrower concentration
- Product concentration
- Collateral concentration
- Geographical concentration

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.

RISK MANAGEMENT REPORT



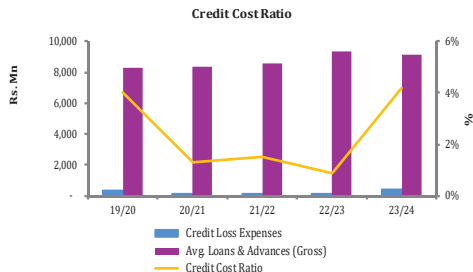
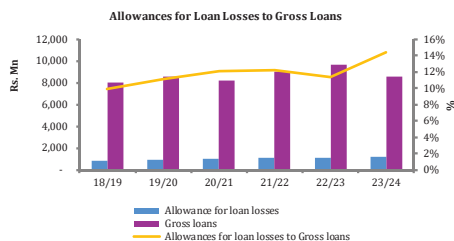
The **Herfindahl - Hirschman Index (HHI)** is used to measure the Concentration risk (Product, Collateral and Geographical concentrations). A well diversified portfolio has an HHI value close to zero and a high concentrated portfolio may represent a very high HHI value.



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 14.37% during the financial year compared to 11.38% in the previous year. However, the credit cost ratio has slightly increased to 4.19% in the year under review compared to 0.88% in 2022/23.



OPERATIONAL RISK

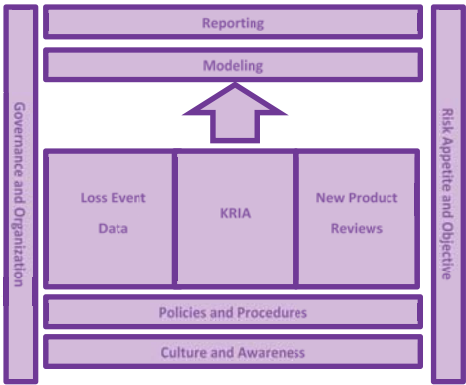
Operational risk is the risk of loss, whether direct or indirect, to which the company is exposed due to inadequate or failed internal processes or systems, human errors, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure 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.

Risk Management Report

OPERATIONAL RISK FRAMEWORK

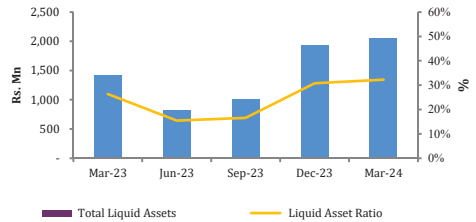


LIQUIDITY RISK

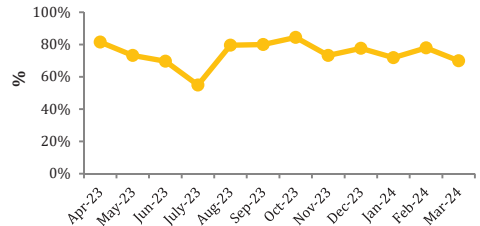
Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due to suppliers, settlement of borrowings and lending and investment commitments. An effective Liquidity 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.

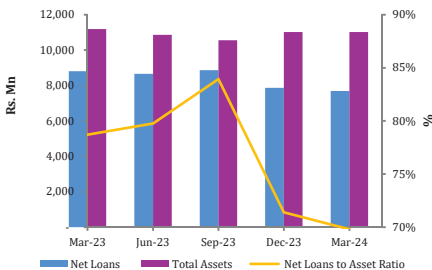
Liquid Assets



Deposit Renewal Ratio

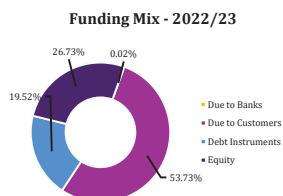
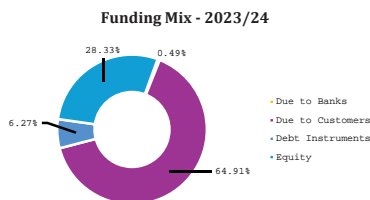


Net Loans to Total Assets Ratio



RISK MANAGEMENT REPORT

Funding Mix



Contingency Funding Plan

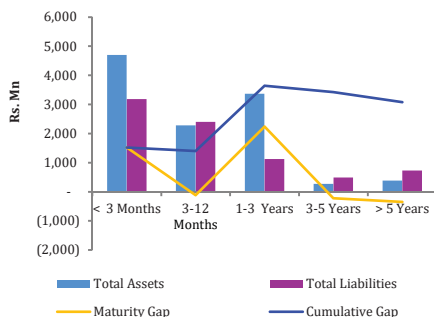
The Company maintains a Contingency Funding Plan (CFP) that specifies the approach for analyzing and responding to actual and potential liquidity requirements. The CFP outlines an appropriate governance structure for the management and monitoring of liquidity events (Company specific triggers as well as Systemic triggers), processes for effective internal and external communication, Severity Levels and Responses 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.

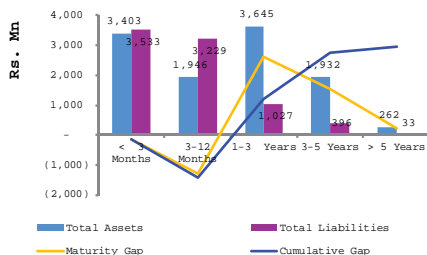
Liquidity Gap

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.

Maturity Gap as at 31.03.2024



Maturity Gap as at 31.03.2023



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 was 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 – 32.30%

Scenario	Magnitude of the Shock (Fall in Deposit Base by)	Stress Adjusted Liquid Asset Ratio	Stress Adjusted Liquid Asset Ratio with Contingent Funds
1	5.00%	28.73%	31.38%
2	7.50%	26.81%	29.52%
3	10.00%	24.77%	27.57%

RISK MANAGEMENT REPORT

Unexpected Fall in the Deposit Renewal Ratio (Over Next 6 Months)

Liquid Asset Ratio – 32.30%				
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%	21.13%	24.05%	
2	50%	5.55%	9.05%	
3	25%	-17.71%	-13.34%	

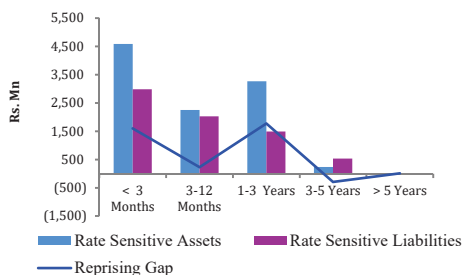
STRATEGIC RISK

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.

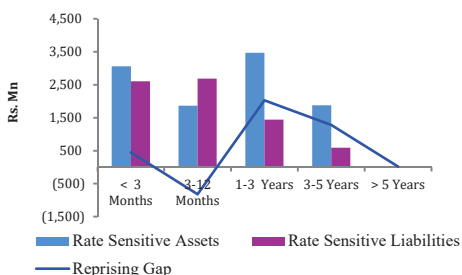
MARKET RISK

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).

Repricing Gap - 2023/24



Repricing Gap - 2022/23



RISK MANAGEMENT REPORT

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.

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.

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 2024 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 limited Company in terms of the Companies Act No. 17 of 1982 and was subsequently re-registered under the Companies Act No. 7 of 2007 on 15th June 2009. The Company registration No. is PB-1015-PQ. Total issued shares of the Company amount to 73,693,171 shares as at date which 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 2023/2024

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 112.

INDEPENDENT AUDITOR'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 2024 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 2023 to 31 March 2024.

FINANCIAL PERFORMANCE

The Company's Profit before Taxation amounted to Rs. 109,412,841/- (after deducting Value Added Tax on Financial Services of Rs. 104,635,017/- in comparison to Profit before Taxation amount into Rs. 533,228,421/- (Value Added Tax on Financial Services of Rs. 149,266,744/-) in 2022/2023. The Profit after Tax for the year 2023/24 amounted to Rs. 104,338,050/- (Rs. 355,062,487/- in 2022/2023) after deducting Rs 5,074,791/- (Rs. 178,165,934/- in 2022/2023) for Taxation. This represents net profit decreased by 70.61% compared to the previous financial year. Details are given in the Statement of Comprehensive Income on page 120 of the Financial Statements.

PROFIT APPROPRIATIONS

A summary of the financial results of the Company for the year ended 31 March 2024 and 31 March 2023 are given below;

Description	2023/2024 (Rs)	2022/2023 (Rs)
Profit before Taxation from Operations	109,412,841	533,228,421
Provision for Income Tax	(5,074,791)	(178,165,934)
Profit for the Year	104,338,050	355,062,487
Transfer to Statutory Reserve Fund	(5,216,903)	(17,753,124)
Retained Profit Brought Forward From the Previous Year	535,358,397	956,131,916
Other Comprehensive Income Net of Tax	4,816,975	(9,901,806)
Regulatory Loss Allowances Reserve	480,490,707	755,907,049
Retained Earnings Carried Forward	912,324,112	535,358,397

REPORT OF THE BOARD OF DIRECTORS

TOTAL OPERATING INCOME

The Total Operating Income of the Company for 2023/2024 was Rs. 1,438,951,266/- compared to Rs. 1,600,467,606/- in 2022/2023. An analysis of the Income is given on page 120 of the Financial Statements.

EQUITY AND RESERVES

The stated capital and reserves were Rs. 3,079,118,428/- as at 31 March 2024 (Rs 2,969,963,403/- as at 31 March 2023). The Equity and Reserves of the Company as at the end of each of the following years were follows;

Description	2023/2024 (Rs)	2022/2023 (Rs)
Stated Capital *	1,321,097,699	1,321,097,699
Statutory Reserve	300,139,225	294,922,322
Revaluation Reserve	65,066,685	62,677,935
Retained Earnings	912,324,112	535,358,397
Regulatory Loss		
Allowances Reserve	480,490,707	755,358,397
Total Shareholders' Funds	3,079,118,428	2,969,963,403

PROPERTY, PLANT AND EQUIPMENT

Capital Expenditure incurred on Property, Plant and Equipment amounted to Rs. 37,578,846/- in 2023/2024 (Rs. 32,942,647/- in 2022/2023). Details applicable to Capital Expenditure are given in Note 28.5 to the Financial Statements.

BOARD OF DIRECTORS

In terms of the Articles of Association of the Company, the Board of Directors, as at 31 March 2024 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 (CBSL approval is pending for the resignation)	Independent	Non-Executive
Mr. S.M.S Sanjaya Bandara (Appointed w.e.f 9th September 2022)	Independent	Non-Executive

RE – ELECTION OF DIRECTORS

Mr. Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamillage Aluwihare Mahawalawwe Thulci Goutham Aluwihare and Mr. Kalugamage John Cecil Perera, Directors of the Company who have submitted themselves for re-election in conformity with Section A.8 of the Code of Best Practice on Corporate Governance 2023, will be re-elected at the Annual General Meeting of the Company to be held on 27th September 2024.

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

REPORT OF THE BOARD OF DIRECTORS

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HRRC)

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

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

- * 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)
- * Mr. D.S. Rathnayake (Independent Non-Executive Director)

BOARD LEVEL INFORMATION SECURITY COMMITTEE

Board Level Information Security Committee was formed in terms of Section 4.1.d under Technology Risk and Governance Oversight on Directions No 01 of 2022(Technology Risk Management and Resilience) of Central Bank of Sri Lanka with effect from 26th February 2024.

- * Mr. S.M.S. Sanjaya Bandara– Chairman (Independent Non-Executive Director)-appointed w.e.f 26th February 2024.
- * Mr. K.J.C Perera –(Independent Non-Executive Director) - appointed w.e.f 26th February 2024.
- * Mr. W.B.W.M.R.A.M.T.G Aluwihare (Independent Non-Executive Director) -appointed w.e.f 26th February 2024.

DISCLOSURE OF DIRECTORS INTERESTS IN SHARES

Directors	As at 31-03-2024 (Rs)	As at 31-03-2023 (Rs)
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 31/03/2024) 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 52,762,603/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	1.84%
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 2024.

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 2024 have been audited by Messrs Ernst & Young, Chartered Accountants.

Total audit fees paid to Messrs. Ernst & Young by the Company is disclosed in Note 12 to the Financial Statements.

The company had not obtained any service from Messrs. Ernst & Young other than audit during the financial year 2023/24.

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

Messrs. KPMG Chartered Accountants of No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03 will be appointed as the Auditors of the Company for the ensuing year at the Annual General Meeting of the Company to be held on 27th September 2024 in place of Messrs. Ernst & Young in compliance with section 158 of the Companies Act No.07 of 2007.

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 Eighteenth Annual General Meeting of the Company will be held by way of Electronic means on 27th September 2024 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 2024

DIRECTOR'S RESOPNSIBILITY 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 2024

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 2024 ("The Statement") included in the annual report for the year ended 31st March 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance 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 Chartered Accountants of Sri Lanka.

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

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

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

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ey.com

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.

Colombo
28th June 2024

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

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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 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system 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 the Act, and rules and 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 :

28th June 2024





Ernst & Young
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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 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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 the auditor's 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.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Allowances for expected credit losses of Loans and Advances and Lease rentals receivable & stock out on hire</p> <p>Allowances for expected credit losses of Loans and Advances and Lease rentals receivables & stock out on hire amounting to LKR 1,238Mn arising from Loans and advances and Lease rentals receivable & stock out on hire of LKR 8,929Mn (Note 19 & 20) is determined by the management based on the accounting policies described in Note 3.1.10.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> • The involvement of significant management judgments, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets'; and • The materiality of the reported amount allowance of expected credit losses and use of complex calculations in its determination. <p>Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels estimation uncertainty.</p>	<p>In addressing the adequacy of the allowances for expected credit losses of financial assets, our procedures included the following key procedures:</p> <ul style="list-style-type: none"> • Assessed the alignment of the Company's allowance for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. • Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of credit quality assessments and related stage classifications. • Assessed the reasonableness of the judgements, assumptions and estimates used by the management in assumed future occurrence of events/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. • Assessed the adequacy of the related financial statement disclosures set out in notes 19 and 20.

