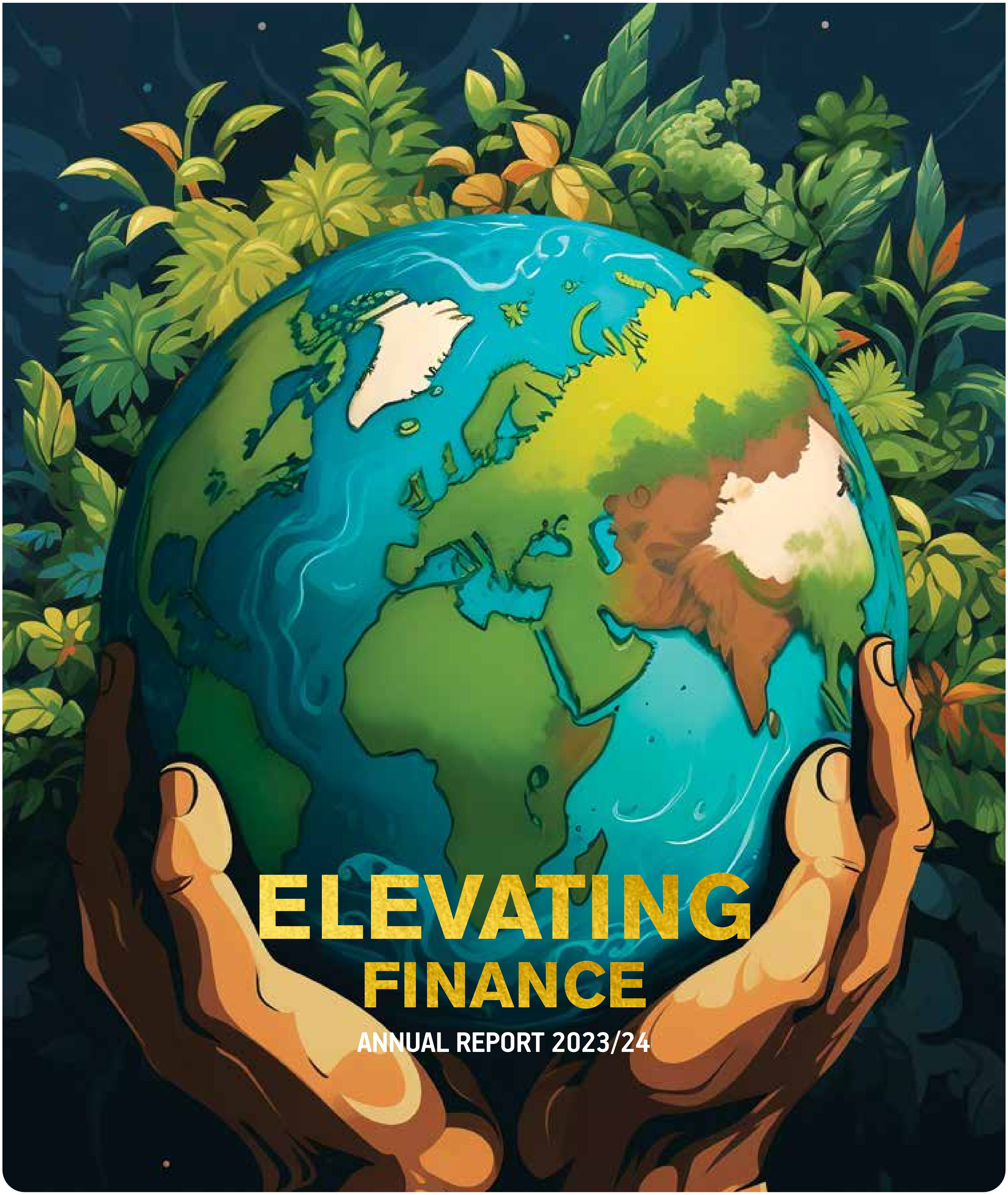


ELEVATING FINANCE

ANNUAL REPORT 2023/24

Since 1956

Alliance Finance Co. PLC

Make the world a better place through sustainable finance

Contents

ELEVATING FINANCE

A tenet that has continuously propelled us towards excellence is our ability to grow through sustainability, and remaining ever focused on our goal of walking the talk in every aspect of our business. Sustainability to us therefore is not merely a buzzword but an integral component in our beliefs. The year under review has been exemplary in this regard, and a significant push in upholding and improving our standards has helped us become better than ever and more spirited to make a positive impact socially and environmentally for this generation and the many more generations to come. With effective sustainable parameters and dynamic strategy that keeps us aligned to best practices, our opportunities have expanded vastly as we strive, not only to deliver value to our stakeholders, but to transform the nation, by elevating finance to exponential heights.

About our Integrated Report

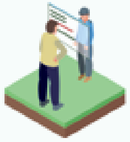
GRI 2-3

This integrated annual report documents both financial and non-financial performance of Alliance Finance Co. PLC (AFC), essentially providing a clear and concise account of the steps taken to achieve the Company's strategic purpose while balancing the expectations of all stakeholders.

Stakeholders


Keep satisfied


Manage closely


Monitor


Keep informed

Key Improvements in FY 2023/24 Report

SLFRS S1 and S2

In FY 2023/24, AFC has commenced early adoption of SLFRS S1 and S2 standards by disclosing qualitative aspects of S1 and qualitative disclosures in S2 as referred to in page 305, positioning the Company at the forefront of financial and sustainability reporting. This strategic initiative sets AFC apart as a pioneer in transparency and accountability within the local Non-Banking Financial Institution (NBFI) sector.

The implementation of qualitative SLFRS S1 enables AFC to provide comprehensive sustainability-related financial disclosures, thereby significantly enhancing stakeholder confidence in its long-term viability and ethical practices. Additionally, the adoption of qualitative SLFRS S2 reinforces AFC's leadership by delivering detailed climate-related financial information, showcasing the Company's commitment to addressing climate risks and opportunities.

These efforts are in alignment with AFC's newly launched High Impact Goals (HIG), reflecting the Company's unwavering dedication to environmental, social, and governance (ESG) advocacy.

Target Audience

AFC's integrated annual report for FY 2023/24 has been structured to cater to the Company's stakeholders encompassing shareholders, customers, employees, business partners & suppliers, funding & network partners, regulators and the wider community.

To that end, the report provides comprehensive insights into the Company's financial health, governance practices, sustainability initiatives and strategic direction to help stakeholders make informed decisions. Additionally, it aims to assure regulatory bodies of compliance with industry standards and attract potential investors by showcasing the commitment to transparency, accountability, sustainability, and governance best practices.

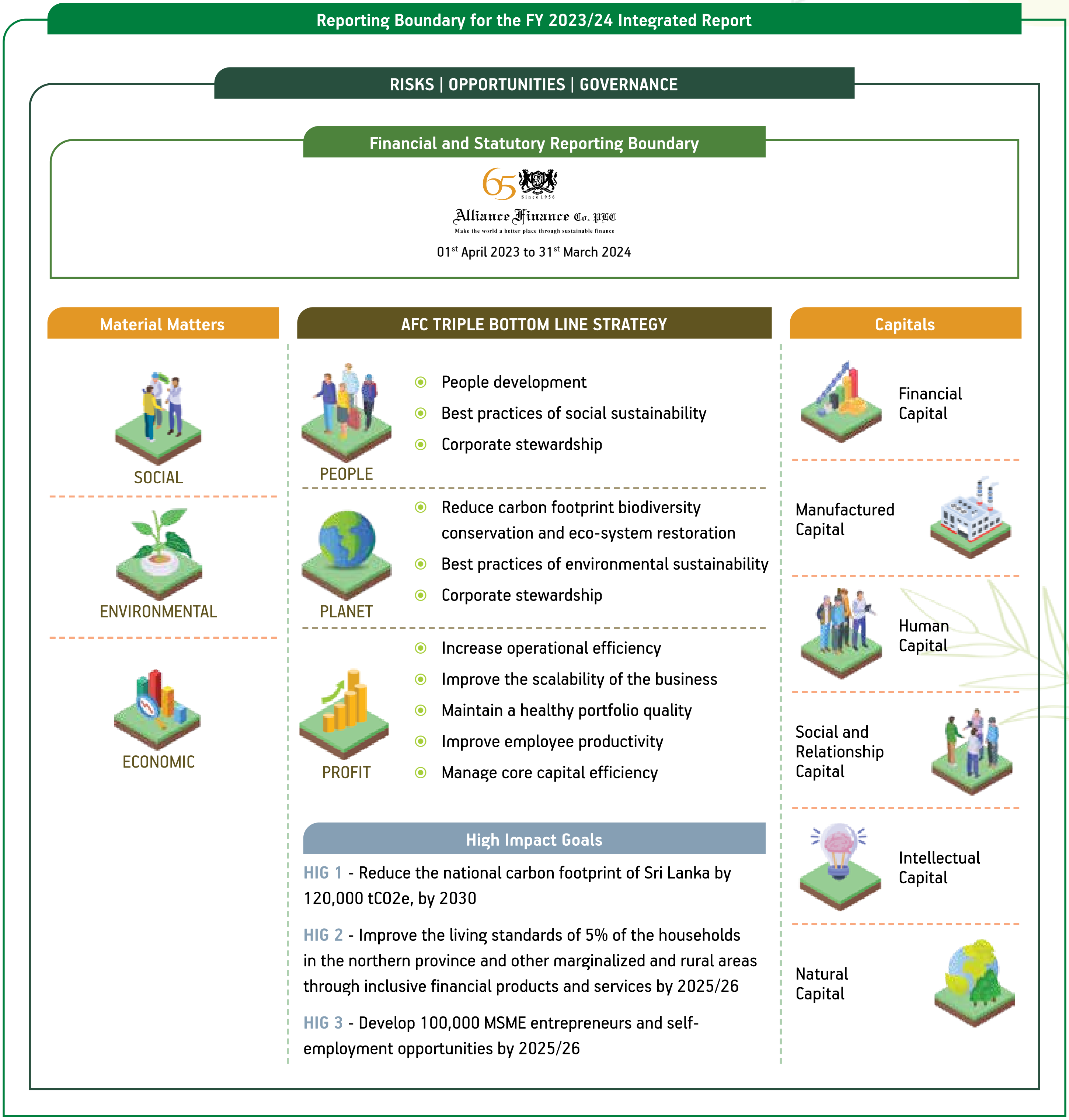
The current report is the 68th integrated report prepared by the Company. All previous integrated reports including the most recent report for the FY 2022/23 are available on the corporate website - https://www.alliancefinance.lk/investor-relations/#annual-reports for viewing and downloading.

Alliance Finance Co. PLC - Integrated Reporting Journey

Scope and Boundary

This report covers all AFC operations over which, unless otherwise stated, we have control for the financial year commencing on 1st April 2023 and ending 31st March 2024. Monetary amounts in this document are reported in rupees, unless otherwise stated.

The integrated reporting boundary covers risks, opportunities and outcomes relating to the Company's operating environment, its strategy and resource allocation processes that determine the Company's ability to create and sustain value.



Reporting Boundary for the FY 2023/24 Integrated Report

RISKS | OPPORTUNITIES | GOVERNANCE

Financial and Statutory Reporting Boundary

Alliance Finance Co. PLC

Make the world a better place through sustainable finance

01st April 2023 to 31st March 2024

Material Matters

- SOCIAL
- ENVIRONMENTAL
- ECONOMIC

AFC TRIPLE BOTTOM LINE STRATEGY

PEOPLE
- People development
- Best practices of social sustainability
- Corporate stewardship

PLANET
- Reduce carbon footprint biodiversity conservation and eco-system restoration
- Best practices of environmental sustainability
- Corporate stewardship

PROFIT
- Increase operational efficiency
- Improve the scalability of the business
- Maintain a healthy portfolio quality
- Improve employee productivity
- Manage core capital efficiency

High Impact Goals

HIG 1 - Reduce the national carbon footprint of Sri Lanka by 120,000 tCO2e, by 2030

HIG 2 - Improve the living standards of 5% of the households in the northern province and other marginalized and rural areas through inclusive financial products and services by 2025/26

HIG 3 - Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2025/26

Capitals

- Financial Capital
- Manufactured Capital
- Human Capital
- Social and Relationship Capital
- Intellectual Capital
- Natural Capital

Reporting Frameworks

Financial Reporting

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka M
- Finance Business Act No. 42 of 2011 and amendments thereto M
- The Companies Act no. 7 of 2007 M
- CSE Listing rules M

Governance and Risk Reporting

- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka V
- Corporate Governance rules issued by the CSE for listed entities M
- The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies M
- Finance Leasing Act No. 56 of 2000 M
- Anti-money Laundering Laws and Regulations M
- Inland Revenue Act No. 24 of 2017 and amendments thereto M
- Shop & Office Employees Act No. 19 of 1954 and amendments thereto M

Integrated Reporting

- Integrated Reporting Framework <IR> by the International Integrated Reporting Council V

Sustainability Reporting

- Global Reporting Initiative (GRI) Standards with reference V
- United Nations Sustainable Development Goals V
- SLFRS S 1 and S 2 as referred to page 305 V
- Sustainability Accounting Standards Board (SASB) disclosure requirements. V

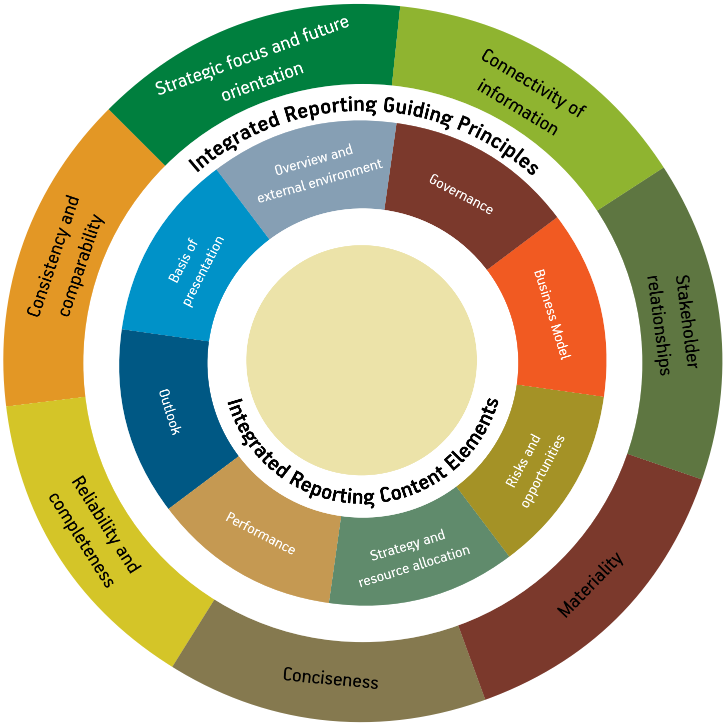
M - Mandatory Requirements V - Voluntary Adoption

Integrated Reporting Process

AFC's integrated reporting process follows a structured framework to amalgamate financial and non-financial information to provide a comprehensive view of the Company's overall performance and strategic direction. The process begins with the identification of key performance indicators (KPIs) that align with the Company's strategic objectives and stakeholder expectations. Financial data is meticulously compiled and audited to ensure accuracy and compliance with relevant accounting standards. Concurrently, non-financial data, including ESG factors, are collected through sustainability assessments, stakeholder consultations, and performance reviews.

The integration of these diverse data sets involves cross-functional collaboration among finance, sustainability, risk management and governance teams. Advanced data analytics tools are employed to analyse and synthesise the information, providing insights into the interdependencies between financial performance and ESG factors. This holistic analysis is then presented in a coherent and accessible format, highlighting how the Company's strategies and operations contribute to long-term value creation.

Regular feedback loops are established to refine the reporting process continuously, incorporating stakeholder input and adapting to emerging trends and regulatory requirements. This dynamic and transparent approach ensures that the integrated report not only meets the highest standards of disclosure but also serves as a strategic tool for decision-making, reinforcing AFC's commitment to sustainable growth and accountability.



Materiality

In determining the content of its integrated report, AFC has adhered closely to the principle of materiality. This principle entails identifying and including information that is relevant and significant to stakeholders for making informed decisions about the Company's performance and prospects. A thorough assessment is conducted to ascertain which financial and non-financial factors are material based on their potential impact on the Company's value creation process and stakeholders' interests. This process helps to prioritise disclosure of information that is essential for understanding its business model, strategy, risks, opportunities, and impact on society and the environment. By focusing on material aspects, AFC ensures that its integrated report provides concise, meaningful, and actionable insights to stakeholders, thereby enhancing transparency, accountability, and trust in the Company's operations and long-term sustainability.

Six Capitals

AFC recognises the significance of the six capitals framework as a comprehensive way to assess and report on the progress of its value creation initiatives. The six capitals financial, manufactured, intellectual, human, social and relationship, and natural are essential resources that AFC relies on to deliver its products and services sustainably. Each capital represents a different aspect of AFC's operations and impacts, from financial resources and physical assets to intellectual property, human capital, relationships with stakeholders, and natural resources.

Precautionary Approach

The integrated report for FY 2023/24 highlights AFC's commitment to embracing the precautionary approach in managing sustainability issues, notably by integrating environmental, social, and governance (ESG) considerations into all tiers of decision-making processes. This approach is underpinned by a proactive surveillance of ESG risks, ensuring a vigilant stance towards potential threats, and mobilising pertinent mitigation measures across the Company's products, services and operations, underscoring the commitment to proactive risk management and sustainable practices for the purpose of long-term value creation.

Assurance GRI 2-5

AFC employs a combined assurance approach to validate the content within its integrated report, ensuring transparency and reliability for stakeholders. This approach requires collaboration among internal teams to review both financial and non-financial data, to assess compliance with regulatory requirements and alignment with internal policies and standards, while the accuracy and completeness of the information presented is independently verified by external auditors or specialised consultants as needed.

The Company's external auditors; Deloitte Associates have provided independent assurance reports regarding the financial statements for the year ended 31st March 2024. Their report is shown on Page 202 to 205 respectively.

The draft integrated report is reviewed by the Board Audit Committee before being provided to the Board for final approval.

Forward-Looking Statements GRI 2-4

This integrated report contains forward-looking statements that reflect our intent, belief or current expectations with respect to the Group's business operations, market conditions, results of operations and financial condition, sustainability objectives or targets, specific provisions and risk management practices. These statements are based on the assumptions and information currently available to the Company. Therefore it is important to note that actual results may differ materially from those expressed or implied due to various factors, including but not limited to changes in economic conditions, market trends, regulatory environments, and competitive dynamics. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as they involve risks and uncertainties that could cause actual results to differ materially from those anticipated.

Disclaimer: The material in this report contains general background information about the Group's activities current as at 31st May 2024. It is information given in summary form and does not purport to be complete. It is not intended to be and should not be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

There are no restatements pertaining to previous annual reports published by Alliance Finance Co. PLC.

Board Responsibility Statement

The Board of Directors of Alliance Finance Co. PLC acknowledges its fundamental responsibility for upholding the integrity of the integrated report, by ensuring that it accurately reflects the Company's performance and prospect in line with AFC's core purpose.

Accordingly, the Board confirms that the integrated report for FY 2023/24 provides a balanced and transparent view of AFC's financial and non-financial performance, in alignment with the Company's strategic objectives and commitments to stakeholders.

GRI 2-3

FEEDBACK

Recognising the importance of stakeholder insights in enhancing the quality of the Company's reporting suite, the AFC Board welcomes feedback on its integrated report and requests that all such feedback should be directed to:

Chief Financial Officer
Alliance Finance Company PLC
"Alliance House",
No.84, Ward Place, Colombo7, Sri Lanka.
Email: info@alliancefinance.lk

About Alliance Finance

GRI 2-1, 2-22

Alliance Finance Co. PLC (AFC) is the oldest finance company in Sri Lanka with a legacy of over 65 years of serving its loyal customers, supporting financial inclusion and sustainability. Incorporated in 1956 as a licensed finance company registered under the Central Bank of Sri Lanka, it now operates with an island-wide network of 90 points of presence and a dedicated, performance driven team of 1,740 employees. AFC has a shared vision to foster growth and prosperity of its customers whilst building trust and long-lasting relationships with the company. Environmental and sustainability initiatives are at the center of AFC's sustainability agenda, which embodies the company's drive towards supporting local and global sustainability priorities.

OUR PURPOSE → **Make the world a better place through sustainable finance.**

Sustainable Development

As we journey to becoming more sustainable, we continue to focus on strengthening our commitment to the United Nations Sustainable Development Goals. Ensuring full integration across the Company from an execution and reporting perspective enables value creation for all our stakeholders. Our Purpose motivates us to deliver against the outcomes of the 5ps-people, prosperity, peace, partnership, planet with the determination of driving positive change.

PEOPLE
The end use of all energies; must ensure responsible practices

PROSPERITY
Ensure growth and success through sustainable practices

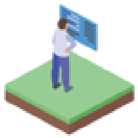
PEACE
Nurture peace consistently by being environment friendly

PARTNERSHIP
Establish harmonious relationship with mother nature

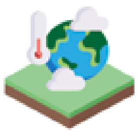
PLANET
Conserver the Planet Earth's natural resources for the future

What we support

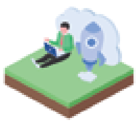
Sustainable Development



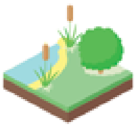
Responsible and inclusive finance



Battle against climate change



Social entrepreneurship development

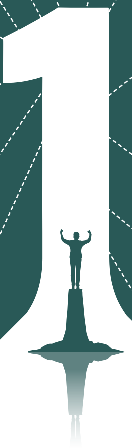


Biodiversity conservation and ecosystem restoration

Our values

- **TRUST**
  Our customers need to **TRUST** us and be happy
- **TEAMWORK**
  TEAMWORK will make us stronger
- **ETHICS**
  ETHICS and integrity are critical
- **RESPECT**
  We **RESPECT** each other and the environment we live in
- **ACCOUNTABILITY**
  Every one of us is **ACCOUNTABLE** for our actions
- **INNOVATION**
  We are open, brave and willing to drive **INNOVATION** and change

WE ARE THE



Non-Bank Financial Institution (NBFI) in South Asia to become a holistic, sustainability-certified, value driven financial institution under the pioneering Sustainability Standards and Certification Initiative (SSCI)

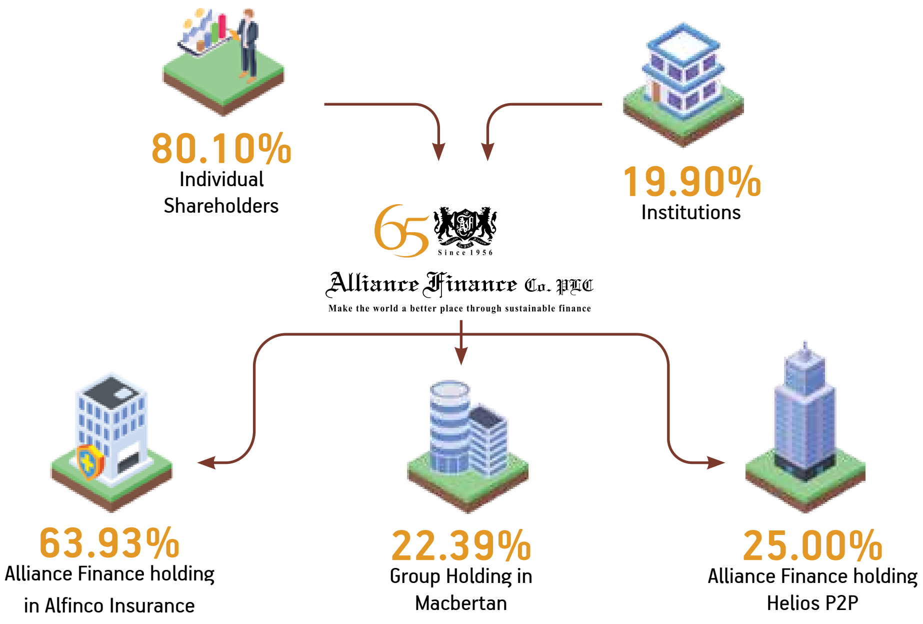
Organization in Sri Lanka's NBFI Sector to receive Certification for BCMS (Business Continuity Management Systems) ISO 22301: 201

Sri Lankan company in the Banking and NBFI Sector to receive the British Standard for BCMS Certification (Business Continuity Management System)

Finance company to introduce Savings Accounts

Financial institution to be awarded the ISO 9001: 1994 status by DET NORSKE VERITAS (DNV)

Our ownership structure



80.10%
Individual Shareholders

19.90%
Institutions

63.93%
Alliance Finance holding in Alfinco Insurance

22.39%
Group Holding in Macbertan

25.00%
Alliance Finance holding Helios P2P

What we offer

Inclusive financial solutions

Vehicle Leasing, Term Loans, Gold Loans

Innovative zero emission clean energy technology

Clean-energy equipment leasing

Investment solutions

Fixed Deposits, Savings, Gold investments

Vehicle trade - in and hiring services

Autosure, Ezy Drive

Leasing and Loans

Gross Portfolio: LKR 37.38 Bn
No of Customers: 57,734

- Vehicle and equipment leasing
- Quick Cash
- Speed cash
- Pledge loans
- Term loans

Gold Loans

Gross Portfolio: LKR 10.41 Bn
No of Customers: 42,633

- Short term advances collateralized against gold
- Instalment based gold investments

Savings and Deposits

Portfolio: LKR 28.39 Bn
No of Customers: 19,560

- Fixed deposits
- Savings deposits with special products to senior citizens and minors

Commercial Division

Hiring Vehicle Fleet: 41

- Operating Lease
- Vehicle trade-in service
- Rental service
- Automotive service centre

Board of Directors

GRI 2-11

Front seated L- R :

Mr. W. P. K. Jayawardana
Deputy Managing Director

Mrs. G. S. Tamara Dharmakirti-Herath
Chairperson

Mr. R. K. E. P. de Silva
Deputy Chairman/ Managing Director

Mrs. P. de Silva
Independent Non-Executive Director

Standing L - R :

Mr. Michael Benedict
Executive Director Recoveries

Dr. D. L. I. Hettiarachchi
Independent Non-Executive Director

Mr. L. J. H. de Silva
Independent Non-Executive Director

Mrs. G. S. Tamara Dharmakirti-Herath

Chairperson
Independent Non Executive Director

Mrs. G. S. Tamara Dharmakirti-Herath was appointed to the AFC Board of Directors as the Chairperson on 22nd October 2020. She holds over 40 years of experience in the financial services sector and has made significant contributions to the industry and was involved in the setting up two Non- Banking Financial Institutions (NBFI) in the country. In her long professional career, she has been in senior management positions in a few of the premier NBFI's and as a consultant providing technical skill and knowledge to NBFI's and banks engaged in Leasing and Factoring. She has vast knowledge and experience in the multiple aspects of the finance industry. She has facilitated knowledge and skill development to young leasing professionals in Sri Lanka (pro-bono) and advocates best practices and gender equality in the management of the NBFI sector.

Mr. R.K.E.P. De Silva

Deputy Chairman/Managing Director

Mr. Romani de Silva, a Fellow of the Institute of Credit Management counts over 30 years experience in the finance industry in Sri Lanka. He was appointed to the Board of Alliance Finance Co. PLC, in 1990 and currently holds the position of Deputy Chairman and Managing Director. Under his leadership AFC became the first Financial Institution in South Asia, to be certified at level 4 under the pioneering global sustainability standard SSCI, for value driven Finance Institutions which was developed by the European Organization for Sustainable Development (EOSD) - an EU initiative.

He also serves as a Non Executive Director on the Board of Sanasa Development Bank PLC. He also serves on the Boards in a Non Executive capacity - Alfinco Insurance Brokers (Pvt) Ltd, Macbertan (Pvt) Ltd., Macbertan Holdings (Pvt) Ltd., Macbertan Properties (Pvt) Ltd., companies under the "Alliance" umbrella, Finance Houses Consortium (Pvt) Ltd and Techlabs Global (Pvt) Ltd. He is also a Founder Director of the National Advisory Board for Impact Investing in Sri Lanka. He is a Life member of the Sri Lanka Institute of Directors and a member of the Chamber of Young Lankan Entrepreneurs. He also serves as the Honorary Treasurer of the SLICM incorporated by an Act of Parliament - an educational institution dedicated to the development of the credit industry of Sri Lanka.

An active promoter of development oriented Sustainable Banking and Finance in Sri Lanka, he serves on the SSCI Council - a Global Council initiated by the European Organization for Sustainable Development (EOSD), headquartered in Karlsruhe Germany and also the Global Finance 4.0 Council which is mandated to drive Finance as a force for good.

Whilst actively contributing to the development of this holistic sustainability standard for the global Banking and Finance industry, locally he also heads the Sub Committee on Sustainability and serves as a Council Member of the Finance Houses Association of Sri Lanka (FHASL), which is an industry representative body for Licensed Financial Institutions in Sri Lanka. He has represented the FHASL on the Steering Committee initiated by the Central Bank of Sri Lanka to develop a Sustainable Finance Road map for Sri Lanka for the Non-Bank Financial Sector and also on the National Financial Inclusion Strategy Project initiated by the World Bank Group, IFC, and the CBSL. He also represents the FHASL on the CBSL, Multi Stakeholder Committee for the Implementation of the Roadmap for Sustainable Finance in Sri Lanka.

Mr. De Silva has also represented Alliance Finance Company PLC as a Founder Investor in the pioneering "Ath Pavura" reality TV Programme and Social Enterprises Funding Platform co-founded by the Lanka Impact Investing Network (LIIN) and Social Enterprise Lanka (SEL) in Sri Lanka which aims to create awareness on social enterprise and develop an impact investing culture in the country.

Mr. W. P. K. Jayawardana

Deputy Managing Director

Mr. W.P.K. Jayawardana was appointed to the AFC Board of Directors on 4th April 2017 and currently serves as Deputy Managing Director. He brings over 25 years of experience in investment banking, corporate finance, credit and operations.

He is involved in and has led teams in launching several innovative products in Sri Lanka and Bangladesh, including securitization structures, convertible securities and derivatives and has executed several landmark capital market transactions. He played a key role in setting up NDB Capital Limited, Bangladesh and Emerald Sri Lanka Fund, being the first private equity country fund set up in Sri Lanka. He is a Chartered Financial Analyst, an Associate Member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants. He was also an Associate Member of the Association of Chartered Certified Accountants- UK. He holds an MBA from the Open University of Sri Lanka in collaboration with Commonwealth of Learning, Canada.

Mr. Jayawardana is also an independent Director of Lanka Ventures PLC, LVL Energy Fund PLC, Cable Solutions (Pvt) Ltd., and is a member of several board subcommittees of these two companies.

His previous appointments include, Managing Director/CEO of NDB Capital Limited, Bangladesh and COO of NDB Capital Holdings Limited. He has held Board positions in several listed and private entities including Resus Energy PLC, Panasia Power PLC, Lanka Communication Services Limited and NDB Capital Limited.

Mrs. Priyanthi de Silva

Independent Non-Executive Director

(Chairperson of the Board Audit Committee and Board Integrated Risk Management Committee at the end of the financial year)

Mrs. Priyanthi de Silva was appointed to the Board on 8th August 2018 as an Independent Non-Executive Director. She is a fellow of the Chartered Institute of Management Accountants (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practising Accountants, (FCPA) of Australia. She was also an Associate member of the Association of Chartered Certified Accountants of UK (ACCA).

She has over 30 years of experience in the FMCG, Leisure, Healthcare, Travel, and Financial Services sectors in Sri Lanka and Australia. The senior positions held by her in Sri Lanka include Chief Financial Officer at Foundation of Goodness, Manager Compliance at SriLankan Airlines and Manager Finance and Systems at SriLankan Catering, Financial Controller of Hemas Holdings PLC, Finance Manager at Arpico Finance PLC, Manager Finance and MIS at Eagle NDB Fund Management and in Australia as a Financial Specialist at Goston Avend Pty Ltd, and as an Accountant at GE Money and Coles Express (Melbourne).

Mr. L. J. H. de Silva

Independent Non-Executive Director

(Member Board Audit Committee, Board Integrated Risk Management Committee, Remuneration Committee, Related Party Transactions Review Committee and Audit Committee at the end of the financial year)

Mr. L. J. H. de Silva was appointed to the AFC Board of Directors on 16th October 2019 as an Independent Non-Executive Director. He is presently the Managing Director of Alliance Agencies Ltd., exclusive agents in Sri Lanka for Heidelberger Druckmaschinen AG Germany and Drive One (Pvt) Ltd., sole distributor for Audi AG, Germany, Alliance Graphic Services (Pvt) Ltd., and Heshia Shipping (Pvt) Ltd. and Chairman of Alliance Autocare (Pvt) Ltd.

He has over 30 years of management experience. He has acquired significant experience in brand building, strategic planning and key account management. He is a former president of the Association for Print and Design Professionals. Mr. de Silva attended Hauchler Studio College and Print Media Academy Heidelberg, Germany, is a fellow of the Sri Lanka Institute of Printing.

Mr. Michael Benedict

Executive Director Recoveries

Mr. Michael Benedict who has more than 33 years of experience in the industry, joined Alliance Finance Co. PLC on 1st of February 2002 as Senior Manager Marketing and was appointed as an Executive Director, Recoveries on 1st of September 2023. He is a talented individual impact who has worked in marketing, risk and recoveries with over 2 decades of dedicated service at Alliance Finance Co. PLC. With his extensive experience and expertise, he has contributed significantly to the success and growth of the company. He is a Non Executive Director of Alfinco Insurance Brokers (Pvt) Ltd. He holds a Master of business Administration from Cardiff Metropolitan University, UK also is a certified Management Account of Australia and also a certified member of Sri Lanka Institute of Marketing.

Dr. D. L. I. Hettiarachchi

Independent Non-Executive Director

(Chairman of Remuneration Committee and Related Party Transactions Review Committee at the end of the financial year)

Mr. D. L. I. Hettiarachchi was appointed to the AFC Board of Directors on 22nd October 2020 as an Independent Non-Executive Director. He is a Non Executive Director of Cyrus Corporate Services (Pvt) Ltd. He has over 29 years' experience in management and administration. Since 2002 he owns and manages a private civil law practice and has over 35 years' experience in commercial and civil litigation in original/ appellate courts and arbitrations in a range of matters. He possesses in-depth and wide experience in transactional legal services and consultancy, including a wide scope of matters covered in a commercial/ corporate law practice. He is an Attorney at Law of the Supreme Court of Sri Lanka and holds Master of Laws and a Doctor of Civil Law, degrees obtained from McGill University in Montreal, Canada.

Corporate Management

Front seated L- R :

Mr. Michael Benedict	**Mr. R.K.E.P.De Silva**	**Mr. W.P.K. Jayawardana**
Executive Director Recoveries	*Deputy Chairman / Managing Director*	*Deputy Managing Director*

Standing L - R :

Mr. Ajit Subasinghe	**Mr. Emmanuel Muttupulle**	**Mr. Ajantha Kumara**	**Mrs. Champa Nakandala**
Chief People Officer	*Chief Talent & Stakeholder Management Officer*	*Chief Commercial Officer*	*Chief Deposit Officer*

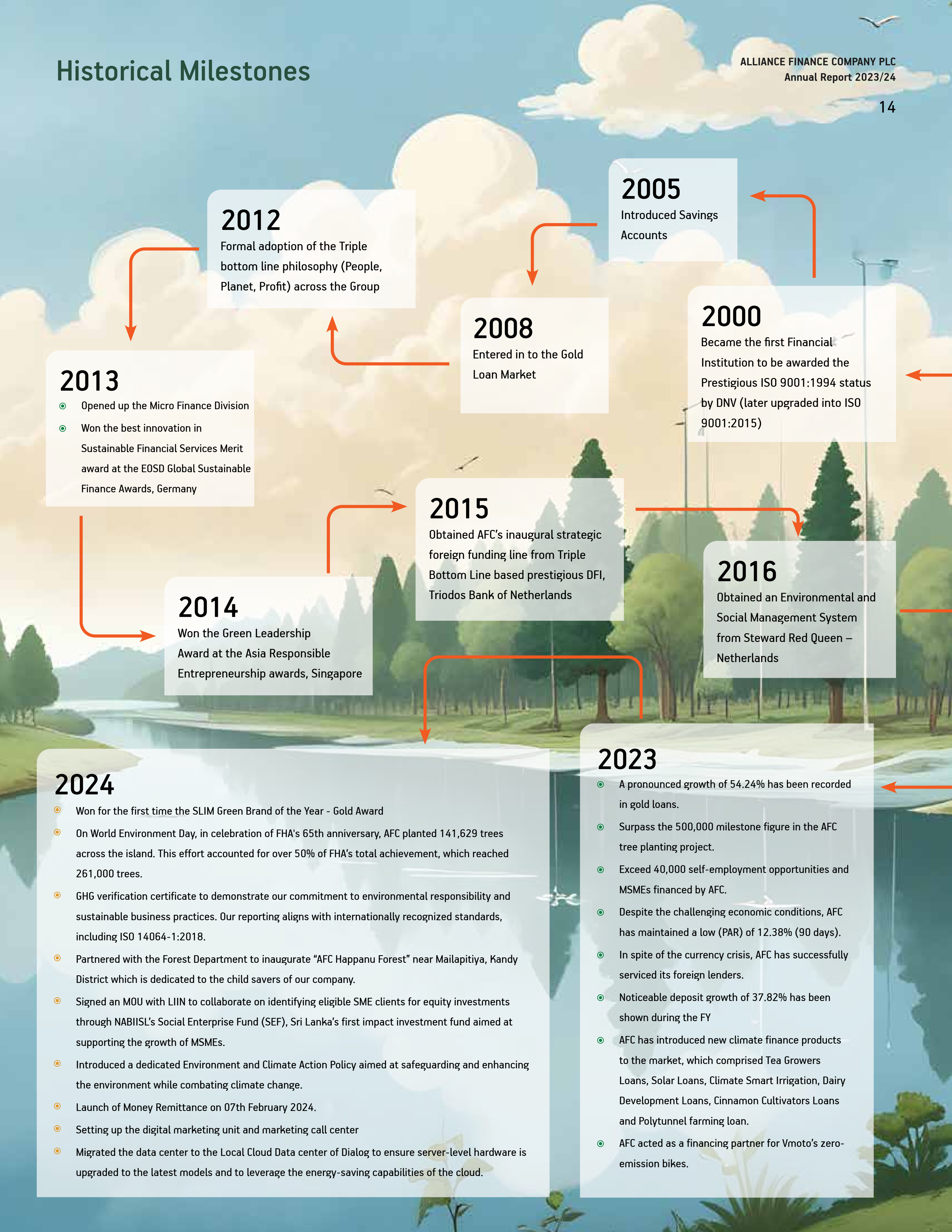
Mr. Aruna Rodrigo
Chief Operating Officer

Management Team

Name	Designation
Romani De Silva	Deputy Chairman / Managing Director
Kusal Jayawardena	Deputy Managing Director
Michael Benedict	Executive Director Recoveries
Emmanuel Muttupulle	Chief Talent & Stakeholder Management Officer
Aruna Rodrigo	Chief Operating Officer
Ajantha Kumara	Chief Commercial Officer
Ajit Subasinghe	Chief People Officer
Champa Nakandala	Chief Deposit Officer
Dimuthu Tillekeratne	Chief Financial Officer - (W. E. F 10th May 2024)
Roshan Rathnayaka	Senior Assistant General Manager Deposit Marketing
Sujith Fernando	Assistant General Manager - Digital Transformation and Collaboration Finance
Roshan Carrim	Assistant General Manager - Recoveries
Surendra Rodrigo	Assistant General Manager - Gold Loan Operations
Asanka Atapattu	Assistant General Manager - Treasury
Harsha Wijesinghe	Assistant General Manager - Credit
Venothkumar Rajendran	Assistant General Manager - Internal Audit
Wasantha Maldeniya	Assistant General Manager - Regional Head
Saman Medagoda	Assistant General Manager - Regional Head
Udaya Suranjith	Assistant General Manager - Regional Head
Isanka Gayan	Assistant General Manager - Regional Head
Selvarathnam Nishanth	Assistant General Manager - Regional Head
Mallika Jayathilaka	Assistant General Manager - Regional Head
Nalin Kodagoda	Senior Manager - Regional Head
Mathieswarann Ganeshalingam	Senior Manager - MIS
Achala Wanniarachchi	Senior Manager - Legal
Dushan De Silva	Senior Manager - Marketing Communications & Branding
Udesh Heenatigala	Senior Manager - Information Technology
Chatura Senarathne	Senior Manager - Administration
Ashithinda Ramanayake	Senior Manager - Risk
Lalith Peiris	Senior Manager - Finance Operations
Vijekumar Rathnam	Senior Manager - Credit

Name	Designation
Chrishanthi Delishiya	Senior Manager - Deposits
Nishantha Peiris	Senior Manager - Deposits
Darshana Sampath De Silva	Senior Operations Manager
Amal Somarathne	Manager - Strategic Planning & Sustainability
Duminda Niranjan	Acting Regional Head
Upul Pathirana	Deputy Regional Head
Poorna Pothuduwage	Deputy Regional Head
Lasantha Pradeep Kumara	Acting Deputy Regional Head
Priyantha Guruge	Acting Deputy Regional Head
Thusitha Sampath Karunarathna	Acting Deputy Regional Head
Sithumina Jayasundara	Acting Deputy Regional Head
Selvaratnam Ratnarasa	Acting Deputy Regional Head
Meganathan Thayaparan	Acting Deputy Regional Head
Ranil Rohan Palansuriya	Acting Deputy Regional Head
Manoj Chanaka De Silva	Senior Branch Manager
Achira Aninda Senarathne	Senior Branch Manager
Kasun Randika Gunasekara	Senior Branch Manager
Ruwan Ranga Tennakoon	Senior Branch Manager
Darshana Pushpakumara	Senior Branch Manager
Kavinda Lakmal Jayawardhana	Acting Senior Branch Manager
Widanage Ranaweera	Acting Senior Branch Manager
Sasith Wickramarachchi	Acting Senior Branch Manager
Dinesh Asanka Sanjeewa	Regional Recovery Incharge
Rajapaksha Malalasekara	Regional Recovery Incharge
Chinthaka Nuwan De Silva	Regional Recovery Incharge
Shashitha Priyadarsha Appuhami	Regional Recovery Incharge
Sebastin Daya Colin Rodrigo	Regional Recovery Incharge
Chamila Nishantha Hiriliyedda	Regional Recovery Incharge
Ajith Kumara	Regional Recovery Incharge
Seevarathnam Pradeep	Regional Recovery Incharge

Historical Milestones



2000

Became the first Financial Institution to be awarded the Prestigious ISO 9001:1994 status by DNV (later upgraded into ISO 9001:2015)

2005

Introduced Savings Accounts

2008

Entered in to the Gold Loan Market

2012

Formal adoption of the Triple bottom line philosophy (People, Planet, Profit) across the Group

2013

- Opened up the Micro Finance Division
- Won the best innovation in Sustainable Financial Services Merit award at the EOSD Global Sustainable Finance Awards, Germany

2014

Won the Green Leadership Award at the Asia Responsible Entrepreneurship awards, Singapore

2015

Obtained AFC's inaugural strategic foreign funding line from Triple Bottom Line based prestigious DFI, Triodos Bank of Netherlands

2016

Obtained an Environmental and Social Management System from Steward Red Queen – Netherlands

2023

- A pronounced growth of 54.24% has been recorded in gold loans.
- Surpass the 500,000 milestone figure in the AFC tree planting project.
- Exceed 40,000 self-employment opportunities and MSMEs financed by AFC.
- Despite the challenging economic conditions, AFC has maintained a low (PAR) of 12.38% (90 days).
- In spite of the currency crisis, AFC has successfully serviced its foreign lenders.
- Noticeable deposit growth of 37.82% has been shown during the FY
- AFC has introduced new climate finance products to the market, which comprised Tea Growers Loans, Solar Loans, Climate Smart Irrigation, Dairy Development Loans, Cinnamon Cultivators Loans and Polytunnel farming loan.
- AFC acted as a financing partner for Vmoto's zero-emission bikes.

2024

- Won for the first time the SLIM Green Brand of the Year - Gold Award
- On World Environment Day, in celebration of FHA's 65th anniversary, AFC planted 141,629 trees across the island. This effort accounted for over 50% of FHA's total achievement, which reached 261,000 trees.
- GHG verification certificate to demonstrate our commitment to environmental responsibility and sustainable business practices. Our reporting aligns with internationally recognized standards, including ISO 14064-1:2018.
- Partnered with the Forest Department to inaugurate "AFC Happanu Forest" near Mailapitiya, Kandy District which is dedicated to the child savers of our company.
- Signed an MOU with LIIN to collaborate on identifying eligible SME clients for equity investments through NABIISL's Social Enterprise Fund (SEF), Sri Lanka's first impact investment fund aimed at supporting the growth of MSMEs.
- Introduced a dedicated Environment and Climate Action Policy aimed at safeguarding and enhancing the environment while combating climate change.
- Launch of Money Remittance on 07th February 2024.
- Setting up the digital marketing unit and marketing call center
- Migrated the data center to the Local Cloud Data center of Dialog to ensure server-level hardware is upgraded to the latest models and to leverage the energy-saving capabilities of the cloud.

1956

AFC was incorporated on 18th July 1956

1959

Quoted in the Colombo Brokers Association (prior to the formation of Colombo Stock Exchange)

1995

Introduced the concept of Collaboration Finance for emerging entrepreneurs.

1998

Became a subscriber to the formation of "Alfinco Insurance Brokers"

2017

- AFC managed three issues respectively covering sub-division of shares, capitalization of reserves and rights issue of shares, for the first time in the CSE history.
- AFC obtained the first USD subordinated debt from Triple Bottom Line DFI, Triodos Bank of Netherlands. Signed the Karlsruhe Resolution pledging the contribution to "Agenda 2030"

2018

- Partnered IFC for a 5 Mn USD fund and technical assistance program
- Planted 176,000+ trees on World Environment Day 2018, with 990 schools with over 371,000 school children
- Launched "AFC Thuru Mithuru" tree planting programme.
- The Deputy Chairman/Managing Director won the "Sustainability leader of the year merit award", at Sustainable Finance Awards 2018, Germany.
- Became the first company in Sri Lanka and South East Asia to be accepted into the development of Global Sustainability Standards and Certification Initiative.

2019

Adopted the new purpose statement "Making the world a better place through sustainable finance" Obtained the membership of Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and Biodiversity Sri Lanka. Launced the "One Million Trees for Unity" Project Joined the Joined the "Ath Pavura" Social Business Development Platform

2020

- Formed the AFC Digital Centre.
- Won the Certificate of Merit for outstanding sustainability achievement at the Karlsruhe Sustainable Finance awards, Germany
- Won three awards for the, Excellence in Integrated Reporting

2021

- Provided 75,000 plants to the Road Development Authority's "Green Expressway project" to be planted alongside the expressway and interchange islands under AFC "One Million Trees for Unity" tree planting initiative
- Accepted into the cutting edge Financing 4.0 Program; an initiative of the European Organisation for Sustainable Development, Germany
- Became the first South Asian financial institution to achieve the prestigious status of being a sustainability certified institution by adopting the globally recognized Sustainability Standard and Certification Initiative (SSCI), awarded by the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany.

2022

- Won 8 national and international awards recognizing our sustainability commitment and business excellence.
- Recorded the highest ever profit growth over 150%
- Recorded the highest net portfolio growth of over 50%
- Surpassed 360,000 of plants under the 'One Million Trees for Unity' project.
- Completed island wide 55 minicommunity projects under AFC Branch Sustainability Projects.

Financial Highlights

81.59 %

917 2023/24

505 2022/23

Profit after Tax (LKR Mn)

15.17%

60,175 2023/24

52,248 2022/23

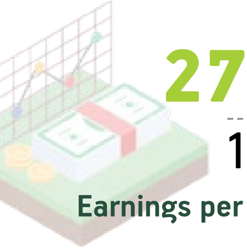
Total Assets (LKR Mn)

18.21 %

46,104 2023/24

39,002 2022/23

Lending Portfolio (LKR Mn)



81.59 %

27.21 2023/24

14.98 2022/23

Earnings per Share (LKR)

3.74 %

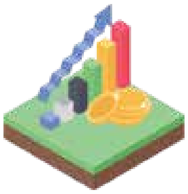
9.38 2023/24

13.12 2022/23

Gross NPL (%)

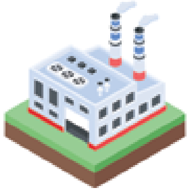
Indicator		2023/24	2022/23	Change %
Operating Results				
Interest Income	LKR Mn	13,185	11,947	10.36 ↑
Net Interest Income	LKR Mn	5,887	4,536	29.80 ↑
Profit Before Tax	LKR Mn	1,698	951	78.59 ↑
Profit After Tax	LKR Mn	917	505	81.59 ↑
Financial Position				
Total Assets	LKR Mn	60,175	52,248	15.17 ↑
Lending Portfolio	LKR Mn	46,104	39,002	18.21 ↑
Due to Depositors	LKR Mn	28,387	20,476	38.64 ↑
Due to Banks	LKR Mn	20,310	22,571	10.02 ↑
Shareholder's Equity	LKR Mn	8,129	6,958	16.83 ↑
Investor Information				
Market Price per Share	LKR	90.40	66.80	35.33 ↑
Market Capitalization	LKR Mn	1,551.66	1,162.31	33.50 ↑
Net Asset Value per Share	LKR	241.25	206.50	16.83 ↑
Earnings per Share	LKR	27.21	14.98	81.59 ↑
Dividend per Share	LKR	8.40	5.00	37.50 ↑
Dividend Yield	%	9.29	7.49	1.81 ↑
Dividend Payout Ratio	%	30.87	33.38	(2.51) ↓
Statutory Ratios				
Core Capital Ratio (Tier I) - Minimum 8.50%	%	12.07	12.42	(0.35) ↓
Total Capital Ratio (Tier II) - Minimum 12.50%	%	14.38	16.55	(2.17) ↓
Equity to Deposits (Minimum 10%)	%	28.64	33.98	(5.34) ↓
Liquidity Ratio	%	13.82	19.12	(5.30) ↓
Other Ratios				
ROA after tax	%	1.63	1.01	0.63 ↑
ROE after tax	%	12.15	7.40	4.75 ↑
Net Interest Margin	%	11.57	9.97	1.60 ↑
Efficiency Ratio	%	59.51	67.59	8.08 ↑
Borrowings to Deposits	%	71.55	110.23	38.69 ↑
Gross NPL	%	9.38	13.12	3.74 ↓

Non-Financial Highlights



Financial Capital

	2023/24	2022/23
Equity (LKR Mn)	8,129	6,958
Borrowings (LKR Mn)	20,310	22,571
Deposits (LKR Mn)	28,387	20,476



Manufactured Capital

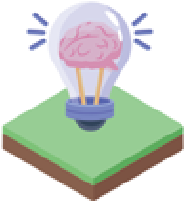
	2023/24	2022/23
Branches (Nos)	90	89
Branch Relocated (Nos)	3	5
Investment in Fixed Assets (LKR Mn)	288	249

Human Capital

	2023/24	2022/23
Customer Base (Nos)	119,927	105,802
Social Sustainability Initiatives (LKR Mn)	40.3	23.3
Lending to female Customer base (LKR Mn)	43,743	39,025

Social & Relationship Capital

	2023/24	2022/23
Total workforce (Nos)	1,740	1,411
Recruitments (Nos)	806	332
Employees Trainings (Hrs)	32,617	12,489



Intellectual Capital

Brand rating	Credit Rating
61	BBB-(Stable)

Natural Capital

	2023/24	2022/23
Total Direct Emissions (tCO_2e)	2,419	2,484
Environmental Sustainability Initiatives (LKR Mn)	22	10
Total Planted Trees (Nos)	715,380	525,310

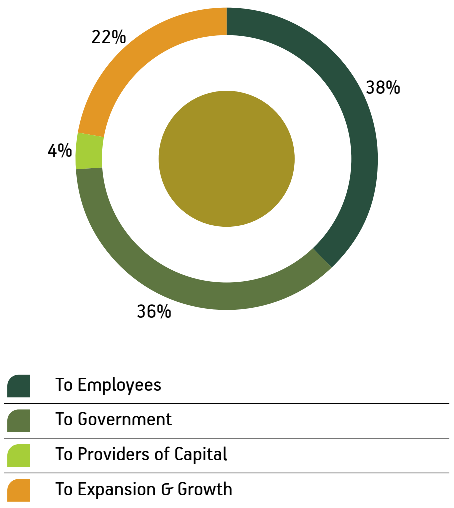
Socio Economic Impact

GRI 201-1

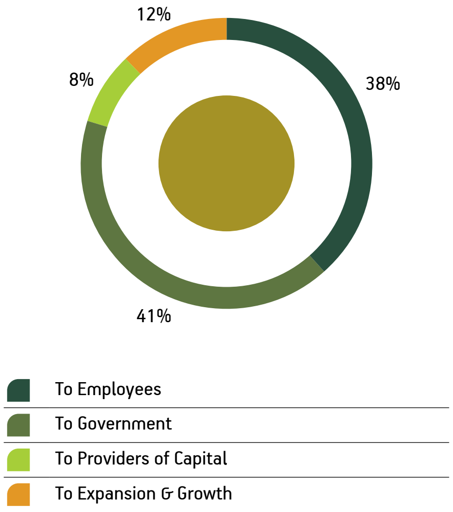
Value Added Statement - Company

For the year ended 31st March	2024 LKR	%	2023 LKR	%
Value Added				
Income	13,926,094,250		12,420,568,123	
Interest Expense	(7,297,688,560)		(7,411,342,695)	
Cost of External Services	(2,437,252,595)		(1,824,676,053)	
	4,191,153,095		**3,184,549,375**	
Distribution of Value Added				
To Employees				
Salaries & other benefits	1,604,634,943	38%	1,219,117,857	38%
To Government				
Taxes	1,500,189,173	36%	1,298,437,968	42%
To Providers of Capital				
Dividend	168,480,000	4%	269,568,000	8%
To Expansion & Growth				
Depreciation	169,449,679	4%	162,069,603	5%
Reserves	748,399,300	18%	235,355,947	7%
	917,848,979	22%	**397,425,550**	12%
	4,191,153,095	100%	**3,184,549,375**	100%

Value Distribution 2023/24 (%)



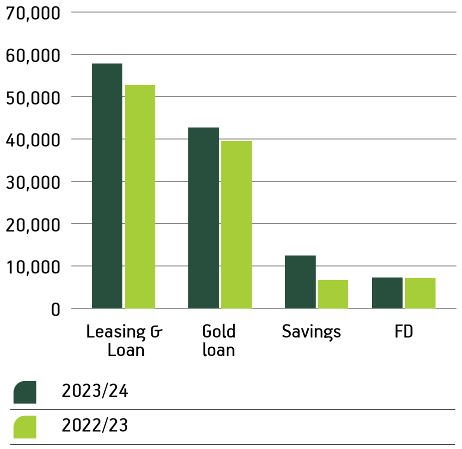
Value Distribution 2022/23 (%)



Fuelling GDP Growth

By broadening access to financial services in both urban and rural areas, AFC aims to foster economic inclusion and empower a wider range of individuals and businesses to participate in the economic activities. This expansion includes providing access to finance to women led and all other micro small and medium-sized enterprises (MSMEs), via vehicle loans and leases as well as gold loans. By empowering entrepreneurs and supporting local businesses, AFC is driving economic activity, creating jobs, and enhancing the overall economic stability and growth of Sri Lanka. This inclusive approach not only boosts individual livelihoods but also strengthens the national economy, contributing to a more robust and diversified GDP.

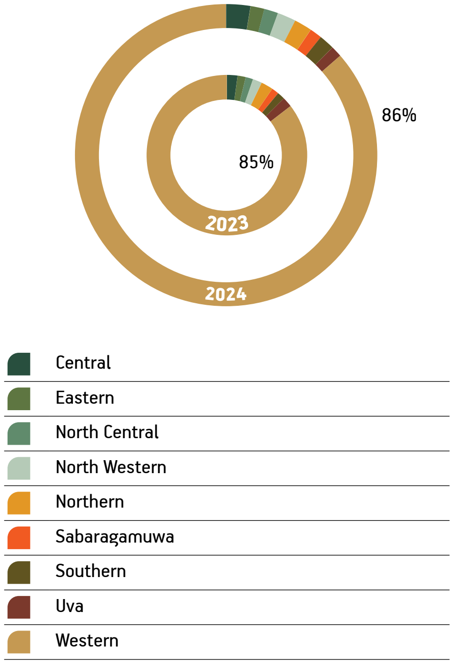
Customer Outreach



Strengthening Aggregate National Savings

As a leading financial institution, AFC plays an important role in strengthening Sri Lanka's aggregate national savings by actively promoting a culture of saving across the country. Through its extensive network of branches, AFC encourages individuals and businesses to engage in disciplined financial practices by offering attractive term deposits and savings deposit schemes. By making these financial products accessible in both urban centers and remote rural areas, AFC is ensuring that a larger segment of the population can benefit from structured saving options. This widespread promotion of savings helps to mobilize domestic funds, which are crucial for investment and economic stability. Further, the increase in national savings not only provides a buffer against economic uncertainties but also enhances the availability of capital for development projects, thereby supporting the country's overall economic growth and stability.

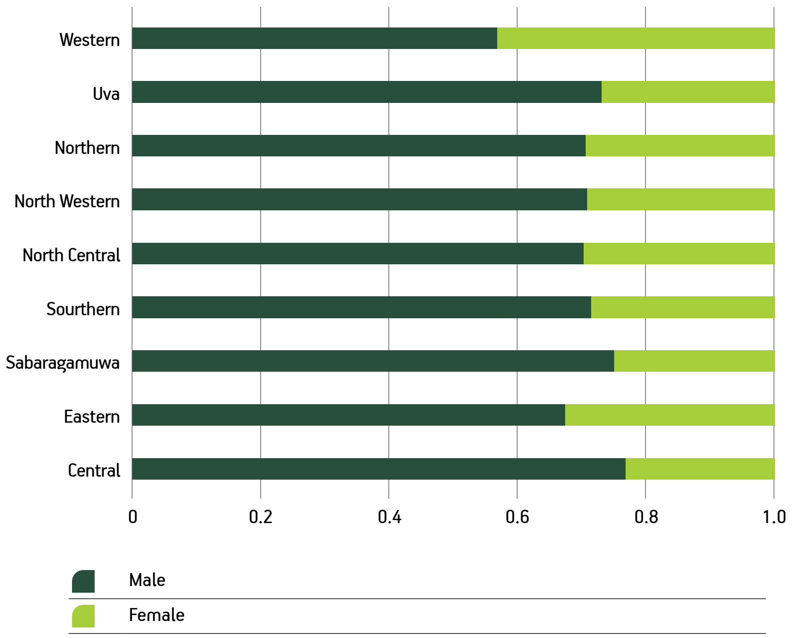
Deposit Base Provinces wise



Creating Employment Opportunities

AFC leverages its extensive island-wide branch network to create employment opportunities for people across Sri Lanka. By establishing branches in all regions, including urban, semi-urban, and rural areas, AFC provides numerous job opportunities, ranging from entry-level positions to managerial roles. This strategic expansion not only supports local economies by providing stable employment but also enables skill development and professional growth among the Country's workforce. Moreover, AFC's commitment to hiring locally helps to reduce regional disparities and promotes economic inclusivity. Furthermore training programmes and career development initiatives aim to develop a competent and competitive workforce that contributes to the broader economic development of the country over the longer term.

Employee by provinces (%)



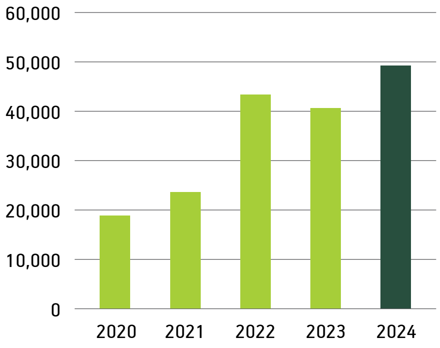
Supporting Livelihoods

AFC's commitment to shared value has been instrumental in supporting the livelihoods of small-scale entrepreneurs in Sri Lanka. Building strong relationships with suppliers to enable them to thrive and expand, helps to boost the prospects of local economies, creates jobs, and promote economic resilience. By prioritizing shared value, AFC not only enhances its own business ecosystem but also contributes significantly to the prosperity and development of small entrepreneurs throughout Sri Lanka.

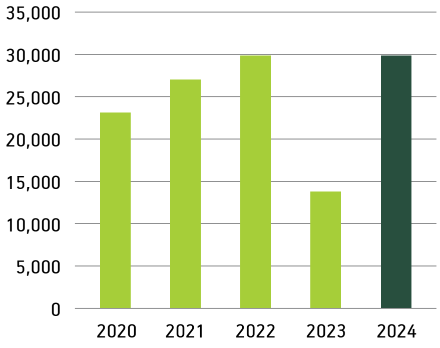
Empowering Communities

By focusing on providing financial access to grassroots-level communities, including women often overlooked by formal financing channels, AFC is making a profound impact on the quality of life of these communities. By extending microloans, and other financial services to individuals and small businesses in remote and underserved areas, AFC is bridging a critical gap in financial inclusion. This access to capital enables community members to start or expand businesses, invest in education, and improve their living conditions. The resulting economic activities not only enhance individual livelihoods but also stimulate local economies, reduce poverty, and contribute to the overall socio-economic development of the regions.

New Volumes Granted (LKR Mn)



Growth in Supplier Base (No.)



Awards and Accolades

2012/13

- Joint Gold award in NBFI sector category at National Business Excellence Awards 2011, National Chamber of Commerce, Sri Lanka
- Silver award for Best Management Practices in the NBFI sector category, at National Business Excellence Awards, National Chamber of Commerce in Sri Lanka

2013/14

- Certificate of Recognition in NBFI sector category, ICASL Annual Report awards,
- Sri Lanka Best Innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany

2014/15

- Winner of Green Leadership Award, Asia Responsible Entrepreneurship Awards, Singapore

2015/16

- Certificate of Recognition in NBFI sector category, ICASL Annual report awards, Sri Lanka

2016/17

- Merit Award in the large scale of the service sector category Social Dialogue and WorkPlace cooperation Awards, organized by the Department of Labour, Ministry of Labour and Trade Union Relations, Sri Lanka
- Certificate of Recognition for a Best employer with outstanding employee culture in Sri Lanka, Employer Brand Awards, organized by Employer Branding Institute, India
- Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka
- Marketing Campaign of the year award for AFC, Motorbike Show 2016, CMO Asia Awards for
- Excellence in Branding and Marketing in Sri Lanka

2017/18

- Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka

2018/19

- 2018 Sustainability Leader of the Year, Merit Award, Karlsruhe Sustainable Finance Awards, Germany
- Certificate of Merit, in NBFI sector category CMA Annual Report Awards, Sri Lanka
- Certificate of Compliance, in NBFI sector category, ICASL Annual Reports awards, Sri Lanka

2019/20

- Merit award for Local Economic Development, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- Certificate of Merit at CMA Excellence in Integrated Reporting Awards, Sri Lanka

2020/21

- Certificate of Merit for Outstanding Sustainability achievement for Integrating Sustainability into the Corporate Strategy, Karlsruhe Sustainable Finance Awards, Germany
- Winner, in Insurance and Finance sector category, ACCA Sustainability Reporting Awards, Sri Lanka
- Certificate of Merit, in NBFI sector category, CMA Excellence in Integrated Reporting Awards Sri Lanka
- Certificate as a finalist, Asia Sustainability Reporting Awards, Singapore

2021/22

- ADFIAP awards 2021 - Merit award under the Outstanding Development Project - Corporate Social Responsibility category, for the 'One Million Trees for Unity' project
- ADFIAP Awards 2021 -Special award for the Best Sustainability Report
- Main award for the Outstanding Sustainable Project Finance - Karlsruhe Sustainable Finance Awards 2021, Germany
- Most Contributing Non-Government Institute of Sri Lanka - awarded by the State Ministry of Rural Roads and Other Infrastructure
- SAFA Awards - Best presented annual report awards, Integrated reporting awards, and SAARC anniversary award for governance disclosure 2020 - Joint second runner up - Finance Service Category
- ACCA Sustainability Reporting Awards - "Winner " in the " Finance Services and Insurance " Category of ACCA Sri Lanka Sustainability Reporting Awards 2021
- Top ten Winner - Best Management Practices Company Awards 2022, awarded by the Institute of Chartered Professional Managers of Sri Lanka
- National Business Excellence Awards 2021 - Runner up of non-banking financial service sector

2022/23

- Certificate of Compliance at the TAGS Awards 2022.

2023/24

- Green Brand of the Year - Gold Award at the SLIM Brand Excellence Award 2023.
- CA TAGS Awards 2023 - Bronze award in total group asset above LKR 20 BN category in the NBFI sector by the Institute of Chartered Accountants of Sri Lanka
- Runner-up in the finance services and insurance category at the ACCA Sri Lanka Sustainability Reporting Awards 2023.
- Alliance Finance Company recognized among the TOP 10 Companies at the Best Management Practices Awards 2024 organized by the Institute of Chartered Professional Managers, Sri Lanka
- Best Website Award - Association of Development Finance Institutions in Asia and the Pacific (ADFIAP), Philippines

Powering Environmentally and Socially Sustainable Development in Sri Lanka, AFC won GREEN BRAND OF THE YEAR AT SLIM BRAND EXCELLENCE 2023

Chairperson's Statement

GRI 2-11

"Throughout the year under review, AFC made good headway in further strengthening its position as the leader in sustainable financing in our core markets. Anchored to our purpose, we remained firm in our endeavor to empower MSME sector expansion."

It is my pleasure to present to you the Annual Report and Financial Statements of Alliance Finance Company PLC for the year ended 31st March 2024. AFC's performance and progress during the year stands as a testament to our ability to adapt, evolve, and thrive in a dynamic and ever-evolving business landscape. I am indeed very pleased to note that our strategic initiatives, coupled with unwavering commitment from our team, have propelled AFC to significantly improve operational efficiency, customer satisfaction, and financial performance.

Economic Review

The year 2023 marked a turning point for the Sri Lankan economy with signs of a cautious recovery emerging in the latter part of the year, ending six consecutive quarters of economic regression. One of the notable developments in 2023 was the rapid disinflation, which plummeted from a high of 65%+ in September 2022 to the desired mid single digit levels by end 2023, which I believe evidences the success of the economic adjustment programme.

Meanwhile, the decline in market interest rates were facilitated by the accommodative policy stance embarked on by the authorities following the successful conclusion of the domestic debt optimisation programme. It was also widely welcomed as an opportunity for the recommencement of business and investment that had largely stalled for the past few years. Interest rates, which were hovering in the 29%+ range at the start of the year, plunged to range of 12.5% by the end of 2023 before declining further by the end of March 2024.

Other positives included the gradual improvement in the balance of payments on the back of sustained efforts by the government to boost exports and reduce imports, coupled with a resurgence in the tourism sector. This recovery in tourism, alongside a higher flow of inward remittances, helped to inject a much-needed boost to the Country's foreign exchange reserves, in turn strengthening the local currency, which saw the LKR recording an 11%+ appreciation against the USD over the twelve-month period ending December 2023.

A confluence of these factors ensured that GDP contraction was limited to 2.6% in 2023, a marked improvement from the 7.3% de-growth reported in 2022, a clear sign that the Sri Lankan economy is firmly on the path to recovery.

NBFI Sector Update

The past year provided yet another opportunity for the local Non-Bank Financial Institution (NBFI) sector to prove its agility and scalability to move in tandem with the evolving economic landscape in the Country. The sector remained a key enabler in supporting economic recovery through the provision of much-needed access to financial services to the SME and MSME segments.

Recognizing the pressing need for liquidity as SMEs and MSMEs struggled to recover after the period of prolonged stress, the NBFI sector moved to expand its credit offerings to provide quick access to finance to enable businesses to leverage emerging opportunities amidst the backdrop of the resurgence in economic activity.

The sector also remained active in promoting financial inclusion, increasing its commitment towards developing a new breed of resilient entrepreneurs, which admittedly is a vital need in any economy, but more so in Sri Lanka, given the increasingly unpredictable cyclical changes we have been witnessing in recent years.

Strategy and Focus

Throughout the year under review, AFC made good headway in further strengthening its position as the leader in sustainable financing in our core markets. Anchored to our purpose, we remained firm in our endeavor to empower MSME sector expansion.

Moving away from purely conventional profit-driven lending approaches, we leveraged our strategy and distinctly different business model to drive holistic value creation that goes beyond mere financial returns. Capitalizing on our unique carbon conscious and socially responsive lending approaches that have long been one of AFC's key strengths, we broadened our outlook to focus on transforming the MSME sector as agents of change not only for economic development but also as key catalysts in the fight against climate change. To that end, we revisited AFC's High Impact Goals (HIG) to create a cohesive framework to transition the MSME sector to embrace climate adaptation, mitigation, and social impact as part of its operational blueprint.