Key Audit Matter	How our audit addressed the key audit matter
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures;</p> <ul style="list-style-type: none"> • Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. • Involved our internal specialized resources and; <ul style="list-style-type: none"> • Obtained an understanding of IT Governance structure of the Company. • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. • Obtained a high-level understanding of the cybersecurity risk relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cybersecurity risks. • Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other information included in the 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 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 and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.



12 June 2024
Colombo

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2024

	Notes Rs.	2024 Rs.	2023 Rs.
Income	5	2,863,207,931	2,857,850,498
Interest Income	5.1	2,606,301,957	2,651,738,774
Interest Expense	5.2	(1,393,853,695)	(1,230,834,778)
Net Interest Income		1,212,448,262	1,420,903,996
Fee and Commission Income	6.1	208,700,499	190,985,038
Fee and Commission Expense	6.2	(30,402,970)	(26,548,114)
Net Fee and Commission Income		178,297,529	164,436,924
Net Gain/(Loss) from Trading	7	31,415,061	2,650,600
Other Operating Income (net)	8	16,790,414	12,476,086
Total Operating Income		1,438,951,266	1,600,467,606
Credit Loss Expense on Financial Assets	9	(382,424,952)	(82,156,790)
Net Operating Income		1,056,526,314	1,518,310,816
Operating Expenses			
Personnel Costs	10	(383,236,706)	(399,834,364)
Depreciation & Amortization	11	(74,662,134)	(66,347,264)
Other Operating Expenses	12	(384,579,616)	(369,634,023)
Operating Profit before Taxes on Financial Services		214,047,858	682,495,165
Taxes on Financial Services	13	(104,635,017)	(149,266,744)
Profit before Taxation from Operations		109,412,841	533,228,421
Provision for Income Taxation	14.1	(5,074,791)	(178,165,934)
Profit for the Year		104,338,050	355,062,487
Other Comprehensive Income (OCI)			
Items that will not be reclassified to profit or loss			
Actuarial Gains/(Losses) on Defined Benefit Plan	36.1	3,468,893	(3,108,334)
Deferred Tax Effect of above	14.1	(1,040,668)	932,500
		2,428,225	(2,175,834)
Items that will be reclassified to profit or loss			
Surplus from Revaluation of Property, Plant & Equipment		3,412,500	80,000
Deferred Tax Effect of above		(1,023,750)	(24,000)
Tax change impact on Revaluation Reserve	30	-	(7,781,972)
		2,388,750	(7,725,972)
Other Comprehensive Profit/(Loss) for the Year, Net of Tax		4,816,975	(9,901,806)
Total Comprehensive Income for the Year		109,155,025	345,160,681
Earnings Per Share : Basic / Diluted (Rs.)	15.1	1.42	4.82

Accounting Policies and Notes from pages 124 to 189 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As At 31 MARCH 2024

	Notes Rs.	2024 Rs.	2023 Rs.
Assets			
Cash and Bank Balances	16	160,835,567	371,545,331
Placement With Banks	17	1,266,431,226	433,981,434
Repurchase Agreements	18	315,294,233	271,331,939
Loans and Advances	19	915,609,768	1,019,648,500
Lease Rentals Receivable & Stock out on Hire	20	6,775,412,023	7,787,483,346
Financial Investments at Fair Value through P&L	21	591,848,876	8,613,335
Equity Instruments at Fair Value through OCI	22	80,400	80,400
Debt Instruments at Amortised Cost	23	430,455,264	713,692,026
Other Financial Assets	24	97,810,135	112,611,633
Real Estate Stock	25	40,273,387	38,468,202
Other Non Financial Assets	26	62,438,913	88,215,996
Property, Plant & Equipment	28	189,209,476	168,485,711
Intangible Assets	27	22,172,554	23,126,958
Right-of- use Assets	29	142,449,114	151,375,430
Total Assets		11,010,320,936	11,188,660,241
Liabilities			
Due to Banks	31	48,270,764	2,087,507
Due to Customers	32	6,366,847,674	5,376,613,892
Other Borrowed Funds	33	615,027,140	1,953,023,415
Other Financial Liabilities	34	718,032,879	561,484,647
Other Non Financial Liabilities	35	64,773,615	59,890,451
Current Tax Liabilities		58,471,051	214,913,361
Deferred Tax Liabilities	30	18,494,556	13,251,024
Retirement Benefit Liability	36	41,284,829	37,432,541
Total Liabilities		7,931,202,508	8,218,696,838
Shareholders' Funds			
Stated Capital	37	1,321,097,699	1,321,097,699
Retained Earnings	38.1	912,324,112	535,358,397
Other Reserves	38.2	845,696,617	1,113,507,307
Total Shareholders' Funds		3,079,118,428	2,969,963,403
Total Liabilities and Shareholders' Funds		11,010,320,936	11,188,660,241

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 124 to 189 form an integral part of these Financial Statements.

10 June 2024
 Colombo

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2024

	Stated Capital	Statutory Reserve	Revaluation Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2022	1,121,412,955	277,169,198	70,403,907	-	956,131,916	2,425,117,977
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	-	-	-	-	(2,175,834)	(2,175,834)
Transfer to Statutory Reserve Fund	-	17,753,124	-	-	(17,753,124)	-
Revaluation Gain From Land Revaluation	-	-	(7,725,972)	-	-	(7,725,972)
Transfer to Regulatory Loss Allowance Reserve	-	-	-	755,907,049	(755,907,049)	0
Balance as at 31 March 2023	1,321,097,699	294,922,322	62,677,935	755,907,049	535,358,397	2,969,963,403
Net Profit for the year	-	-	-	-	104,338,050	104,338,050
Other Comprehensive Income net of tax	-	-	-	-	2,428,225	2,428,225
Transfer to Statutory Reserve Fund	-	5,216,903	-	-	(5,216,903)	-
Revaluation Gain From Land Revaluation	-	-	2,388,750	-	-	2,388,750
Transfer to Regulatory Loss Allowance Reserve	-	-	-	(275,416,342)	275,416,342	-
Balance as at 31 March 2024	1,321,097,699	300,139,225	65,066,685	480,490,707	912,324,112	3,079,118,428

Accounting Policies and Notes from pages 124 to 189 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2024

	Notes	2024 Rs.	2023 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		109,412,841	533,228,422
Adjustments for			
Depreciation	28.2	20,267,582	16,693,991
Amortization of Intangible Assets	27	5,982,869	6,004,183
Amortization of Right to use assets	29	48,411,683	43,972,272
Interest Expense on Borrowings	5.2	278,172,889	438,608,327
Interest Expense on Lease Liability	29.2	26,624,358	17,408,500
Impairment Provision	9	382,424,951	82,156,789
Loss/(Profit) from Sale of Unit Trust	7	(31,235,541)	(2,410,360)
Loss/(Profit) on Disposal of Property & Equipment	8	-	888,197
Provision/(Reversal) for Defined Benefit Plans	10	12,309,257	9,287,345
Dividend Received		(179,520)	(240,240)
Operating Profit before Working Capital Changes		852,191,371	1,145,597,426
(Increase)/Decrease in Real Estate Stock		(1,805,185)	(6,401,476)
(Increase)/Decrease in Loans and Advances		56,803,058	100,874,582
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		919,734,450	(792,522,688)
(Increase)/Decrease in Other Financial Assets		(228,050,906)	(90,355,051)
(Increase)/Decrease in Other Non Financial Assets		25,777,083	(30,403,077)
Increase/(Decrease) in Amounts Due to Customers		990,233,782	928,605,604
Increase/(Decrease) in Other Financial Liabilities		153,385,151	(68,415,197)
Increase/(Decrease) in Other Non Financial Liabilities		4,883,165	16,069,308
Cash Generated from Operations		2,773,151,969	1,203,049,431
Interest Expense Paid		(437,922,954)	(219,166,970)
Retirement Benefit Liabilities Paid	36	(4,988,076)	(2,563,751)
Taxes Paid		(158,337,983)	(145,253,835)
Net Cash From/(Used in) Operating Activities		2,171,902,955	836,064,875
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	28.1	(37,578,847)	(32,942,647)
Acquisition of Intangible Assets	27	(5,028,465)	(1,180,375)
Proceeds from Sales of Property, Plant & Equipment		-	(1,583,557)
Cash Flow from /(Used in) Fixed Deposits		106,421,799	(97,319,400)
Sale/(Purchase) of Debt Instruments at Amortised Cost		(552,000,000)	336,127,928
Dividend Received		179,520	240,240
Net Cash Flows from/(Used in) Investing Activities		(488,005,993)	203,342,189
Cash Flows from / (Used in) Financing Activities			
Cash Outflow from Long Term Bank Borrowings	31	-	(121,116,610)
Cash Inflow from Other Borrowings	33	225,000,000	828,602,510
Cash outflow from Other Borrowings	33.2	(1,403,246,210)	(1,647,127,542)
Lease Rentals Paid	29.2	(62,946,646)	(50,547,501)
Proceeds from the right issue	37	-	199,684,744
Net Cash Flows from/(Used in) Financing Activities		(1,241,192,856)	(790,504,399)
Net Increase in Cash and Cash Equivalents		442,704,105	248,872,665
Cash and Cash Equivalents at the beginning of the year		1,676,329,924	1,427,457,257
Cash and Cash Equivalents at the end of the year		2,119,034,029	1,676,329,922

Accounting Policies and Notes from pages 124 to 189 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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 2024 was authorized for issue in accordance with a resolution of the Board of Directors on 10 June 2024.

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 2024 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 recognized. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents 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 authorized 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 into 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 interdependencies. 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, into different accounting categories. The classification of financial instruments 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 recognized 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 utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, 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.

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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. MATERIAL ACCOUNTING 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.

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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 amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make 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.

3.1.4 (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.

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3.1.4 (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 a compound financial instrument 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 (FVTPL)

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 recognized 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 derecognizes 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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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 counter party
- 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, apart of a financial asset or part of a group of similar financial assets) is derecognized 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 can not 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 recognized in other comprehensive income is recognized 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 recognizes 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

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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 recognized 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 categorized 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 categorization (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 22 to the Financial Statements.

3.1.10 Impairment of Financial Assets

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

The Company recognizes 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

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subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised 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 short fall 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 derecognized 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 summarized 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 within 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

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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 realization 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 recognized 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

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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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

Basis of Recognition and Measurement

- Cost Model

An item of property, plant & equipment that qualifies for 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 31.03.2024 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 recognized 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 recognized 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 amortization period and the amortization 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 recognized 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 recognizes 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 constant 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 (asset out in Note 41 and is, therefore, regarded as 'Stage3', 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 recognized 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

commitment fee is recognized 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 recognized 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 year of assessment 2023/2024 by applying the income tax rate of 30%.

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 realized 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 there to. 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 1st 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 allowance 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 share holders 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

attributable to ordinary share holders 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 2024. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2024.

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

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

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.

• **Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.

• **Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16**

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 01 January 2024.

• **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. 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 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

• **International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 01 January 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

5. INCOME

	2024 Rs.	2023 Rs.
Interest Income	2,606,301,957	2,651,738,775
Fee & Commission Income	208,700,499	190,985,038
Net Gain/(Loss) from Trading	31,415,061	2,650,599
Other Operating Income	16,790,414	12,476,087
	2,863,207,931	2,857,850,499

5.1 Interest Income

Loans and Advances	193,622,499	199,372,607
Lease Rentals Receivable & Stock out on Hire	2,183,779,944	2,144,986,204
Financial Investments in Government Securities	120,355,126	206,234,552
Interest Income on Debt Securities	4,734,247	25,372,894
Other Financial Assets	41,324	277,295
Placement with Banks	103,768,817	75,495,223
Total Interest Income	2,606,301,957	2,651,738,775

5.2 Interest Expenses

Due to Banks	18,396	13,532,809
Due to Customers	1,089,056,447	774,817,951
Other Borrowed Funds	278,154,493	425,075,518
Leased Assets (Note 29.2)	26,624,359	17,408,500
Total Interest Expenses	1,393,853,695	1,230,834,778

6. NET FEE AND COMMISSION INCOME

6.1 Fee and Commission Income

Credit Related Fees and Commissions	111,224,611	94,261,119
Service Charge	49,194,783	60,974,217
Transfer Fees	47,558,308	35,253,790
Other Fees	722,797	495,912
Total Fee and Commission Income	208,700,499	190,985,038

6.2 Fee and Commission Expenses

Brokerage Fees	30,402,970	26,548,115
Total Fee and Commission Expenses	30,402,970	26,548,115
Net Fee and Commission Income	178,297,528	164,436,924

7. NET GAIN/(LOSS) FROM FAIR VALUE THROUGH OCI

Dividend Income from Financial Investments - Fair Value through OCI	179,520	240,240
Income- Unit trust investments	31,235,541	2,410,360
	31,415,061	2,650,599

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

8. OTHER OPERATING INCOME

	2024 Rs.	2023 Rs.
Profit on disposal of Property & Equipment	-	(888,197)
Bad Debt Recoveries	7,065,248	6,354,923
Others	9,725,166	7,009,360
Total Other Operating Income	16,790,414	12,476,087

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 2023/2024 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	6,100,552	3,697,127	37,437,995	47,235,674
Lease Rentals Receivable & Stock Out on Hire	(16,494,879)	(36,641,195)	145,472,947	92,336,873
Other Debtors			242,852,404	242,852,404
	(10,394,326)	(32,944,067)	425,763,346	382,424,951

9.2 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	(11,383,609)
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)	(27,034,161)	147,007,560	82,156,788