It is indeed very encouraging to see the climate finance product portfolio launched as part of this refreshed HIGs, gaining good traction with the portfolio growing steadily through the year under review. Although we remain cautious in scaling this portfolio given the emerging risks associated with these new products, we will continue to adopt best practices for developing this portfolio as needed while staying focused on customer service excellence as a priority.

To further augment our efforts to achieve our HIG objectives, we embarked on an ambitious IT strategy and took the first steps to modernize our operational architecture through our new core banking system. By modernizing our technology, we are also looking to make our systems more resilient and create a more robust framework to drive our market outreach goals while effectively addressing economic, social, and governance risks within our portfolios.

Financial Results

AFC delivered robust financial results for the FY 2023/24, with all key indicators showing significant improvements over the previous year. The Company's PAT enhanced to LKR 917 Mn, a significant 81.59% improvement from the LKR 505 Mn tabled in the previous financial year. AFC's efficiency ratio also improved to 59.5% from 67.6% in the previous year.

The Company’s total assets increased to LKR 60.17 Bn, growing by 15% year on year from LKR 52.25 Bn in FY 2022/23, which I believe reaffirms the relevance of our climate and social impact-focused business model.

Meanwhile, asset quality reflected a significant improvement, with AFC’s NPL ratio declining from 13.12% in FY 2022/23 to 9.38% as at the end of the financial year 2023/24.

On the back of focused efforts to support MSMEs and self-employment across the country, AFC’s portfolio showed an 18% improvement, rising from LKR 39 billion in the previous year to LKR 46 billion in the financial year.

Governance and Stewardship

I am proud to affirm the Board's dedication to maintaining the highest standards of governance, which is driven by a steadfast adherence to sound management principles and a relentless pursuit of continuous improvement. We recognize that strong governance frameworks are essential to sustaining trust, integrity, and accountability in our Company and the AFC brand. Over the past year, we intensified our focus on enhancing governance practices, particularly in areas such as risk management, compliance, and ethical conduct.

We are also working towards complying with the new requirements enacted by the CSE through the new corporate governance rules for listed entities. A new Executive Director was appointed with the retirement of two Executive Directors during the financial year 2023/24. Supported by our newly reconstituted Board, we proceeded to further strengthen the composition of our Board committees to reflect the requirements of the new rules. Our proactive initiatives also included updates to the Term of References of the Board Sub committees and some notable revisions to our policy frameworks, underscoring our commitment to prioritize good governance.

To demonstrate our proactive commitment to financial transparency and global best practices, AFC has commenced early adoption of SLFRS S1 and S2 standards by disclosing qualitative aspects of S1 and qualitative disclosures in S2. Recognizing the critical role these standards play in enhancing the clarity, comparability, and reliability of our financial disclosures, we are integrating them into our financial reporting processes well ahead of the regulatory mandates. This strategic move underscores our dedication to the highest levels of integrity and accountability, positioning us as a leader in the local NBFI sector.

The commencement of adoption of SLFRS S1 and S2 aligns seamlessly with our value proposition, which emphasizes the integration of global sustainability standards. Our journey began in 2019 with the "Sustainability Standards and Certification Initiative" (SSCI) to embed sustainability across our operations. In April 2024, as part of implementing S1 and S2, we established a robust sustainability governance structure, including a Board subcommittee on sustainability and a management-level ESG committee. This forward-thinking approach underscores our commitment to exemplary corporate governance, financial stewardship, and sustainable development.

As we navigate an increasingly complex financial landscape, the Board remains resolute in its mission to uphold the values of good governance and stewardship, ensuring that AFC continues to operate with excellence, integrity, and a forward-looking vision.

Outlook

The performance of the Sri Lankan economy in recent months gives me reason to be optimistic about the future. With the foundation for a resilient and dynamic economic recovery gradually being put in place through strategic reforms, enhanced governance, and robust policy frameworks, I anticipate a slow but sustained growth trajectory driven by key sectors such as tourism, agriculture, and technology, further supported by increasing foreign investments and improved trade relations.

The continuation of the government's fiscal consolidation and structural adjustments are also expected to contribute towards stabilizing the macroeconomic environment, fostering a conducive atmosphere for business expansion and innovation.

There are however some fundamental concerns. For instance, Sri Lanka's external debt burden remains substantial, necessitating ongoing negotiations for debt restructuring and international financial assistance. Rising unemployment rates also pose a concern, particularly among the youth, highlighting the need for policies focused on job creation and skills development.

Amidst this backdrop, the outlook for Sri Lanka's economy will hinge on the successful implementation of further reforms and the ability to attract foreign direct investment. Strengthening governance, improving the business environment, and fostering sustainable development are also critical to ensuring long-term economic resilience. While 2023 marked a year of tentative recovery, the path to sustained growth requires continued effort and strategic policy making to address underlying vulnerabilities and build a robust economic foundation.

That said, I am confident that AFC is well poised to support the Country’s economic resurgence by continuing to foster entrepreneurship and promoting financial inclusion as the basis for spearheading MSME sector growth. Growing our bandwidth in the climate and social impact finance space will be a key priority going forward, where we will look to leverage technology to deepen our reach across core customer markets. At the same time, we expect our pioneering role in the sustainable finance domain will pave the way to help our customers appreciate the significance of our High Impact Goals and secure their support to achieve the ambitious targets attached to our 2030 HIG roadmap.

Appreciations

I would like to express my deepest appreciation to my colleagues on the Board for their unwavering support, strategic insights, and steadfast commitment to our shared goals. Your dedication and collaborative spirit have been instrumental in steering AFC through both challenges and triumphs.

The Board joins me in welcoming our new Executive Director - Mr. Michael Benedict and look forward to working closely with him to drive our Company forward and create lasting value for all our stakeholders. I believe his long-standing experience and expertise in the leasing industry will add significant value to the board, enhancing our strategic direction.

I also want to express my sincere appreciation to our Deputy Chairman/Managing Director, Mr. Romani de Silva, for his steadfast dedication to positioning AFC as a sustainability leader. Through his visionary leadership and unwavering commitment, he has played a crucial role in advancing our sustainability initiatives and establishing new standards in environmental stewardship and social responsibility. His efforts have not only solidified AFC's position as a leader in sustainability but have also inspired peers in the finance sector to give greater importance to environmental and social considerations in their pursuits. AFC's recognition as the SLIM Green Brand of the Year stands as evidence of his dedication to driving our sustainability initiatives forward.

I would also like to express my gratitude to our corporate management team and AFC employees across the island for their dedication and hard work, which remains the cornerstone of our continued success.

My sincere thanks go to the officials at the Department of Supervision of Non-bank Financial Institution of the Central Bank of Sri Lanka for their invaluable support and guidance.

We extend our heartfelt gratitude to our like-minded long-standing shareholders and deposit customers for their unwavering belief in our sustainable finance philosophy. Your trust and support have been instrumental in driving our high impact goals forward and enabling us to make meaningful contributions to sustainability.

In conclusion, I would like to extend my deepest gratitude to our customers, business partners, and all other stakeholders for their unwavering support and trust in our company. Your belief in our vision and your steadfast commitment have been invaluable to AFC’s growth and success. Looking ahead, I am optimistic about the future and urge you to stay with us on this journey as we continue to innovate, grow, and strive for excellence. I am confident that together, we can surpass our past achievements to reach even greater success in the coming years.

Tamara Dharmakirti-Herath
Chairperson

31 May 2024

Managing Director's Review

"AFC continued to solidify its position in the local NBFI with an impressive financial performance for FY 2023/24, which I believe points to the deployment of timely and well-planned strategic interventions to ensure sustained earnings regardless of economic vagaries."

As Alliance Finance Co. PLC (AFC) marks its 68th year in operation, our long-standing presence continues to leave an indelible mark on the local financial services industry, which I believe stands as a testament to our quest for meaningful value creation for the benefit of all stakeholders. It is on that note that I would like to reflect on our journey for the year ended 31st March 2024.

Macroeconomic Overview

The Sri Lankan economy remained in crisis mode for much of the first half of 2023 as the country continued battling inflationary conditions alongside high interest rates while struggling to resolve currency woes, all stemming from the 2022 economic collapse. It was therefore quite a relief when the long-awaited economic correction finally materialised in the latter part of 2023 demonstrating the success of monetary and fiscal policy measures implemented by the government as part of the IMF-led structural reform programme aimed at revitalising the economy and clearing the way for long-term sustainable growth. Consequently, inflation, which rose to an unprecedented high of 65%+ in September 2022 declined rapidly to return to the targeted 4-6% range by the end of 2023. Similarly, interest rates also witnessed a steady drop following the successful conclusion of the Domestic Debt Optimisation (DDO), falling from a high of 30%+ at the start of 2023 to mid-single-digit levels by the end of March 2024. Meanwhile, the strong rebound in tourism sector earnings along with robust growth in inward remittance flows assisted in alleviating currency pressure which helped to restore the stability in the exchange rate and saw the LKR appreciating by 11%+ against the USD, which contributed significantly towards improving confidence in the local currency and the domestic economy.

On the back of improving economic conditions, the credit appetite from the private sector also gathered momentum towards the end of 2023, ending the longest streak of monthly contractions experienced in recent years and paving the way for a firm revival of the NBFI sector. Consequently, the NBFI sector recorded healthy growth across all key metrics. Sector profitability improved with Profit After Tax (PAT) reporting an 51.18 % increase year on year driven by robust top-line growth, industry-wide. Notably, however, the asset quality of the sector deteriorated as reflected by increasing Stage 3 loans, which was also partly due to the new Stage 3 reclassification requirements that came into effect from April 2023. Under the new rules, NBFIs were required to revise their Stage 3 assessment based on 90 days past-due instead of 120 days past-due used previously.

Operational Highlights

AFC's performance for FY 2023/24 was also broadly similar to the industry. Despite pressure on the traditional leasing model owing to the ongoing restriction of vehicle imports, the Company's core loans and lease portfolio recorded significant growth supported by more focused efforts to drive MSME sector expansion mainly through sustainable lending. The decision to deepen the focus on the MSME sector this past year was influenced by our new repurposed High Impact Goals (HIG), specifically HIG 3, which serves as the umbrella framework guiding our investment in MSME development. Recognizing the pivotal role MSMEs play in driving economic growth, fostering innovation, and generating employment opportunities, we began strategically aligning our core business accordingly. Moreover, as one of the longest-serving financial institutions in Sri Lanka, it was felt that our expertise and ground knowledge of local market dynamics ideally position AFC to be the key catalyst for MSME sector transformation in the post-crisis era.

Taking action on multiple fronts to expedite MSME sector transformation towards climate mitigation and adaptation, we worked cognisant of the Sri Lanka Green Taxonomy launched by the CBSL in 2019, to unveil a new range of climate finance products aimed at promoting investment in renewable energy, agri-based climate risk mitigation and innovative solid waste management strategies. Moreover, we also engaged with USAID as the knowledge partner for their Climate Adaptation project dedicated to pioneering research and implementing climate-proofing practices tailored specifically for the benefit of grassroots-level agri-farmer communities across Sri Lanka. This collaboration not only signifies AFC's belief in the transformative power of small businesses but also reaffirms our unwavering commitment to driving positive change through financial inclusion and empowerment.

The fact that AFC's loan portfolio witnessed substantial growth in the year under review, growing by 18.21% from LKR 39.00 Bn in FY 2022/23 to LKR 46.10 as of 31st March 2024, I believe stands as a testament to the efficacy of our strategy to focus on sustainable lending. Equally importantly, I see the positive outcomes on our portfolio as a reflection of the confidence in the AFC brand and a clear endorsement of our commitment to long-term economic stability and societal well-being through its lending activities.

AFC's term deposit book also registered a healthy improvement, growing by 38.99% year on year alongside steady organic growth throughout the year coupled with an average 77.07% customer retention rate. Our savings portfolio, which up to now has remained relatively small, expanded significantly in the financial year recording 14.42% growth year on year.

Financial Results

AFC continued to solidify its position in the local NBFI with an impressive financial performance for FY 2023/24, which I believe points to the deployment of timely and well-planned strategic interventions to ensure sustained earnings regardless of economic vagaries. Continued emphasis on strategic adjustment to stay ahead of the industry saw AFC recording an NII of LKR 5.89 Bn in the year under review, an impressive 29.80% year-on-year improvement that comes notwithstanding setbacks earlier in the year owing to macroeconomic headwinds.

Notable improvement was also observed in the Company's asset quality supported by a sizable decline in NPLs. NPLs fell sharply from 13.12% at the end of the previous financial year to 9.38% by the end of March 2024, a commendable improvement that reflects the success of our collection and recovery efforts.

Meanwhile, buttressed by strong earnings growth, the Company reported Profit Before Tax (PBT) LKR 1,698 Mn for FY 2023/24, which signals a robust 78.59% expansion year on year. What is more impressive is that the PBT results notwithstanding the 16.50% increase in operating expenses in the current year owing to the combined impact of higher personnel costs and tax-induced price escalations. These trends were reflected in AFC's efficiency ratio as well which improved to 59.51% in the year under review from 67.59% in the previous financial year.

AFC continued to maintain stable capital buffers throughout the year, with the Capital Adequacy Ratio (CAR) comfortably above regulatory minimum requirements at all times. As at 31st March 2024, the Company reported CAR of 12.07%, well above the regulatory minimum of 8.5%. Liquidity levels too remained consistent throughout the year with the Company's liquidity coverage at 13.82% as of 31st March 2024.

Customer Empowerment

We believe that the financial prosperity of our customers is the only realistic barometer of AFC's success as a financial institution. Hence the commitment to customer empowerment permeates every aspect of our organisation and drives our quest to ensure that every product, and service we offer, demonstrates our conviction to safeguard the financial well-being of our customers whilst continuity towards the achievement of UNSDG and National Development Agenda goals and thereby facilitating sustainable development.

AFC's traditional products including gold loans, saving deposits, and the unique Ran Ayojana gold investment solutions remain the key catalysts in the endeavour. I am pleased to see that these products are serving their intended purpose to deliver affordable access to credit to underserved populations and build the financial resilience of MSMEs, thereby ensuring more equitable wealth distribution across Sri Lanka.

Admittedly however our goal is not just to provide access to financial products, but rather to meaningfully promote financial inclusion. To that end, our newly launched HIG 2 to Drive Financial Inclusion establishes the fundamental framework to empower our customers with the knowledge, tools, and resources they need to take control of their financial futures.

Meanwhile, the new Marketing Call Centre (MCC) and the dedicated hotline (1321) for inbound calls, both implemented in the current financial year reflect our ongoing endeavour to drive stronger engagement as the basis of improving customer education and awareness to assist them in making informed decisions regarding their financial journeys.

Digital Agility

At AFC, our approach to digital agility is holistic and forward-thinking, reflecting our desire to be nimble, resilient, and poised for success amidst the fast-evolving financial landscape. Since embarking on our digital strategy, we have discovered that digital agility is not just about adopting the latest technologies, but more about leveraging technology to drive innovation and system reorientation for the purpose of enhancing customer experiences, optimising internal processes creating the space for employees to be value-driven.

Significant investments were made in the financial year to strengthen AFC's digital agility. The key projects undertaken include the development of a state-of-the-art, fully automated CRM (Customer Relationship Management) System to not only enhance efficiency but also ensure seamless communication and personalised interactions with our customers, underscoring AFC's commitment to bolster customer satisfaction at every touchpoint.

However, by far the most significant advancement on the digital front is the development of the fully integrated core system which, once completed by end-2024, is set to transform the entire operational architecture of the Company with its open API front-end.

We have also started exploring ways to leverage technology to re-conceptualise our traditional branch model. In keeping with this approach, AFC tied up with a leading local incubator fund to access their resources to develop a digital onboarding tool that will enable AFC to strengthen its customer outreach programme. These efforts are still at the ideation stage and are expected to gather momentum over the coming months.

People Focus

A strong people focus continued to remain a key priority in the current financial year, more so because of the unusually high levels of attrition - a common challenge encountered by many organisations in Sri Lanka as a consequence of the severity of the economic downturn which appeared to be urging many to seek employment overseas.

Our response to the situation was a coordinated one, involving comprehensive measures aimed at bolstering employee engagement, morale, and well-being, where internally we strengthened support mechanisms, career development opportunities, and enhanced communication channels to foster a culture of resilience through collaboration.

Meanwhile, to counteract attrition challenges, AFC's recruitment workflow was also streamlined to cut average recruitment lead times.

Recognising that the escalating pressures of inflation and heightened tax burdens were impacting employees' disposable incomes, all existing salary structures including the minimum salary for new hires were revised upward. It is worth mentioning that the aggregate impact of these initiatives has contributed to a substantial increase in our annual salary expenses.

Over the years, AFC has sought to set itself apart through various work-life balance initiatives. I am very pleased to see our flexible hours and work-from-home programmes gaining good traction with a large number of our staff making use of these facilities during the current year.

ESG Leadership

As I am sure you are aware, our sustained actions over the past several decades have earned AFC an enviable reputation as an ESG pioneer at the forefront of the local NBFI sector. AFC is also possibly one of the only financial institutions in Sri Lanka to have made discernible progress in embedding sustainability-related risks to ensure that potential environmental, social and governance issues are identified and addressed effectively through the core lending business. Our efforts in this regard have been spearheaded by the SSCI framework (The Sustainability Standards and Certification Initiative) which has been in place for the past 03 years and has continued to provide a cohesive platform for embedding ESG-related risks across core business activities whilst proactively driving environmentally and socially sustainable development in the country.

Financial year, AFC further solidified its commitment to ESG integration by establishing three High Impact Goals (HIG) to formally institutionalise targeted action which I believe constitutes early action towards becoming Sri Lanka's first fully sustainable financial institution. As part of the next steps, we embarked on an ambitious effort to upgrade to SSCI v2 to amplify the achievement of our HIG-related goals based on the systematic assessment of measurable progress against the economy, society and the environment.

Awards and Accolades

It is with a profound sense of pride that I acknowledge the awards and accolades received from various local and global platforms, which testify to our relentless commitment to focus on driving excellence in all aspects of our business.

AFC secured the coveted title of 'Green Brand of the Year' at the esteemed SLIM Brand Excellence Awards 2023, in acknowledgement of our steadfast dedication to driving environmentally and socially sustainable development initiatives throughout Sri Lanka. Similarly, we were declared the runner-up in the finance services and insurance category at the ACCA Sri Lanka Sustainability Reporting Awards 2023.

Our commitment to reporting excellence was recognised at the TAGS Awards 2023 organised by the Institute of Chartered Accountants of Sri Lanka, where AFC clinched the Bronze award in the NBFI sector - Total Group asset above LKR 20 BN category.

AFC also emerged among the TOP 10 Companies at the Best Management Practices Awards 2024 organised by the Institute of Chartered Professional Managers, Sri Lanka.

Future Outlook

Based on the strong progress made during 2023, experts are suggesting a positive outlook for Sri Lanka, with GDP expansion predicted to exceed 2%+ in 2024 aided by a significant near term acceleration. At the same time however concerns about possible instability and policy inconsistency, post-elections, continue to cast doubts on the continuity of the current growth momentum.

As for AFC, we have set out ambitious plans with the aim of achieving sustained growth. Spearheaded by the Company's newly launched High Impact Goals, we will aim to consolidate our position in core markets and in doing so ensure that our purpose-driven initiatives contribute towards broader socio economic transformation while systematically combating the risks associated with climate change.

Appreciations

In closing, I wish to extend my sincere appreciation to our Chairperson and the Board of Directors for their guidance and stewardship of the Company this past year and always.

I would like to express my heartfelt gratitude to AFC's management teams and all employees for their passion and dedication to living up to AFC's powerful purpose of executing- Make the world a better place through sustainable finance.

Let me take this opportunity to thank the Governor of the Central Bank of Sri Lanka and the officials at the department of Supervision of Non-Bank Financial Institutions, for their expert supervision and guidance at all times.

It is with a deep sense of gratitude that I acknowledge the support of our many stakeholders - customers, shareholders, suppliers and business partners. Thank you for your trust and belief in what we do. I hope AFC can rely on your continued support as we move towards a new era of transformative growth in the year ahead.

R.K.E.P.De Silva
Deputy Chairman / Managing Director

31 May 2024

Elevating Sustainability

Enrich the Hapannu Forest: Your deposit
isn't Just money saved; It's a catalyst for the
thriving Hapannu Forest

“Make the world a better place through sustainable financing”

Business Model

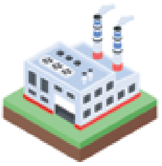
GRI 2-6

CAPITAL INPUTS

FINANCIAL CAPITAL

Our capital and retained profits that supports sustainable operations and help us meet client expectations

- Equity
  LKR 8.13 Bn
- Debt
  LKR 20.31 Bn
- Deposit
  LKR 28.39 Bn



MANUFACTURED CAPITAL

Our physical and digital assets that provide the framework to carry out our core business functions

- 90 branches
- IT capabilities and digital channels

HUMAN CAPITAL

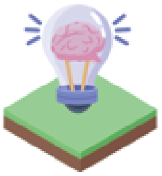
Our team of skilled, committed individuals who execute their roles in a highly professional manner creating value for all stakeholders

- Diverse team of 1,740 employees
- Remuneration and performance-based rewards
- Learning and development

SOCIAL AND RELATIONSHIP CAPITAL

Key stakeholder relationships, including the communities in which we operate, that enable us to create value.

- 305 suppliers
- Social sustainability initiatives



INTELLECTUAL CAPITAL

Our intangible assets, including brand reputation, innovation, knowledge and expertise

- Brand strength
- Expertise in SME and MSME financing

NATURAL CAPITAL

The direct use and impact on natural resources within our operations and our influence through our business activities.

- Environmental and Social Management System
- Energy
- Water
- Materials
- Environmental conservation efforts

PROCESS

OUR PURPOSE

MAKE THE WORLD A BETTER PLACE THROUGH SUSTAINABLE FINANCE

OUR STRATEGY

People

GOAL

GOAL 1

PILLARS

Improving profitability

Business growth through digitization

Increase employee productivity

OUR BUSINESS ACTIVITIES

FINANCIAL SERVICES

We provide financial services to individuals and businesses including leasing, gold loans, term loans, gold investment solutions, savings and deposits. We also carry out vehicle trade-in services and Ezy drive vehicle hiring services under our Commercial Division

INTEREST, FEES AND COMMISSIONS

We fund our loans through deposits, borrowings, savings and other investments and actively manage the risks associated with them. In return for our services we receive interest fees and commissions

Planet

Profit

GOAL 2

GOAL 3

Improve brand visibility

Social and environmental best practices

Corporate stewardship

RE-INVEST AND PAY OUT RETURNS

With our revenue we meet our operating costs, reinvest in our business and payout returns to our investors.

OUTPUTS

FINANCIAL CAPITAL

PAT: LKR 917 Mn
ROE: 12.15%
EPS: 27.21%

MANUFACTURED CAPITAL

Touchpoints: 90

HUMAN CAPITAL

Investment in training : LKR 8.4 Mn
Training hours : 32,617 hr
Staff promotions : 160

SOCIAL AND RELATIONSHIP CAPITAL

Customer base: 119,927
Investment in social sustainability: LKR 5.5 Mn

INTELLECTUAL CAPITAL

Brand rating: 61
Credit Rating: BBB- (Stable)

NATURAL CAPITAL

Green lending portfolio: LKR 214 Mn
Trees planted: 715,380
Carbon footprint: 3,327 tCO$_2$e

VALUE CREATED

SHAREHOLDERS

- Sustainable growth
- NAV per share
- Gross dividend

CUSTOMERS

- Operational efficiency
- Customer satisfaction
- Financial security

EMPLOYEES

- Diverse and inclusive organizational culture
- Safe working environment
- Career progression
- Empowerment
- Equal opportunity

REGULATORS

- Taxes paid: LKR 1.5 BN
- Compliance with regulatory requirements

BUSINESS PARTNERS AND SUPPLIERS

- Long term relationships
- Transparency

FUNDING AND NETWORK PARTNERS

- Long term relationships
- Communities
- Building sustainable livelihoods
- Greater community reach and inclusive financing
- Contribution to SDGs
- Resource stewardship
- Mitigating global warming

Stakeholder Engagement

GRI 2-29, 413-1

AFC considers stakeholder engagement to be a crucial component of its value creation efforts. Recognising that the perspectives and needs of its diverse stakeholders are integral to sustainable success, AFC engages with internal (Employees) and external (Shareholders, Customers, Business Partners and Suppliers, Funding and Network Partners, Regulators and the wider Community) stakeholders with a view to identifying risks, uncovering opportunities, and making informed strategic decisions that align with the company's Purpose statement.

By actively listening to and addressing the concerns of stakeholders, AFC is able to preempt potential issues, respond proactively to challenges, and adapt its strategies to meet evolving expectations. This proactive approach not only mitigates risks but also positions AFC as a responsive and responsible organisation, enhancing its credibility and fostering loyalty among stakeholders.

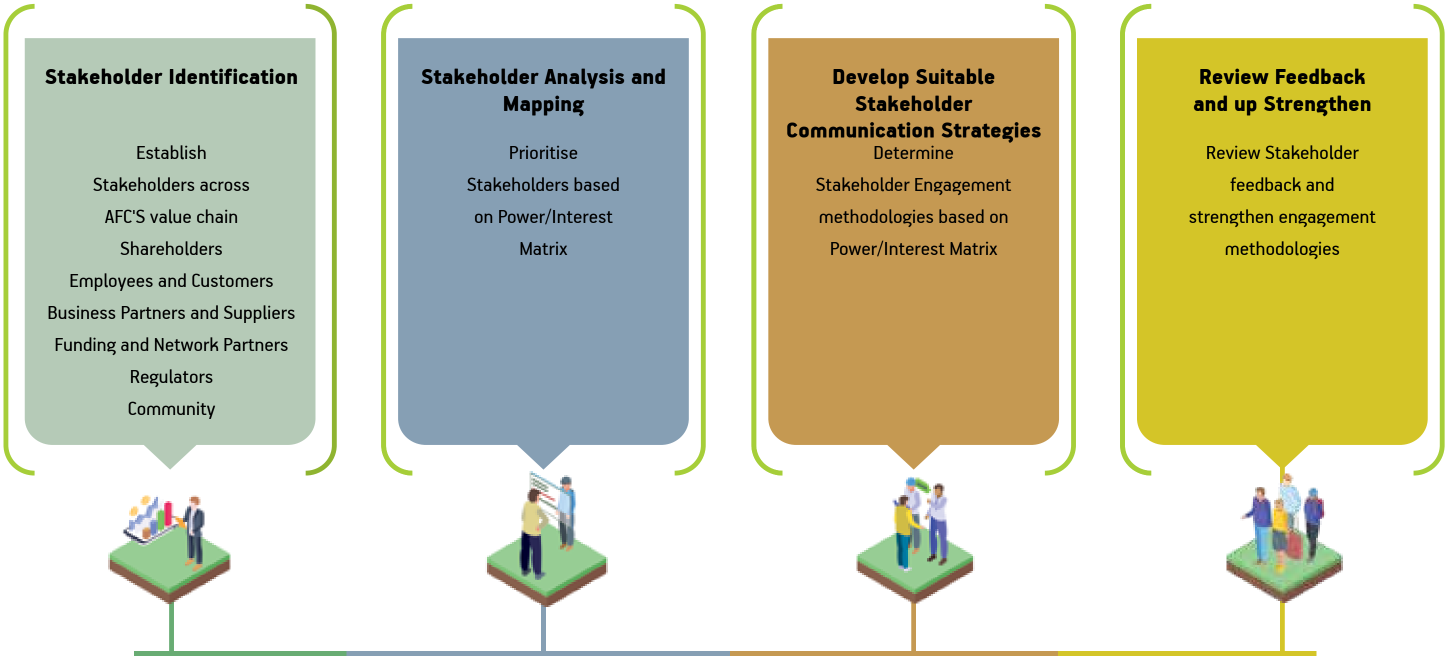
Furthermore, feedback from stakeholders provides valuable insights into market trends, customer preferences, and emerging regulatory requirements, enabling AFC to stay ahead of the curve. By incorporating stakeholder input into product development, service enhancement, and operational improvements, the Company aims to create offerings that better meet the needs of its customers and partners, thereby driving growth and competitive advantage.

AFC's commitment to stakeholder engagement also underscores the Company's dedication to social responsibility and ethical conduct. By understanding the social and environmental impacts of its operations through stakeholder dialogue, AFC can implement practices that contribute positively to society and the environment. This alignment with broader societal goals not only enhances AFC's reputation but also supports its long-term viability by ensuring that the company operates in a manner that is sustainable and beneficial for all.

In essence, stakeholder engagement is not just a peripheral activity for AFC; it is embedded in the Company's strategic framework for the purpose of supporting sustained value creation over time.

	Shareholders	**Employees**	**Customers**
How we engage	AGM and Annual Report Interim Financial Statements Corporate website Announcements to the CSE Press releases	Employee feedback survey Performance appraisal Multi-level staff meetings Open-door policy Training needs assessment Social media platforms Work-life balance initiatives	Customer satisfaction survey Customer relationship management function Customer exit surveys Customer hotline Customer education programs Online and social media platforms
Their concerns	Sustainable growth Adequate risk return balance Corporate governance and risk management framework Corporate reputation and brand Transparency and credibility of disclosures	Competitive remuneration Equal opportunity Opportunities for skill development and career progression Work-life balance	Value for money Convenience and accessibility Innovative product offerings Security of deposits and favourable returns Ease of transacting Sustainable business growth and stability High quality of service Corporate reputation and brand Access to transparent and credible information

STAKEHOLDER ENGAGEMENT PROCESS



Stakeholder Identification

Establish
Stakeholders across
AFC'S value chain
Shareholders
Employees and Customers
Business Partners and Suppliers
Funding and Network Partners
Regulators
Community

Stakeholder Analysis and Mapping

Prioritise
Stakeholders based
on Power/Interest
Matrix

Develop Suitable Stakeholder Communication Strategies

Determine
Stakeholder Engagement
methodologies based on
Power/Interest Matrix

Review Feedback and up Strengthen

Review Stakeholder
feedback and
strengthen engagement
methodologies

Business Partners and Suppliers	Funding and Network Partners	Regulators	Community
Direct dialogue Service quality survey Stakeholder feedback survey	Annual Report Interim Financial Statements Monitoring reports Progress presentations Corporate website	Regulatory reporting CBSL audits Special meetings for regulatory clarifications Press releases and CSE publications	Community activities Island-wide presence
Ease of transactions Business expansion Capacity building and financial support Equitable and on-time payments	Favourable business performance Submission of timely and credible progress information Transparency Sustainable performance	Good governance and compliance Sustainable business practices Ethical business	Inclusive financing Partnering sustainable development Responsible corporate citizen

	Shareholders	**Employees**	**Customers**
Our Response	◉ Revised strategic way forward with sustainability integrated corporate plan and high impact goals ◉ Revised targets aimed at Triple Bottom Line value creation ◉ Corrective actions to further improve Credit Recovery and Risk Management aspects of AFC	◉ Attractive compensation package and benefits ◉ Conducive environment to learn and grow ◉ Opportunities for career advancement ◉ Programs that promote health and well-being ◉ Opportunities to volunteer in social and environmental value creation activities ◉ Performance based remuneration structure ◉ Training and development opportunities	◉ With sustainability integrated corporate plan and high impact goals ◉ Attractive terms and rates in accordance with the government policies and regulations ◉ Range of products and services that ensures responsible and inclusive financing ◉ Highest level of service quality and customer concern ◉ Island-wide network of 90 customer touchpoints to provide all products and services under one roof
Strength of relationship	🔴	🔴	🔴
Key metrics	◉ NAV per share ◉ Dividends paid and dividend cover ◉ ROE	◉ Turnover ◉ Employee satisfaction	◉ Customer satisfaction rating ◉ Customer complaints ◉ Brand value
Further information	◉ Chairperson's and Deputy Chairman/Managing Director's messages on pages 26 to 29 and Financial Capital Report on pages 58 to 67.	◉ Human Capital report on pages 72 to 81.	◉ Social Capital report on pages 82 to 93.

Strength of relationship

🔴 Strong 🟢 Moderate 🟠 Low

Business Partners and Suppliers	Funding and Network Partners	Regulators	Community
◉ Maintain long-term partnerships based on mutual trust and understanding ◉ Engage like-minded partners in line with our sustainable business agenda ◉ Ensure timely payments and required support ◉ Dedicated team to engage with, to exchange an effective service	◉ Revised strategic way forward with sustainability integrated corporate plan and high impact goals ◉ Revised targets aimed at Triple Bottom Line value creation ◉ Corrective actions to further improve Credit, Recovery and Risk Management aspects of AFC	◉ Adhere to all provided compliance requirements ◉ Provision of timely and accurate information/ reports ◉ Facilitate on-site/off-site audits ◉ Sustainability embedded corporate plan	◉ MSME development initiatives ◉ Philanthropic activities for livelihood development and community wellbeing
🟢	🔴	🟢	🟢
◉ Service quality ratings	◉ Triple Bottom Line value creation target achievements	◉ Taxes paid ◉ Compliance ◉ Capital adequacy and liquidity	◉ Investment in CSR
◉ Social Capital report on pages 82 to 93 and Manufactured Capital report on pages 68 to 71.	◉ Financial Capital Report on pages 58 to 81 and Social Capital report on pages 82 to 93.	◉ Governance report on pages 112 to 169.	◉ Social Capital report on pages 82 to 93.

Material Topics

GRI 3-1, 3-2, 3-3

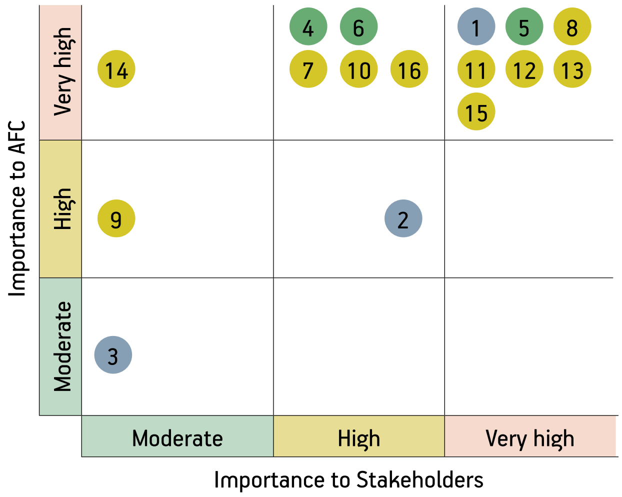
The first step in AFC's value creation journey is the determination of materiality. This concept defines why and how certain topics are crucial for the business. The materiality determination is shaped by several factors, including the risks and opportunities in the Company's immediate operating environment, changes to legal and regulatory frameworks, global trends, and insights from stakeholder feedback.

This process is further supported by data-driven insights from independent reports, which include assessments of sector-specific matters, legal requirements, media coverage, and social media conversations. The results are then mapped on a materiality matrix, highlighting the issues that are most critical to both the company and its stakeholders. This matrix guides AFC in strategic decision-making and reporting, ensuring that its sustainability initiatives align with stakeholder priorities and contribute to long-term value creation.

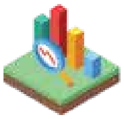
Regular reviews and updates of the materiality assessment ensure that AFC remains responsive to emerging trends and evolving stakeholder needs.

Meanwhile, following the relaunch of its High Impact Goals in 2023, AFC has applied the double materiality filter to further evaluate its material topics. This approach considers not only the financial impact of each topic on the Company but also the broader environmental and social implications. Considering all three dimensions - Economic, Social and Environmental, allows AFC to prioritise issues that can potentially affect the Company's performance and its stakeholders, thus paving the way to identify key areas for action to enhance long-term value creation for all stakeholders.

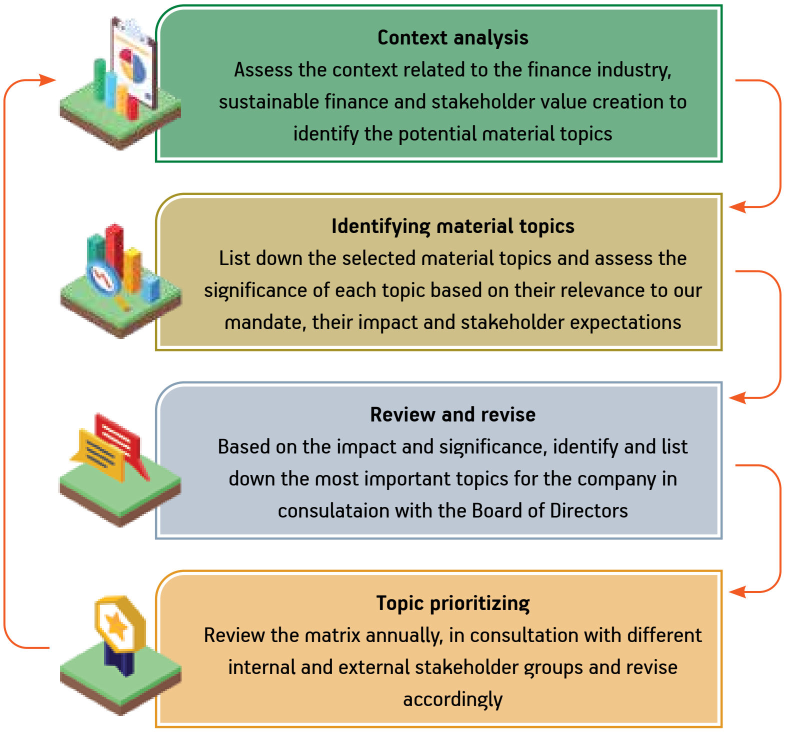
The Materiality Matrix



		Topic Boundary	GRI/SASBs Relevance	Risk	Opportunities
Economic	Sustainable development - Economic growth	Impacting AFC's operations and all stakeholders	GRI 201 GRI 207 SASB FN-CB-410a.2	Economic uncertainties and emerging developments complicate strategic planning and budgeting Cost pressures owing to rising interest rates and inflationary conditions	Use of data modelling and predictive AI-based data analytics to improve accuracy of budgeting and planning processes Product and market diversification to gain first mover advantage in emerging segments
	Innovation and digitization	Impacting AFC's operations as well as customers, business partners, society and the environment	SASB FN-CB-230a.2	Adverse impact on competitive position due to the slow technology adoption rate High cost of keeping up with the latest tech-trends System failures associated with the high dependancy on technology	Explore technology partnerships to achieve fin-tech leadership in the NBFI sector
	Supply chain development	Impacting AFC's operations and suppliers	GRI 204 GRI 308 GRI 414	Business disruptions due to unreliable supply chains	Pursue long term partnerships for all key procurement areas

Category	No.	Aspects
 ECONOMIC	1	Sustainable development - Economic growth
	2	Innovation and digitization
	3	Supply chain development
 ENVIRONMENTAL	4	Sustainable development - environmental well-being
	5	Energy efficiency
	6	Battling climate change and environmental protection
 SOCIAL	7	Sustainable business practices
	8	Business ethics
	9	Talent attraction and retention
	10	People development
	11	Business ethics
	12	Non-discrimination
	13	Sustainable development- Community empowerment
	14	Reputation and brand value
	15	Stakeholder satisfaction and transparency
	16	Customer attraction and retention

Materiality Process



Context analysis
Assess the context related to the finance industry, sustainable finance and stakeholder value creation to identify the potential material topics

Identifying material topics
List down the selected material topics and assess the significance of each topic based on their relevance to our mandate, their impact and stakeholder expectations

Review and revise
Based on the impact and significance, identify and list down the most important topics for the company in consulataion with the Board of Directors

Topic prioritizing
Review the matrix annually, in consultation with different internal and external stakeholder groups and revise accordingly

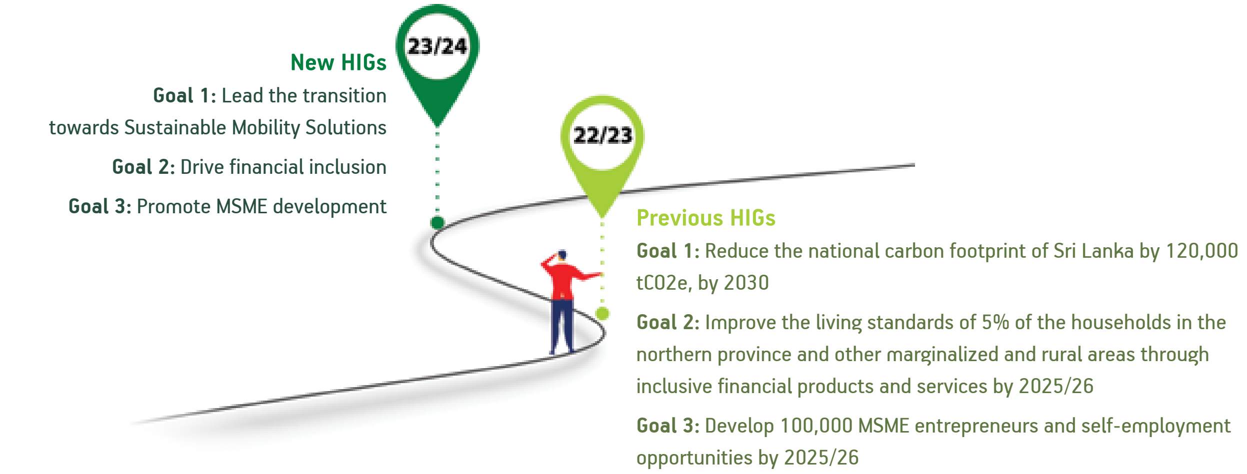
AFC's Management Approach	Connectivity to AFC's Strategy						Resource Allocation
	Improving profitability	Business growth through digitization	Increase Employee Productivity	Improve brand visibility	Social and environmental best practices	Corporate stewardship	
Focus on lending activities to projects that align with sustainable initiatives, thereby stimulating economic activity and fostering long-term prosperity	X	X	X	X	X	X	FC - page 58
Strategic investment in technology, based on careful evaluation of the potential to add value to the company and its stakeholders	X	X	X	X			IC - page 94
Cultivate supplier relations on the principle of mutual trust and shared growth	X				X		S & RC - page 82

			Topic Boundary	GRI/SASBs Relevance	Risk	Opportunities
Environmental		Sustainable development - environmental wellbeing	Impacting AFC''s operations as well as society and the environment	GRI 301 GRI 303 GRI 304 GRI 306	Environmental and social degradation due to irresponsible investments by customers	Adopt globally accredited benchmarks to create a structured framework to assess environmental and social alignment of customers
		Energy efficiency	Impacting AFC's operations as well as suppliers, business partners, society and the environment	GRI 302	Adverse impact on profitability due to rising energy costs across the value chain	Progressively increase the investment in renewable energy sources, while encouraging value chain part
		Battling climate change and environmental protection	Impacting AFC's operations as well as society and the environment	GRI 305	Increase in loan default rates due to customers' lack of resilience to climate change as well as their failure to comply with labour and other best practices	Adopt globally accredited benchmarks to create a structured framework to assess creditworthiness of customers
Social	Labour practices and decent work	Sustainable business practices	Impacting AFC's operations as well as employees, suppliers and business partners	SASB FN-CB-410b.1	Financial loss and reputational damage due to weak sustainable business practices across the value chain	Holistically transform all aspects of the business to support sustainability
		Business ethics	Impacting AFC's operations employees and suppliers	GRI 205 SASB FN-CB-510a.2	Financial loss and reputational' damage due to fines and litigation arising from non-compliance of regulations and ethics by employees	Early adoption of regulations and voluntary compliance with global best practices
		Talent attraction and retention	Impacting AFC's operations as well as employees	GRI 202 GRI 401 GRI 402 GRI 403 GRI 404	Disruption to operational continuity owing to talent attrition	Tap into a wider talent pool from across the Country through systematic employer branding
		People development	Impacting AFC's operations as well as employees		Financial loss and market share erosion as well as reputational' damage owing to employee incompetence	Pursue locally and globally recognised leadership development programmes
	Human rights	Non-discrimination	Impacting AFC' operations as well as employees	GRI 405 GRI 406	Financial and reputational' damage due to litigation	Lead by example by creating a diverse and inclusive workplace
	Society	Sustainable development - Community empowerment	Impacting AFC's operations as well as employees, business partners, society and environment	GRI 203 GRI 413	Reputational damage due to inadequate support for the benefit of community	Foster partnerships with community stakeholders to drive long term value creation
	Product responsibility	Reputation and brand value	Impacting AFC's operations as well as employees, customers and business partners,		Loss of investor confidence due to the inability to honour the Company's core purpose	Improve brand visibility among stakeholders
		Stakeholder satisfaction and transparency	Impacting AFC's operations as well as employees and regulators		Lack of a clear stakeholder engagement framework to promote two-way communication on a regular basis	Leverage digital technology and social media to enhance communication and interaction with stakeholders
		Customer attraction and retention	Impacting AFC's operations as well as customers and regulators	GRI 416 GRI 417 SASB FN-CB-000.A	High degree of competition within the NBFI sector	Build and maintain customer loyalty through tailored solutions to address evolving needs of diverse customer segments

AFC's Management Approach	Connectivity to AFC's Strategy						Resource Allocation
	Improving profitability	Business growth through digitization	Increase Employee Productivity	Improve brand visibility	Social and environmental best practices	Corporate stewardship	
Focus on offering sustainable financing solutions to all key markets underpinned by AFC's High Impact Goals	X				X	X	S & RC - page 82 NC - page 100
Comprehensive efforts to drive resource efficiency at all levels of the business	X	X	X		X		NC - page 100
Prioritising investments in projects that adhere to strict sustainability standards, thereby mitigating environmental risks and fostering the development of eco-friendly infrastructure and initiatives	X				X	X	NC - page 100
Comprehensive sustainability targets and KPI, along with a fully fledged oversight structure, led by the Board and Board level sustainability committees	X				X	X	S & RC - page 82 NC - page 100
ZERO tolerance of non-compliance of regulations as well as proactive adoption of global best practices	X			X	X	X	IC - page 94
Robust employee value proposition to attract and retain the best in-class talent	X		X				HC - page 72
Structured succession planning to develop a reliable talent pool to support the future requirements of the Company	X		X				HC - page 72
Equal opportunity employment at every stage of the employment lifecycle	X		X		X	X	HC - page 72
Focus on meaningful community projects on community empowerment and social upliftment	X					X	S & RC - page 82
Commitment to excellence across all facets of business and operations	X			X			IC - page 94
Comprehensive stakeholder engagement mechanism ensuring targeted engagement with all key stakeholders	X			X			FC - page 58
Offering tailored financial solutions coupled with financial advisory services	X	X		X			S & RC - page 82

Strategy and Resource Allocation

The AFC's strategy centres around creating a better world through sustainable, inclusive, and responsible financing. Our purpose statement, "Make the world a better place through sustainable finance," captures the essence of our mission and underpins our high-impact goals. These goals align with our business philosophy and are designed to steer the Company's performance toward achieving them. The strategy is embedded in every facet of the Company, providing a foundation for delivering superior value to all stakeholders through innovative, sustainable, and responsible means. Later in the financial year, we revised our high-impact goals to ensure they comprehensively reflect our diverse business portfolio.



New HIGs

Goal 1: Lead the transition towards Sustainable Mobility Solutions

Goal 2: Drive financial inclusion

Goal 3: Promote MSME development

Previous HIGs

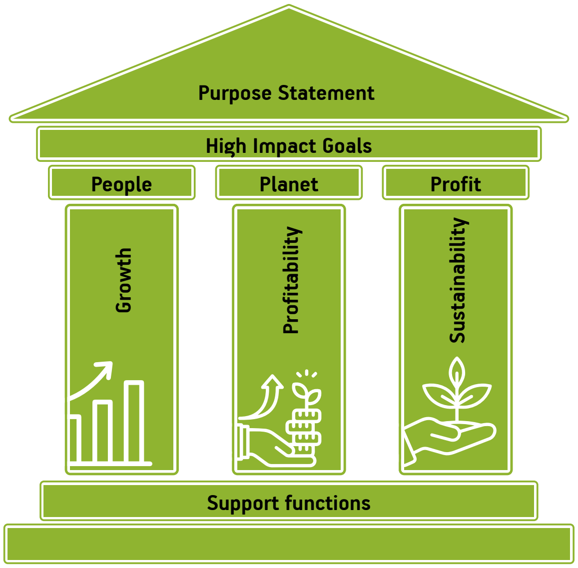
Goal 1: Reduce the national carbon footprint of Sri Lanka by 120,000 tCO2e, by 2030

Goal 2: Improve the living standards of 5% of the households in the northern province and other marginalized and rural areas through inclusive financial products and services by 2025/26

Goal 3: Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2025/26

One of our primary goals is to lead the transition towards sustainable mobility solutions. By offering vehicle leasing services, we promote the use of eco-friendly vehicles, reduce carbon footprints, and meet the growing demand for green transportation options, aligning with environmental sustainability objectives. Additionally, we aim to drive financial inclusion by providing gold loans, savings deposits, and gold investments, which offer accessible credit to underserved populations, empower individuals to build economic resilience and foster inclusivity in wealth creation. Moreover, our commitment to promoting MSME development through machinery, equipment, and property financing helps businesses acquire essential assets, contributing to economic sustainability, job creation, and local economic growth. Our climate financing initiatives ensure MSMEs adopt environmentally friendly practices, enhancing long-term sustainability and resilience.

Our strategy is built on three main pillars, namely Growth, Profitability, and Sustainability. In the short term, we focus on diversifying our portfolio and enhancing our brand value. Medium-term strategies include supporting financial value creation and improving profitability, while long-term objectives emphasize ensuring financial sustainability through improved credit ratings and significant investments in climate finance products, including e-mobility solutions. This strategic framework is designed to guide AFC toward sustainable growth, enhanced profitability, and enduring financial and environmental sustainability.



Opportunities

- Address the funding gap faced by the MSME sector who have limited access to formal financing sources to support their business forced economic crisis business revival
- Tap into emerging opportunities in Climate Finance
- Cater to the shifting customer preference for digital financing services

Challenges

- Political uncertainty leading to the elections
- Risk of derailment of the economic reforms increases the risk of another economic downturn
- Intense competition for limited vehicle financing business amidst vehicle import restrictions
- High risk of staff attrition

Our Strategy

	Objective	Strategies	Our Plan
GROWTH	Develop a diversified portfolio	Reduce the over dependence on vehicle financing	M L
		Increase Gold Loan contribution in the total portfolio mix	S M
		Strengthen the channel development unit to penetrate the mobility market with a special focus on 4W products	S M
		Tapping new markets through climate financing and Value Chain Financing	S M L
		Strengthen marketing call center and CRM	S M
		Consistent ATL, BTL Campaigns	S M
		Strengthen the branding and marketing efforts to increase brand visibility and image as a value driven, sustainable financial institution	S M L
		Improve Social media and digital presence	S M
	Develop a balanced funding base	Introduce Sustainability oriented deposit and savings products	S M
		Further build on relationships with foreign lenders and Impact Investors	M L
		Increase the Deposit base outside the western province	S M
		Further strengthening the Tier 2 capital	S M L
		Mobilize minor savings through Hapannu Forest project	S M L
	Embrace digitization to transform the company to position in the digitized economy	Launch digital marketing and sales channels.	S M
		Introduce digital products, services and digital platforms	M L
		Implement Cyber Security and GRC related enhancements	S M L
	Employ sound risk management measures to mitigate potential internal and external risks that would challenge company stability and reputation	Periodic review of the risk appetite framework of the company	S M L
		Close monitoring and continuous refinements of credit underwriting criteria	S M L
		Manage asset and liability risks effectively	S M L
	Attract and retain right talent	Implement staff motivation and career advancement programs, along with competitive pay	S M
		Focus on managing top talent.	S M L
		Develop and maintain a succession planning strategy	M L
PROFITABILITY	Support the financial value creation by increasing profitability and shareholder returns	Reduce cost to income ratio by reducing operational costs through automation and new core banking system implementation	S M
		Reduce the Interest Rate Risk by increasing the proportion of short-term lending products and medium to long term fixed rate borrowings.	S M
		Achieve and maintain a Credit Cost ratio and NPL at target levels by strengthening credit and recoveries in early delinquencies	S M
		Increase productivity by driving portfolio growth via existing branch network and virtual branches	S M
		Increase staff productivity	S M
		Improve the credit rating of the company over the medium to long term	M L
SUSTAINABILITY	Reinforce the sustainability drive of the company to support organizational, national and global sustainability priorities	Invest in Climate Finance products, including e-mobility, through a diversified lending portfolio	M L
		Offset the carbon footprint through tree planting and reduce carbon emissions by implementing energy-efficient measures	S M L
		Conduct capacity-building programs for the staff on ESG practices	S M L
		Support local communities through social sustainability initiatives to build trust and loyalty	S M L
		Initiate a social entrepreneur development project under each portfolio head	S M L
		Implement projects covering biodiversity conservation, ecosystem restoration, and protection of fauna and flora.	M L

S Short term M Medium term L Long term

ESG Integration

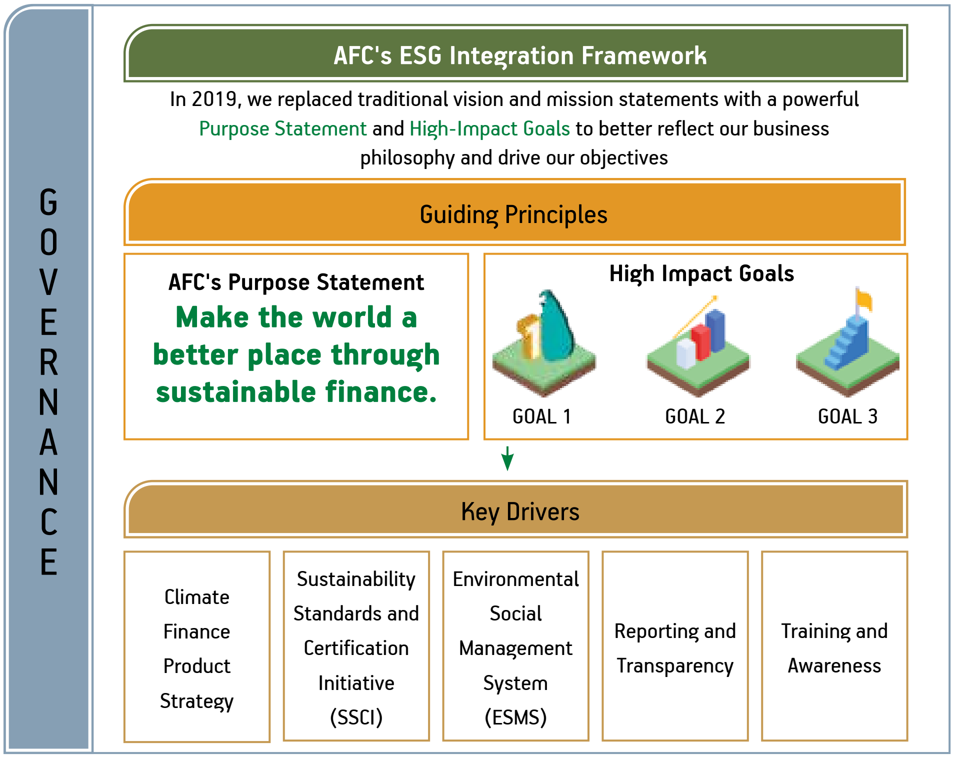
GRI 2-25

360 degree approach to ESG Integration

AFC adopts a holistic approach to Environmental, Social and Governance (ESG), integrating it into all facets of its operations, strategy, and value chain. This approach transcends conventional corporate social responsibility endeavours, aiming instead to generate enduring value for the Company's stakeholders, society, and the environment. Central to this sustainability-centric business model is the development of innovative products and services that address sustainability challenges, minimise negative environmental impacts, conserve resources, promote social well-being, and align with evolving customer expectations for sustainability.

Embracing a culture of continuous improvement, AFC regularly evaluates its practices, establishes ambitious goals, and adapts strategies in response to new insights and emerging sustainability trends, ensuring that sustainability remains ingrained in the core of its operations.

Moreover, recognising that short-term transactional relationships may yield immediate gains but fail to establish enduring customer loyalty and competitive advantage, AFC prioritises fostering long-term relationships to achieve high-impact goals, targets, and sustained profitability. Through a collaborative engagement involving every department of the organisation, AFC aims to realise its sustainability-integrated business model and strengthen its value propositions, customer loyalty, competitive advantage, and long-term profitability.



GOVERNANCE

AFC's ESG Integration Framework

In 2019, we replaced traditional vision and mission statements with a powerful Purpose Statement and High-Impact Goals to better reflect our business philosophy and drive our objectives

Guiding Principles

AFC's Purpose Statement

Make the world a better place through sustainable finance.

High Impact Goals

Key Drivers

- Climate Finance Product Strategy
- Sustainability Standards and Certification Initiative (SSCI)
- Environmental Social Management System (ESMS)
- Reporting and Transparency
- Training and Awareness

Purpose Statement

AFC's purpose statement - "Make the world a better place through sustainable finance" serves as the guiding principle for the integration of Environmental, Social, and Governance (ESG) considerations throughout the company's operations. The Company recognises that its role extends beyond financial returns to encompass broader societal and environmental responsibilities and as such strives to embed ESG factors into its decision-making processes, to ensure that environmental impacts, social implications, and governance practices are systematically assessed and addressed across its business activities. This purpose-driven approach underscores AFC's dedication to leveraging finance as a force for positive change, aligning its investments and operations with principles of sustainability and responsible stewardship. Through ESG integration guided by its purpose statement, AFC seeks to demonstrate its commitment to not only delivering value to its stakeholders but also contributing to the creation of a more sustainable and equitable world for all.

High Impact Goals (HIG)

Stemming from its purpose statement, AFC has established a set of High Impact Goals (HIG), to articulate its overarching commitment to environmental sustainability, poverty alleviation, and inclusive development. The HIG's essentially underscore the Company's commitment to reform its core business activities in order to ensure a sustained contribution towards socioeconomic and environmental transformation over time. Accordingly, the previous set of HIGs were refreshed and a new HIG series was unveiled in early 2024, framed around reforming AFC's lending practices to drive sustained economic growth and in doing so seamlessly contribute to climate adaptation and mitigation efforts. On this basis, the new HIG's focus on;

HIG 1 - Lead the transition towards Sustainable Mobility Solutions: By providing fuel efficient vehicle leasing services, we contribute to sustainable mobility solutions, encouraging the use of eco-friendly vehicles and minimizing carbon footprints. This approach aligns with environmental sustainability goals while meeting the growing demand for efficient, green transportation options. As a company dedicated to environmental sustainability, AFC actively mitigates the carbon dioxide emissions from the internal combustion engine (ICE) vehicles we finance through our tree-planting initiative. We measure our social impact by the number of customers supported through our mobility solutions. By implementing industry best practices and engaging in tree-planting initiatives, we further solidify our commitment to being an environmentally friendly organization.

HIG 2 - Drive Financial Inclusion: By offering gold loans, saving deposits, and gold investments, we play a crucial role in promoting financial inclusion across diverse economic segments. Gold loans provide accessible credit to underserved populations, helping alleviate poverty. Saving deposits empower individuals to build financial resilience, while gold investments offer an alternative asset class, fostering inclusivity in wealth creation and diversification. These products help remove barriers that exclude people from the financial sector, encouraging marginalized communities to use regulated financial services instead of unregulated ones, thereby improving their lives and promoting economic stability.

HIG 3 - Promote MSME Development: By developing unique products for machinery equipment, and property financing to support MSME development not only for the purpose of fuelling economic sustainability but also contributes to job creation and local economic development. In addition, AFC's newly launched climate financing portfolio developed in partnership with the UNDP, aims to encourage MSMEs to adopt environmentally friendly practices, thereby promoting long-term sustainability and resilience. This multifaceted approach to promoting Micro, Small, and Medium Enterprises (MSMEs) is essential for fostering economic growth, encouraging self-employment, and supporting sustainable development. This strategy focuses on four key areas: value chain financing, self-employment through three-wheeler financing, climate financing, and microfinance.

High Impact Goals	Cumulative target for 2023/24	Achievement in 2023/24	Related SDG
Goal 1 - Reduce the national carbon footprint of Sri Lanka by 120,000 tCO2e, by 2030	900,000 trees	80%	1 NO POVERTY 5 GENDER EQUALITY 7 AFFORDABLE AND CLEAN ENERGY 10 REDUCED INEQUALITIES 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS
Goal 2 - Improve the living standards of 5% of the households in the northern province and other marginalized and rural areas through inclusive financial products and services by 2025/26	69,707 number of households	70%	1 NO POVERTY 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS
Goal 3 - Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2025/26	66,000 entrepreneurs and self -employment opportunities	89%	1 NO POVERTY 5 GENDER EQUALITY 10 REDUCED INEQUALITIES 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS

Climate Finance Product Strategy

AFC's Climate Finance Product Strategy, underscores the Company's commitment to align with the CBSL's Sustainability Roadmap, including the Green Finance Taxonomy Guidelines and SSCI.

Having committed to a systematic timeline to support its adoption, AFC has taken the first steps toward actionable efforts through the launch of a dedicated Climate Finance portfolio. Phase 1 of the Climate Finance Strategy which was rolled out in 2023, focuses on renewable energy solutions, Agri Climate loans and solid waste management solutions. To that end, AFC is collaborating with the USAID climate Adaptation project to understand the required climate action activities as part of the holistic approach to capacity building among the Agri loan clients and communities.

Sustainability Standards and Certification Initiative (SSCI)

To further reinforce the commitment to ESG integration, AFC has voluntarily embraced the SSCI to create a platform to facilitate the creation of sustainable lending structures to deliver customer value and at the same time serve societal needs and contributes to inclusive, resource-efficient, environmentally friendly, and net-zero economic development over the long term. Following the launch of the new HIG series, AFC is aiming to upgrade its commitment to the initiatives by working towards the latest SSCI v2. The SSCI v2.0 framework with its Octagon model of value generation, pays attention to the progress of High Impact Goals in terms of their effectiveness on the economy, society and the environment.

Environmental Social Management System (ESMS)

AFC's Environmental and Social Management System (ESMS) implemented with the expertise of an independent consultancy firm - Steward Redqueen, provides the framework to assess the ESG risks associated with AFC's lending exposures. The ESMS compliments AFC's longstanding commitment to align its lending processes with the IFC's exclusion list. The ESMS further expands on these commitments by focusing on 15 sector specific fact sheets developed based on the IFC exclusion list, thus ensuring AFC's lending activities refrain from causing any harmful impact on society or the environment.

Reporting and Transparency

AFC is deeply committed to maintaining transparency in reporting its progress on ESG integration. Understanding that transparency is crucial for building trust and accountability, the Company is dedicated to providing clear, comprehensive, and accurate disclosures that inform stakeholders about the Company's ESG initiatives, performance, and impacts, thereby reinforcing its credibility and reputation in the eyes of investors, customers, regulators, and society at large.

To that end, the AFC has adopted several reporting frameworks, key among them the GRI standards and UN SDG's. Additionally, AFC has also undertaken to publish quarterly progress updates detailing initiatives undertaken by the Company in implementing action items under the CBSL roadmap.

Training and Awareness

AFC places significant emphasis on training and awareness to embed ESG principles across the organisation. Recognising that a well-informed and engaged workforce is crucial for the successful implementation of its sustainability goals, AFC provides comprehensive training programs that equip employees with the knowledge and skills needed to understand and apply ESG concepts in their daily operations. Training programmes cover a wide range of topics, including sustainable finance practices, ethical governance, social responsibility, and environmental stewardship. Additionally, AFC fosters a culture of continuous learning and awareness through workshops, seminars, and internal communications that highlight the importance of ESG integration and its impact on the Company's long-term success. By promoting a deep understanding of ESG principles among its staff, AFC ensures that these values are embedded in the Company's decision-making processes and operational strategies. This investment in training and awareness not only enhances the company's ESG performance but also empowers employees to contribute proactively to AFC's mission of making the world a better place through sustainable finance. AFC has incorporated remuneration linked, Sustainability related KPIs to all its employees including executive directors and conducted several awareness sessions to its staff and Board of directors on sustainability and climate best practices and AFC commitments towards adhering to those.

THE GLOBAL GOALS
For Sustainable Development

66% of our portfolio now contributes towards **12UN SDGs**

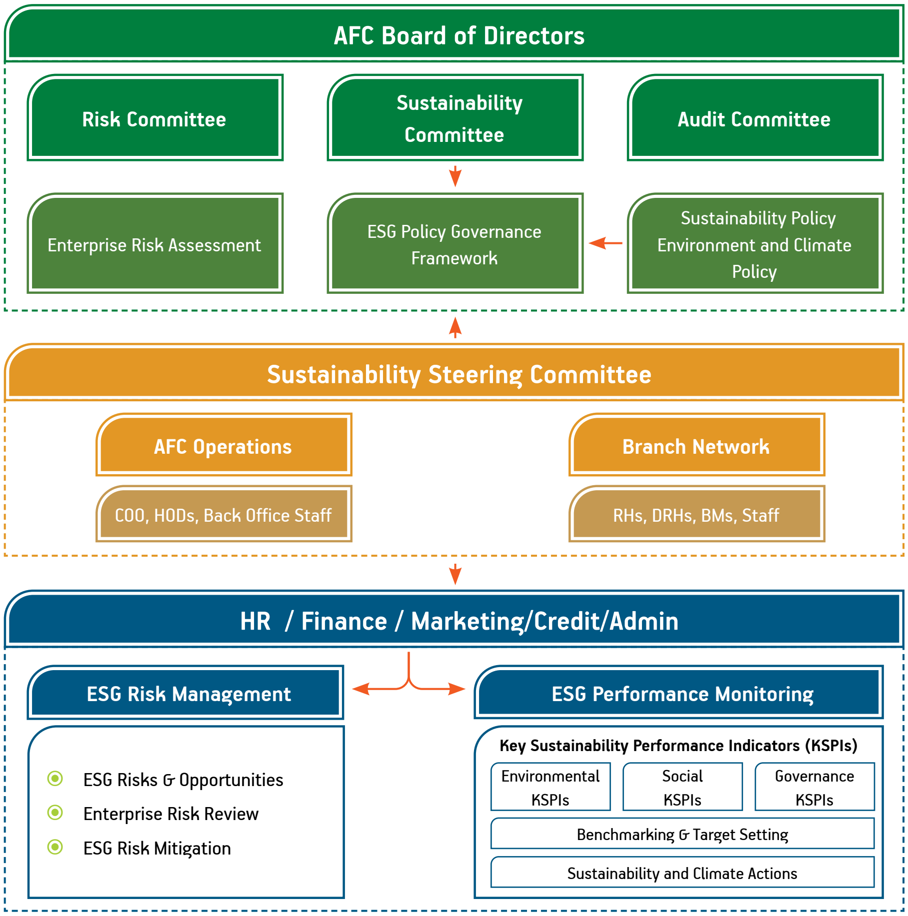
ESG Governance

ESG governance and oversight at AFC is a structured process spearheaded directly by a team of ESG champions comprising the Company's executive leadership headed by the Deputy Chairman / Managing Director. These ESG champions are responsible for setting ESG policies, objectives, and strategies, ensuring they align with AFC's overall purpose statement. ESG champions work closely with various departments to integrate ESG considerations into all aspects of the business, from risk management and investment decisions to operational practices and stakeholder engagement. Additionally, ESG champions meet regularly to monitor progress, review performance metrics, and address any challenges in the ESG implementation process. Through this structured governance and oversight process, AFC not only reinforces its commitment to sustainability but also ensures that ESG principles are ingrained in its corporate culture and operational ethos, driving long-term value creation and positive impact.

Sustainability steering committee (ESG Committee) is the key implementation ensuring body on all sustainability and climate related targets and actions. Progress towards targets and new sustainability considerations including meeting the requirements of SSCI, SLFRS S1 and S2 and Sri Lanka Green taxonomy are integral components of the ESG committee Term of Reference. The ESG Committee reports to board sustainability Committee on quarterly who will intern reports to the board on its progress and any new actions needed.

All relevant Heads of Departments need to implement and reports the progress on targets and actions on monthly and quarterly basis. Key measurable targets includes , emission reductions, Tree planting, Solar conversions, Biodiversity and Eco System restoration and community projects.

ESG Governance



Operating Environment

Global Economic Summary

In 2023, the global economy navigated a landscape marked by a mix of challenges and opportunities, ultimately displaying a varied performance across regions and sectors. Despite initial optimism for a robust recovery from the COVID-19 pandemic, uncertainties persisted and were further exacerbated by factors such as geopolitical tensions, supply chain disruptions, and fluctuations in commodity prices.

Global trade growth in 2023 was thought to have been the slowest outside global recessions in the past 50 years, with goods trade contracting amid weak global industrial production. The average prices of most commodities, in U.S. dollar terms, fell in 2023 amid moderating demand, but nevertheless remained above pre-pandemic levels Against this backdrop, global growth is estimated to have weakened to 2.6% in 2023.