10. PERSONNEL COSTS

	2024 Rs.	2023 Rs.
Salaries and Bonus	257,778,057	282,604,536
Employer's Contribution to EPF	29,186,869	27,767,200
Employer's Contribution to ETF	7,296,718	6,941,800
Gratuity Charge/ (Reversals) for the Year (Note 36.1)	12,309,257	9,287,345
Other Allowances & Staff Related Expenses	76,665,805	73,233,483
	383,236,706	399,834,363

11. DEPRECIATION & AMORTIZATION

Depreciation of Property Plant & Equipment	20,267,582	16,370,809
Amortization of intangible assets	5,982,869	6,004,183
Depreciation of Leased Assets (Note 29.1)	48,411,683	43,972,272
	74,662,134	66,347,264

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

12. OTHER OPERATING EXPENSES

		2024 Rs.	2023 Rs.
Directors' Emoluments		7,200,000	6,340,000
Auditors Remuneration		1,628,750	1,903,508
	- Audit	400,000	400,000
	- Non Audit		
Professional & Legal Expenses		10,970,220	7,490,638
Office Administration & Establishment Expenses		211,493,642	183,341,828
Advertising & Business Promotion Expenses		36,821,569	54,988,374
Deposit Insurance premium		8,686,547	5,947,605
Others		107,378,888	109,222,071
		384,579,616	369,634,024

13. TAXES ON FINANCIAL SERVICES

Value added tax on financial services (FY 23/24)		78,452,731	134,307,374
Under provision of FY 22/23		17,775,757	
		96,228,487	134,307,374
Social Security Contribution Levy		8,406,529	14,919,141
Nation building tax on financial services		-	40,229
		104,635,017	149,266,744

14. TAXATION

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

(A) Statement of Profit or Loss

Current Income Tax	2024 Rs.	2023 Rs.
Income Tax for the year	49,663,978	185,086,740
Under/ (Over) provision of current taxes in respect of previous years	(47,768,304)	
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	3,179,116	(6,920,806)
	5,074,790	178,165,934

(B) Other Comprehensive Income

Deferred Tax	2024 Rs.	2023 Rs.
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	2,064,418	6,873,472
	2,064,418	6,873,472
	7,139,208	185,039,406

(C) Total Tax Expense for the year

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.

	2024 Rs.	2023 Rs.
Accounting Profit Before Income Taxation	109,412,841	533,228,422
At the statutory income tax rate of 30%	32,823,852	143,889,500
Tax Effect on		
Disallowable Expenses	180,167,663	83,823,214
Tax Deductible Expenses	(163,273,682)	(48,653,100)
Non-taxable Income/ Losses	(53,856)	6,027,126
Claim on Carried Forward Tax Losses	-	-
Income Tax	49,663,978	185,086,740
Under/ (Over) provision of current taxes in respect of previous years	(47,768,304)	
Deferred Taxation Charge/(Reversal) (Note 30)	3,179,116	(6,920,806)
Total Tax Expense (Note 14.1 (A))	5,074,790	178,165,934
Effective tax rate	5%	33%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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

Amount used as the numerator

Profit after tax for the year attributable to equity holders (Rs.)

No. of ordinary shares used as the denominator

Number of ordinary shares (Note 37.1)

Basic / diluted earnings per ordinary share (Rs.)

2024 Rs.	2023 Rs.
104,338,050	355,062,487
73,693,171	73,693,171
1.42	4.82
54,150,223	67,635,464
106,701,564	303,926,086
(16,220)	(16,220)
160,835,567	371,545,331

16. CASH AND BANK BALANCES

Cash in Hand

Balances with Banks

Less: Allowance for expected credit losses

2024	2023
Rs. Stage 01	Rs. Stage 01
Rs. Total	Rs. Total
16,220	16,220
-	-
16,220	16,220

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

Balance as at 01 April

Charge/(Reversal) to Income Statement

Balance as at 31 March

2024	2023
Rs. Stage 01	Rs. Stage 01
Rs. Total	Rs. Total
16,220	16,220
-	-
16,220	16,220

16.2 Cash and Cash Equivalents in the Cash Flow Statement

Cash and Bank Balances

Bank Overdrafts

Treasury Bills and Repurchase Agreements

Placement with Banks

Total Cash and Cash Equivalents for the purpose of Cash Flow Statements

2024 Rs.	2023 Rs.
160,851,787	371,561,551
(48,270,764)	(2,087,507)
745,749,497	985,023,964
1,260,703,503	321,831,912
2,119,034,023	1,676,329,920

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

17. PLACEMENT WITH BANKS

Fixed Deposit Investments
Less: Allowance for expected credit losses

2024 Rs.	2023 Rs.
1,266,466,885	434,017,093
(35,659)	(35,659)
1,266,431,226	433,981,433

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

	2024		2023	
	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.93,214,748/- that have been Pledged for facilities obtained from Banks.

18. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

Repurchased Agreements

2024 Rs.	2023 Rs.
315,294,233	271,331,939
315,294,233	271,331,939

19. LOANS AND ADVANCES

Real Estate Loans
Mortgage Loans
Personnel Loans
Loans against Fixed Deposits
Staff Loans
Revolving Loans
Auto draft
Business Loans
Other Loans

47,513	47,513
148,259,074	174,043,830
97,632,963	212,664,909
209,627,206	245,230,622
42,778,263	65,476,280
66,848,003	80,286,196
216,107,885	134,727,494
204,537,615	207,780,920
270,505,292	202,124,454
1,256,343,814	1,322,382,219
41,903,979	32,668,630
1,298,247,793	1,355,050,849
(382,638,025)	(335,402,349)
915,609,768	1,019,648,499

Other Charges Receivable

Less : Allowance for Impairment Losses (Note 19.1)

Net Loans and Advances

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

19.1 Analysis of Loans and Advances on Maximum Exposure to credit Risk as at 31 March 2024

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Advances	-	-	385,246,979	385,246,979
Loans and Advances subject to Collective Impairment	596,583,263	133,801,467	182,616,085	913,000,814
Allowances for Expected Credit Losses	(17,768,343)	(14,604,523)	(350,265,158)	(382,638,024)
	578,814,920	119,196,944	217,597,906	915,609,769

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)
	590,700,680	92,364,920	336,582,901	1,019,648,500

19.2 Allowance for Impairment Losses

	2024 Rs.	2023 Rs.
As at 01 April	335,402,350	346,785,959
Charge / (Reversal) for the year	47,235,674	(11,383,610)
Amounts written off	-	-
As at 31 March	382,638,024	335,402,350
Individual Impairment	293,491,679	249,864,946
Collective Impairment	89,146,344	85,537,403
	382,638,023	335,402,350
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	385,246,979	378,870,780

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

19. LOANS AND ADVANCES (Contd...)

19.3 Movement in Allowance for Expected Credit Loss (ECL)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2023	11,667,792	10,907,395	312,827,163	335,402,350
Charge/(Reversal) to Income Statement	6,100,552	3,697,127	37,437,995	47,235,674
Amounts written off	-	-	-	-
Balance as at 31 March 2024	17,768,344	14,604,522	350,265,158	382,638,024

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

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

	2024 Rs.	2023 Rs.
Gross rentals receivables		
- Lease Rentals	9,887,377,983	12,041,992,983
- Amounts Receivable form Hirers	22,179,459	23,478,086
	9,909,557,442	12,065,471,069
Less: Unearned Income	(2,551,131,513)	(3,731,952,729)
Net rentals receivables	7,358,425,929	8,333,518,340
Less : Suspended VAT	132,908	(3,446,174)
	7,358,558,838	8,330,072,166
Other Charges Receivable	272,432,540	220,653,661
	7,630,991,378	8,550,725,827
Less : Allowance for Impairment Losses (Note 20.1)	(855,579,354)	(763,242,481)
Total Net Rentals Receivable	6,775,412,024	7,787,483,346

20.1 Analysis of Lease Rental Receivable & Stock Out on Hire on Maximum Exposure to credit Risk as at 31 March 2024

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Receivables			114,174,212	114,174,212
Lease Rental Receivable & Stock out of Hire subject to Collective Impairment	3,844,863,634	1,319,887,434	2,352,066,096	7,516,817,164
Allowances for Expected Credit Losses	(129,261,523)	(73,920,461)	(652,397,371)	(855,579,354)
	3,715,602,111	1,245,966,973	1,813,842,937	6,775,412,022

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	2,358,146,200	7,787,483,346

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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

20.2 Allowance for Impairment Losses

	2024 Rs.	2023 Rs.
As at 01 April	763,242,481	758,414,244
Charge / (Reversal) for the year	92,336,873	4,828,237
Amounts written off	-	-
As at 31 March	855,579,354	763,242,481
Individual Impairment	96,238,445	83,410,308
Collective Impairment	759,340,909	679,832,173
	855,579,354	763,242,481
Gross amount of lease and hire purchase rental receivables individually determined to be impaired, before deducting the individually assessed impairment allowance	114,174,212	159,250,771

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 2023	145,756,402	110,561,656	506,924,423	763,242,481
Charge/(Reversal) to Income Statement	(16,494,879)	(36,641,195)	145,472,947	92,336,873
Amounts written off			-	-
Balance as at 31 March 2024	129,261,523	73,920,461	652,397,370	855,579,354

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

20.4 As at 31 March 2024

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
- Lease Rentals	5,721,866,751	4,165,511,232	-	9,887,377,983
- Amounts Receivable form Hirers	20,644,899	1,534,559	-	22,179,459
	5,742,511,651	4,167,045,791	-	9,909,557,442
Less: Unearned Income	(1,652,466,187)	(898,665,326)	-	(2,551,131,513)
Net rentals receivables	4,090,045,464	3,268,380,465	-	7,358,425,929
Add : Suspended VAT				132,908
				7,358,558,837
Other Charges Receivable				272,432,540
				7,630,991,377
Less : Allowance for Impairment Losses				(855,579,354)
Total net rentals receivable				6,775,412,023

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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

As at 31 March 2023	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
- Lease Rentals	5,265,811,923	6,776,181,060	-	12,041,992,983
- Amounts Receivable form Hirers	21,041,091	2,436,994	-	23,478,085
	5,286,853,014	6,778,618,054	-	12,065,471,068
Less: Unearned Income	(2,001,732,135)	(1,730,220,593)	-	(3,731,952,728)
Net rentals receivables	3,285,120,879	5,048,397,461	-	8,333,518,340
Less : Suspended VAT				(3,446,174)
				8,330,072,165
Other Charges Receivable				220,653,661
				8,550,725,827
Less : Allowance for Impairment Losses				(763,242,481)
Total net rentals receivable				7,787,483,346

21. FINANCIAL INVESTMENTS -FAIR VALUE THROUGH PROFIT AND LOSS

	2024 Rs.	2023 Rs.
Unit trust investments	591,848,876	8,613,335
	591,848,876	8,613,335

21.1 Movement of Financial Investments -Fair Value Through Profit And Loss

	2024 Rs.	2023 Rs.
As at 01 April	8,613,335	291,202,975
Purchases	630,000,000	-
Fair value gain	31,235,541	2,410,360
Withdrawal	(78,000,000)	(285,000,000)
As at 31 March	591,848,876	8,613,335

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI

	2024 Rs.	2023 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

	2024 Rs.	2023 Rs.
Government of Sri Lanka Treasury Bills	430,455,264	713,692,026
	430,455,264	713,692,026

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

23.1 MOVEMENT OF DEBT INSTRUMENTS AT AMORTISED COST

	2024 Rs.	2023 Rs.
As at 01 April	713,692,026	535,236,815
Purchases	1,624,460,200	1,562,781,909
Int. Income	84,303,038	168,673,302
Derecognition	(1,992,000,000)	(1,553,000,000)
As at 31 March	430,455,264	713,692,026

24. OTHER FINANCIAL ASSETS

Reposessed Stock	33,828,304	40,554,235
Other Receivables	87,850,213	113,172,754
	121,678,517	153,726,989
Less : Allowance for Impairment Losses (Note 24.1)	(50,241,962)	(67,827,217)
	71,436,555	85,899,772
Deposit	21,800,014	23,562,214
Due From Related Parties	4,573,566	3,149,648
	97,810,135	112,611,634

Reposessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

24.1 Allowance for Impairment Losses

	2024 Rs.	2023 Rs.
As at 01 April	67,827,218	2,010,024
Charge / (Reversal) for the year	242,852,404	88,712,161
Amounts written off	(260,437,661)	(22,894,967)
As at 31 March	50,241,961	67,827,218
Individual Impairment	-	186,852
Collective Impairment	50,241,961	67,640,366
	50,241,961	67,827,218

24.2 Movement in Allowance for Expected Credit Loss (ECL)

	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2023	67,827,218	67,827,218
Charge/(Reversal) to Income Statement	242,852,404	242,852,404
Amounts written off	(260,437,661)	(260,437,661)
Balance as at 31 March 2024	50,241,961	50,241,962

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	88,712,161	67,827,218
Amounts written off	(22,894,967)	(22,763,898)
Balance as at 31 March 2023	67,827,218	47,073,344

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

25. REAL ESTATE STOCK

	2024 Rs.	2023 Rs.
Real Estate Stocks	40,273,388	38,468,202
	40,273,388	38,468,202

26. OTHER NON FINANCIAL ASSETS

Advances	12,661,294	20,884,995
Pre-paid Staff Cost (Note 26.1)	21,158,135	34,942,919
Other Receivables	212,630	212,630
Pre Paid Rent Deposit	(67,596)	(67,596)
Pre-Paid Expenses	28,474,450	32,243,048
	62,438,913	88,215,996

26.1 The movement in the Pre-Paid Staff Cost

Balance as at 1 April	34,942,919	19,944,071
Add: Adjustment for new grants (net of settlements)	(6,762,589)	19,204,998
Charge to Personnel Expenses	(7,022,195)	(4,206,150)
Balance as at 31 March	21,158,135	34,942,919