Outlook and Prospects for the Global Economy

It is forecasted that global growth will maintain a level approximately around 3.1% in 2024, with a subsequent acceleration to 3.2% in 2025. This growth trajectory is primarily attributed to a robust rebound anticipated in several major economies, notably the United States. However, the projected global growth rates for 2024-2025 are below the historical average (2000-2019) of 3.8%, reflecting the impact of restrictive monetary policies to curb inflation, fiscal tightening amidst high debt weighing on economic activity, and low underlying productivity growth.

Source - Global Economic Prospects - January 2024

Sri Lankan Economy

In 2023, the Sri Lankan economy experienced a gradual recovery from the most severe economic downturn in its post-independence history. This revival was largely attributable to decisive policy adjustments and structural reforms enacted by the Government and the Central Bank. The economic adjustment program produced promising outcomes, which contributed significantly to the restoration of macroeconomic stability with the economy recording an expansion in the second half of 2023 bringing an end to the longest streak of economic contraction encompassing six consecutive quarters. Sri Lanka's GDP recorded a 2.3% contraction in 2023, in sharp contrast the 7.3% GDP erosion in 2022, offering further proof that the Country was on the path to recovery,

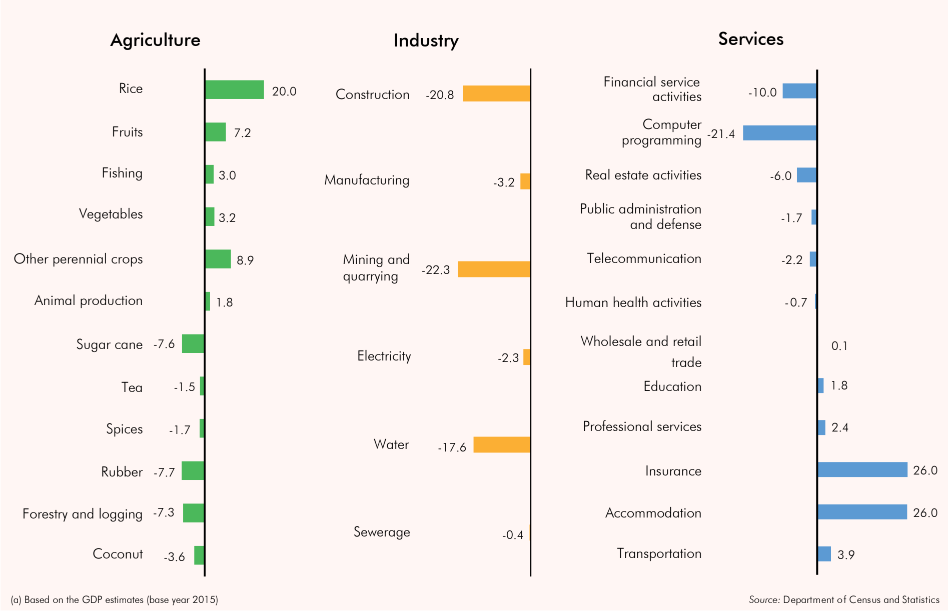
Sector Performance

The agricultural sector demonstrated signs of a strong revival, expanding by 2.6% in 2023, reflecting a significant improvement from the 4.2% contraction witnessed in 2022.

Meanwhile the industry sector remained under stress owing to the combined impact of low domestic consumption and weak export demand on the back of the global economic slowdown. Consequently, the industry sector reported a 9.2% contraction in 2023.

In the services sector, the contraction was limited 0.2% in 2023, supported largely by the resurgence in the tourism sector. Notably however, financial services and real estate activities, which were adversely affected by the high-interest-rate environment, particularly during the first half of the year, continued to weigh negatively on the growth of services activities during the year.

Growth in Economic Activities - 2023 (a)



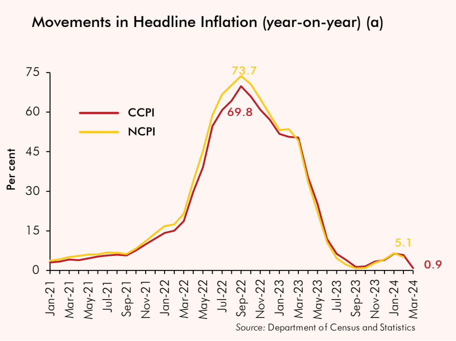
(a) Based on the GDP estimates (base year 2015)

Source: Department of Census and Statistics

Source - Central Bank of Sri Lanka Annual Economic Review 2023

Inflation

Inflation, which reached its historically highest level in September 2022, experienced rapid disinflation thereafter, ultimately reaching lower single-digit levels by the end of 2023. Consequently, year-on-year headline inflation, measured by the Colombo Consumer Price Index (CCPI), decelerated to 1.3% in September 2023. However, since September 2023, inflation has been moving upward toward the targeted level, driven by energy price hikes, particularly the electricity tariff increase, alongside weather-related supply side disruptions in the agriculture sector. Accordingly, CCPI-based year-on-year headline inflation was recorded at 4.0% by the end of 2023 compared to 57.2% by the end of 2022. The increase in the Value Added Tax (VAT) rate from 15% to 18%, along with the removal of certain exemptions at the beginning of 2024, caused a brief surge in inflation in January 2024, before stabilising once more towards the end of 2024.

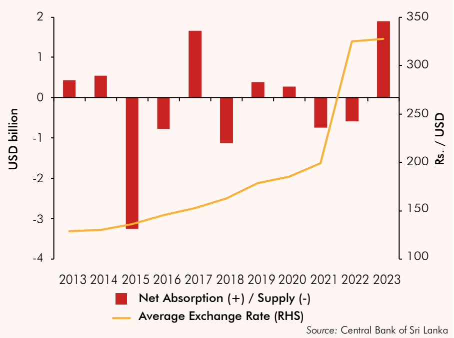


Source: Department of Census and Statistics

Source - Central Bank of Sri Lanka
Annual Economic Review 2023

Exchange Rate

The Sri Lankan Rupee strengthened notably in 2023 and early 2024, aided by improved market liquidity, which was the result of robust forex inflows in the form of tourism related earnings, workers' remittances, and foreign investments in the government securities market. Lower import demand was also a contributory factor towards the strengthening of the Rupee in 2023. In all, the Sri Lanka rupee, which depreciated by 44.8 % against the US dollar in 2022, appreciated by 12.1% in 2023.

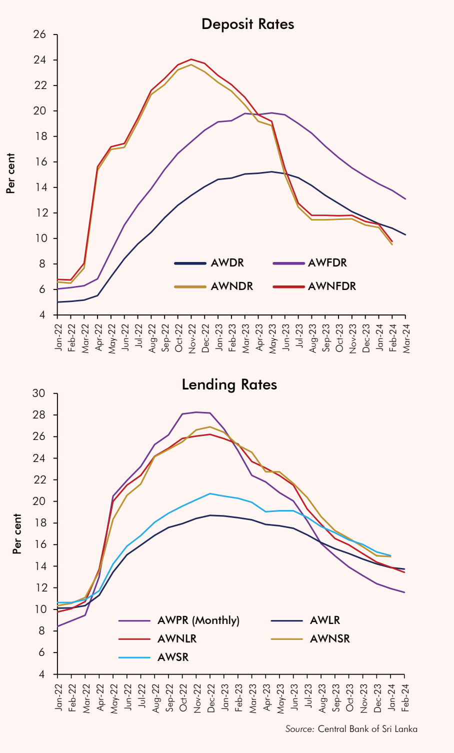


Source: Central Bank of Sri Lanka

Source - Central Bank of Sri Lanka
Annual Economic Review 2023

Interest Rates

Market interest rates declined significantly in 2023 from the notably high levels recorded in 2022 on the back of the accommodative monetary policy measures implemented by the authorities since June 2023. The rapid disinflation process, moderation of inflation expectations, and the decrease in risk premia attached to yields on government securities following the Domestic Debt Optimisation (DDO) operation were the other key factors that contributed to the widespread reduction in market lending rates.



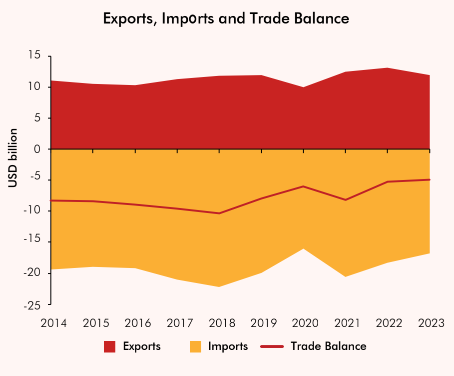
Source: Central Bank of Sri Lanka

The downward trend in market interest rates persisted into early 2024, underscoring the potential for further declines in response to accommodative monetary conditions.

External Sector

Sri Lanka's external sector recorded a strong rebound in 2023, demonstrating increased stability with positive developments across multiple areas in the latter part of the year. The commencement of the IMF-EFF programme in March 2023 and its successful continuation thus far have been instrumental in achieving stability in the external sector.

The Country's trade deficit for 2023 was at its lowest level since 2010, underscored by a larger contraction in import expenditure compared to export earnings. A notable decline in export earnings was seen in 2023, primarily attributed to a substantial reduction in industrial exports owing to the downturn in garment exports. Simultaneously, there was a considerable decrease in import expenditure, attributed to subdued economic activity, diminished disposable income, and the imposition of import restrictions.



Outlook and Prospects for the Sri Lankan Economy

The Sri Lankan economy is predicted to grow by 3% in 2024 aided by the accommodative monetary policy stance of the government and low inflation environment. The faster than expected recovery of the tourism sector is expected to further support the growth momentum in the near term with positive spillover effects on other related sectors. The industrial sector is anticipated to experience favourable outcomes stemming from recent positive developments, including the removal of import constraints, decreasing costs associated with credit, and declining prices of raw materials. The long awaited resurgence in construction sector activities is also expected to materialise, propelled by the aforementioned advancements and the recommencement of numerous infrastructure development projects previously suspended by the Government.

Non-Bank Financial Institutions (NBFI) Sector Performance

Credit extended to the private sector by the NBFI contracted by LKR 24.2 billion during 2023, reflecting a year-on-year contraction of 1.8% by the end of 2023. The sector remained resilient with adequate capital and liquidity buffers throughout the year and recorded growth across all key metrics, including assets, deposit base, and profitability. However, the asset quality of the sector deteriorated as reflected by increasing Stage 3 loans.

Asset Quality

The asset quality within the sector exhibited a decline, as evidenced by the heightened Gross Stage 3 Loans Ratio, which stood at 17.8% by the conclusion of 2023, compared to 17.4% recorded by the end of 2022. This was also partly due to the reclassification of the Stage 3 Loans which required NBFI's to adopt 90 days past due date as the basis of Stage 3 loan classification with effect from April 2023, instead of the 120 days adopted in the past.

Profitability

Driven by sustained improvements in both net interest income and non-interest income, the NBFI sector reported Profit After Tax (PAT) of LKR 47.7 billion in 2023, reflecting a 11.3% improvement from LKR 42.8 billion in 2022.

Capital and Liquidity

The capital base of the sector improved marginally by 3.9% to LKR 329.0 billion by end 2023 from LKR 317.0 billion recorded by end 2022.

The sector continued to maintain healthy liquidity levels, comfortably above the regulatory minimum requirements. The overall regulatory liquid assets available in the sector was LKR 254.9 billion as at end 2023, against the stipulated minimum requirement of LKR 103.4 billion recording a liquidity surplus of LKR 151.5 billion as at end 2023, a nearly 2-fold improvement from the LKR 86.9 billion recorded as at end 2022.

Outlook and Prospects for the NBFI Sector

In 2024, NBFI sector is poised for both challenges and opportunities. Despite facing some headwinds from the lingering effects of the 2022 economic crisis, there are promising indicators for growth. The sector is anticipated to benefit from favourable macroeconomic conditions, including the lifting of restrictions on vehicle imports, declining costs of credit, and greater price stability. These factors are likely to stimulate economic activity and increase investment opportunities for NBFIs. Additionally, with the resumption of infrastructure development projects by the government, there is a potential uptick in demand for financing, particularly in the construction sector. However, NBFIs will need to remain vigilant about managing risks, particularly concerning asset quality, as indicated by the elevated Gross Stage 3 Loans Ratio observed in recent years. Overall, with prudent management and strategic adaptation to evolving market conditions, Sri Lanka's non-bank financial institutions sector holds prospects for growth and stability in 2024.

Source: Annual Economic Review 2023 - CBSL

LENDING

AFC's approach to lending in the first half of the current financial year was largely reflective of the market demand for credit. Given the decidedly weak credit appetite attributed to the spillover effects of the 2022 economic crisis, the Company opted to continue with its prudent approach to credit expansion in the first two quarters of the current financial year. However, with stressed economic conditions easing off by mid-2023 signalling the gradual recovery of economic activity and declining interest rates, fuelling the market demand for credit in the latter part of the year, AFC opted to resume lending in the second half of the current financial year.

Leases and Loans

A guarded approach continued to underscore decisions in regard to new exposures in the Company's leases and loans portfolio. Accordingly, staying firmly anchored to its core market segment - the MSME sector, the Company focused mainly on supporting rural MSME's in high growth sectors. At the same time, a new Sustainable Finance product line was introduced to bring more emphasis on developing rural agriculture sector, especially to promote the expansion of dairy, cinnamon and tea industries.Within these sectors existing customers with a proven repayment record were given top priority and offered new facilities accompanied with flexible, tailor-made solutions, while new customers were stringently evaluated using the new core banking system implemented during the year to assess their financial stability. Additional due diligence activities were also conducted to scrutinise their ability for sustained repayment over time.

AFC's lending practices not only drive economic growth but also actively contribute to climate adaptation and mitigation efforts, aligning with the Company's High Impact Goals (HIG).

Goal 1 - Reduce the national carbon footprint of Sri Lanka by 120,000 tC02e by 2030

Goal 2 - Improve the living standards of 5% of the households in the Northern Province and other rural and marginalized areas through inclusive financial products and by 2025/26 financial year

Goal 3 - Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2025/26 FY

Supported by these efforts, AFC's succeeded in recording a 22% increase in new volumes granted, while the overall in leases and loans portfolio grew by 18.21% from LKR 39 Bn in FY 2022/23 to LKR 46.1 Bn as of 31st March 2024.

In tandem with the improvement in economic conditions, AFC's recovery efforts also further gathered momentum in the current financial year. Aiming to reduce NPA below 10% by the end-March 2024, the overall collection process was further strengthened. Branch collection activities were rationalised with the introduction of a new regional supervisory structure to bring more focused oversight and implement a target-based recovery

Challenges and Opportunities for FY 2023/24

Challenges

- Inconsistent demand for credit owing to financial stress resulting from prolonged economic uncertainty
- Competitive pressure within the NBFI sector

Opportunities

- Invest in digital technology to Improve competitive position
- Develop products that provide first mover advantage in untapped markets

mechanism to streamline the branch recovery process. The Recovery Call Centre remained actively involved in follow up and collections in line with the specified timelines. Similarly AFC's legal team also continued to provide vital support towards the overall recovery effort.

In testimony to the success of these initiatives, AFC's NPA levels dropped to 9.38% as at 31st March 2024, a notable improvement from the 13.12% registered in the previous financial year.

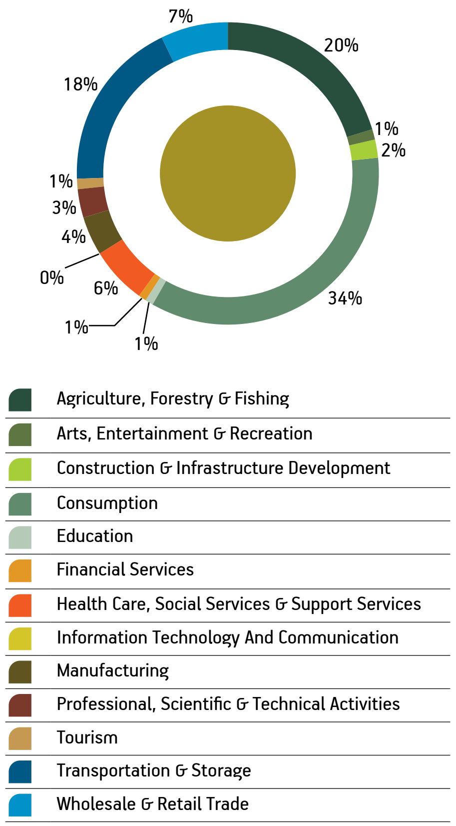
Gold Loans

After a strong demand experienced for gold loans in recent years, the demand stagnated in the year under review. Gold Loans, which have traditionally been viewed as a distress loan, has in recent years proven to be a popular choice for individuals and micro entrepreneurs alike, to ease the financial pressures brought by the prolonged economic downturn. In order to retain the market share, AFC initiated a broad based promotional campaign encompassing ATL, BTL and digital mediums to raise awareness among the target customer segments, especially in rural areas. This was accompanied with a series of special offers targeting specific customer segments. In a conscious effort to increase its outreach, the Company expanded the mobile gold loan unit.

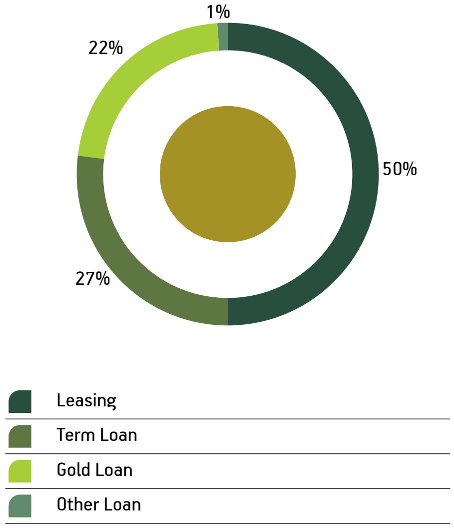
Ran Ayojana

The Ran Ayojana product continued to grow in popularity especially after the reduction in interest rates in the latter part of the financial year. Several Group Sales were organised at selected AFC branches in collaboration with the contracted supplier networks and supported by extensive awareness conducted by branch teams. All Group Sales were well patronised enabling the Company to achieve targeted lending volumes in the Ran Ayojana portfolio.

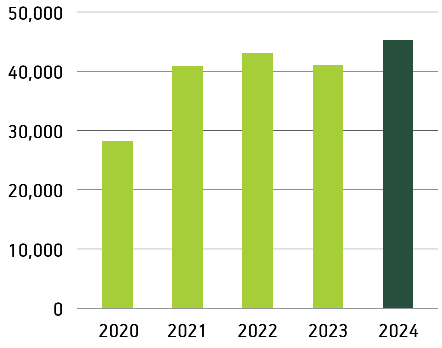
Sector Wise Portfolio (%)



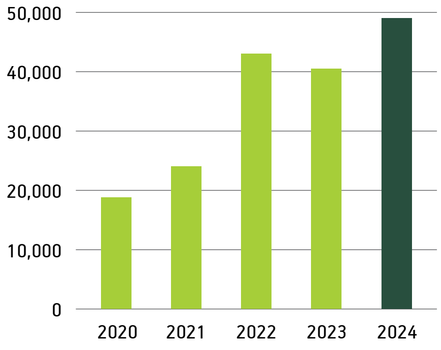
Product Wise Portfolio (%)



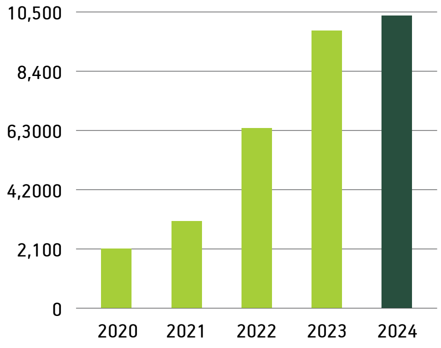
Lending Portfolio (LKR Mn)



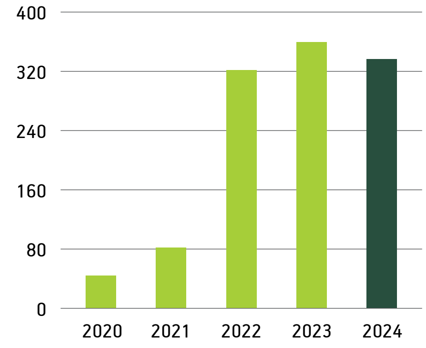
New Volumes Granted (LKR Mn)



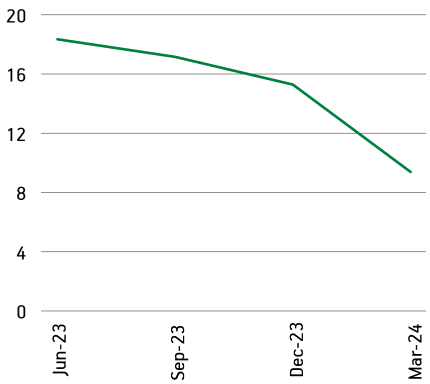
Gold Loan Portfolio Growth (LKR Mn)



Ran Ayojana Portfolio Growth (LKR Mn)



Gross NPL Q-o-Q 2023/24 FY (%)



Focus for the Future

If the current low interest rate trend, stable inflation and improved economic activity all continue, the inevitable demand acceleration will provide the ideal backdrop for AFC to enact its credit expansion strategies in the coming years. Moreover as economic conditions improve, AFC will also pay close attention to recoveries with special emphasis on further reducing the Company's NPA levels.

Furthermore, in line with AFC's High Impact Goals, the Company expects to focus predominantly on low emission vehicle financing, financial inclusion, and MSME sector development over the next five years.

DEPOSITS

Amidst the backdrop of rising interest rates in the first half of 2023, AFC seized the opportunity to grow its deposit base. Continuing with the Company's strategy to diversify into regional markets, an aggressive deposit mobilisation drive was launched by the Company's island-wide branches supported by broad based promotional activities involving both ATL, BTL and social media campaigns to attract potential depositors from across the Country.

Capitalising on the high interest rates at the start of the year, several product variations were also offered to attract short tenure term deposits, while a more focused approach to mobilise longer tenure deposits was launched from mid-2023 onwards following progressive rate cuts implemented by the CBSL.

A culmination of these efforts enabled AFC to mobilise LKR 7.9 Bn in new deposit volumes for FY 2023/24, while the total term deposit portfolio as at 31st March 2024 stood at LKR 28.3 Bn, a 38.6% increase compared to the previous year.

Challenges and Opportunities for FY 2023/24

Challenges

- Customer retention amidst stiff market competition driven by high interest rates
- Lack of market demand for Savings due to lower disposable incomes caused by higher taxes and inflation- induced cost increases

Opportunities

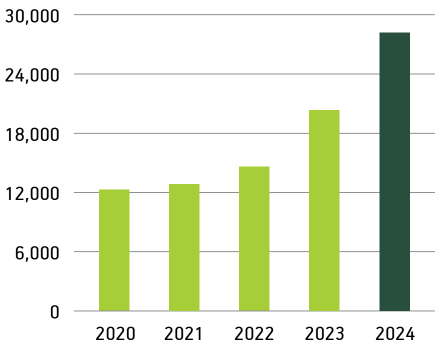
- Leverage on AFC's strong branch presence to penetrate untapped markets
- Drive service differentiation to attract and retain customers

With customer retention seen as a top priority amidst stiff market competition, tailor-made pricing strategies and a range of service enhancements, including a speed loan facility and the door-step service were offered enabling the Company to maintain the average customer retention ratio at 77.07% for the current financial year.

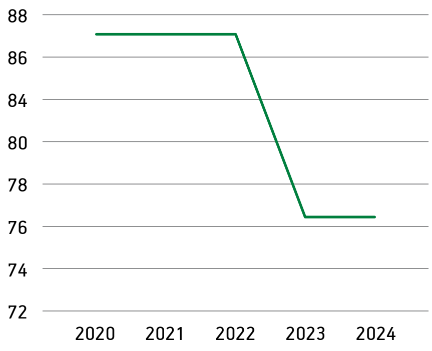
Equally importantly, the Company continued with efforts to grow its savings base. In this regard, the "AFC Hapannu", AFC's flagship minor savings product was relaunched accompanied with a reward scheme offering attractive offers for minor savings account holders. The Relaunch programme was conducted across the branch network and followed up with a series of localised promotional campaigns driven by branch teams. In testimony to the success of these efforts, AFC's savings portfolio registered 14% year on year growth compared to the previous year.

AFC leverages its deposit products to focus on improving the quality of life for marginalised communities. By promoting the savings habit among these vulnerable groups, AFC aims to eliminate barriers preventing participation in the financial sector, thereby enabling individuals to improve their living standards. AFC encourages regular savings through customised deposit schemes, including speed cash loan facilities and doorstep services, that serve as convenient and accessible financial solutions. Moreover, by channelling these deposits into loans to support for MSME entrepreneurs, AFC fosters economic growth and enhances self-employment opportunities. This dual approach of promoting savings and reinvesting them into community development ensures sustainable improvement in the economic well-being of households in rural and marginalised areas.

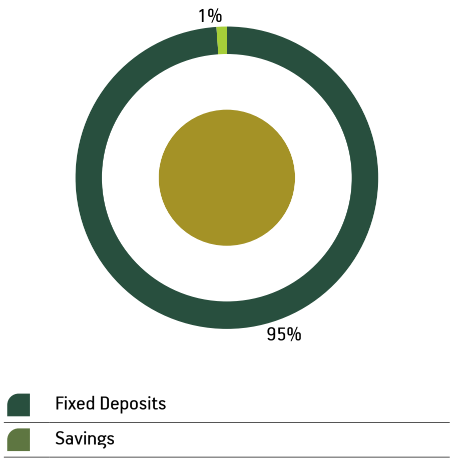
Deposit Base (LKR Mn)



Customer retention ratio (%)



Deposit Mix (%)

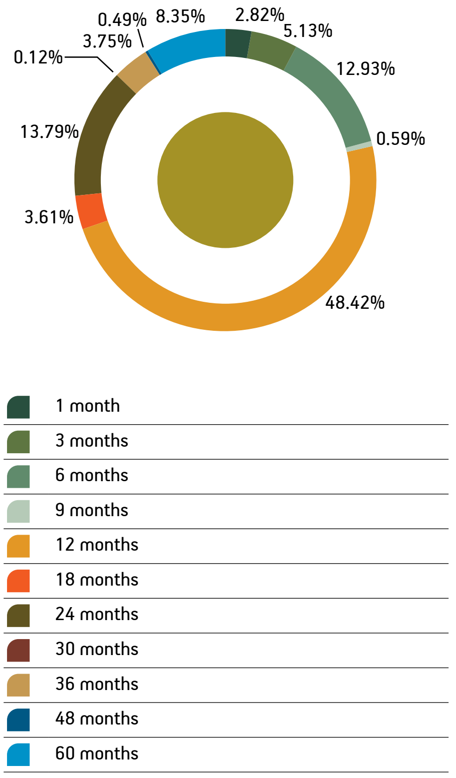


	2023/24	2022/23
Annual effective rate	15.99%	23.84%
Renewal Ratio	77.07%	76.59%
Net intake (LKR Mn)	7,870	5,271

Focus for the Future

Given that the low interest rate environment is likely to continue for the foreseeable future, AFC will focus on strengthening its retention ratio in order to consolidate its term deposit base. The emphasis on savings will also be further intensified. Moreover, it is hoped that the new core banking solution scheduled to be rolled out in the forthcoming financial year will pave the way for AFC to further enhance the experience for both term deposit and savings customers, thereby strengthening the overall renewal ratio in the years ahead. Additionally, by prioritising these initiatives, AFC seeks to align with its high-impact goal 2, which aims to uplift rural households and foster MSME entrepreneurship. The refined focus on retention and customer experience will catalyse AFC's efforts in achieving its overarching goals for societal and economic advancement in the years to come.

Tenure wise Fixed Deposit Base (%)



COMMERCIAL

AFC's commercial division remained under pressure in the current financial year as the restriction on vehicle imports continued to create significant volatility resulting in over inflation of vehicle prices, in turn directly impacting the EZY Drive the rent -a -car business. Subsequent efforts to diversify into fleet management yielded good results enabling the EZY Drive vertical to record a satisfactory performance in the currency financial year.

The vehicle sale arm also experienced a major setback following the new VAT requirements. Responding to these challenges, AFC revisited it conventional model with the aim of exploring potential business diversification opportunities in order to safeguard operating results.

Challenges

- Contraction in the demand for vehicle rental services owing to lower household disposable income
- Margin pressure as a result of the introduction of VAT

Opportunities

- High demand for vehicle fleet services

Focus for the Future

Going forward, the commercial division will seek to consolidate its operations to minimise margin pressure. At the same time, building the fleet management operation will remain a key priority for the EZY Drive operation. As part of its long term approach, the Company will work to strengthen ties with vehicle dealers with the expectation of the removal of the vehicle import restrictions in due course.

Elevating The Nation

With our purpose to "Make the World A Better Place through Sustainable Financing" AFC has carved for itself a uniquely differentiated business model in the Financial Services Sector of Sri Lanka

"We are looking to the future, taking Sri Lanka to greener pastures through our efforts"

As a premier financial institution, it is crucial for AFC to ensure robust financial liquidity in order to facilitate business expansion, meet financial obligations promptly and maintain the trust and confidence of investors

Inputs

- LKR 8 Bn Equity Capital
- LKR 28 Bn short term funding
- LKR 21 Bn long term funding

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Reputation and brand value

Management Approach

AFC adopts a comprehensive and strategic approach to managing its financial capital, involving a combination of rigorous risk assessment, meticulous financial planning, and proactive liquidity management. Moreover by diversifying its investment portfolio, maintaining a strong capital base, and adhering to prudent financial practices, AFC aims to ensure stability and resilience in various market conditions.

Key Actions for FY 2023/24

- 29.80% year on year improvement in Net Interest Income
- 1.60% year on year improvement in Net Interest Margin (%)
- 8.08% year on year improvement in efficiency ratio (%)
- 3.74% year on year reduction in NPL's (%)
- 78.59% year on year improvement in PBT
- 81.59% year on year improvement in PAT

Stakeholder Outcomes

- LKR 8.40 Dividend declared per share from 2023/24 profits.
- LKR 1,500 Mn paid as taxes to the Government.

Outputs for AFC and Impact on other Capitals

Improved financial results enable resources to be directed towards strengthening physical and digital infrastructure	⊕	MC
Consistent financial performance enhances brand reputation, industry standing and credit rating	⊕	IC
Strong financial results improves the confidence of both local and foreign financiers, customers and other stakeholders	⊕	S & RC

SDG's

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH

Financial Capital

In the first half of 2023, Sri Lanka's economy remained in a state of crisis, struggling with high inflation, elevated interest rates, and currency instability resulting from the 2022 economic collapse. However, the second half of the year saw signs of economic recovery as the government's monetary and fiscal policies, part of an IMF-led reform program, began to take effect. Inflation, which had peaked at over 65% in September 2022, rapidly fell to the target range of 4-6% by the end of 2023. Interest rates also declined significantly, dropping from over 30% at the start of 2023 to mid-single-digit levels by March 2024, following the successful Domestic Debt Optimization (DDO).

The recovery of the tourism sector and robust remittance flows helped alleviate currency pressures, resulting in an 11% appreciation of the LKR against the USD and boosting confidence in the local economy.

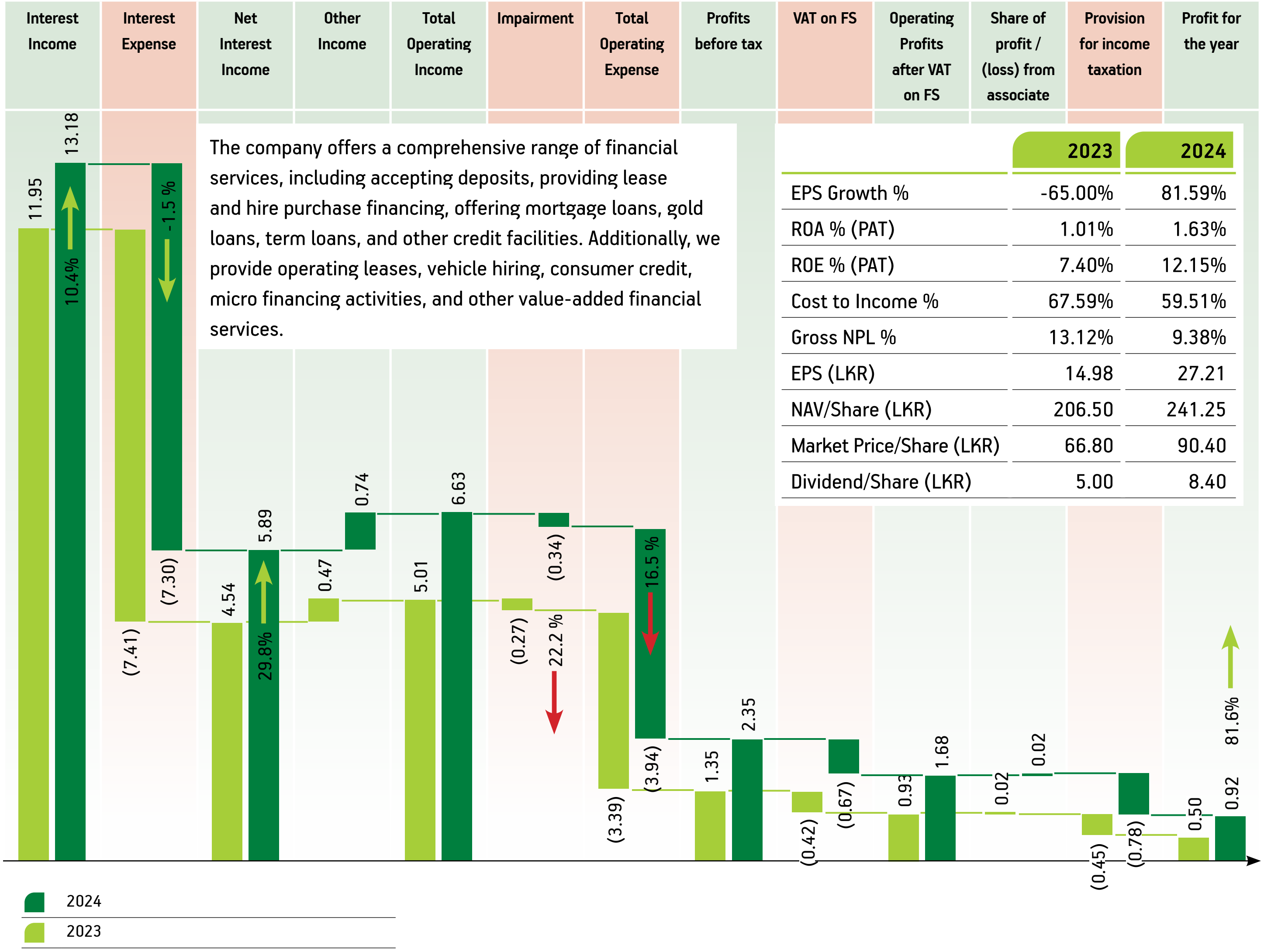
The business climate also improved alongside the economic recovery. As inflation and interest rates stabilized, businesses regained confidence, leading to increased investments and expansions. The positive shifts in economic indicators created a more favorable environment for businesses, further bolstering economic growth.

The Company Performance

In line with the economy and the industry, Alliance Finance Company PLC also demonstrated a similar trend in performance, showcasing a notable improvement across all key indicators aligning with its high-impact goals, indicative of the broader economic recovery. The company witnessed an increase of 15.17% in its total asset base and a 18.21% increase in its total loan book. Despite this growth, maintaining a high-quality credit portfolio remained a key priority, resulting in an overall decrease in the 90-day Non-Performing Loans (NPL) ratio to 9.38% from 13.12% the previous year. Benefiting from both the progressive economic recovery driven by a low-interest-rate regime in the second half of the year and strategic initiatives implemented by the Company, Alliance Finance Company PLC achieved a significant increase in its Profit After Tax (PAT) to LKR 917 Mn, marking a 82% rise compared to the previous year.

		2024	2023	Change/ Growth
Total Assets	LKR Mn	60,175	52,248	15.17%
Portfolio (Net)	LKR Mn	46,104	39,002	18.21%
PAT	LKR Mn	917	505	81.59%
NPL	%	9.38%	13.12%	-3.74%
Efficiency Ratio %	%	59.51%	67.59%	-8.08%

2023 2024 Financial Performance (LKR Bn)



The company offers a comprehensive range of financial services, including accepting deposits, providing lease and hire purchase financing, offering mortgage loans, gold loans, term loans, and other credit facilities. Additionally, we provide operating leases, vehicle hiring, consumer credit, micro financing activities, and other value-added financial services.

	2023	2024
EPS Growth %	-65.00%	81.59%
ROA % (PAT)	1.01%	1.63%
ROE % (PAT)	7.40%	12.15%
Cost to Income %	67.59%	59.51%
Gross NPL %	13.12%	9.38%
EPS (LKR)	14.98	27.21
NAV/Share (LKR)	206.50	241.25
Market Price/Share (LKR)	66.80	90.40
Dividend/Share (LKR)	5.00	8.40

Net Interest Income

During the year, Net Interest Income (NII) grew by 29.8% compared to the previous year. This growth was driven by a 12.58% increase in net interest-earning assets and a reduction of 1.5% in interest expenses. Consequently, the Net Interest Margin increased to 11.57%, up from 9.97% in the previous financial year.

◉ Interest Income

Total Interest Income grew by 10.36% compared to the previous financial year, supported by portfolio growth. Furthermore, the fixed-rate portfolio helped to maintain interest income in a declining interest rate market.

Loans and advances were the main contributor for the growth in Interest Income, with their interest income growing by 21.5% alongside a portfolio growth of 33.8%.

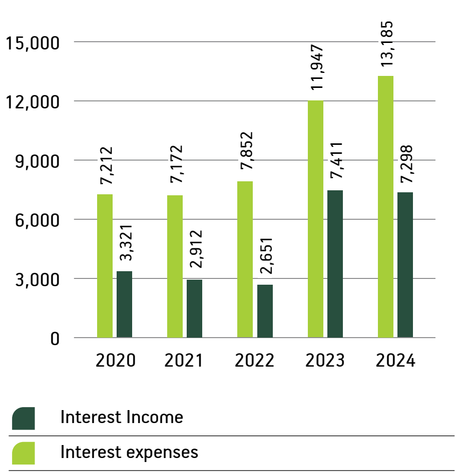
Although interest income from leases remained the largest component of the total interest income, it decreased to 51% from a previous high of 56% as a percentage of the total interest income, and the lease portfolio grew by only 5%.

Interest Expense

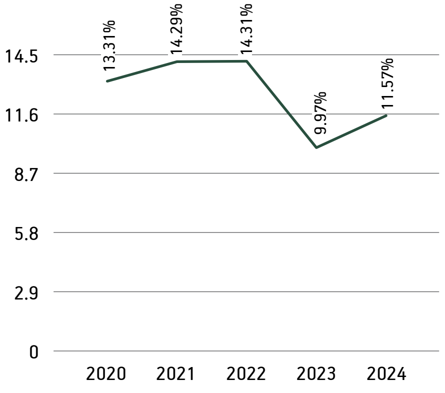
Interest expenses reduced by 1.53% despite a 17.77% growth in the lending portfolio. The declining trend in market interest rates favorably impacted the reduction in interest expenses, benefiting from the favorable repricing impact of shorter-term and variable rate borrowings, as well as the fixed deposit base.

Consequently, the company's overall cost of funds ratio decreased to 15.91% from last year's 18.26%. The annual effective rate of the fixed deposit base reduced to 15.99% during the financial year 2023/24, down from 23.84% in the previous financial year.

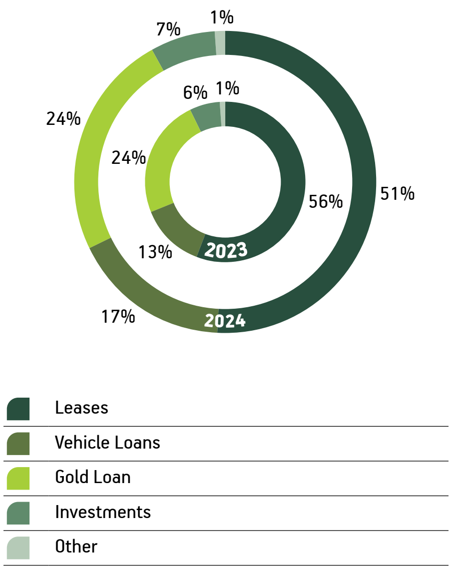
Net Interest Income (LKR Mn)



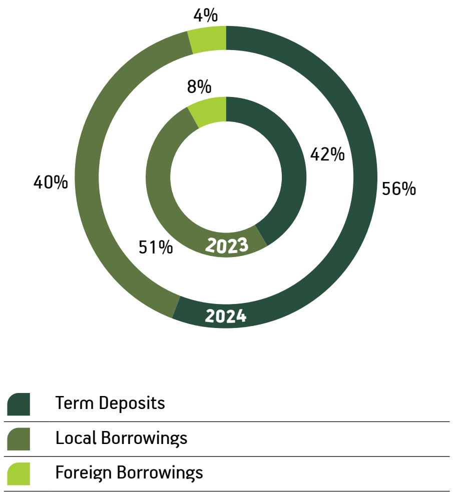
NIM (%)



Interest Income Composition (%)



Interest Expense Composition (%)



Non - Interest Income

Non-interest income of the Company, which includes fee and commission income, net gains from trading and other operating income, increased from LKR 474 Mn in the previous year to LKR 741 Mn during the year under review. This increase primarily resulted from higher service charges from new businesses and disposal gains accounted for in the financial year under review, including vehicle disposals.

Impairment Charges

Impairment charges increased by LKR 61 Mn during the year, marking a 22% rise over the previous year. This increase is in line with the growth in the lending portfolio.

The company effectively managed the credit quality of its lending portfolio, maintaining a non-performing loan (NPL) ratio at 9.38%, recording a decrease of 3.74% from the previously reported 13.12%.

The company's impairment charges were calculated based on the Probability of Default (PD), Loss Given Default (LGD), and Economic Factor Adjustment (EFA), using forecasts and projections published by the Central Bank of Sri Lanka and the International Monetary Fund.

Cost Management

The Company's total expenses witnessed an increase of 16.5% compared to the previous year. Increase in the personal cost was 32 % caused by increase in the head count, annual increments, market adjustments and the performance driven bonus payments. Increase in other expenses was primarily driven by escalating operating expenses stemming from inflation-induced price hikes, LKR depreciation in the first half of the year, additional price adjustments influenced by higher taxes and import restrictions and the business growth during the year under review.

Nonetheless, the Company's efficiency ratio improved to 59.51% from 67.59% a year before.

Efficiency ratio – (Operating Expenses
(Excl. FSVAT) / Operating Income)

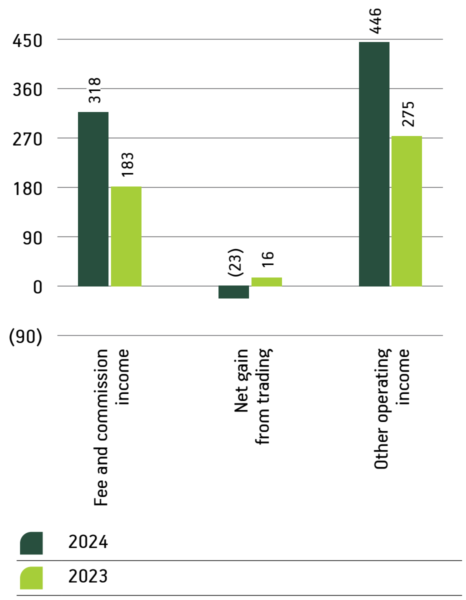
Taxation

During the financial year, the Company's contribution to the government revenue amounted to LKR 1,500 Mn, comprising both direct and indirect taxes paid.

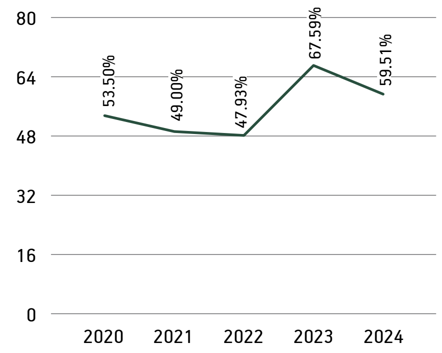
The company incurred total income tax expenses of LKR 781 Mn, marking a 75% increase from the previous year. This surge is attributed to the expanded tax base and the application of a higher tax rate of 30% as opposed to 24% tax rate applicable for during the first half of the previous financial year.

Additionally, taxes on financial services increased by 59% to LKR 669 Mn, in line with the growth in operating profitability.

Non Interest Income (LKR Mn)



Efficiency Ratio (%)



Profitability

Benefiting from a favorable external environment that fostered a positive business climate towards the second half of the year, as well as the successful implementation of strategic initiatives, the company achieved a significant improvement in financial performance. Profit After Tax surged to LKR 917 Mn, marking an impressive 82% increase compared to the previous financial year.

Moreover, Profits Before Tax also showed remarkable growth, increasing by 79% to reach LKR 1,697 Mn.

Shareholder Value

With the notable improvement in company performance, we experienced significant increases in Earnings per Share (EPS), which rose to LKR 27.21, compared to LKR 14.98 in the previous financial year. Additionally, the company's Net assets per share increased to LKR 241 from LKR 206.

Reaffirming our commitment to delivering reasonable returns to our shareholders, the Company paid out LKR 5 per share as the final dividend for the year ended 31 March 2023 during the financial year 2022/24. Additionally, the Company has proposed that a final dividend of LKR 8.40 per share be paid for the year ended 31 March 2024, reflecting our continued efforts to enhance shareholder value and reward our investors for their trust and support.

Financial Position

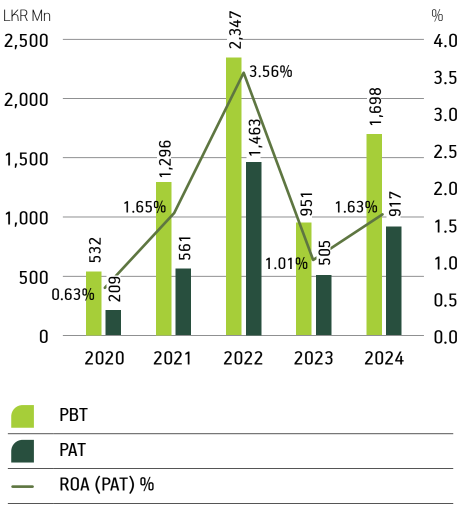
Total Assets and Liabilities

The total assets base of the Company grew by 15.12% compared to the previous year, surpassing LKR 60 Bn. Notably, 77% of the Company's total assets are represented by the lending portfolio, which is financed by bank borrowings and customer deposit liabilities.

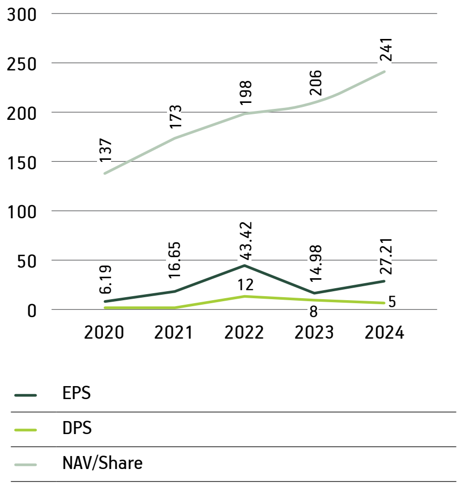
Assets LKR 60.17 Bn	
Cash and Investments in Government and Other Institutional Securities	LKR 8.76 Bn (15%)
Lease Rentals Receivable & Stock out on hire	LKR 23.51 Bn (39%)
Loans & Advances	LKR 22.60 Bn (38%)
Property, Plant & Equipment	LKR 3.20 Bn (5%)
Other Assets	LKR 2.09 Bn (3%)

Liabilities LKR 60.17 Bn	
Due to Banks	LKR 20.31 Bn (34%)
Deposits from Customers	LKR 28.39 Bn (47%)
Other Liabilities	LKR 3.32 Bn (6%)
Equity	LKR 8.13 Bn (14%)

Profitability



EPS, DPS & NAV per share (LKR)



Portfolio Growth and Assets Quality

The total lending portfolio increased by 17.77%. The primary driver of this growth was a remarkable 33.80% increase in loans and advances, reflecting strong demand and successful expansion in this segment by marketing efforts. Additionally, the leasing portfolio experienced a growth of 5%, contributing to the overall increase in the lending portfolio.

Maintaining good credit quality throughout this expansion was a key priority, ensuring that the growth did not compromise the integrity and performance of the lending portfolio.

The Company's gold loan portfolio witnessed a marginal 5% growth, despite the overall downward trend observed in the industry. The low growth in the gold loan segment was primarily due to the high auctioned portfolio, driven by price adjustments and recovery efforts aimed at managing price risk. The Company recognizes that managing price risk is paramount in these market conditions and has focused on implementing strategies to mitigate potential losses. This cautious approach ensures that while growth in the gold loan portfolio may be modest, the Company remains well-protected against price volatility.

On the other hand, micro finance loans and pledge loan reflected a gradual decrease as a result of the Company's strategic decision to scale back on high-risk lending.

The Company reported a gross Non-Performing Loan (NPL) ratio of 9.38% for the end of the financial year, a significant improvement from 13.12% in the previous year. Similarly, the Net NPL ratio decreased to 5.48% from 8.84% in the same period. These improvements reflect the Company's proactive recovery efforts and prompt credit management strategies. By diligently addressing non-performing loans, the Company successfully brought the gross NPL ratio to a single-digit figure, surpassing the industry average.

At the same time, the Stage 3 provision cover ratio also improved to 31.1% from 24.3% in the previous financial year.

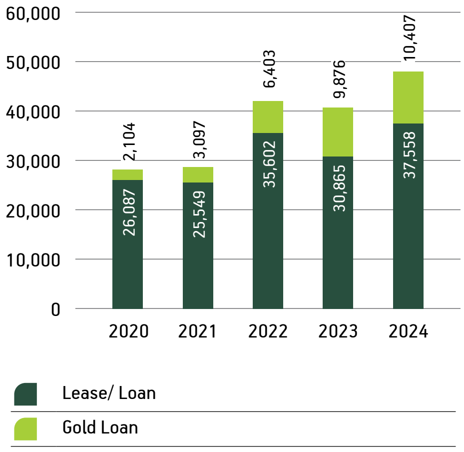
As at 31 March 2024

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	31,577	-	171	171	0.5%
Stage 2	11,893	-	257	257	2.2%
Stage 3	4,498	1,000	436	1,436	31.9%
	47,969	1,000	864	1,864	3.9%

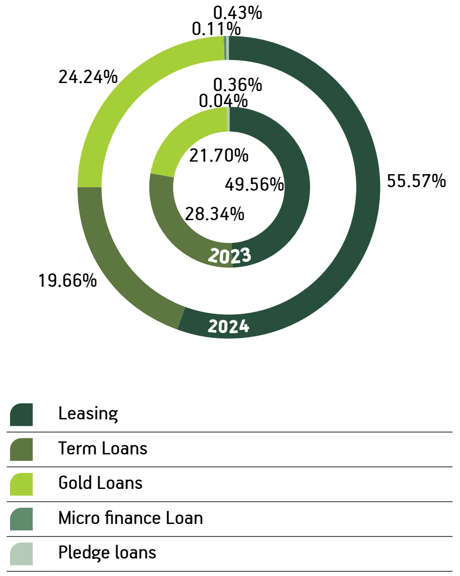
As at 31 March 2023

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	22,205	-	146	146	0.7%
Stage 2	13,195	-	337	337	2.6%
Stage 3	5,175	821	438	1,259	24.3%
	40,575	821	921	1,742	4.3%

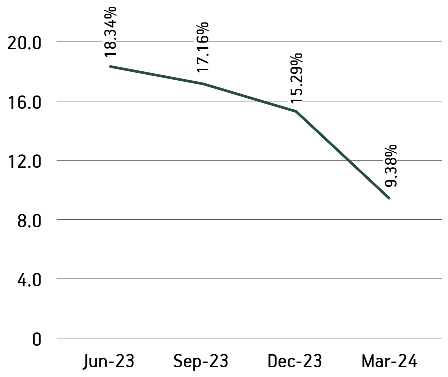
Gross Portfolio (LKR Mn)



Portfolio Composition (%)



Gross NPL (%)



Property, Plant and Equipment, Investment Property and Intangible Assets

81 % of the Company's Property, Plant, and Equipment comprises freehold land and buildings. During the financial year, the Company also conducted a revaluation of its land and buildings.

In 2021, Company signed up with LinearSix Pvt. Ltd and ZILLIONe Technologies to implement its core banking system. The Company considers this to be a significant milestone in its digitalization journey. It is expected to significantly bring down non value adding operating expenses while allowing AFC customers to experience unmatched customer service with a range of products with this move. Total project completion as of end of financial year is 80% and the total expenditure incurred end of the financial year on this is LKR 84 Mn.

Liquidity Position

The Company considers liquidity to be far more important in the operation of the Company. The Company's liquidity position is managed strategically by the Company's treasury with frequent cash flow projections while securing available credit lines to preserve liquidity and to serve financial demands of the increased public deposits. Company maintained 1.3 times total liquid assets against the minimum requirement.

Borrowings

Total borrowings, excluding time deposits, comprised both local and foreign borrowings. Local borrowings accounted for 82% of the Company's total borrowing base. Meanwhile, foreign borrowings decreased to 18% of the total borrowings from 32% during the financial year due to the settlement of the foreign debts.

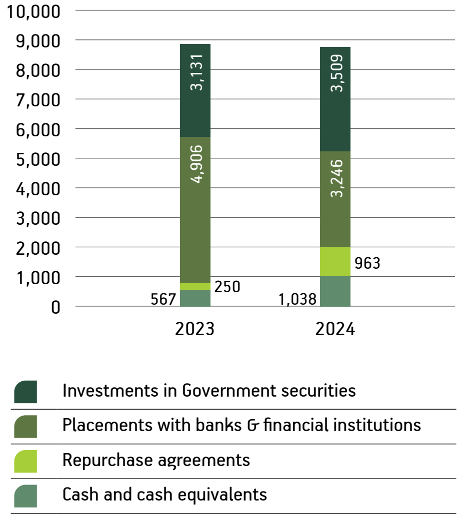
It is praiseworthy that the Company was able to meet its obligations to foreign lenders on time, despite the country situation. The Company successfully mitigated exchange rate risks by executing timely and effective hedging agreements, ensuring no adverse impact on the bottom line due to currency devaluation.

Deposits

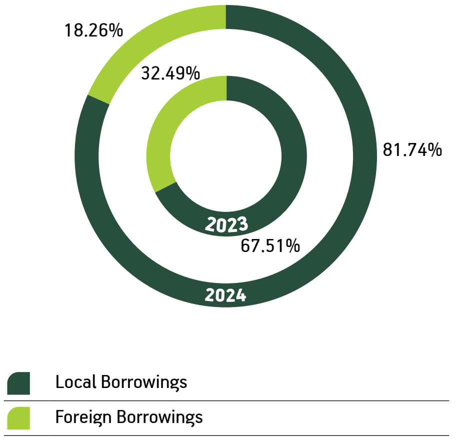
The Company achieved a noteworthy performance in deposits, recording a 39% increase in the deposit base compared to the previous year. This impressive growth was supported by the high interest rates that prevailed in the first half of the year, along with effective marketing campaigns to promote deposits nationwide. Additionally, the strategic decision to expand operations to areas outside Colombo contributed significantly to this growth.

The recorded growth in the deposit base during the year was LKR 7.9 Bn, bringing the total deposit base to LKR 28 Bn. Furthermore, the Company maintained an average Deposit Renewal Ratio of 77% despite fierce competition throughout the period. The Company views this growth and retention as an endorsement of the trust and confidence the public has placed in AFC's sustainable business model.

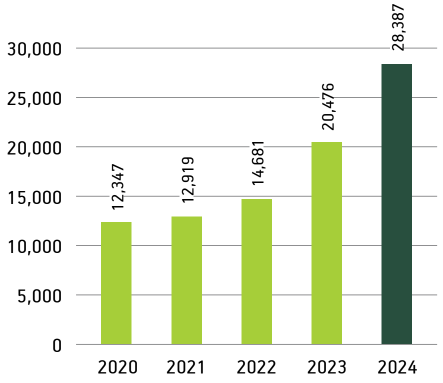
Liquidity



Borrowings Composition



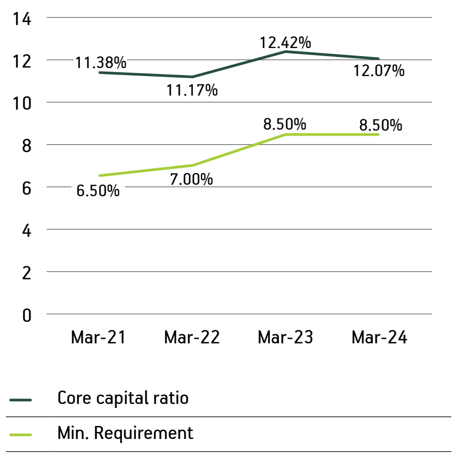
Deposit (LKR Mn)



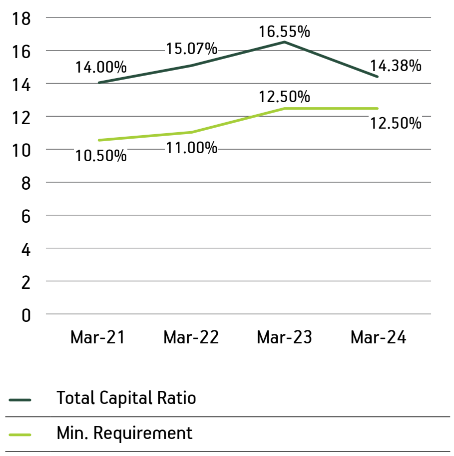
Capital

Total equity, consisting of capital, retained earnings, and other reserves, reached LKR 8,129 Mn, marking a commendable increase of 16.86% compared to the previous year. Moreover, the Company's Tier 1 and Total Capital ratios stood at 12.07% and 14.38%, respectively, as of financial year end. These ratios remained well above the regulatory minimum capital adequacy requirements, indicating the Company's strong ability to maintain adequate capital to meet any unexpected losses.

Core Capital Ratio (%)



Total Capital Ratio (%)



Way Forward

Going forward, AFC will focus on enhancing operational efficiency, scaling the portfolio, improving the performance of under-performing branches, improve and diversify the product mix and optimise capital allocation. To that end the company is committed to maintain capital buffers, scale the new climate finance and non motor portfolio and minimise the interest rate risk via changes to the assets and liability structure that would lead to enhanced profitability and shareholder value.

S Diversified funding sources and robust asset liability management practices

W Over reliance on a few products

O Tap into growing green and impact funds

T Narrowing margins due to competition

Manufactured Capital

GRI 3-1, GRI 3-1, GRI 3-1

AFC's Manufactured Capital is represented by the physical assets and technology infrastructure that together provide the framework for the Company to deliver its value proposition to target customer segments.

Inputs

- 90 Branches
- IT infrastructure

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Innovation and digitisation
- Reputation and brand value
- Customer attraction and retention

Management Approach

AFC prioritises the development of Manufactured Capital by investing in the branch network and technology systems to support the Company's strategic objectives. All such investments are planned ahead and documented in the annual CAPEX plan and budget, which is approved by the Board. AFC is committed to integrating sustainability into every aspect of its operations, including in CAPEX decisions pertaining to its branch network and IT infrastructure. To that end the Company has adopted a holistic approach to not only mitigate threats but also leverage opportunities to accelerate the sustainability transition. This often involves monitoring emerging sustainability trends and technologies to seize opportunities for innovation and growth in order to stay ahead of the curve.

Key Actions for FY 2023/24

- LKR 112 Mn invested in developing the branch network
- 03 branch relocations
- LKR 19 Mn invested in developing IT hardware and software systems

Stakeholder Outcomes

- Island-wide access to top-of-the-range financial products
- Assurance of high quality service for all customers around Sri Lanka

Outputs for AFC and Impact on other Capitals

Creates a firm foundation to drive business growth and increase profitability	⊕	FC
Strengthens visibility and enhances AFC's brand identity	⊕	IC
Improves customer trust and builds customer loyalty	⊕	S G* RC

SDG's

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Branch Network

AFC's branch network remains the main touch point for customers across Sri Lanka to access the Company's financial products and services. Over the past decade years, the Company has invested heavily in expanding its branch footprint with the fundamental aim of promoting greater financial inclusion in Sri Lanka. Based on this principle, AFC has ensured its branches are strategically located to serve a wider geographical audience across all 9 provinces in the Country.

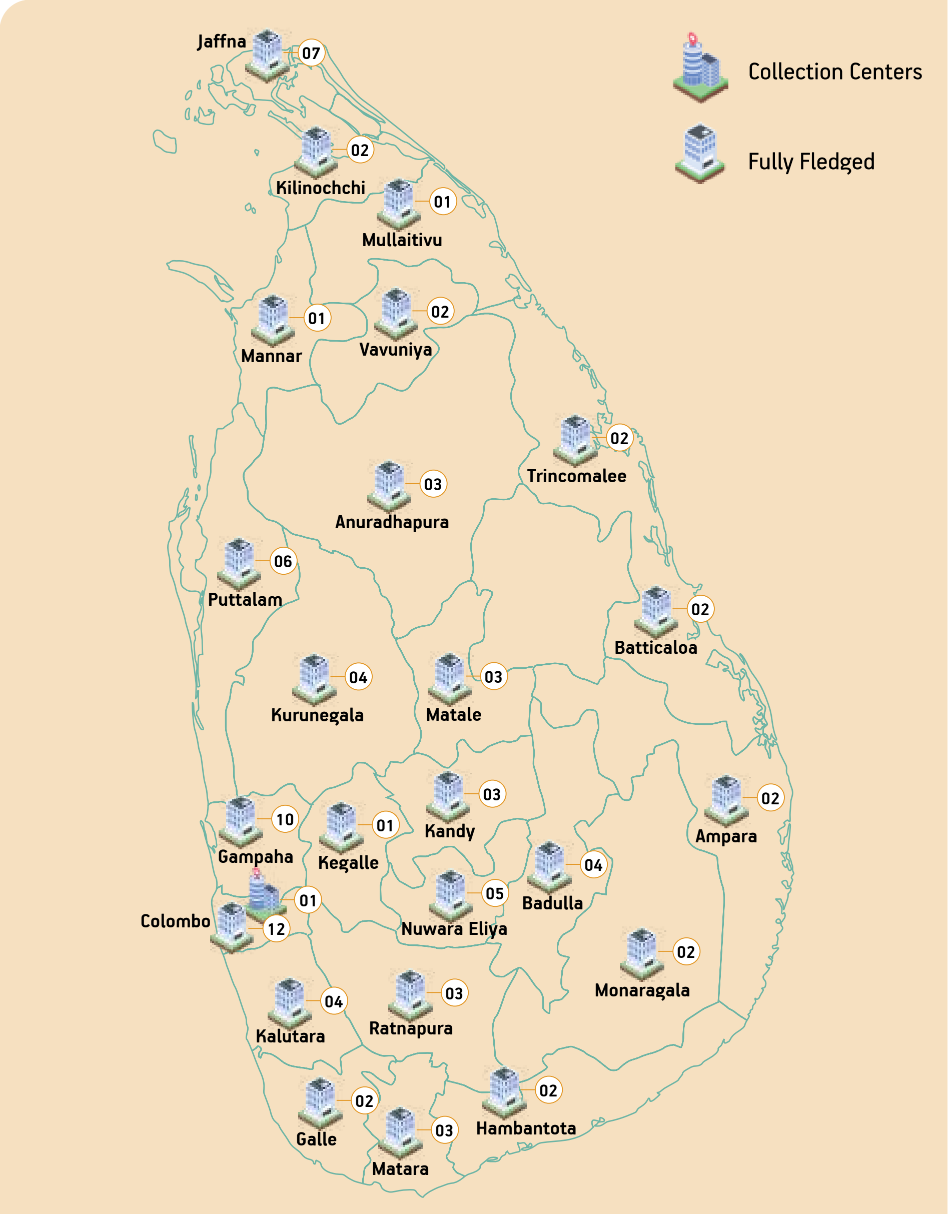
In line with its commitment to ensure rural masses have equal access to financial services, the Company has in recent years focused on setting up branches in areas designated as rural or marginalised within the North, East and the North Central provinces.

Branch Governance

Branch governance forms an integral part in AFC's efforts to improve the efficiency of overall branch operations and meet its stated objective of promoting financial inclusion across Sri Lanka. A clearly defined branch governance is in place, where Regional Managers have been appointed to provide oversight for Investment in the Branch Network Developments LKR 112 Mn

Aside from improving financial access to underserved communities, setting up branches in these rural / marginalised areas also creates employment opportunities for local residents in these respective areas.

Working to continuously improve its coverage, an in-depth market survey was carried out in the current financial year to understand if the current branch network was achieving the desired customer reach, especially in rural areas. Based on the findings of this investigation, Wellawaya, Puttalam and Panadura branches were relocated to more optimal locations. These were combined with efforts to improve product positioning based on area-wise customer demographics along with ongoing service enhancements and product awareness initiatives.



	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20
Investment in the Branch Network (LKR)	111,656,726	174,893,405	108,054,073	66,730,894	43,152,955

Meanwhile, recognising that branch operations do have an unavoidable impact on the environment, AFC has invested in carbon sequestration projects such as reforestation and tree planting to offset the carbon footprint of its branch network. Through these carbon offsetting efforts, the Company aims to balance unavoidable emissions and contribute to global emissions reduction. At the same time, AFC focuses on improving the energy efficiency of its buildings through the insulation of efficient equipment such as LED lighting and upgraded air cooling systems.

IT Infrastructure

Since the launch of its IT strategy in Q1, AFC has made good headway in driving technology integration to support various aspects of the business. The current financial year saw the Company completing some major projects outlined under its IT Roadmap.

The Company's primary data center was migrated to Dialog Axiata PLC's Tier 3 data center in Malabe, enabling AFC to leverage the high availability and scalability of Dialog's cloud based architecture. Security at the DR site located at Piliyandala was also further strengthened. Another key project that concluded in the current year was the SD VAN implementation to improve network scalability and build redundancy by enabling seamless, uninterrupted connectivity to the branch network.

The Company also commenced the roll out of a new fully automated CRM (Customer Relationship Management) System aimed at improving the customer support and lead management aspects and streamlining the complaint handling process. A new IT helpdesk platform which was also commissioned in January 2024. The system has the capability of defining approval workflows and SLAs coupled with real time monitoring to further improve response times to support improved productivity through greater internal efficiency.

However, the most significant development by far was the new core banking system implementation which began in Q4 2022. The new fully integrated Core Banking encompassing all core business products is designed to transform the entire operational architecture of the Company. To support these latest developments, the Company's legacy hardware systems were replaced with new endpoint user devices with high capacity and enhanced security features.

	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20
Investment IT System (LKR)	18,665,994	23,831,523	80,263,561	12,230,194	8,655,331

Way Forward

The immediate priority for AFC would be to expedite the new core banking system implementation in keeping with the scheduled live roll out by by Q3-2024. With the new system in place, the Company will likely venture into the digital space, initially through digital branches and thereafter other digital front end interfaces to not only enhance the customer experience but also generate significant cost efficiencies over the long term. AFC will look to strategically shift its focus from traditional brick-and-mortar branches to a virtual branch concept, with a view to enhancing customer convenience while improving the overall sustainability profile of its channel architecture. By embracing digital innovation, AFC aims to extend its reach beyond physical locations, ensuring accessibility for its target customer demographic and doing so with a lower environmental impact. Given that virtual branches have a significantly lower carbon footprint compared to physical facilities, the transition comprehensively supports AFC's commitment to sustainability. Additionally, this shift presents opportunities for AFC to mitigate credit-related risks and capitalise on emerging opportunities in the digital financing space. By leveraging technology through the new core banking systems, AFC can enhance credit assessment processes, streamline operations, and offer innovative financial products and services tailored to the needs of its customers. This strategic evolution will not only position AFC as a leader in the digital finance space but also underscores the Company's proactive management of credit-related risks and opportunities in the ever-changing financial landscape of Sri Lanka.