27. INTANGIBLE ASSETS

	Computer Software	
	2024 Rs.	2023 Rs.
Cost		
Cost as at 01 April	85,700,173	84,519,798
Additions	5,028,464	1,180,375
As at 31 March	90,728,637	85,700,173
Amortisation & Impairment:		
As at 1 April	62,573,215	56,569,032
Amortisation Charge for the year	5,982,869	6,004,183
As at 31 March	68,556,084	62,573,215
Net book value:		
As at 31 March	22,172,553	23,126,958

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.5,028,464 /- (Computer Software) (2023/2024 - Rs.1,180,375 /-).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

OTHER NON FINANCIAL ASSETS

28. PROPERTY, PLANT AND EQUIPMENT

28.1 Gross Carrying Amounts

Cost /Valuation

Freehold Assets

Land

Furniture & Fittings

Office Equipment

Motor Vehicles

Computer Hardware

Total Value of Depreciable Assets

	Balance As at 31.03.2023 Rs.	Additions Transfers Revaluation Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
Land	114,480,000	3,412,500	-	117,892,500
Furniture & Fittings	66,397,649	17,405,559	-	83,803,208
Office Equipment	21,124,283	6,680,375	-	27,804,659
Motor Vehicles	9,924,000	-	-	9,924,000
Computer Hardware	100,290,604	13,492,912	-	113,783,516
Total Value of Depreciable Assets	312,216,536	40,991,346	-	353,207,883

28.2 Depreciation

Furniture & Fittings

Office Equipment

Motor Vehicles

Computer Hardware

	Balance As at 31.03.2023 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2024 Rs.
Furniture & Fittings	57,933,256	5,116,604	-	63,049,860
Office Equipment	14,376,344	2,581,576	-	16,957,920
Motor Vehicles	2,487,458	1,240,500	-	3,727,958
Computer Hardware	68,933,767	11,328,902	-	80,262,669
	143,730,825	20,267,582	-	163,998,407

28.3 Net Book Values

At Cost/Valuation

Land

Furniture & Fittings

Office Equipment

Motor Vehicles

Computer Hardware

Total Carrying Amount of Property, Plant & Equipment

	2024 Rs.	2023 Rs.
Land	117,892,500	114,480,000
Furniture & Fittings	20,753,348	8,464,393
Office Equipment	10,846,739	6,747,939
Motor Vehicles	6,196,042	7,436,542
Computer Hardware	33,520,847	31,356,837
Total Carrying Amount of Property, Plant & Equipment	189,209,476	168,485,711

28.4 The useful lives of the assets are estimated as follows;

Furniture & Fittings

Office Equipment

Motor Vehicles

Computer Hardware

	2024	2023
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. 37,578,846/- (2022/2023 - Rs. 32,942,647/-)

28.6 Cost of fully depreciated assets of the company as at 31 March 2024 is Rs142,652,694/- (2022/2023-Rs. 98,876,646/-)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 2024, the lands' fair values are based on valuations performed by H. R De Silva, a professionally qualified independent valuer.

Reconciliation of carrying amount

	2024 Rs.
Revalued amount (carrying value) as at 31.03.2023	114,480,000
Revaluation gain as at 31.03.2024	3,412,500
Impairment losses recognized during the year	-
Carrying Value and fair value as at 31 March 2024	117,892,500
	2023 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 the year	-
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 Inputs	Valued in 31 March 2024 Valuation Rs.
H. R De Silva Freehold land at Awissawella Road, Galwana, Mulleriyawa	71.45 perches	Market Comparable Method Estimated price per perch: Rs.1,650,000	117,892,500

The carrying value of Company's revalued freehold land, if it was carried at cost, would be as follows.

	2024 Cost Rs.	2024 Carrying Value Rs.	2023 Cost Rs.	2023 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

29. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right of use assets recognized and movements during the year.

	2024 Rs.	2023 Rs.
29.1 Cost		
Balance as at 01 April	324,491,208	304,268,788
Additions and Improvements	39,485,366	20,222,420
Cost as at 31 March	363,976,574	324,491,208
Accumulated Amortisation		
Balance as at 01 April	173,115,777	129,143,505
Charge for the year (Note 11)	48,411,683	43,972,272
Accumulated Amortisation as at 31 March	221,527,460	173,115,777
Net Book Value as at 31 March	142,449,114	151,375,431

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.

	2024 Rs.	2023 Rs.
Balance as at 01 April	166,122,350	181,093,889
Additions	35,290,245	18,167,463
Accretion of Interest (Note 5.2)	26,624,358	17,408,500
Payments	(58,751,525)	(50,547,501)
Balance as at 31 March	169,285,428	166,122,350
29.3 Maturity Analysis of Lease Liability		
As at 31 March	2024 Rs.	2023 Rs.
Less than 01 year	33,282,073	31,046,315
01 to 05 years	95,705,131	125,319,442
More than 05 years	40,298,224	9,756,594
	169,285,428	166,122,352

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 2024 would have increased/(decreased) the lease liability by approximately Rs.3,634,800 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.132,385

YEAR ENDED 31 MARCH 2024

DEFERRED TAXATION

30.

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Deferred Tax Assets, Liabilities and Income Tax relates to the followings

Deferred Tax Liability

Capital Allowances for Tax Purposes

- Property Plant & Equipment	9,376,130	10,545,755	-	-	(1,169,624)	1,295,500
- Leased Asset	521,482	2,614,157	-	-	(2,092,675)	(4,823,050)
	26,861,972	26,861,972	-	7,781,972	-	-
Revaluation of Land-Previous Year	1,023,750	-	1,023,750	24,000	-	-
Revaluation of Land-Current Year	1,147,565	106,897	1,040,668	(932,500)	-	-
Define Benefit Plan- Other Comprehensive Income	38,930,899	40,128,781	2,064,418	6,873,472	(3,262,299)	(3,527,550)
						-

Deferred Tax Assets

Capital Allowances for Tax Purposes

[illegible]

Deferred Income tax charge/(reversal)

Net Deferred Tax Liability / (Asset)

31. DUE TO BANKS	2024 Rs.	2023 Rs.
Bank Overdrafts	48,270,764	2,087,507
Bank Facilities (Note 31.2 (a), 31.2 (b))	-	-
	48,270,764	2,087,507

Bank Overdrafts

Bank Facilities (Note 31.2 (a), 31.2 (b))

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

31. DUE TO BANKS (Contd...)

31.1 Due to Banks

Bank Facilities

31.2 (a) Bank Facilities

Direct Bank Borrowings
Term Loans
Term Loan 01 Seylan Bank PLC
Term Loan 02 Seylan Bank PLC
Term Loan 03 Seylan Bank PLC

31.2 (b) Bank Facilities

Direct Bank Borrowings
Term Loans

Term Loan 01 Seylan Bank PLC
Term Loan 02 Seylan Bank PLC
Term Loan 03 Seylan Bank PLC

32. DUE TO CUSTOMERS

Fixed Deposits
Savings Deposits

	2024		2023	
	Rs.	Rs.	Rs.	Rs.
Amount repayable within 1 year	-	-	-	-
Total	-	-	-	-
Amount repayable after 1 year	-	-	-	-
Total	-	-	-	-
As at 01.04.2023	-	-	-	-
Loans Obtained	-	-	-	-
Interest Recognized	-	-	-	-
Repayments	-	-	-	-
Capital	-	-	-	-
As at Interest	-	-	-	-
Period 31.03.2024	-	-	-	-
Security	-	-	-	-
As at 01.04.2022	-	-	-	-
Loans Obtained	-	-	-	-
Interest Recognized	-	-	-	-
Repayments	-	-	-	-
Capital	-	-	-	-
As at Interest	-	-	-	-
Period 31.03.2023	-	-	-	-
Security	-	-	-	-
15,000,000	-	1,254,017	1,254,017	Lease Portfolio
22,916,610	-	2,370,272	2,370,272	Lease Portfolio
83,200,000	-	9,358,921	9,358,921	Lease Portfolio
121,116,610	-	12,983,210	12,983,210	
2024	Rs.	2023	Rs.	
6,326,381,002	5,334,360,603			
40,466,673	42,253,289			
6,366,847,675	5,376,613,894			

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

33. OTHER BORROWED FUNDS

Securitization Loan (Note 33.1)
Borrowings on Commercial Papers

	2024 Rs.	2023 Rs.
	615,027,140	1,953,023,415
	-	-
	615,027,140	1,953,023,415

33.1 Other Borrowed Funds

	2024 Amount repayable within 1 year Rs.	2024 Amount repayable after 1 year Rs.	Total Rs.	2023 Amount repayable within 1 year Rs.	2023 Amount repayable after 1 year Rs.	Total Rs.
Securitized Borrowings	560,647,328	54,379,812	615,027,140	1,684,285,320	268,738,095	1,953,023,415
	560,647,328	54,379,812	615,027,140	1,684,285,320	268,738,095	1,953,023,415

33.2 (a) Other Borrowed Funds

	As at 01.04.2023 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Capital Rs.	Repayments Interest Rs.	As at 31.03.2024 Rs.	Period Rs.	Security Rs.
Securitized Borrowings 04	1,634,377				1,634,377	-	24 Months	Lease Portfolio
Securitized Borrowings 06	1,450,989				1,450,989	-	24 Months	Lease Portfolio
Securitized Borrowings 07	867,565				867,565	-	30 Months	Lease Portfolio
Securitized Borrowings 08	28,451,599		135,901	25,000,000	3,587,500	-	18Months	Lease Portfolio
Securitized Borrowings 09	248,662,280		4,030,029	220,508,308	32,183,970	-	18 Months	Lease Portfolio
Securitized Borrowings 10	215,865,175		12,946,853	190,000,000	38,812,027	-	24 Months	Lease Portfolio
Securitized Borrowings 11	913,340,438		80,822,015	735,434,655	262,680,729	-	16 Months	Lease Portfolio
Securitized Borrowings 12	542,750,992		168,988,892	230,879,763	100,658,698	380,201,426	20 Months	Lease Portfolio
Securitized Borrowings 13	-	223,594,912	11,230,804	-	-	234,825,716	19 Months	Lease Portfolio
	1,953,023,415	223,594,912	278,154,494	1,401,822,726	441,875,855	615,027,142		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

33.2 (a) Other Borrowed Funds

	As at 01.04.2022 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments		As at 31.03.2023 Rs.	Period		Security	
				Capital Rs.	Interest Rs.		Rs.	Rs.	Rs.	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	-	18 Months	Lease Portfolio	
Securitized Borrowings 09	506,159,827	-	54,311,662	281,436,137	30,373,073	248,662,280	-	24 Months	Lease Portfolio	
Securitized Borrowings 10	550,410,466	-	69,055,490	360,000,000	43,600,781	215,865,175	-	16 Months	Lease Portfolio	
Securitized Borrowings 11	-	735,434,655	177,905,783	-	-	913,340,438	-	20 Months	Lease Portfolio	
Securitized Borrowings 12	-	499,617,858	43,133,134	-	-	542,750,992	-	20 Months	Lease Portfolio	
	2,161,315,278	1,235,052,514	409,966,926	1,647,127,542	206,183,759	1,953,023,415				

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

34. OTHER FINANCIAL LIABILITIES

	2024 Rs.	2023 Rs.
Trade Payables - Related Parties (Note 34.1)	41,912,249	2,544,841
Non Trade Payables - Related Parties (Note 34.2)	3,381,234	1,489,833
Trade Payables - Other Parties	260,648,868	11,378,026
Lease Liability (Note 29.2)	169,285,429	166,122,350
Accrued Expenses	242,805,093	379,949,592
	718,032,873	561,484,643

34.1 Trade Payables to Related Parties

	Relationship		
Abans PLC	Parent Company	427,872	463,251
Abans Auto (Pvt)Ltd	Affiliate Company	41,484,377	2,081,590
		41,912,249	2,544,842

34.2 Non Trade Payables to Related Parties

Abans PLC	Parent Company	299,206	196,054
Abans Retail (Pvt) Ltd	Affiliate Company	-	-
Abans Graphics (Pvt) Ltd	Affiliate Company	-	-
Abans Environmental Services	Affiliate Company	323,469	146,070
ABS Gardner Dixon Hall International (Pvt) Ltd	Affiliate Company	1,372,980	221,840
AB Securitas (Pvt) Ltd	Affiliate Company	1,067,266	463,963
AB Logistics (Pvt) Ltd	Affiliate Company	-	-
ABS Courier (Pvt) Ltd	Affiliate Company	318,312	461,907
		3,381,234	1,489,833

35. OTHER NON FINANCIAL LIABILITIES

VAT on Financial Services & NBT	14,143,268	41,414,793
VAT Payable	41,948,832	6,749,914
SSCL Payable	2,879,981	7,296,466
Others	5,801,534	4,429,278
	64,773,615	59,890,451

36. RETIREMENT BENEFIT OBLIGATIONS

Retirement Benefit Obligations - Gratuity

Balance at the beginning of the year	37,432,542	37,432,542
Current Service Cost	5,602,584	5,173,241
Past Service Cost	-	-
Payments made during the year	(4,988,075)	(2,563,751)
Interest Charged/(Reversed) for the year	6,706,672	4,114,104
Due to change in Demographic Assumptions	(604,813)	(1,160,780)
Due to change in Financial Assumptions	1,288,831	4,787,398
Experience Adjustment	(4,152,911)	(518,284)
Prior year gratuity payment cancellation	-	-
Balance at the end of the year	41,284,829	37,432,542

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

36. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

36.1 Expenses on Defined Benefit Plan

Current Service Cost for the year	5,602,584	5,173,241
Interest Charge for the year	6,706,672	4,114,104

Amount Recognized in the Other Comprehensive Income

(Gain)/Loss arising from changes in the assumption (Note 36.2)

36.2 (Gain) / Loss arising from the changes in the assumption

Due to change in Demographic Assumptions	(604,813)	(1,160,780)
Due to change in Financial Assumptions	1,288,831	4,787,398
Experience Adjustment	(4,152,911)	(518,284)
	(3,468,893)	3,108,334

36.3 Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2024 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Project Unit Credit Method" as recommended by LKAS 19-'Employee Benefits'.

36.4 Assumptions

	2024	2023
Discount Rate	12.00%	18.00%
Salary Increment Rate	10.00%	15.00%
Staff Turnover	10.00%	11.00%
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".

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.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	2024		2023	
		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%		2,507,357	(2,507,357)	12,934,657	(12,934,657)
-1%		(2,817,692)	2,817,692	(1,129,289)	1,129,289
	1%	(3,040,617)	3,040,617	(1,344,910)	1,344,910
	-1%	2,745,452	(2,745,452)	1,248,054	(1,248,054)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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;

	2024 Years	2023 Years
Weighted Average Duration of the Defined Benefit Obligation	7.00	6.60
Average Time to Benefit Payout	7.30	8.03

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.

	2024 Rs.	2023 Rs.
Less than 1 year	4,279,337	4,376,203
Between 1-5 years	14,436,760	13,932,021
Between 5-10 years	10,608,961	10,599,940
Over 10 years	11,959,771	8,524,377
	41,284,829	37,432,541

37. STATED CAPITAL

	2024		2023	
	No. of Shares	Rs.	No. of Shares	Rs.
37.1 Issued and Fully Paid-Ordinary shares				
As at 31 March	73,693,171	1,321,097,699	73,693,171	1,321,097,699
	73,693,171	1,321,097,699	73,693,171	1,321,097,699

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

	2024 Rs.	2023 Rs.
As at 01 April	535,358,395	956,131,916
Dividend Paid	-	-
Profit/(Loss) for the Year	104,338,050	355,062,488
Other Comprehensive Income net of tax	2,428,225	(2,175,834)
Transfers to Statutory Reserve Fund	(5,216,903)	(17,753,125)
Transfers to the Regulatory Risk Allowance Reserve	275,416,342	(755,907,050)
As at 31 March	912,324,110	535,358,395

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

	2024 Rs.	2023 Rs.
Statutory Reserve Fund	300,139,225	294,922,322
Revaluation Reserve	65,066,685	62,677,935
Regulatory Risk Allowance Reserve	480,490,707	755,907,049
	845,696,616	1,113,507,306

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

38.2.1 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.

	2024 Rs.	2023 Rs.
Balance as at 01 April	294,922,322	277,169,198
Transfers to/(from) during the year	5,216,903	17,753,124
Balance as at 31 March	300,139,225	294,922,322

38.2.2 Revaluation Reserve

	2024 Rs.	2023 Rs.
Balance as at 01 April	62,677,935	70,403,907
Revaluation Surplus (Net of Tax)	2,388,750	56,000
Tax rate change impact on Revaluation Reserve	-	(7,781,972)
Balance as at 31 March	65,066,685	62,677,935

38. RETAINED EARNINGS AND OTHER RESERVES (Contd...)

38.2.3 Regulatory Risk 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 (RLRA) 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.480,490,708 as of 31.03.2024.

	2024 Rs.	2023 Rs.
As at 01 April	755,907,049	-
Transfer/ (Reversal) to Regulatory Risk Allowance Reserve for the year	(275,416,342)	755,907,049
As at 31 March	480,490,707	755,907,049

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

39. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

39.1 As at 31 March 2024

	Amortised Cost Rs.	Financial Investments FVP&L	Equity Instruments FVOCI Rs.	Total Rs.
Assets				
Cash and Bank Balances	160,835,567	-	-	160,835,567
Placement With Banks	1,266,431,226	-	-	1,266,431,226
Repurchase Agreements	315,294,233	-	-	315,294,233
Loans and Advances	915,609,768	-	-	915,609,768
Lease rentals receivable & Stock out on Hire	6,775,412,023	-	-	6,775,412,023
Financial Investments at Fair Value through P&L	-	591,848,876	-	591,848,876
Equity instruments at fair value through OCI	-	-	80,400	80,400
Debt Instruments at Amortised Cost	430,455,264	-	-	430,455,264
Other Financial Assets	97,810,135	-	-	97,810,135
Total Financial Assets	9,961,848,216	591,848,876	80,400	10,553,777,492
Liabilities				
Due to Banks	48,270,764	-	-	48,270,764
Due to Customers	6,366,847,674	-	-	6,366,847,674
Other Borrowed Funds	615,027,140	-	-	615,027,140
Other Financial Liabilities	718,032,879	-	-	718,032,879
Total Financial Liabilities	7,748,178,457	-	-	7,748,178,457

39.2As 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	7,893,209,461	-	-	7,893,209,460

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

"The unit trust investments are valued based on the market value which is published by the unit trust itself on daily basis."

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 observable 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 2024

Financial Assets

Financial Investments at Fair Value through P&L

Quoted Equities

Investment in Unit trust

Equity Instruments at Fair Value through OCI

Unquoted Equities

Total Financial Assets measured at fair value

Non Financial Assets

Freehold land & buildings (included under Property, Plant& Equipment)

Total Non - Financial Assets measured at fair value

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments at Fair Value through P&L				
Quoted Equities	-	-	-	-
Investment in Unit trust	-	591,848,876	-	591,848,876
Equity Instruments at Fair Value through OCI				
Unquoted Equities	-	-	80,400	80,400
Total Financial Assets measured at fair value	-	591,848,876	80,400	591,929,276
Non Financial Assets				
Freehold land & buildings (included under Property, Plant& Equipment)	-	-	117,892,500	117,892,500
Total Non - Financial Assets measured at fair value	-	-	117,892,500	117,892,500

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

As at 31 March 2023

Financial Assets

Financial Investments at Fair Value through P&L

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Quoted Equities	-	-	-	-
Investment in Unit trust	-	8,613,335	-	8,613,335
Equity Instruments at Fair Value through OCI				
Unquoted Equities	-	-	80,400	80,400
Total Financial Assets	-	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

There were no financial liabilities recorded at fair value as at 31 March 2024 & 2023

There were no transfers between Level 1 and Level 2 during 2024 & 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

	2024					2023				
	Fair Value					Fair Value				
	Carrying Amount	Level 01	Level 02	Level 03	Total	Carrying Amount	Level 01	Level 02	Level 03	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets										
Loans and Advances	915,609,768	-	1,294,610,434	-	1,294,610,434	1,019,648,500	-	1,162,381,650	-	1,162,381,650
Lease rentals receivable &										
Stock out on Hire	6,775,412,023	-	7,054,754,471	-	7,054,754,471	7,787,483,346	-	7,550,971,872	-	7,550,971,872
Debt Instruments at amortised cost	430,455,264	-	430,455,264	-	430,455,264	713,692,026	-	713,692,026	-	713,692,026
	8,121,477,055	-	8,779,820,169	-	8,779,820,169	9,520,823,872	-	9,427,045,548	-	9,427,045,548
Financial Liabilities										
Due to Customers	6,366,847,674	-	6,503,098,957	-	6,503,098,957	5,376,613,892	-	5,622,231,330	-	5,622,231,330
Other Borrowed Funds	615,027,140	-	786,879,651	-	786,879,651	1,953,023,415	-	2,331,657,929	-	2,331,657,929
	6,981,874,814	-	7,289,978,608	-	7,289,978,608	7,329,637,307	-	7,953,889,259	-	7,953,889,259

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 in repurchase 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 2023/2024

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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. 5 of 2021 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 Independent Non executive Director who is one of Three members.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 references 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 unlikelihood 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 12m ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

	2024			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	(17,768,343)	(14,604,523)	(350,265,158)	(382,638,024)
Lease Rentals Receivable & Stock Out on Hire	(129,261,523)	(73,920,461)	(652,397,371)	(855,579,354)
Other Debtors			(50,241,962)	(50,241,962)
Total Allowance for Expected Credit Losses	(147,029,866)	(88,524,984)	(1,052,904,491)	(1,288,459,340)

	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)

The methodology used in the determination of expected credit losses is explained in Note 3.1.10 to Financial Statements.

41.4.1(d) Analysis of gross carrying amount contribution to the change in ECL allowance

	STAGE 1		STAGE 2		STAGE 3		TOTAL	
	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL
Balance as at 1.4.2023	4,556,061,207	157,424,193	1,835,234,783	121,469,051	3,514,480,687	887,578,804	9,905,776,677	1,166,472,048
New assets originated or purchased	2,535,044,253	79,308,578	546,032,956	35,968,997	246,039,340	54,142,015	3,327,116,549	169,419,590
Payments and assets derecognised	(2,073,281,410)	(84,795,151)	(841,522,512)	(52,608,556)	(1,128,412,473)	350,409,069	(4,043,216,396)	213,005,362
Write-off					(260,437,661)	(260,437,661)	(260,437,661)	(260,437,661)
Transfers to stage 1	501,515,139	37,893,530	(426,973,360)	(26,483,232)	(74,541,779)	(11,410,298)	-	-
Transfers to stage 2	(670,286,744)	(26,102,105)	781,564,576	41,834,294	(111,277,832)	(15,732,189)	-	-
Transfers to stage 3	(407,605,548)	(16,699,179)	(440,647,541)	(31,655,570)	848,253,089	48,354,749	-	-
Balance as at 31.03.2024	4,441,446,897	147,029,866	1,453,688,901	88,524,984	3,034,103,372	1,052,904,490	8,929,239,170	1,288,459,340

41.4.1(e) Movement of the total allowance for expected credit losses during the period

	2024 Rs.	2023 Rs.
Balance as at 01 April	1,166,472,050	1,107,262,107
Charge/(Reversal) to Income Statement (Note 9)	382,424,951	82,156,789
Write-off during the year	(260,437,661)	(22,946,845)
Balance as at 31 March	1,288,459,340	1,166,472,050

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

41.4.1(f) 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 in determining collective impairment has increased / decreased by below mentioned rates, ECL provision of the company as at 31 March 2024 would have increased / decreased as follows.

Scenario

	Increase to the ECL provision	Decreased to the ECL provision
Changing of loss rate used by the Company - 1%	36,898,084	(36,898,084)
Changing of loss rate used by the Company - 2%	73,796,168	(73,796,168)

41.4 CREDIT RISK (Contd...)

41.4.1(g) 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 2024

As at 31 March 2024	2024		
	31-60 Days Rs.	61-90 Days Rs.	Total Rs.
Loans and Advances	92,726,106	41,075,361	133,801,467
Lease Rentals Receivable & Stock Out on Hire	846,690,187	473,197,247	1,319,887,434
Other Debtors	-	-	-
	939,416,293	514,272,608	1,453,688,901

As at 31 March 2023

As at 31 March 2023	2023		
	31-60 Days	61-90 Days	Total
	Rs.	Rs.	Rs.
Loans and Advances	83,466,779	19,805,535	103,272,314
Lease Rentals Receivable & Stock Out on Hire	1,073,003,365	658,959,102	1,731,962,468
Other Debtors	-	-	-
	1,156,470,144	678,764,637	1,835,234,782

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

41.4.1(h)Overview of rescheduled loans and advances (except individually impaired loans and advances)

	2024				
	Gross Carrying Value		Allowance for FCL		Net Carrying
	Stage 3	Total	Stage 3	Total	Value
Loans and Advances	28,452,161	28,452,161	10,444,317	10,444,317	18,007,844
Lease Rentals Receivable & Stock Out on Hire	389,562,861	389,562,861	89,366,639	89,366,639	300,196,222
	418,015,022	418,015,022	99,810,956	99,810,956	318,204,066
	2023				
	Gross Carrying Value		Allowance for FCL		Net Carrying
	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

	Maximum Exposure to Credit Risk Rs.	Fair Value of Collateral Held			Other**	Total Collateral Value Rs.	Net Exposure to Credit Risk Rs.
		Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets* Rs.			
Cash and Bank Balances (Excluding cash in hand)	106,685,343	-	-	-	-	-	106,685,343
Placement With Banks	1,266,431,226	-	-	-	-	-	1,266,431,226
Repurchase Agreements	315,294,233	-	-	-	-	-	315,294,233
Loans and Advances	1,298,247,793	591,528,895	580,010,500	725,386,000	-	1,896,925,395	-
Lease rentals receivable & Stock out on hire	7,630,935,603	-	-	10,305,300,363	-	10,305,300,363	-
Equity instruments at fair value through OCI	80,400	-	-	-	-	-	80,400
Debt instruments at amortised cost	430,455,264	-	-	-	-	-	430,455,264
Other Financial assets	97,810,135	-	-	-	-	-	97,810,135
	11,145,939,998	591,528,895	580,010,500	11,030,686,363	-	12,202,225,758	2,216,756,601

41.4.2.1 Collateral of credit impaired assets

	Exposure to Credit Risk Rs.	Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets* Rs.	Other**	Total Collateral Value Rs.	Net Exposure to Credit Risk Rs.
As at march 2024	499,421,191	-	253,975,000	24,275,000	26,400,000	304,650,000	194,771,191
As at march 2023	538,121,551	-	233,748,262	75,929,994	210,509	309,888,765	228,232,786

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 As at 31 March 2023	Maximum Exposure to Credit Risk		Fair Value of Collateral Held		Moveable Assets*		Other**	Total Collateral Value	Net Exposure to Credit Risk
	Rs.	Cash / Near Cash	Cash	Property Mortgages	Rs.	Assets*			
	Rs.				Rs.			Rs.	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		

* 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 2024

	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	160,835,567	-	-	160,835,567
Placement With Banks	1,266,431,226	-	-	1,266,431,226
Repurchase Agreements	315,294,233	-	-	315,294,233
Loans and Advances	446,345,685	466,655,129	385,246,979	1,298,247,793
Lease Rentals Receivable & Stock Out on Hire	2,458,124,721	5,058,692,445	114,174,212	7,630,991,378
Equity instruments at fair value through OCI	80,400	-	-	80,400
Debt instruments at amortised cost	430,455,264	-	-	430,455,264
Other Financial Assets	71,436,556	50,241,962	-	121,678,518
Total	5,149,003,652	5,575,589,536	499,421,191	11,224,014,379