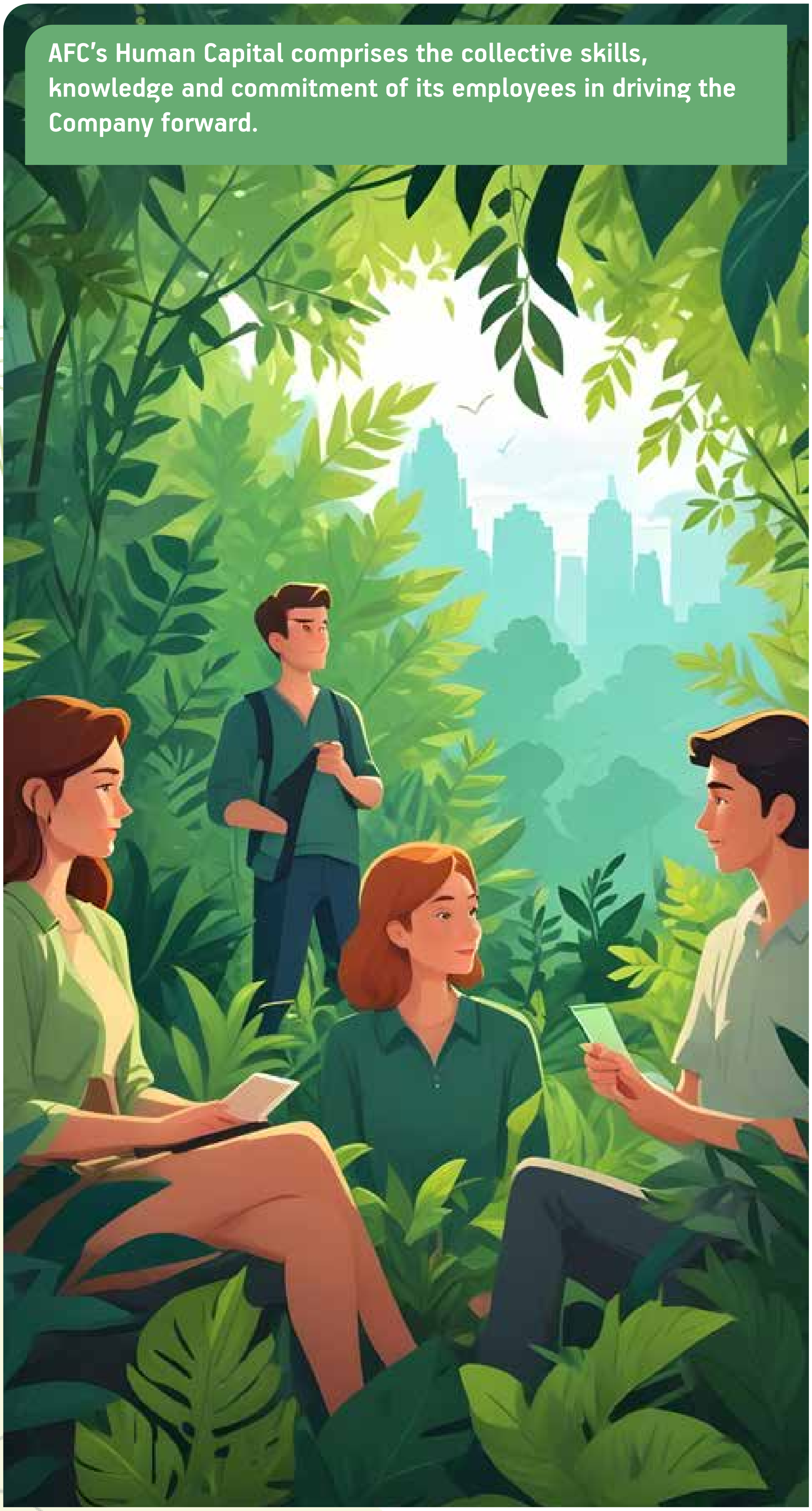
While physical branch locations likely to remain in place for the foreseeable future, the Company will in the meantime seek to transition to renewable energy sources. In this regard, Board approval has been granted to invest in rooftop solar decks at 10 branches over the next financial year along with a long term target to convert 50% of the branch network to solar energy by 2027.

S	Well established island-wide branch network	**W**	Low digital presence
O	Invest in expanding AFC's digital footprint	**T**	Stiff competition in the digital space from immediate peers and the entry of Fin-techs

Human Capital

GRI 2-23

AFC's Human Capital comprises the collective skills, knowledge and commitment of its employees in driving the Company forward.



Inputs

- Employee Experience
- HR Governance
- Remuneration and Benefits
- Performance Management
- Training and Development
- Employee Relations
- Employee Wellbeing

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Talent attraction and retention
- People development
- Non-Discrimination
- Stakeholder satisfaction and transparency
- Customer attraction and retention

Management Approach

AFC's principle approach to managing Human Capital involves strategically nurturing and leveraging the collective knowledge, skills, and talents of its workforce to achieve the Company's strategic objectives and meet stakeholder deliverables.

Key Actions for FY 2023/24

- 806 new recruits
- Upward revision in salary structures for all employee categories
- Aligning with the latest guidelines from CBSL for appointing KRPs
- LKR 8 Mn invested in training
- 5 Town Hall meetings

Stakeholder Outcomes

- LKR 1,604 distributed as monetary benefits to employees
- 160 Employees promoted (98 - Male & 62 - Female)
- 11% - females in leadership roles (as a percentage of total middle and senior management cadre)
- 43% increase in female new recruits
- 51% increase in regional hires
- 62% increase in training hours

Outputs for AFC and Impact on other Capitals

Strengthens the Company's ability to grow and sustain revenue generation capacity	⊕	FC
Augments AFC's competitive advantage and enhances the Amana brand position against peers	⊕	IC
Ensures optimal use of available resources	⊕	MC
Reinforces the connections between the Company and its customers and other key stakeholders	⊕	S & RC

SDG's

5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Employee Experience

AFC strives to provide employees with the best in-class experience to ensure 100% employee satisfaction throughout each stage of the employment life cycle.

Recruitment and Selection

To ensure the right candidate with the right skills for the job role are recruited at the right time, AFC follows a systematic approach to recruitment, wherein all recruitments are based on the annual Board approved cadre plan and corresponding recruitment budget. Accordingly Branch Managers or Head of Department (HOD) are authorised to generate an Employee Requisition Form (ERF) through the HRIS system, which once approved is escalated to the Chief People Officer for validation against the cadre plan and budget allocation for the respective branch or department. Type of recruitment (FTC, Permanent, and Internship) is decided based on discussions between Branch Manager / HOD and HR.

The Company sees its recruitment and selection process as the first opportunity to deliver a favourable experience for potential employees. As such, AFC aims to recruit candidates best suited for the job role, based solely on merit. Consequently, all new vacancies are publicly advertised and internally announced, allowing existing employees to apply and ensuring all applicants have an equal opportunity to demonstrate their suitability for the position.

Each application undergoes rigorous evaluation by the HR Department, to gauge the candidate's alignment with specific role requirements. Shortlisted candidates are called upon to interview with the relevant authorities while selections are based on the approved processes established by the Board. As part of this process, the HR department conducts necessary due diligence to verify the authenticity of the candidates age, credentials etc. All new recruits remain on probation for a period of 6 months and are absorbed to the permanent cadre subject to the successful completion of the post-probationary performance review. Meanwhile internal hires are handled as per the established Transfer process with management approval.

In the year under review the recruitment process for KRP's (Key Resource Personnel) was aligned to the latest guidelines from CBSL for appointing KRPs. According to the new procedures, KRP appointments can now be made subject to the approval of the CBSL.

With all organisations across the Country experiencing high levels of staff attrition in the current financial year as large numbers pursued overseas employment amidst the ongoing economic downturn, AFC made a conscious effort to reduce recruitment lead times. The entire recruitment process was revisited and certain non-value adding activities phased out, enabling lead times pertaining to certain employee categories (sales teams at branches) to be reduced.

Employee Category	Total number of vacancies in 2023/24	Average number of weeks taken in 2023/24 to fill vacant positions	% filled internally in 2023/24	% filled through external recruitments in 2023/24	% of unfilled positions in 2023/24
Assistant Manager	29	9.00	36.84%	39.47%	23.68%
Executive	107	7.64	21.43%	74.11%	4.46%
Junior Executive	621	8.29	8.06%	88.22%	3.72%
Manager	18	15.00	25.00%	65.00%	10.00%
Minor	2	6.00	100.00%	0.00%	0.00%
Senior Executive	57	13.00	23.88%	61.19%	14.93%

On-Boarding GRI 401-1

Based on the premise that onboarding is a vital component in creating a strong first impression, AFC's onboarding process has been designed to equip new hires with an understanding of the Company's distinct culture and professional standards. To achieve this objective, all new recruits participate in a comprehensive induction, where they are introduced to AFC Code of Ethics & Integrity Policy as well as other pertinent policies such as the Dress Code Policy and the Whistleblower Policy. The induction process also provides an opportunity for new recruits to be formally introduced to key personnel in the Company.

In keeping with the Company's continuous improvement objectives, the HR Department obtains feedback from all participants, post-induction.

A total of 806 new recruits were on-boarded in FY 2023/24.

AFC's Commitment Compliance and HR Best Practices

AFC's operations come under the purview of the Shop and Office Employees Act No 15 of 1954 and the Company remains fully compliant with all requirements of the act.

AFC further strives to align with the following best practices for human rights and labour as stipulated in the UN Global compact;

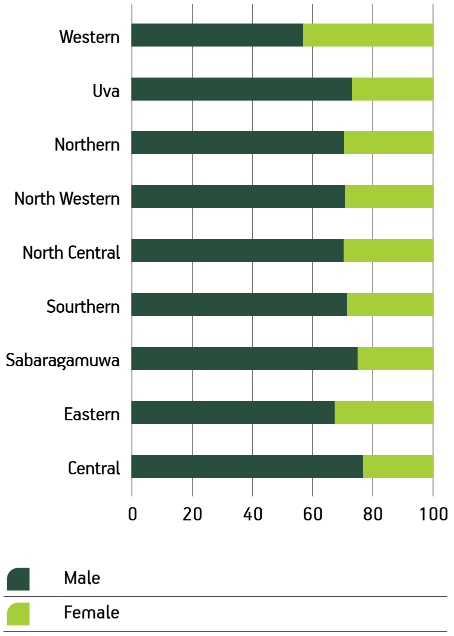
Principle 4: Forced or Compulsory Labour - where employees enter into the contract of employment at their own free will and no individual will be forced to remain in employment should they not wish to do so.

Principle 5: Child Labour- Child labour is strictly prohibited at Amana Bank and only those of full legal age are permitted to work in the Company.

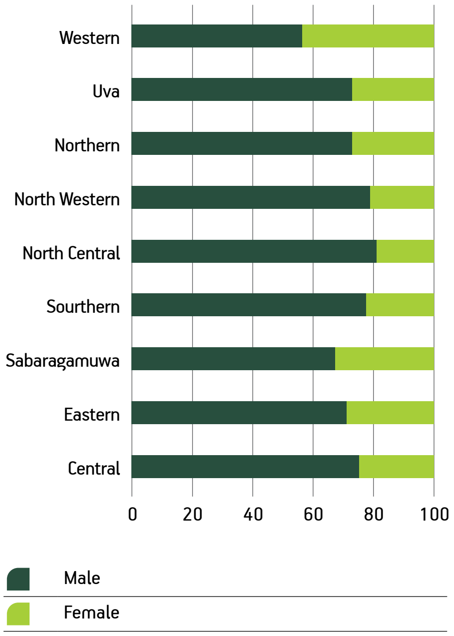
Principle 6: Non-discriminatory employment- AFC endorses equal opportunity at every stage of the employment life cycle and maintains a non-discriminatory approach throughout the employment process including recruitment, selection, evaluation, promotion, training and development of all employees.

Employee based on gender and employee category (%)

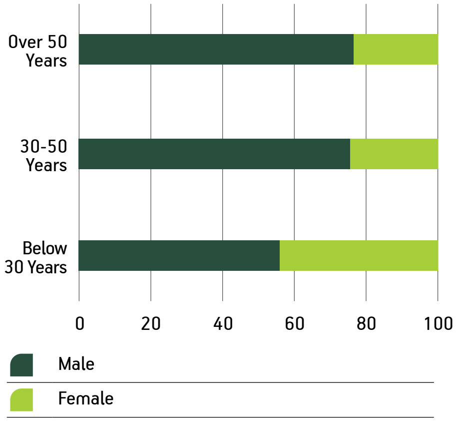
Employee by provinces (%)



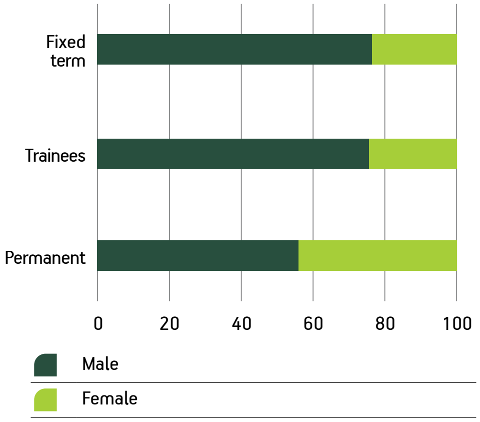
Permanent employee by region (%)



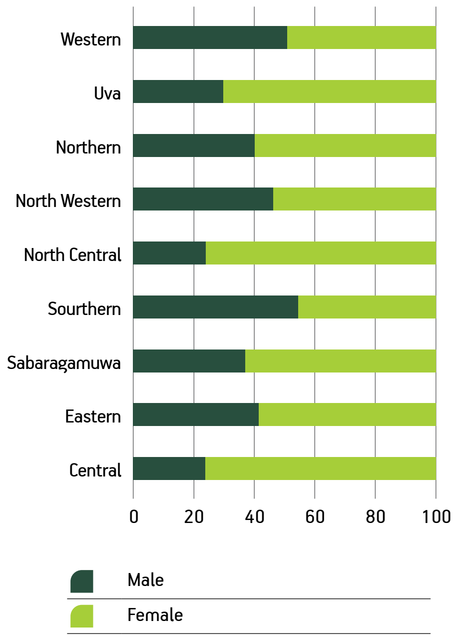
Employee base on age (%)



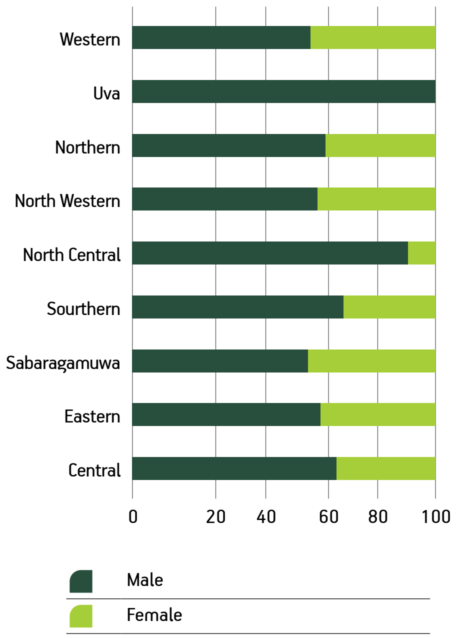
Employee by employment contract (%)



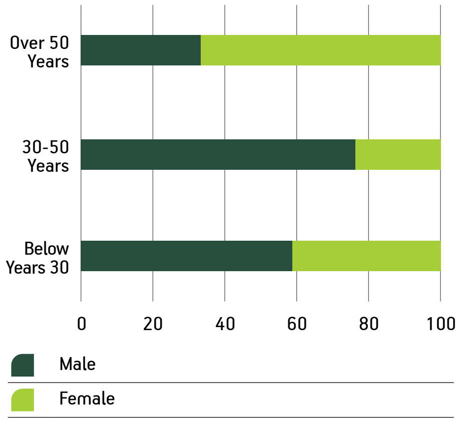
Recruitment by region (%)



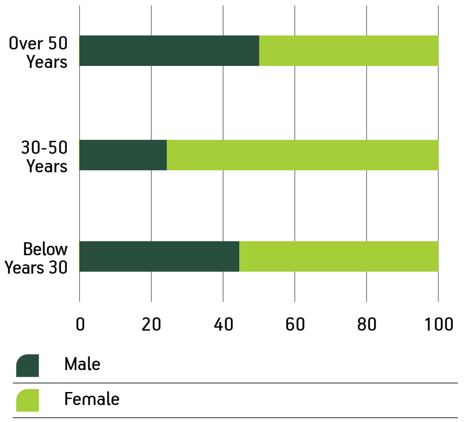
Employee Attrition Composition by Region (%)



Employee attrition by age (%)



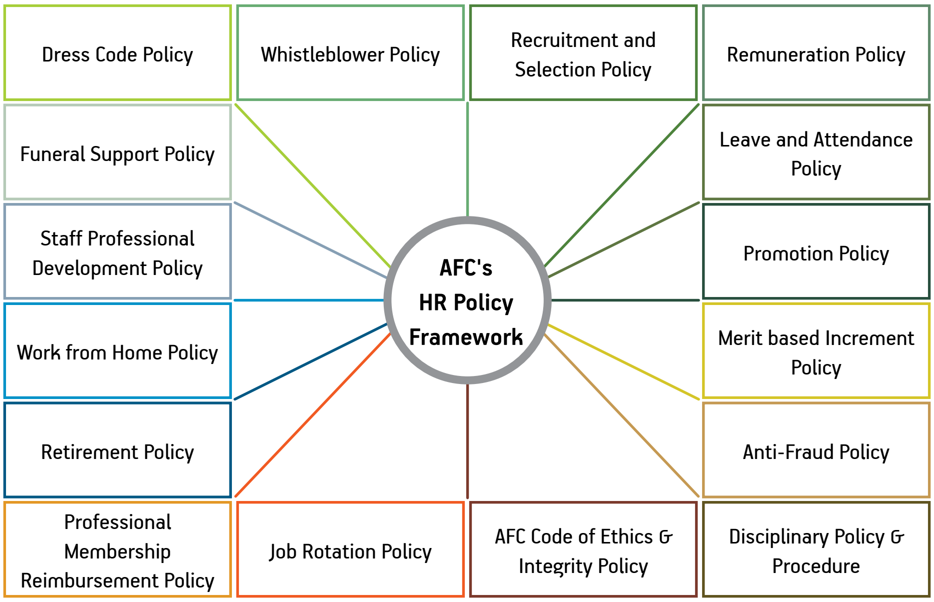
Recruitment by Age Group and gender (%)



HR Governance

GRI 2-7, 2-8, 202-2, 401-1, 401-2, 405-1

AFC operates on the principle that 360 degree governance plays a key role fostering employee satisfaction and loyalty. As such, the Company maintains a centralised approach to HR governance, where all matters pertaining to human capital are managed under the stewardship of the Company's HR department headed by the Chief People Officer. AFC's Human Resource Philosophy, Values and operating guidelines serves as the umbrella framework that cascades through into a formally documented HR Policies, encompassing recruitment, benefits administration, performance management, promotions, transfers, training and development initiatives, grievance resolution, and exit procedures. This holistic approach ensures the effective management of all facets of HR throughout the entirety of the employment lifecycle. All policies are regularly reviewed by the HR Department and updated to reflect the latest regular requirements and industry best practices. Apart from policy matters, the HR Department is also responsible for ensuring the Company complies fully with all applicable labour laws and aligns with global best practices.



Remuneration and Benefits

GRI 2-19, 2-20, 201-3, 202-1, 401-2,

GRI 401-3, 403-6, 405-2

In its 65+ years of operation, AFC has always ensured its remuneration and benefit structures reflect the Company's commitment to fair and equitable pay. Board-approved remuneration structures are meticulously crafted to reflect industry standards and are in compliance with all applicable labour regulations. Through these structures, the Company aims to offer equal pay (1:1) for both men and women at the entry-level and strives to minimise the gender pay gap across the hierarchy.

As per the existing remuneration and benefit structures, all AFC employees are entitled to a range of benefits in addition to their basic salary. These include;

1. Bonuses and Incentives: AFC provides performance-based bonuses in December and April to employees who meet or surpass predetermined targets, adhering to the bonus scheme. Additionally, incentives are introduced to drive short-term targets, aligning employees with the incentive scheme.
2. Health Insurance: AFC offers comprehensive health insurance coverage, including medical, dental, and vision benefits, tailored to different salary grades within the organisation.
3. Gratuity: Setting itself apart, AFC presents an enticing gratuity scheme to employees. Eligibility for gratuity ranges from 0.5 to 2 months based on the duration of service, providing a rewarding benefit.
4. Provident Fund Contribution: Unlike industry standards, AFC's monthly contribution to the provident fund stands at 30% of the basic salary, with employees contributing 10% and the Company contributing 20%. This exceeds the standard contribution rate in the industry by an additional 10%.

These benefits and incentives aim to attract and retain top talent while rewarding employees for their dedication and contributions to the organisation.

Considering the deterioration of disposable incomes of employees owing to inflationary pressures and the upward revision taxes, all existing salary structures including the minimum salary for new hires was revised upward with the overall increase in total salaries, surpassing previous years' increment ratios by a substantial margin.

Gender Pay Parity	FY 2023/24	FY 2022/23
Employee Category	**Male : Female**	**Male : Female**
Director	1 : 1	1 : 1
CXO	1 : 1	1 : 1
Assistant General Manager	1 : 1	1 : 1
Senior Manager	1 : 1	1 : 1
Manager	1 : 1	1 : 1
Assistant Manager	1 : 1	1 : 1
Senior Executive	1 : 1	1 : 1
Executive	1 : 1	1 : 1
Junior Executive	1 : 1	1 : 1
Minor	1 : 1	1 : 1
Trainee	1 : 1	1 : 1

Parental Leave In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as half hour nursing time for a period of 1 year after recurring to work.	FY 2023/24		FY 2022/23	
	M	**F**	**M**	**F**
Total number of employees that were entitled to parental leave	N/A	601	N/A	458
Total number of employees that took parental leave	N/A	30	N/A	23
Total number of employees that returned to work in the reporting period after parental leave ended	N/A	17	N/A	13
Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work	N/A	1	N/A	7
Return to work and retention rates of employees that took parental leave	N/A	57%	N/A	57%
	N/A	50%	N/A	8%

Performance Management

GRI 404-3

Performance management serves as a cornerstone of AFC's strategy to ensure employees remain invested in the Company's success. It is a formal process that is kicked off with the goal setting exercise undertaken by the Corporate Management in collaboration with the Branch Managers / HOD's. Goals are established ahead of each financial year based on the broader strategic objectives outlined in the Board-approved strategic plan for the forthcoming financial year. Branch / Departmental goals are further drilled down for the purpose of assigning individual KPI's.

In the year under review AFC allocated 10% of performance KPI of employees towards climate finance achievements. Further, following the launch of the new High Impact Goals, more emphasis was placed on linking KPIs to specific High Impact Goals in addition to Climate target achievement. These changes are set to come into effect from the 2024/25 performance evaluation cycle.

Branch Managers / HOD's are charged with continuous and ongoing monitoring of individual progress on KPI's via the Company's HRIS. This process is accompanied with the formal annual performance appraisal after the conclusion of the financial year. Performance appraisal forms are circulated via the HRIS with a deadline set for eligible employees and HODs to complete their respective Performance Appraisals (PAs) through the system.

	2022/23	2023/24
No of employees as at March	1552	1740
No Eligible for Annual Appraisal	1113	1114
% Eligible for Annual Appraisal	71.7%	64.0%

Following completion of evaluations, employee performance is scored and assigned rank with A being the highest and D the lowest. (A, B, C, or D) through the HRIS which has been pre-programmed with custom scoring metrics to ensure fair and equitable assessment of individual performance of employees at all levels and across all business units and departments. The performance of all permanent employees of AFC are evaluated annually in this manner. Exceptional performers receive increments/bonuses based on their performance ranking, subject to management approval. The annual performance appraisal process also serves as a vital tool for identifying skills gaps that require additional training.

The performance of all 1,244 permanent employees of the Company were evaluated in the year under review, with a total of 160 promotions granted to identified high performers.

Employee Category	Employees benefiting from the performance appraisals FY 2023/24		Employees receiving promotion FY 2023/24	
	M	F	M	F
Assistant Manager	71	16	9	2
Executive	212	80	40	12
Junior Executive	271	175	26	45
Manager	67	9	4	0
Minor	11	0	0	0
Senior Executive	138	32	17	3
Senior Manager	13	0	2	0

- Low Risk Involvement (LRI) Out Bound Training Credit Operations and Finance Operations Team -

Training and Development

GRI 404-1, 404-2, 404-3

Given the dynamic and highly competitive nature of the local NBFI industry, AFC regards training and development as an essential tool in its human capital development strategy. The Company's investment in training is underscored by the emphasis on continuous learning and focuses on both competency training and talent development. Competency training is tailored to enhance employee capacity to perform their job role optimally, while leadership training is structured to cater to employees' career advancement.

Competency Training Initiatives - FY 2023/24

Training Topic	Target Employees	No. of Participants
Compliance, AML / CFT Training via Zoom	RH, BM, Marketing, Cashiers, Documentation Officers, GL OICs and GL Supervisors	286
Compliance Management, Managing Credit Risk / Credit Documentation / Vehicle Valuation Process and Legal Awareness	RHs, BMs and Marketing Staff	379
Credit Documentation Procedure	New Documentation Officers / Marketing officers & Existing Documentation Officers	199
Delivering Exceptional Customer Experience, Managing Time &prioritisationprioritization, Managing Workplace Stress and Working in Teams	Branch Mangers, Marketing Staff, GL staff, Documentation offices and Cashiers	835
Awareness on Cashier Controls	Cashiers	77
Credit Management Courses	Selected Branch managers. Marketing / Rrecovery staff, Doc. Officers and Senior cashiers	44
Gold Loan Process & Procedure Session	Gold Loan Staff	222
Core Banking System	Cashiers, Documentation, GL staff, RHs, BMs, Marketing Staff (*same person may attend the few sessions)	830

Employement Type	No of employees who received trainings 2023/24		
	Male	Female	Total
Director	3	-	3
CXO	3	-	3
Assistant General Manager	12	1	13
Senior Manager	10	1	11
Manager	84	8	92
Assistant Manager	88	21	109
Senior Executive	156	42	198
Executive	200	131	331
Junior Executive	440	357	797
Minor	1	2	3
Grand Total	997	563	1,560

Employement Type	Total Training Hours(hr) 2023/24		
	Male	Female	Total
Director	22.5	-	22.5
CXO	11	-	11
Assistant General Manager	432	22.5	454.5
Senior Manager	355.5	6	361.5
Manager	2724	49	2773
Assistant Manager	2149.5	587	2736.5
Senior Executive	3264	1706	4970
Executive	4187.5	2725	6912.5
Junior Executive	7193	7159.5	14352.5
Minor	9	14	23
Grand Total	20348	12269	32617
Average training hours per Employee	17.86	20.41	18.75

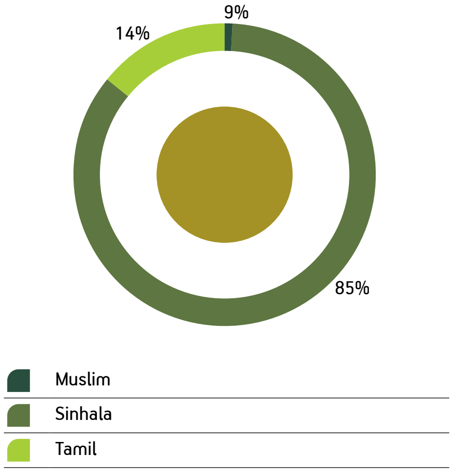
Employee Relations

GRI 2-30, 402 -1

AFC remains steadfast in its commitment to provide multiple avenues for employees to engage with their superiors and, when necessary, with the Company's leadership. Throughout its six decades in operation, the Company has maintained an open-door policy to promote two-way dialogue between employees and management, with employees encouraged to raise any grievances with their immediate superiors. Managers are advised to offer suitable solutions, as much as possible, and if not escalate the same to the Chief People Officer for conflict resolution.

The annual performance appraisal provides the opportunity for employees to connect with their superiors and discuss any concerns related to their work or job roles.

Employee Composition by Race (%)



Town Hall meetings, which had been a long standing practice at AFC, but was discontinued during the pandemic period, were reintroduced in the current financial year. Town hall meetings are held every fortnight and provide an opportunity for employees to raise concerns and escalate any work related grievances.

Operational changes are formally notified to all employees via email, giving 02 weeks advance notice ahead of implementation.

Meanwhile written appeals regarding increments and promotions are presented to the Board of Directors (BOD) for consideration and appropriate action. The Whistle blower policy in place to report cases of more serious nature to the appointed director for investigation and action.

A formal process is in place to facilitate exit interviews, where the designated Employee Off boarding Officer meets with employees who are resigning to document the reasons for resigning.

It is noteworthy that cordial relations between the Company and its employees has prevented the need for collective bargaining.

Employee Wellbeing

GRI 403-1, 403-3, 403-4, 403-5, 403-6

The nature of AFC's operations as a financial service provider means Company employees are not at risk for any occupational health conditions. Regardless, AFC is committed to fostering a safe and supportive workplace for all employees, with well-being initiatives designed to address both the physical safety of employees when on the job as well as their overall psychological well-being.

AFC complies with all national safety regulations. Fire drills are conducted annually in collaboration with the National Fire Department, while designated Fire Wardens have been appointed at all Company locations to oversee emergency response and crisis management.

The Company's Administration Department is tasked with regular monitoring and conducting safety checks to determine potential safety risks. As part of their duties, the Administration Department also arranges First Aid training for staff.

Keen to alleviate work-related stress, AFC allows employees flexible working hours where they can select their working shifts as desired by them. The work-from-home framework introduced in the previous financial year has also proven to be an important source in improving employees' work-life balance. These broad-based work-life balance initiatives taken over the years have enabled AFC to benefit from some of the lowest absenteeism rates in the financial services industry.

- Supervisory Skills Development Program Mastering The Art Of Managing People (RHS, DRHS, SBMS, RRIS AND DRRIS) -

- Training on Delivering Exceptional Customer Experience, Managing Time & Work Proritization, Managing Workplace Stress and Working in Teams (Branch Staff's Session) -

Way Forward

AFC has drawn up a broad based action plan to bring more focused attention to selected aspects of the Company's human capital development programme. In this regard, more emphasis will be placed on rewards and recognition along with more robust succession planning to enable employees to clearly envision their career path within the Company. At the same time, the focus on recruitment will also be further intensified with more emphasis on encouraging female participation in the workforce, especially at entry level.

Moreover, commencing from FY 2024/25 all staff KPIs have been linked to High Impact Goals and sustainability and Climate target achievement. This include Senior Management, Senior Executives, and all revenue generating and support staff. Sustainability and Climate related target achievements will also be added to the qualitative performance measurements with all KPIs linked to annual bonuses, increment and promotion considerations.

S Well established employer brand in the local NBFI sector

W Heavy dependence on employees to drive customer outreach

O Promote females in the sales

T High levels of attrition among sales staff

Social and Relationship Capital

Social and Relationship refers to the vital stakeholder connections - relationships with customers and suppliers as well as the ties to the wider community that collectively pave the way for AFC to achieve sustained business growth over the long term.

Inputs

- Responsible Financial Products and Services
- Customer Experience
- Marketing and Communication
- Customer Privacy
- Complaint Handling
- Procurement Best Practices
- Supplier Development
- Community Empowerment
- Social Upliftment

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Supply chain development
- Sustainable business practices
- Business ethics
- Stakeholder satisfaction and transparency
- Customer attraction and retention
- Sustainable development- Community empowerment

Management Approach

Understand and respond to the specific needs of stakeholders, including customers, suppliers and the community in order to earn their trust and support the Company's growth and business continuity.

Key Actions for FY 2023/24

- Established the Marketing Call Centre with a dedicated hotline (1321)
- Roll out of a fully fledged CRM system
- LKR 1.1 Mn incurred on promotional activities
- Revamp of the corporate website
- LKR 2.9 Mn mobilised towards social upliftment of communities
- 45 new suppliers screened
- Launch of the e-tendering platform to streamline procurement operations

Stakeholder Outcomes

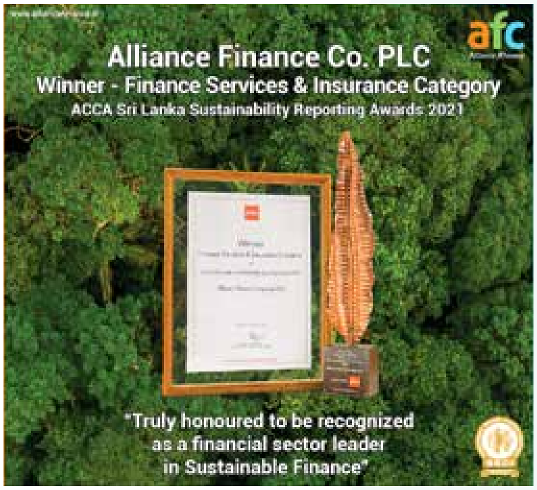
- Customer access to a wider range of products.
- LKR 49 Bn worth of loans to individuals and MSME's
- 31 on-boarded to the Company's supplier registry
- LKR 622,864,878 paid to suppliers
- 36 CSR projects have been done to empower the community.

Outputs for AFC and Impact on other Capitals

Strong ties with customers and suppliers helps to maintain business continuity and drive business expansion, collectively contributing to improved financial results	+	FC
Higher customers satisfaction and good standing in the community enhances brand equity	+	IC
Feedback from customers helps to drive continuous improvement of physical channels	+	S &* RC

SDG's

1 NO POVERTY
2 ZERO HUNGER
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

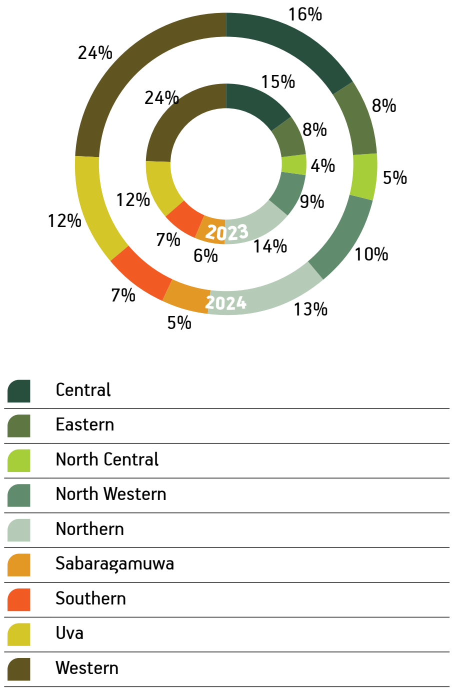


Responsible Financial Products and Services

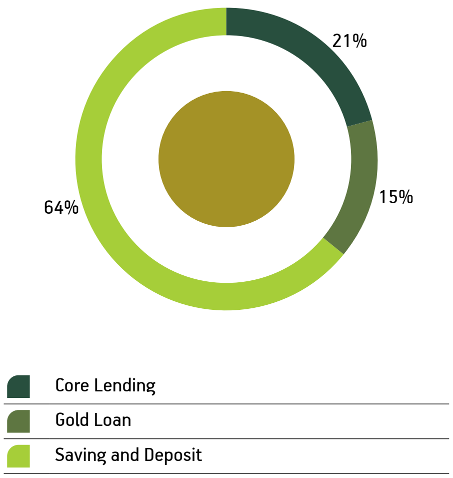
GRI 414-1, 414-2, 416-2

As a financial institution, AFC carries a significant responsibility to safeguard the customers' financial well being by ensuring all financial products and services reflect the best interests of customers

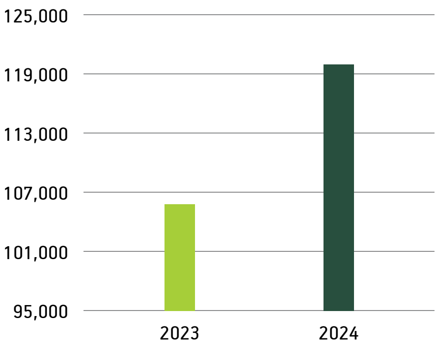
Customer by Region (%)



Product wise Customer Base (%)



Number of Customers (No.)