As at 31 March 2023

	Neither Past Due 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	4,800,489,484	6,511,467,985	538,121,553	11,850,079,022

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 2024

	Past Due but Not Individually Impaired				Total
	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	150,237,577	92,726,106	41,075,361	182,616,085	466,655,129
Lease Rentals Receivable & Stock Out on Hire	1,386,738,914	846,690,187	473,197,247	2,352,066,096	5,058,692,445
Other Financial Assets	-	-	-	50,241,962	50,241,962
	1,536,976,491	939,416,293	514,272,608	2,584,924,143	5,575,589,536

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

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 2023

	Past Due but Not Individually Impaired				Total Rs.
	1 to 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 2024

	Cash and Bank Balances		Placement with Banks		Securities Purchased under Repurchase Agreement		Loans and Advances		Lease rentals receivable & Stock Out on Hire		Financial Investment at fair value through P & L		Equity Instruments at fair value through OCI		Debt Instruments at amortise cost		Other Financial Assets		Total Financial Assets	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	-	-	-	19,612,918	-	10,824,333	-	-	-	-	-	-	-	-	-	30,437,251	-
Manufacturing	-	-	-	-	-	-	31,152,111	-	12,871,494	-	-	-	-	-	-	-	-	-	44,023,605	-
Construction	-	-	-	-	-	-	51,398,059	-	4,335,127	-	-	-	-	-	-	-	-	-	55,733,186	-
Financial Services	160,835,567	1,266,431,226	-	-	-	-	48,221,297	-	4,041,991	-	591,848,876	-	80,400	-	-	-	-	-	2,071,499,357	-
Trading	-	-	-	-	-	-	31,356,197	-	15,067,717	-	-	-	-	-	-	-	-	-	46,423,914	-
Government	-	-	-	-	-	315,294,233	-	-	-	-	-	-	-	-	-	-	-	-	745,749,497	-
Hotels	-	-	-	-	-	-	22,854,039	-	4,052,028	-	-	-	-	-	-	-	-	-	26,906,067	-
Services	-	-	-	-	-	-	306,397,262	-	34,828,254	-	-	-	-	-	-	-	-	-	341,225,516	-
Others	-	-	-	-	-	-	404,617,885	-	6,689,391,080	-	-	-	-	-	-	-	-	-	97,810,135	7,191,819,100
Total	160,835,567	1,266,431,226	315,294,233	315,294,233	-	915,609,768	6,775,412,024	591,848,876	80,400	430,455,264	97,810,135	10,553,777,493								

As at 31 March 2023

Purpose wise Breakdown

	Cash and Bank Balances		Placement with Banks		Securities Purchased under Repurchase Agreement		Loans and Advances		Lease rentals receivable & Stock Out on Hire		Financial Investment at fair value through P & L		Equity Instruments at fair value through OCI		Debt Instruments at amortise cost		Other Financial Assets		Total Financial Assets	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	-	-	-	8,871,601	-	44,559,727	-	-	-	-	-	-	-	-	-	53,431,328	-
Manufacturing	-	-	-	-	-	-	41,30,736	-	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	-	-	-	-	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-	8,453,576,921	-
Total	371,545,331	433,981,434	271,331,939	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								

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 following 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.

Rs. Million			
Borrowings	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
Long Term Loans linked to AWPLR -LKR	2024	2024	2024
	+100/ (-100)	-	-
	+300/ (-300)	-	-
	+500/ (-500)	-	-
	2023	2023	2023
	+100/ (-100)	-	-
	+300/ (-300)	-	-
	+500/ (-500)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

ASSETS	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	54,275,275	-	-	-	-	106,560,292	160,835,567
Placement with Banks	1,260,667,844	5,763,382	-	-	-	-	1,266,431,226
Securities Purchased under Repurchase Agreement	315,294,233	-	-	-	-	-	315,294,233
Loans and Advances	596,198,570	77,916,006	153,802,498	78,022,633	9,670,059	-	915,609,766
Lease Rentals Receivable & Stock out on Hire	1,335,912,664	2,171,118,894	3,109,552,660	158,827,805	-	-	6,775,412,023
Financial Investments at Fair Value through P&L	591,848,876	-	-	-	-	-	591,848,876
Equity instruments at fair value through OCI	-	-	-	-	80,400	-	80,400
Debt instruments at amortised cost	430,455,264	-	-	-	-	-	430,455,264
Other Financial Assets	-	-	-	-	-	97,810,135	97,810,135
TOTAL ASSETS	4,584,652,726	2,254,798,282	3,263,355,158	236,850,438	9,750,459	204,370,427	10,553,777,491
LIABILITIES							
Due to Banks	48,270,764	-	-	-	-	-	48,270,764
Due to Customers	2,934,851,354	1,893,548,733	1,060,034,552	478,413,034	-	-	6,366,847,673
Other Borrowed Funds	-	133,613,863	427,033,465	54,379,812	-	-	615,027,140
Other Financial Liabilities	-	-	-	-	-	718,032,879	718,032,879
TOTAL LIABILITIES	2,983,122,118	2,027,162,596	1,487,068,017	532,792,846	-	718,032,879	7,748,178,456
TOTAL INTEREST SENSITIVITY GAP	1,601,530,608	227,635,686	1,776,287,141	(295,942,408)	9,750,459	(513,662,452)	2,805,599,035

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

41. RISK MANAGEMENT DISCLOSURES (Contd...)

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	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS														
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	8,613,335	-	-	-	-	-	-	-	-	-	-	-	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 ASSETS	3,055,270,741	1,863,659,898	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	7,893,209,461							
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							

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 institution 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 2024	Asset Ratio 2023
Maximum	32.30%	46.98%
Minimum	15.45%	17.66%
Average	25.25%	28.79%
Closing	32.30%	27.81%

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 2024	Deposits Ratio 2023
Maximum	176.87%	230.65%
Minimum	140.25%	185.88%
Average	159.93%	208.77%
Closing	140.25%	185.88%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

41.41. 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.

	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2024
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	160,835,567	-	-	-	-	-	160,835,567
Placement With Banks	108,971,709	1,167,946,809	6,010,792	-	-	-	1,282,929,310
Securities Purchased under Repurchase Agreement	-	315,294,233	-	-	-	-	315,294,233
Loans and Advances	559,696,153	53,064,715	117,915,164	212,062,497	90,065,354	10,023,933	1,042,827,816
Lease rentals receivable & Stock out on Hire	601,536,766	1,203,147,946	3,216,114,562	3,911,590,191	180,031,748	-	9,112,421,213
Financial Investments at Fair Value through P&L	591,848,876	-	-	-	-	-	591,848,876
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	449,999,838	-	-	-	-	449,999,838
Other Financial Assets	-	-	-	-	-	-	-
Total Financial Assets	2,022,889,071	3,189,453,541	3,340,040,518	4,123,652,688	270,097,102	97,810,135	13,054,047,387
LIABILITIES							
Due to Banks	48,270,764	-	-	-	-	-	48,270,764
Due to Customers	41,351,327	2,897,971,406	2,015,879,744	1,131,345,069	500,362,491	-	6,586,910,037
Other Borrowed Funds	-	170,769,231	358,443,097	153,741,748	-	-	682,954,076
Other Financial Liabilities	-	-	-	-	-	718,032,879	718,032,879
Total Financial Liabilities	89,622,091	3,068,740,637	2,374,322,841	1,285,086,817	500,362,491	718,032,879	8,036,167,756
	1,933,266,980	120,712,904	965,717,677	2,838,565,871	(230,265,390)	(610,118,411)	5,017,879,633

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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.

	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.	
ASSETS														
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		29,741,82		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	
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		561,484,645	
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	
Operational Risk	1,686,740,152		(926,145,726)		39,208,455		4,389,270,865		2,236,384,731		125,361,900		7,550,820,374	

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 2024	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS														
Cash and Bank Balances	160,835,567	-	-	-	-	-	-	-	-	-	-	-	160,835,567	-
Placement With Banks	108,971,709	1,151,731,795	-	5,727,722	-	-	-	-	-	-	-	-	1,266,431,226	-
Securities Purchased under Repurchase Agreement	-	315,294,233	-	-	-	-	-	-	-	-	-	-	315,294,233	-
Loans and Advances	559,696,153	36,502,418	-	77,916,006	-	153,802,498	-	-	78,022,632	-	9,670,060	-	915,609,768	-
Lease rentals receivable & Stock out on Hire	601,536,766	734,375,896	-	2,171,118,894	-	3,109,552,660	-	-	158,827,806	-	-	-	6,775,412,022	-
Financial Investments at Fair Value through P&L	591,848,876	-	-	-	-	-	-	-	-	-	-	-	591,848,876	-
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	80,400	-
Debt instruments at amortised cost	-	430,455,264	-	-	-	-	-	-	-	-	80,400	-	430,455,264	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	97,810,135	-
Real Estate Stock	-	-	-	-	-	40,273,387	-	-	-	-	97,810,135	-	40,273,387	-
Other Non Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	62,438,913	-
Property, Plant & Equipment	-	-	-	-	-	-	-	-	-	-	189,209,476	-	189,209,476	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Right-of-use Assets	-	-	-	1,864,594	-	2,209,669	-	-	12,171,765	-	5,926,524	-	22,172,551	-
Deferred tax assets	-	9,405,218	-	28,058,166	-	64,749,534	-	-	21,748,734	-	18,487,462	-	142,449,114	-
Total Assets	2,022,889,071	2,677,764,824	2,284,685,382	2,284,685,382	3,370,587,748	270,770,937	383,622,970	11,010,320,932	-	-	-	-	-	-
LIABILITIES														
Due to Banks	48,270,764	-	-	-	-	-	-	-	-	-	-	-	48,270,764	-
Due to Customers	41,351,327	2,893,500,027	1,893,548,733	1,893,548,733	1,060,034,552	478,413,034	-	-	-	-	-	-	6,366,841,673	-
Other Borrowed Funds	-	133,613,863	427,033,465	54,379,812	-	-	-	-	-	-	-	-	615,027,140	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	718,032,879	-	718,032,879	-
Other Non Financial Liabilities	-	64,773,615	-	-	-	-	-	-	-	-	-	-	64,773,615	-
Current Tax Liabilities	-	-	-	58,471,051	-	-	-	-	-	-	-	-	58,471,051	-
Retirement Benefit Liability	-	-	-	4,279,337	-	14,436,760	-	-	10,608,961	-	11,959,771	-	41,284,829	-
Deferred Tax Liabilities	-	-	-	18,494,556	-	-	-	-	-	-	-	-	18,494,556	-
Total Liabilities	89,622,091	3,091,887,505	2,401,827,141	2,401,827,141	1,128,851,124	489,021,995	729,992,649	7,951,202,507	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

42. MATURITY ANALYSIS (CONTRACTUAL)

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

	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.	Rs.	Rs.	Rs.	Rs.		
ASSETS													
Cash and Bank Balances	371,545,331	-	-	-	-	-	-	-	-	-	-	-	371,545,331
Placements 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	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments at amortised cost	-	713,692,026	-	-	-	-	-	-	-	-	80,400	-	80,400
Other Financial Assets	-	-	3,149,648	-	-	-	-	-	-	-	-	-	713,692,026
Real Estate Stock	-	-	-	38,468,202	-	-	-	-	-	-	109,461,985	-	112,611,633
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	3,229,460,104	1,027,159,748	395,827,029	32,981,926	-	-	-	-	-	-	8,218,696,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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	
	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Cash and Bank Balances	160,835,567	371,545,331	-	-	160,835,567	371,545,331
Placement With Banks	1,266,431,226	433,981,434	-	-	1,266,431,226	433,981,434
Securities Purchased under Repurchase Agreement	315,294,233	271,331,939	-	-	315,294,233	271,331,939
Loans and Advances	674,114,578	700,193,712	241,495,191	319,454,789	915,609,768	1,019,648,501
Lease rentals receivable & Stock out on Hire	3,507,031,557	2,739,085,885	3,268,380,465	5,048,397,461	6,775,412,022	7,787,483,346
Financial Investments at Fair Value through P&L	591,848,876	8,613,335	-	-	591,848,876	8,613,335
Equity instruments at fair value through OCI	-	-	80,400	80,400	80,400	80,400
Debt instruments at amortised cost	430,455,264	713,692,026	-	-	430,455,264	713,692,026
Other Financial Assets	-	3,149,648	97,810,135	109,461,985	97,810,135	112,611,633
Real Estate Stock	-	-	40,273,387	38,468,202	40,273,387	38,468,202
Other Non Financial Assets	-	52,929,598	62,438,913	35,286,399	62,438,913	88,215,996
Property, Plant & Equipment	-	17,298,788	189,209,476	151,186,922	189,209,476	168,485,711
Intangible Assets	1,864,594	6,033,692	20,307,957	17,093,264	22,172,551	23,126,956
Right-of- use Assets	37,463,384	31,471,082	104,985,730	119,904,349	142,449,114	151,375,431
Deferred tax assets	-	-	-	-	-	-
Total Assets	6,985,339,279	5,349,326,470	4,024,981,654	5,839,333,771	11,010,320,932	11,188,660,241
LIABILITIES						
Due to Banks	48,270,764	2,087,507	-	-	48,270,764	2,087,507
Due to Customers	4,828,400,087	4,422,344,005	1,538,447,586	954,269,887	6,366,847,673	5,376,613,892
Other Borrowed Funds	560,647,328	1,638,846,412	54,379,812	314,177,003	615,027,140	1,953,023,415
Other Financial Liabilities	-	426,408,610	718,032,879	135,076,035	718,032,879	561,484,645
Other Non Financial Liabilities	64,773,615	59,890,451	-	-	64,773,615	59,890,451
Current Tax Liabilities	58,471,051	214,913,360	-	-	58,471,051	214,913,360
Retirement Benefit Liability	4,279,337	4,376,204	37,005,492	33,056,337	41,284,829	37,432,541
Deferred Tax Liabilities	18,494,556	13,251,026	-	-	18,494,556	13,251,026
Total Liabilities	5,583,336,738	6,782,117,575	2,347,865,769	1,436,579,262	7,931,202,507	8,218,696,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

43. COMMITMENTS AND CONTINGENCIES

43.1 Commitments

There is no Operating Lease Commitments as at 31 March 2024 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 2024

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 reached the minimum core capital requirement i.e. Rs. 2.5 Billion as per the audited accounts subject to the approval of Central Bank of Sri Lanka. This capital requirement has been 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 of Pledged Assets				
Nature of Assets	Nature of Liability	2024 Rs.	2023 Rs.	Included Under
Lease & Hire Purchase Receivables	Bank Overdraft	-	-	Lease Rental Receivables and Stock Out on Hire
Placement With Banks	Bank Overdraft	93,214,748	53,775,584	Placement With Banks
Lease & Hire Purchase Receivables	Term Loan	1,713,924,034	3,932,043,955	Lease Rental Receivables and Stock Out on Hire
		1,807,138,782	3,935,819,539	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

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 .

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% (2023- 50.22%) 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

	2024 Rs.	2023 Rs.
Short Term Employee Benefits	28,960,460	29,324,043
Post-employment benefits	2,250,000	2,250,000
	31,210,460	31,574,043

Other transactions with Key Management Personnel

	2024 Rs.	2023 Rs.
Fixed Deposits accepted during the year	95,645,000	36,100,000
Fixed Deposits held at the end of the year	218,557,261	119,928,148
Consultancy Fee paid during the year	-	350,000

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. (2023/2024- Nil).

YEAR ENDED 31 MARCH 2024

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 Transport (Pvt) Ltd. Affiliate Company		Other Related Parties**				Total
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Fixed Deposits Accepted during the year	-	-	-	-	-	-	-	-	-	-	-
Fixed Deposits held at the end of the year	-	-	-	-	-	-	1,030,192	79,166,542	1,030,192	79,166,542	-
As at 1 April	4,864,349	3,375,986	2,081,590	2,081,590	4,121,209	4,068,039	(1,293,780)	(1,005,392)	(2,244,380)	(3,497,526)	-
Purchase of Motor Bikes - Lease Granting	-	-	52,762,603	-	-	-	-	-	52,762,603	-	-
Collections made on behalf of Abans Finance	519,121,988	475,753,884	-	-	-	-	-	-	519,121,988	475,753,884	-
Expense on collection commission	(2,633,909)	(2,742,871)	-	-	-	-	-	-	(2,633,909)	(2,742,871)	-
Support Services: Expenses	-	-	-	-	-	-	(20,304,409)	(18,036,884)	(20,304,409)	(18,036,884)	-
Rent Income Recognized & Expense Recoveries	(3,088,412)	(4,740,910)	-	-	-	-	-	-	(3,088,412)	(4,740,910)	-
Rent Expense Paid	-	-	-	-	-	-	-	-	-	-	-
Settlements Paid/(Received)	(514,417,528)	(466,781,740)	(13,359,816)	-	-	-	18,516,162	17,748,497	(509,261,182)	(449,033,243)	-
Facilities Granted and Interest Accrued	-	-	-	-	-	53,170	-	-	-	-	53,170
Settlements received for the facilities	-	-	-	-	-	-	-	-	-	-	-
As at 31 March	3,846,488	4,864,349	41,484,377	2,081,590	4,121,209	4,121,209	(3,082,027)	(1,293,779)	34,352,299	(2,244,380)	-
Included in											
							2023	2023	2024	2023	
							Rs.	Rs.	Rs.	Rs.	
Loans and Advances									4,121,209	4,121,209	4,121,209
Other Financial Assets									4,573,566	3,149,648	3,149,648
Other Financial Liabilities									(45,293,483)	(4,034,675)	(4,034,675)
									(36,598,708)	3,236,182	3,236,182

****Other Related Parties include the following companies**

Abans Graphics (Pvt) Ltd
Abans Electricals PLC (Service Department)
Add Outdoor Advertising (Pvt) Ltd
Abans Environment Services (Pvt) Ltd
ABS Courier (Pvt) Ltd
Elizabeth Moir School
Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personnel.
Abans Retail (Pvt) Ltd
Abans Office Automation (Pvt) Ltd
ABS Gardiner Dixon Hall International (Pvt) Ltd
AB Logistics (Pvt) Ltd
Abans International (Pvt) Ltd
Abans Marketing (Pvt) Ltd
AB Creation (Pvt) Ltd
Advantage Technologies (Pvt) Ltd
AB Logistics (Pvt) Ltd
Ironwood Investments Holdings (Pvt) Ltd

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31 MARCH 2024

48. FINANCIAL REPORTING BY SEGMENT

	Leasing		Hire Purchase		Term Loans		Others		Total	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest Income	2,183,046,938	2,165,995,074	733,006	(21,008,871)	199,372,607	199,372,607	228,899,514	307,379,964	2,606,301,957	2,651,738,774
Fee Based Income & Others	174,136,442	176,073,888	8,116,480	8,624,077	6,381,303	2,408,739	20,245,794	4,118,569	208,880,019	191,225,273
Unallocated Income	-	-	-	-	-	-	48,025,955	14,886,445	48,025,956	14,886,445
Total Revenue	2,357,183,380	2,342,068,962	8,849,486	(12,384,794)	200,003,802	201,781,346	297,171,263	326,384,978	2,863,207,931	2,857,850,492
Interest Expenses	(955,844,734)	(908,902,070)	(3,080,014)	(2,829,871)	(140,947,954)	(131,253,953)	(293,980,993)	(187,848,884)	(1,393,853,695)	(1,230,834,778)
Fee Based Expenses & Others	-	(242,355)	-	-	157,000	(138,000)	(30,559,970)	(26,167,761)	(30,420,969)	(26,548,115)
Impairment Reversal / (Provision)	92,051,501	(3,106,484)	285,372	(8,664)	47,235,674	9,539,453	242,852,404	(88,581,092)	(382,424,951)	(82,156,788)
Net Operating Income	1,493,390,148	1,429,818,054	6,054,844	(15,223,329)	106,448,521	79,928,846	215,482,704	23,787,241	1,056,526,317	1,518,310,810
Unallocated Expenses	-	-	-	-	-	-	-	-	(947,113,472)	(985,082,395)
Profits/ (Loss) before Tax	1,493,390,148	1,429,818,054	6,054,844	(15,223,329)	106,448,521	79,928,846	215,482,704	23,787,241	1,056,526,317	1,518,310,810
Income Tax expenses	-	-	-	-	-	-	-	-	109,412,845	533,228,415
Net Profit/(Loss) for the period	1,493,390,148	1,429,818,054	6,054,844	(15,223,329)	106,448,521	79,928,846	215,482,704	23,787,241	947,113,472	985,082,395
Other Comprehensive Income	-	-	-	-	-	-	-	-	(5,074,791)	(178,165,934)
Total Comprehensive Income for the Year	1,493,390,148	1,429,818,054	6,054,844	(15,223,329)	106,448,521	79,928,846	215,482,704	23,787,241	942,038,681	806,916,461
Segment Assets	6,755,501,875	6,975,423,948	19,910,148	24,334,947	915,609,768	1,109,139,474	2,604,029,599	1,619,073,860	10,295,051,390	10,234,750,579
Unallocated Assets	-	-	-	-	-	-	-	-	715,269,546	953,909,661
Total Assets	6,755,501,875	6,975,423,948	19,910,148	24,334,947	915,609,768	1,109,139,474	2,604,029,599	1,619,073,860	11,010,320,936	11,188,660,241
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-
Unallocated Liabilities	7,931,202,508	8,218,696,838	-	-	-	-	-	-	7,931,202,508	8,218,696,838
Total Liabilities	7,931,202,508	8,218,696,838	-	-	-	-	-	-	7,931,202,508	8,218,696,838

Unallocated Liabilities

Total Liabilities

VALUE ADDITION

Financial Value Addition

For the year ended 31 March	2024 Rs.'000	%	2023 Rs.'000	%
Value Added	2,831,793		2,855,200	
Cost of Services	(1,808,836)		(1,627,017)	
Value added by financial services	1,022,957		1,228,183	
Net gain / (loss) from trading	31,415		2,651	
Impairment	(382,425)		(82,157)	
Total Value Added	671,947		1,148,677	
Value Allocated				
Employees as Remuneration	383,237	57%	399,834	34.80%
Government as Taxes	109,710	16%	327,433	28.50%
Shareholders as Dividend				
Retained within the Business				
As depreciation & amortization	74,662	11%	66,347	5.80%
As reserves	104,338	16%	355,062	30.90%
Total Value Allocated	671,947	100%	1,148,677	100.00%

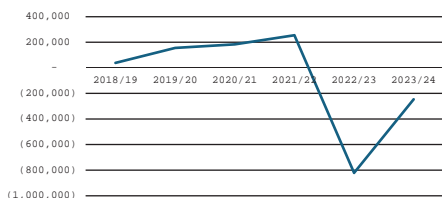
Economic Value Added (EV)

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	2024 Rs.'000	2023 Rs.'000
Shareholders' Funds	3,079,118	2,969,963
Accumulated Provision for Impairment chargers	1,288,459	1,166,472
	4,367,578	4,136,435
Profit Attributable to		
Shareholders	104,338	355,062
Add-Impairment Provision	382,425	82,157
	486,763	437,219
Economic Cost (Average treasury bill rate +2% Risk Premium)	16.80%	30.41%
Economic Cost	733,753	1,257,890
Economic Value Addition	(246,990)	-820,671

VALUE ADDITION

Economic Value Addition



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

Tier 1 Capital Ratio, %

$\frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Amount}}$

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	2024	2023
Total Tier I core capital (After adjustments)	2,511,388	2,128,250
Total Capital Base (After adjustments)	2,511,388	2,240,721
Total Risk Weighted Amount for Credit Risk	11,512,640	10,752,016
Core Capital Tier I Capital Ratio (Minimum 8.5%)	21.81	19.79
Total Risk Weighted Capital Ratio (Minimum 12.5%)	21.81	20.84

Both Tier Capital ratio and Total Capital ratio of the Company have increased under reversal of regulatory loss allowance and by net profits earned for the period.

As result this constant performance has contributed increase in Tier 1 Capital and Total Capital

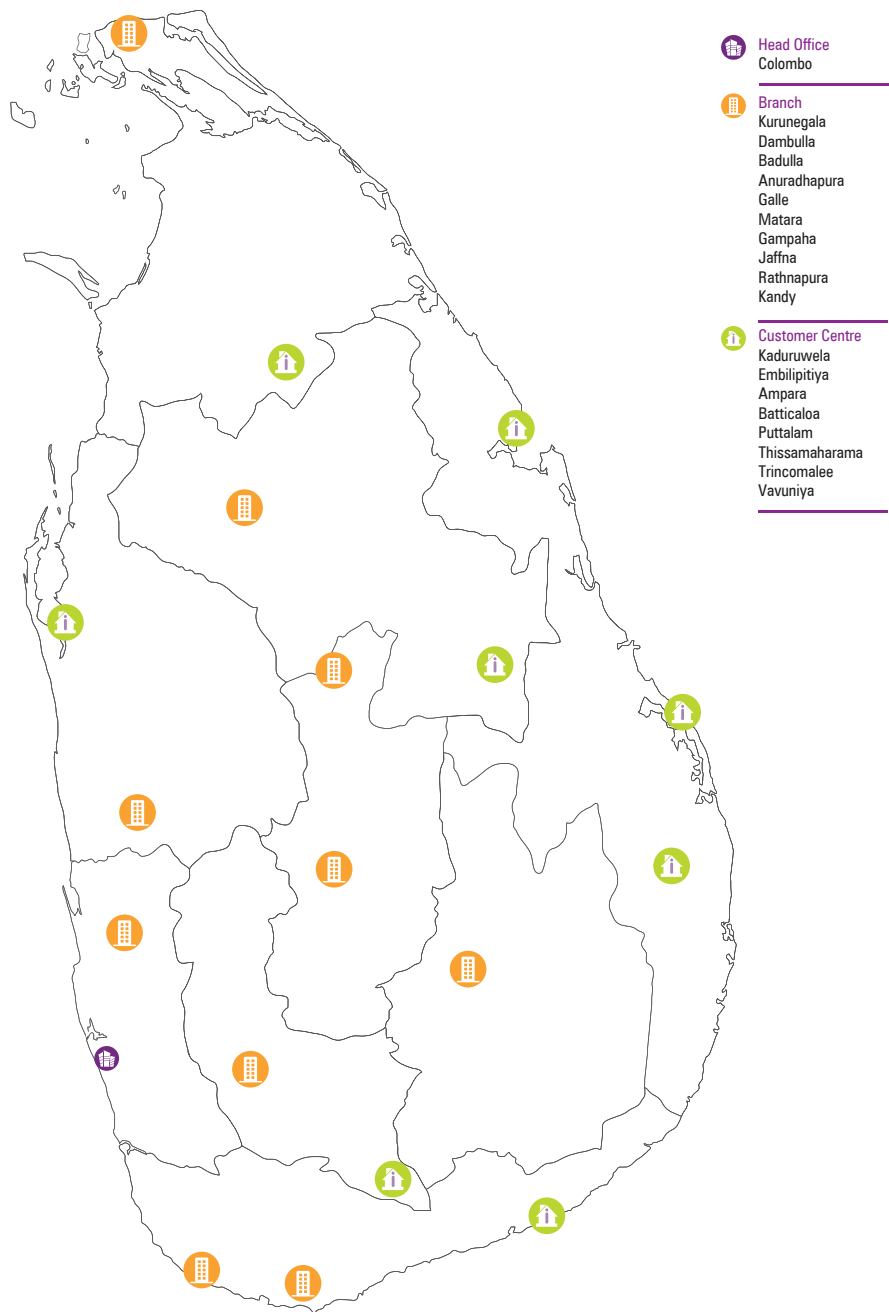
TEN YEAR SUMMARY

Statement of Comprehensive Income	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Income	2,863,207,931	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
Interest Income	2,606,301,957	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
Interest Expense	-1,393,853,695	-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
Net Interest Income	1,212,448,262	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
Fee and Commission Income	208,700,499	190,985,038	161,686,573	129,899,313	185,760,201	144,729,403	185,717,691	104,114,176	111,586,810	91,787,158
Fee and Commission Expenses	-30,402,970	-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
Net Fee and Commission Income	178,297,529	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
Net Gain/(Loss) from Trading	31,415,061	2,650,600	6,443,343	320,000	240,800	206,400	1,676,964	948,394	-582,293	1,830,282
Other Operating Income(Net)	16,790,414	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
Total Operating Income	1,438,951,266	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
"Impairment(Charge)/Reversal										
(Prov. For Bad Debts)"	-382,424,952	-82,156,789	-130,300,395	-108,266,753	-333,253,807	-301,980,973	-223,102,119	-189,369,393	-225,840,117	115,592,554
Net Operating Income	1,056,526,314	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
Less: Operating Expenses										
Personnel Cost	-383,236,706	-399,834,362	-335,541,769	-273,473,301	-269,968,327	-239,637,004	-256,394,681	-217,088,659	-166,916,649	118,387,829
Other Operating Expenses	-459,241,749	-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
Operating Profit before VAT on FS	214,047,858	682,495,168	739,941,482	522,879,458	235,734,393	181,161,404	191,603,937	252,725,091	169,669,355	108,633,329
Value Added Tax on Financial Services	-104,635,017	-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
Profit before Taxation from Operations	109,412,841	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
Income Tax/Expenses	-5,074,791	-178,165,932	-184,929,414	-139,975,056	-50,521,758	-87,158,231	-38,085,738	-43,842,188	-40,356,230	-24,707,819
Profit for the year	104,338,050	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

TEN YEAR SUMMARY

Statement of Financial Position											
Assets	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Cash and Bank Balances	160,835,567	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	
Placements with Banks	1,266,431,236	433,981,434	485,662,416	207,264,972	204,354,154	249,659,017	550,601,090	384,100,772	224,098,165	283,445,333	
Investment in Government Securities*	745,749,497	985,023,965	842,208,469	955,919,868	504,564,284	517,451,563	601,876,210	489,382,853	651,828,340	448,038,936	
Financial Investment-Held for Trading*	591,848,876	8,613,335	291,202,975	-	-	-	-	7,624,408	6,915,241	7,370,358	
Financial Investments-Debt Securities*	-	-	-	-	-	-	-	-	-	-	
Loans and Advances	915,609,768	1,019,648,501	1,109,139,474	1,379,508,592	1,920,095,538	2,127,780,588	2,447,085,638	2,145,676,031	1,188,546,845	637,248,600	
Lease Rentals Receivable & Stock Out on Hire*	6,775,412,023	7,787,483,346	6,999,758,895	6,027,133,949	5,854,327,613	5,261,624,352	4,547,537,098	3,679,965,646	3,596,251,779	2,903,285,248	
Equity Instruments at Fair Value Through OCI	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	100,210,655	
Real Estate and Vehicle Stock	40,773,387	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	
Other Assets	160,249,049	200,827,629	168,781,661	149,132,408	160,440,683	235,590,140	163,968,168	149,232,541	171,697,004	123,914,661	
Tax Recoverable	-	-	-	-	-	-	19,422,858	20,800,270	-	-	
Intangible Assets	22,172,553	23,126,958	27,950,766	33,866,422	29,339,420	32,758,835	21,098,350	22,681,042	15,008,896	10,241,083	
Property, Plant & Equipment	189,209,476	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	
Right-of-use Assets	142,449,114	151,375,431	175,125,283	62,490,871	81,250,333	-	-	-	-	-	
Deferred Tax Assets	-	-	-	9,815,140	45,073,647	35,767,246	52,586,166	57,800,324	61,419,536	18,446,150	
Total Assets	11,010,320,936	11,188,660,242	10,468,502,408	9,228,413,605	9,056,113,880	8,860,310,735	8,957,424,054	7,486,207,457	6,148,709,247	4,774,124,098	
Liabilities											
Due to Banks & Other Financial Institutions*	663,297,904	1,955,110,921	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	
Due to Customers	6,366,847,674	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	
Other Financial Liabilities	782,806,494	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	
Retirement Benefit Liability	41,284,829	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	
Current Tax Liabilities	58,471,051	214,913,360	175,080,456	147,245,448	47,853,948	8,822,247	-	-	56,345,826	26,491,603	
Deferred Tax Liability	18,494,556	13,251,026	13,298,360	-	-	-	-	-	-	-	
Total Liabilities	7,931,202,508	8,218,696,839	8,043,384,432	7,235,413,443	7,418,795,879	7,326,250,472	7,389,796,126	6,275,941,700	5,534,184,141	4,249,353,927	
Shareholders' Funds Stated Capital	1,321,097,699	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	
Retained Earnings	912,324,112	535,358,397	956,131,917	610,075,860	382,235,796	299,663,476	337,975,406	276,925,848	169,597,476	97,837,286	
Other Reserves	845,696,617	1,113,507,307	347,573,104	261,511,347	133,669,250	112,983,832	108,239,567	89,266,829	62,554,000	44,659,255	
Total Shareholders' Funds	3,079,118,428	2,969,963,403	2,425,117,976	1,993,000,162	1,637,318,001	1,534,060,263	1,567,627,928	1,210,265,757	614,325,106	524,870,171	
Total Liabilities and Shareholders' Funds	11,010,320,936	11,188,660,242	10,468,502,408	9,228,413,605	9,056,113,880	8,860,310,735	8,957,424,054	7,486,207,457	6,148,709,247	4,774,124,098	

BRANCH NETWORK



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 2575735	inquiries@abansfinance.lk	Mr.Muditha Silva / Mr.Dileepa Dharmaratna	HO
2 Kurunegala	Branch	No. 193/A, Colombo Road, Kurunegala	037 2228115	037 2228111	kurunegala@abansfinance.lk	Mr. Sudath Wijeratne	KG
3 Dambulla	Branch	"Sujatha Building" Kurunegala Junction, Dambulla.	066 2285004	066 2285000	dambulla@abansfinance.lk	Mr. Nuwan Wansinghe	DB
4 Badulla	Branch	No.05, New Muthiyangangaya Road, Badulla	055 2228180	055 2222101	badulla@abansfinance.lk	Mr. Harendra Kumara	BD
5 Anuradhapura	Branch	No.514/3 B, Samarala Building " Mathripala Senarajapala Mawatha, Anuradhapura.	025 2220679	025 2224557	anuradhapura@abansfinance.lk	Mr. Indira Banayake	AP
6 Galle	Branch	No.02, Mahawata Road, Kaluwellu, Galle.	091 2258888	091 2227122	galle@abansfinance.lk	Mr.Ranjith Kaljananda	GL
7 Gampaha	Branch	No.95, Colombo Road, Gampaha	033 2215073	033 2215073	gampaha@abansfinance.lk	Mr. Anila Lokukumara	GM
8 Jaffna	Branch	No.221 Power House Road, Jaffna	021 3207686	021 2217022	jaffna@abansfinance.lk	Mr. Jesurajah Thuyiyanthan.	CH
9 Ratnapura	Branch	No. 176, Main Street, Ratnapura	045 2221226	045 2228873	ratnapura@abansfinance.lk	Mr. Sampath Kumarasinghe .	RT
10 Kandy	Branch	No.26, Hill Street, Kandy	081 2220744	081 2206575	kandy@abansfinance.lk	Mr.Samantha Gunawardhana.	KD
11 Matara	Branch	No.641 / 641 1/1, "Laksara Madura "Galle Road, Waligama, Matara	041 2228571	041 2238440	matara@abansfinance.lk	Mr. J D Chinthaka.	MT
12 Kaduruwela	Customer Centre	No.65 and 148 in front of the Police Station, Kaduruwela	027 3900995	027 2223323	kaduruwela@abansfinance.lk	Mr. Ruchan Amarathunga.	KW
13 Embilipitiya	Customer Centre	No. 125A, New Town Road, Embilipitiya.	047 3220400	047 2862261	embilipitiya@abansfinance.lk	Mr.Lektha Rubasinghe.	EB
14 Ampara	Customer Centre	No.19, D S Senarajapala Veediya Ampara	063 2050543	063 2223141	ampara@abansfinance.lk	Mr. Darshana Padma Kumara.	AM
15 Batticaloa	Customer Centre	No.395, Trinco Road, Batticaloa	065 2052795	065 2229799	batticaloa@abansfinance.lk	Mr. Rasalingam Ramalingam.	BT
16 Pottalam	Customer Centre	No. 138, 138A Kurunegala Road, Pottalam	022 3295105	022 2267667	pottalam@abansfinance.lk	Mr.Sarath Wickramasinghe	PT
17 Tissamaharama	Customer Centre	No.08, Pahalala Veediya Tissamaharama	047 2227933	047 2227937	tissamaharama@abansfinance.lk	Mr. Thisara Silva	TS
18 Trincomalee	Customer Centre	No.123, Inner Harbour Road, Trincomalee.	026 3207334	026 2054849	trinco@abansfinance.lk	Mr. Rajendran Jerome.	TR
19 Vavuniya	Customer Centre	No.39/A, 2nd Cross Street, Vavuniya	024 2228222	024 2228222	vavuniya@abansfinance.lk	Mr.Sivalingam Kobi.	VV

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.

GLOSSARY

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

Impairment

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 judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not 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.

GLOSSARY

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

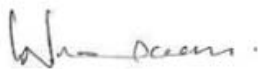
Rate of return on an investment in percentage terms, taking in to account annual income and any changes in capital value.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the EIGHTEENTH ANNUAL GENERAL MEETING of ABANS FINANCE PLC will be held on 27th September 2024 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 2024 and the Report of the Auditors thereon.
2. To re-elect Mr. Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamilage Aluwihare Mahawalawwe Thulci Goutham Aluwihare, a Director of the Company who has submitted himself for re-election as a Director in conformity with Section A.8 of the Code of Best Practice on Corporate Governance 2023, as recommended by the Directors.
3. To re-elect Mr. Kalugamage John Cecil Perera, a Director of the Company who has submitted himself for re-election as a Director in conformity with Section A.8 of the Code of Best Practice on Corporate Governance 2023, as recommended by the Directors.
4. To appoint Messrs. KPMG Chartered Accountants of No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03 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 2025.

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.
23rd August 2024

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 suresh@abansfinance.lk or nipunis@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 here in. The duly completed Form of Proxy should be forwarded to the Company by way emailing it to the Company emailing addresses suresh@abansfinance.lk or nipunis@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 suresh@abansfinance.lk or nipunis@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 2023/2024 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 Mr.Dushan Suresh if you require assistance in accessing the above link any time between 9.00 am to 5.1 pm on working days on the number of 011-2208888 ext: 413, 415

FORM OF PROXY

I/We*
.....of.....
.....being a member/members * of ABANS FINANCE PLC, hereby appoint;

Mr. K J C Pereraof Colombo or failing him
Mr. Rusi Pestonjeeof Colombo or failing him
Mr. Hiran Chaminda Embuldeniyaof Colombo or failing him
Mr. W B W M R A M T G Aluwihareof Colombo or failing him
Mr. S M S Sanjaya Bandaraof 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 2024 at 10.00 am 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 2024 and the Report of the Auditors there on.		
2. To re-elect Mr. W B W M R A M T G Aluwihare, a Director of the Company who has submitted himself for re-election as a Director in conformity with section A.8 of the Code of Best Practice on Corporate Governance 2023, as recommended by the Directors		
3. To re-elect Mr. K J C Perera, a Director of the Company who has submitted himself for re-election as a Director in conformity with section A.8 of the Code of Best Practice on Corporate Governance 2023, as recommended by the Directors		
4. To appoint Messrs. KPMG Chartered Accountants of No.32A, Sir Mohamed Macan Marker Mawatha, Colombo 03 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 2025.		

Signed this day of 2024

.....

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 2024. 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

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 23rd August 2024.
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 2024
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

Date :

.....
1st Joint holder's signature

Date :

.....
2nd Joint holder's signature

Date :

ABANS FINANCE PLC

ANNUAL GENERAL MEETING 2024

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 2023/2024



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 suresh@abansfinance.lk or nipunis@abansfinance.lk 48 hours prior to the time fixed for the meeting.

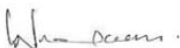
The Notice of meeting, Form of Proxy, and other related documents will also made available on the website of the Colombo Stock Exchange ([https://www.cse.lk / home / market](https://www.cse.lk/home/market)) The Company will endeavor to dispatch the aforementioned documents by ordinary post to the shareholders 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
23rd August 2024

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, Rotunda Towers,
No. 109, Galle Road, P.O. Box 101, Colombo 03.

INTERNAL AUDITORS

Chief Internal Auditor Abans Group of Companies
498, Galle Road, Colombo 3

COMPANY 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

Abans Finance PLC

No.456, R. A. De Mel Mawatha, Colombo 03, Sri Lanka.

Tel : +94 11 2208888 Fax : +94 11 2375517

E-mail : inquires@abansfinance.lk

web : www.abansfinance.lk

A Finance Company Licensed by the Monetary Board of the Central Bank of Sri Lanka
under the Finance Business Act No. 42 of 2011