To that end, the Company engages in comprehensive customer segmentation to study customer demographics, perceptions and behaviour of various customer segments. Findings from these investigative processes serve as the basis for improving product positioning, driving new product development and ongoing improvements of the existing product line as well as enabling discontinuation of irrelevant products, as needed.

Customer Segment	Retail	SME/MSME	Corporate
Investment products	Savings, Fixed Deposits	Savings, Fixed Deposits	Savings, Fixed Deposits
Leasing products	Leasing	Leasing, Equipment Leasing	Leasing
Lending products	Speed Cash, Personal Loans, Quick Cash, Gold Loans, Pledge Loans	Speed Cash, Personal Loans, Quick Cash, Gold Loans	Speed Cash, Personal Loans, Quick Cash, Pledge Loans
Climate finance products	Solar Loans, Dairy Loans, Cinnamon Growers, Loans, Tea Growers Loans, Smart Irrigation Loans	Solar Loans, Dairy Loans, Cinnamon Growers, Loans Tea Growers Loans, Smart Irrigation Loans	Solar Loans
Other	Auto Sure, Ezy Drive, AFC Remittance	Auto Sure, Ezy Drive, AFC Remittance	Auto Sure, Ezy Drive

At the At the development stage, all new product enhancements are screened against the IFC exclusion list to avoid any adverse impact on the environment and the wider community. These processes are undertaken through the collaborative efforts of business unit heads and are subject to strict scrutiny to determine their impact to the respective customer segment. All new products / or enhancements/ changes to the current products/ processes are independently reviewed by AFC's Compliance Department to verify alignment with the regulatory requirements applicable to NBFI sector products, prior to submission for Board approval.

AFC also makes a demonstrable commitment to align with the IFC performance standards to manage the social and environmental risks associated with its product portfolio. To support this, the Company has commissioned Steward Redqueen - a Dutch-based consultancy firm to establish a fully fledged Environment and Social Management (ESMS) that will create a cohesive framework to assess social and environmental risks for all new lending exposures, with the implementation which began in 2017, is currently ongoing.

Demonstrating its advocacy for social and environmental wellbeing, AFC complies with the IFC exclusion list and refrains from lending to customers who are involved in any of the following activities :

- Production or activities involving forced labour or child labour.
- Production of or trade in any product or activity deemed illegal under Sri Lankan legislation or regulations or international conventions and agreements.
- Trade in wildlife or wildlife products regulated under CITES
- Production or use of or trade in hazardous materials such as radioactive materials, unbonded asbestos fibres, products containing polychlorinated biphenyl (PCBs) and chemicals subject to international phase-outs or bans
- Commercial logging operations or the purchase of logging equipment for use in any primary forest or forest areas with a high biodiversity value, or any other activities that lead to substantial clear cutting of such forests
- Production of or trade in pharmaceuticals subject to international phase-outs or bans
- Production of or trade in pesticides/ herbicides subject to international phase-outs or bans
- Production of or trade in ozone depleting substances subject to international phase-out
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length

New Products launched / Product Enhancements in FY 2023/24

Product	Key Features	Target Customer Segment
AFC Remittance	Facilitating Sri Lankans living overseas to remit funds to local beneficiaries	Those who have relatives working in abroad.

There were no reported incidents regarding non-compliance health and safety impacts of products and services, in the current financial year.

Customer Experience GRI 417-2, 417-3

A superior customer experience has always been the hallmark of the AFC brand, since the inception. At the heart of the Company's customer experience model is a multifaceted approach encompassing island-wide access through 90 fully fledged branches coupled with personalised service and best in-class response times. By proving its commitment to these uncompromising service standards, AFC today stands as one of the few financial institutions in Sri Lanka that can claim to have built long lasting ties with customers, some of whom have placed their trust in the Company for over six decades.

As part of the ongoing efforts to augment the customer experience, the Marketing Call Centre (MCC) was established supported by a dedicated hotline (1321) for inbound calls. Resources at the MCC were further strengthened to increase customer outreach in order to improve product awareness and assess customer satisfaction.

Customer Interaction through the Marketing Call Centre

	No. of Inbound Calls	No. of outbound Calls
June 2023	434	1395
July 2023	69	4189
Aug 2023	144	6026
Sep 2023	415	6066

Results of Customer Satisfaction Assessment (conducted 1 month after engagement)

Product	No. of Customers polled	Satisfaction Score (%)		
		Very Satisfied	Satisfied	Unsatisfied
Gold Loan	4263	45%	54%	0%
Leasing	8549	19%	80%	1%
Fixed Deposits	1349	15%	84%	0%

Marketing and Communication

GRI 417-1, 417-2, 417-3

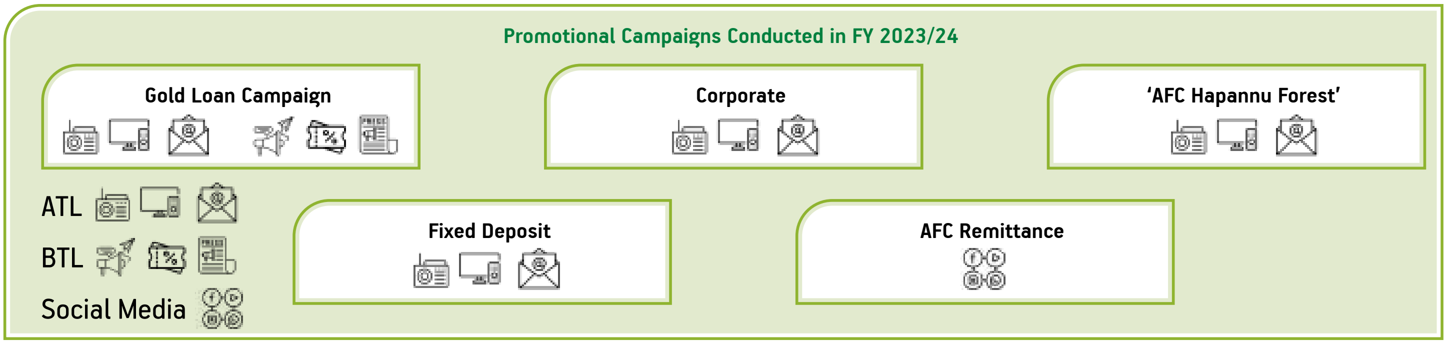
As part of its overall commitment to customers, AFC strives to communicate information regarding its products and services in a responsible manner, ensuring customers receive timely and accurate details. Accordingly, marketing materials are designed in conformity with CBSL guidelines, including the disclosure of mandatory product information including interest rates and other applicable terms and conditions. Similarly promotional activities are designed to provide comprehensive information on each product or service to enable customers to fully understand the value propositions and make informed decisions. promotional campaigns are typically conducted using a diverse mix of channels encompassing ATL, BTL and digital channels with a view to penetrating a wider target audience. Additionally, sales teams are trained to act responsibly in presenting the Company's products to customers. Teams are expected to guide customers by advising them on potential risks and offering customised solutions based on their financial needs.

In recent years, AFC has made a conscious effort to leverage social media and digital platforms to intensify marketing activities under the purview of the Company's dedicated digital marketing unit. AFC's Whatsapp channel has also proven to be an important tool in driving customer communications.

Product Communication and Advisory Services Provided by Sales Teams

- Flexible payment options, tailored rental packages.
- Reschedule contracts to meet residual income.
- Assessing customer repayment capacity and recommending the best possible rental packages.
- Assist in selecting vehicles and provide details of pros and cons along with current market price and help to select ideal vehicle.

In the year under review, the Company undertook several large projects to further strengthen customer communication, including taking the first steps towards implementing a new Customer Relationship Management (CRM) system to streamline customer relationships and manage sales operations more efficiently. AFC's corporate website was also revamped with a modern outlook and a user-friendly interface. The new site with new enhanced features is designed to allow visitors to easily navigate and obtain the required information in minimal time, thereby greatly augmenting the user experience.



A total of LKR 1.1 Mn was invested in promotional activities for FY 2023/24.

	2023/24	2022/23	% Increase / Decrease
Digital Media Interactions			
New messaging conversations (leads generation through FB + Instagram)	4596	480	857.5% increase
FB Followers	53.5K	33.2K	61.14%increase
FB Page engagement	85K	40.3K	110.91%increase
Instagram Followers	1676	460	264.34 %increase
Web Analytic			
Website visitors	30K (23 Nov - 24 April)	N/A	

In the year under review, there were no reported incidents of non-compliance in relation to the disclosure of product information or marketing and communications.

Customer Privacy

As a financial service provider, AFC understands that safeguarding the privacy of customer data and information is crucial for building and maintaining trust. In assuming the responsibility for security of customer data, AFC ensures customer information is gathered only as required by law, typically through the KYC (Know Your Customer) process. All such data is securely archived and stored within the Company's storage archives and further protected by multiple safeguards to prevent unauthorised access. Additionally, employees are educated on the importance of confidentiality and customer privacy, with necessary disciplinary measures in place to encourage them to uphold their responsibilities. Furthermore, as a policy, the company refrains from disclosing customer information to third parties unless mandated by law.

In the year under review, the existing control environment was further strengthened in line with the Personal Data Protection Act No. 09 of 2022 issued by the CBSL.

There were no reported complaints regarding the breach of customer privacy in the current financial year.

Complaint Handling

GRI 2-25, 2-26, 416-2, 417-1, 417-2, 417-3

Based on the principle that customer feedback including complaints are vital for continuous improvement, AFC has established both conventional and non-conventional channels to facilitate customer complaints. A systematic process is in place to capture, record, and address customer complaints received from all sources.

Meanwhile in tandem with the new CRM roll out a dedicated Complaint Handling Officer (CHA) was appointed as a central contact point to follow up and monitor complaint resolution to ensure necessary action is taken to provide the customer with a solution within the stipulated timelines. Any complaints received through social media channels are also directed to the CHA.

The new CRM system with its advanced analytics, also facilitates Root Cause Analysis to identify underlying reasons for recurring complaints.

Procurement Best Practices

GRI 2-6, 2-25, 204-1, 308-1, 308-2, 414-1, 414-2

Given the important role they play in providing inputs for the day to day operations of the Company, AFC strives to build strong ties with suppliers and service providers through the adoption of procurement best practices, including transparent dealings, fair price and timely settlement of dues.

AFC Supplier Base - FY 2022/23

Supplier Category	Products / Service Supplied	No. of Suppliers	Percentage of average annual procurement spend
Advertising & Marketing Materials	Printing Supplying of All kind of PVC stickers, corrugated boards, Digital Banners, Flex Banners, X Banners, Name boards, Hording, Leaflets, Banners, Corrugated board, Indoor-Outdoor, Vehicle brandings and Publishing of Newspaper advertisement Tenders, Piscal & Auction Ad	19	9.30%
Welfare	Supplying of Drinking water bottles and Water dispensers, Hand Soap, Nescafe, Sugar, Tea Leaves, Sanitizer, Vending Machines, Tissue, Toilet Rolls and Company T-shirts	15	2.57%
Repair & Upkeep	Supplying of all kinds of bulbs, LED, Pannels, Flash lights, Electric Jugs, Kettles, Heaters, LED Adaptors, Fire Extinguisher, Network, Repair, Transport providers, Pest controlling and related things, Cleaning Services, Sanitact bin & service, Light fixing, bouth, sucker, Elevator service & maintenance, AC Repair & Service	45	1.39%
Turnkey Projects	Supplying of Carpets & Vynile, ATS Panel, PABX System, Telephone instruments, all kind of painting works and installation of network, voice systems	34	16.03%
Fixed Assests	Supplying of Air Conditioning units and it's repairs, Services, Bathware items and installation, Installation of CCTV Camera, Fire Alarm System to all branches and purchasing of Digital camera, Branch infarstruction, renovation, modifications, Interiors, Officeware, Cash Counting Machines, Densimeters, Furniture Officewares, Generators, Printer, Computers, Laptops, Desktops, NUCs, Mini PCs Generators, Safes, Software systems, Medical Equipment,	110	42.37%
IT Consumables	Supplying of USB Keyboard, USB mouse, Hard Discs, Lap Batteries & Keyboards, Bags, Adaptors, Network Switches, USB / Network/ Power Cables, Lap Bags, Toner, Ribbons, Cartridges and Printing of Bar code stickers, Company ID cards and It's scanners	6	6.31%
Stationary	Supplying of all kind of calculators (Normal and Hi-end), All kind of stationaries, Polythene bags for article packeting, Rubber seals,	13	1.05%
Blank Papers	Supplying of Photo Copy Papers	1	2.96%
Pre Printed Materials	Supplying of Preprinted documents, books, registers, file covers, envelopes, security documents (cheques & FD certificates), Continuation forms (Receipts, Pawning tickets, Reminders, vouchers)	17	6.80%
Promotional Items & Printing	Branding water bottle for Gift, Company Diary, Calendars, Invitation cards with envelopes, branding Key tags, bags	19	9.00%
Vehicle Maintenance	Supplying of spares & Tyres	2	0.21%
Office & Hiring Equipment	Supplying of Phone units & Accessories, Photocopy, Computer, Laptop hiring	11	1.14%
General	Supplying of Cardboard boxes, Gold assessing tools for Pawning centers, fire warden jackets, Accessories for Bush Cutter, Safe shifting and transportation	13	0.87%

As stipulated under the Board approved Procurement Policy, the Company works only with registered suppliers. The Company's supplier registration process creates a level playing field by giving prospective suppliers the opportunity to be included in the registry of approved suppliers. The registry is updated annually, with all new suppliers required to complete a comprehensive Supplier Registration Form, providing detailed information about their business, including contact details, financial information, certifications, and any relevant documentation. Supplier Registration.

Forms are carefully scrutinised by the Procurement Manager to assess supplier suitability, reliability, and capacity to meet the Company's requirements. The supplier screening process also often involves background checks, verification of credentials, and screening for compliance with ethical and sustainability standards, including non-employment of child labour, providing equal opportunity to women employees, ensuring health, safety and welfare of their employees and adopting safe environmental practices. Approved suppliers are required to furnish a self-declaration indicating their commitment to ethical business conduct, whereupon they are on-boarded to the supplier registry, which allows them to benefit from procurement opportunities and establish mutually beneficial partnerships with AFC.

The annual supplier performance review helps to maintain the integrity and effectiveness of the Company's supplier network, by ensuring a high standard of quality, reliability, and ethical conduct across its supply chain.

The entire procurement management process was revamped in the current financial year following the roll out of the e-tendering platform in mid-2023. Accordingly, a three-tiered procurement model was established accompanied with a new delegation of authority limits;

- Direct Contracting: For low-value purchases with trusted vendors who have successfully completed previous orders with the Procurement Manager empowered to invite such suppliers to continue the relationship
- Request for Quotation (RFQ): For mid-range value purchases, where the Company solicits quotes from multiple registered or identified suppliers who meet the basic requirements.
- Invitation to Bid (ITB) & Request for Proposal (RFP): For high-value or complex purchases, a more competitive bidding process be employed.

During the year under review, we also migrated to a state of the art digital procurement system which automated end to end process from supplier onboarding, bid submission, bid evaluation and approval process ensuring transparency and cost savings.

Supplier Relationships - FY 2023/24	
No. of New Suppliers Screened *(No material negative social or environmental impacts were identified among any of the suppliers screened)*	45
No. of Suppliers on Boarded to the Supplier Registry	31
Total Number of Suppliers on the Network	305
Value Distributed to Suppliers (LKR)	622,864,878

Supplier Development

Expressing a firm commitment to supplier development, AFC provides additional financial assistance to suppliers in the form of extended payment terms (advance payment, on delivery payments) to meet the company's requirements. The Company also offers long term contracts to reliable and high-performing suppliers, providing stability and predictability for both parties.

In addition, based on the outcomes of the annual performance review, the Company works closely with underperforming suppliers to understand and help them overcome shortcomings.

Community Empowerment

GRI 203-1, 203-2, 413-1

AFC's business does not pose any material negative impacts to the wider community, but rather creates a strong positive impact by way of empowering communities. For the past decade, AFC has been empowering communities by providing access to financial services and products to individuals and communities traditionally underserved or excluded from the formal financial system. Capacity building through financial literacy forms an important part of this commitment. Through these consistent efforts to promote greater financial inclusion across Sri Lanka, AFC has continued to empower individuals and small businesses to manage their finances, build assets, thereby driving entrepreneurship and job creation to foster economic growth and reduce poverty. By enabling marginalised populations to participate more fully in economic activity, AFC also aims to strengthen their resilience to economic shocks, ultimately contributing to sustained societal development over time.

Social Upliftment

GRI 413-1, 413-2

AFC's commitment to contribute to social upliftment is deeply rooted in the Company's ethos, prompting active engagement to address social challenges such as education, healthcare, and poverty alleviation in Sri Lanka. The Company often partners with local community stakeholders and other interest groups to assess community needs, with the findings from these investigations helping to mobilise resources towards high impact CSR programmes.

Moreover, employees are encouraged to volunteer their time and skills to support community causes. In fact many of the projects undertaken are initiated by the branch network.

The senior management of the Company are responsible for approving CSR proposals submitted through branches. All proposed CSR projects are evaluated on merit based on the expected impact on the community and determine the correlation with the CSR focus outlined under "AFC Helping Hand" - the Company's long standing community initiative. A strategic decision taken by the Board in 2021 - 2022 FY has seen AFC allocating approximately 8% of annual PAT towards financing various CSR initiatives.

Reflecting a deeper commitment to community upliftment, "AFC Helping Hand", was further enhanced in the current year with the aim of increasing the number of projects carried out by the island-wide branch network. In this regard, LKR 2.9 Mn was mobilised in FY 2023/24 to carry out 26 projects aimed at improving school infrastructure and as well as community infrastructure for the benefit of rural communities across the Country. Through consistent investment in social upliftment, the Company seeks to create a positive impact beyond its business operations, contributing to the long-term prosperity and resilience of society.

Value delivered to the Community through AFC Helping Hand - FY 2023/24

Province	No of programmes				Cost Incurred (LKR)
	School/Montessori development	Community wellbeing project	Community water project	Hospital projects	
Western	2	2			334,395
North Western	6				692,600
Sabaragamuwa	1			1	217,432
Uva	1		1	1	232,920
Central	6	1			784,090
North Central	3				703,250
Northern	3		2	1	316,345
Eastern	4	1			273,400

- Dambulla_CSR -

- Balangoda_CSR -

- Kandy_CSR -

- Kalpitiya_CSR -

- Monaragala_CSR -

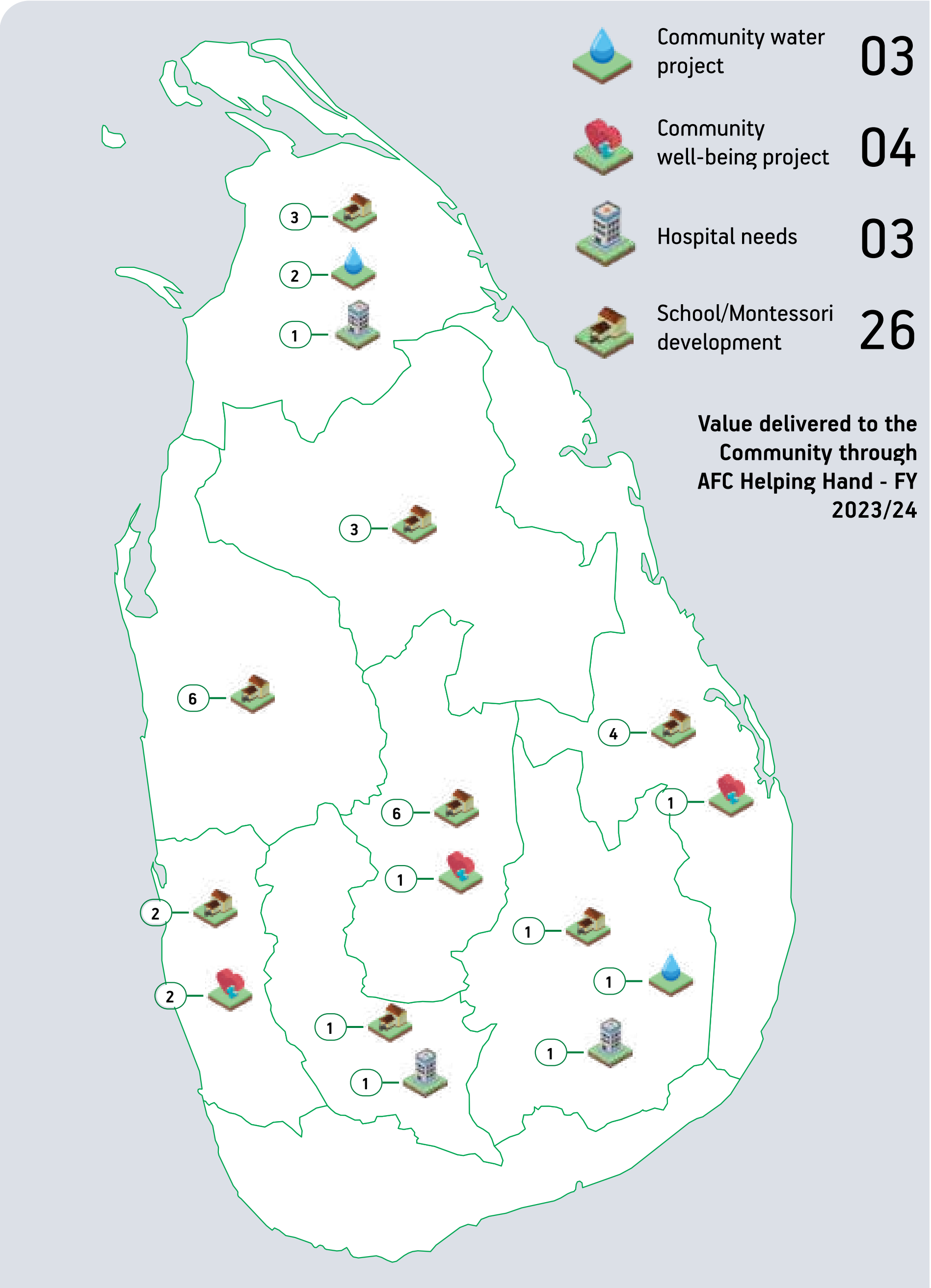
- Killinochchi_CSR -

- Embilipitiya_CSR -

- Galewela_CSR -

- Badulla_CSR -

No.	District	No. of projects
1	Colombo	3
2	Ampara	1
3	Anuradhapura	2
4	Badulla	3
5	Batticaloa	2
6	Jaffna	3
7	Kalutara	1
8	Kandy	1
9	Kilinochchi	2
10	Kurunegala	2
11	Matale	4
12	Monaragala	2
13	Mullaitivu	1
14	Nuwara Eliya	2
15	Polonnaruwa	1
16	Puttalam	4
17	Ratnapura	2
	Total projects	**36**



Value delivered to the Community through AFC Helping Hand - FY 2023/24

No of branch sustainability prjects - 2023/24 FY

Project Type	No of projects
Community wellbeing projects	4
Hospital needs	3
Community water project	3
School/Montessori development	26
Total projects	**36**

Breakup of CSR - 2023/24 FY **GRI 203-1, 203-2, 413-1**

Description	Amount
Tree Planting	19,626,919
European Organization -Asia Sustainability (ADFIAP)	4,633,385
Donations Paid	4,381,720
Participation in Karlsruhe Sustainability Conference - Germany	3,575,737
Sustainability Projects	3,206,983
Hapannu Forest project	3,139,873
ADFIAP-Annual Membership -2023 & 2024	648,305
Donations to Charities	450,000
GHG Verification	250,898
Village Upliftment - Siyabalagoda	240,000
International and national award entries	188,750
Total	**40,342,568**

Way Forward

Strengthening ties with customers and suppliers as well as the wider community will remain key strategic imperatives for AFC in the years ahead. A key focus in this regard, will be to diversify product propositions alongside focused efforts to grow its digital presence in order to create distinctive value propositions that will appeal to all customer segments and subsegments in the market. Targeted MSME expansion for the next five years under AFC's High Impact Goals are expected to create strong social impacts over the medium and long term, especially in terms of strengthening income levels at the bottom of the pyramid, thereby enhancing the quality of life for traditionally underserved communities across Sri Lanka. Meanwhile, AFC's expanded range of climate finance products are set to improve the rural income while also promoting increased adaptation of climate smart technology to help withstand the disruptive climate hazards. Further the Company is also intent on more proactive engagement with suppliers to embed social and environmental sustainability best practices. Equally importantly, CSR efforts via the "AFC Helping Hand" will continue to gather momentum driven by a stronger focus on community education and healthcare.

S Strong relationships with customers and suppliers and good standing in the community

W Low digital presence

O Gain first mover advantage in the sustainable finance space

T Low switching costs for customers owing to the high level of competitive pressure in the NBFI sector

Intellectual Capital

GRI 2-23

AFC's Intellectual Capital which consist of the Company's iconic brand identity, distinctive culture and unique systems and processes, each play an anchoring role in defining the Company's position as a financial services provider operating amidst intense competitive pressure.

Inputs

- Brand Reputation
- Culture and Ethics
- Information Security Systems
- Standards and Certifications
- Memberships and Affiliations

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Sustainable development - Environmental well-being
- Sustainable development- Community empowerment
- Innovation and digitisation
- Reputation and brand value
- Sustainable business practices
- Business ethics

Management Approach

AFC strives to ensure ongoing development of its Intellectual Capital driven by targeted efforts to augment each element and also ensure they work in harmony to support the Company's broader objectives.

Key Actions for FY 2023/24

- Brand rating: 61
- Credit Rating: BBB-(Stable)

Stakeholder Outcomes

- Access to branded financial services backed by a highly reputed financial services provider
- ZERO ethics violations
- ZERO incidents of information security breaches

Outputs for AFC and Impact on other Capitals

Strong brand reputation creates a firm foundation for consistent revenue generation over time	⊕	FC
Brand credibility and good standing in the industry builds loyalty and commitment among employees and helps to retain key staff	⊕	HC
High operational standards and unblemished ethics track record attract and retain customers	⊕	S & RC

SDG's

1 NO POVERTY
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

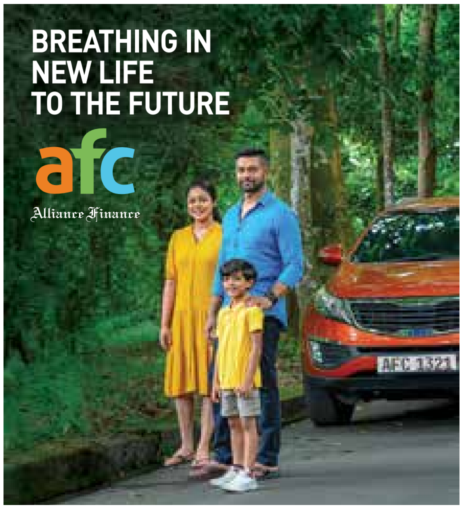
Brand Reputation

Since its inception in 1956, AFC has worked tirelessly to carve out a distinct reputation as a preferred financial service provider for all Sri Lankans. Premised on this, the Company has over the years worked to serve all customer segments, with special emphasis on promoting financial inclusion across Sri Lanka.

AFC's core business revolves around providing equitable and affordable access to financial solutions to underserved communities who, due to their lack of financial maturity, are often denied access to formal financial services. True to these principles, AFC has over the past 68 years amply demonstrated its willingness to safeguard customers' financial journeys and in doing so, build a reputation as one of the most reliable financial institutions in the Country for thousands of customers, mainly individuals and micro entrepreneurs.

In the year under review, a broad based corporate marketing campaign was launched to highlight AFC's contribution towards reducing socio economic inequalities by providing underserved communities in the Country with access to much needed financial services. The campaign theme was designed to showcase AFC's legacy as one of the oldest financial institutions in Sri Lanka and call attention to the Company's legendary role for the advocacy of sustainable finance in Sri Lanka. Hand in hand with the corporate campaign, AFC's corporate website was also fully revamped with a fresh new user interface for an enhanced user experience.

- AFC was ranked #61 on the Top 100 Companies in Sri Lanka by Brand Finance Lanka
- AFC was awarded the prestigious 'SLIM Green Brand of the Year 2023' at SLIM Brand Excellence Awards fortifying the Company's stance towards sustainability and its triple bottom line business philosophy.
- AFC was ranked among the Top 10 Companies at the Best Management Practices Company Awards organised by The Institute of Chartered Professional Managers of Sri Lanka.
- AFC won the Best Website Award at the 2024 ADFIAP Awards (Association of Development Financing Institutions in Asia and the Pacific).



AFC continuously engages in strategic initiatives to enhance its brand proposition, ensuring it remains relevant, resonant, and highly esteemed by customers and stakeholders. Through diverse activities and efforts, AFC aims to reinforce its brand identity, strengthen customer loyalty, and uphold its position as a trusted financial services partner. In this context, the company has implemented numerous ATL and BTL marketing campaigns to promote its extensive product range and improve brand visibility.

- Branch promotion campaigns -

- Donated name boards to Pre Schools in celebration of Children's Day -

- Digital media campaigns -

Culture and Conduct

GRI 2-23, 2-24, 2-25, 2-26, 205-1, 205-2

AFC believes its reputation and industry standing as a financial service provider rests on a strong culture and conduct principles. The Board sets the tone from the top through a range of conduct policies that have been developed to encapsulate applicable legal and regulatory compliance requirements and with due consideration to ethical decision making, accountability and transparency. Key conduct policies include; the Ethics and Integrity Policy, Code of Conduct for Employees and Directors, Whistleblower Policy and the Anti-Fraud Policy and the Disciplinary Policy and Procedure. The conduct framework also includes the Company's data security policies as well as non-disclosure agreements with third party service providers.

Conduct policies have been incorporated in the induction programme for new recruits. All conduct policies and procedures are also accessible to employees through the Company's intranet.

As part of their responsibility to ethics, the Board undertakes to review and update all policies and procedures as needed, with employees informed and educated on necessary changes. In addition, employees are required to participate in ethics training on selected topics. A majority of the training activities conducted in FY 2023/24 were on financial crime and Anti Money Laundering (AML).

Description	No. of Participants	Employee Category
Diploma in Compliance conducted by IBSL	2	Compliance
"Compliance / AML"	379	RH / DRH, SBMs, BMs, Marketing Officers
Knowledge sharing session on the Direction No: 5 of 2021 (Corporate Governance)	1	Compliance Officer
Awareness Session on KYC, CDD, AML & CFT via Zoom	76	Cashiers
Workshop for LFCs on go AML System Usage and Web Reporting	2	Compliance Officer & Executive - Finance
Assessment for Documentation Staff on KYC , CDD, AML & CFT Awareness via zoom	75	Documentation Staff
Awareness Session on "Introduction to Anti-Corruption Act, No. 9 of 2023	1	AM - Compliance
KYC , CDD, AML & CFT Awareness For Gold Loan via Zoom	83	Gold Loan OICs and Supervisory Level Staff
Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka Organized by the Financial Intelligence Unit (FIU), in collaboration with the Association of Compliance Officers of Banks (ACOB)	1	Compliance Officer
Awareness Sessions on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka (2)	1	Compliance Officer
Awareness Sessions on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka (3)	2	Compliance Officer & AM - Compliance
Awareness Sessions on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka (Programme 4)	1	Compliance Officer
Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka - A Collaborative Initiative Between FIU & ACOB	2	AM - Compliance & AM - Investigation
Awareness Series on "Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka"	1	Compliance Officer
Training on Sanction Screening to Documentation Staff	62	Documentation Staff
AML/ CFT Compliance for Financial Institution	5	Internal Audit - 4 & Investigation - 1 | AM - Compliance - 1
Anti-Corruption Act Seminar	6	Legal – 3 | Finance – 1 | Procurement – 1| Compliance – 1 | Risk – 1 | Internal Audit - 1

Information Security Systems

As a financial institution governed by the CBSL, AFC's information security systems are aligned to regulatory requirements coupled with global best practices. Accordingly, the Company is currently in the process of benchmarking its Information Security Systems in line with the guidelines set out under the Technology Risk Management & IT Resilience Directive issued by the CBSL. Additionally, in keeping with global best practices, AFC seeks the services of an independent third party specialist to conduct routine vulnerability testing and penetration testing to determine the efficacy of the Company's information security systems. The findings from these investigations serve the basis of continuous improvement to ensure system resilience.

Standards and Certifications

Standards and certifications contribute towards strengthening AFC's operational frameworks on par with global standards, thereby further enhancing the Company's credibility within the local non-bank financial services industry. In this regard, AFC's operations are certified under the ISO 9001:2015 Quality Management Standard, ensuring the guidelines therein are embedded in all policies, processes, and procedures of the Company. Similarly, the Company's business continuity systems are certified under the ISO 22301:2019 Business Continuity Management Standard and as such is designed as a total failsafe mechanism offering 360 degree protection for people, premises, buildings, technology and information systems. BCP Compliance Audits are carried out annually as part of an annual surveillance audit.

Memberships and Affiliations

GRI 2-28

The following Membership and Affiliations add further value to various aspects of AFC's business and also aid in the Company's efforts to contribute towards development of the local non-bank financial sector;

Membership in Associations GRI 2-28

- The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman - Sri Lanka
- Biodiversity Sri Lanka (Patron Member) {Business and Biodiversity platform}
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP)

Way Forward

Further strengthening AFC's leadership in the sustainable finance space and reorienting AFC's brand presence in the digital financial milieu, will remain the key priorities for the Company in the coming years. These approaches will be accompanied with more focused efforts to strengthen ethics and tighten information security systems.

S	Long standing brand reputation spanning 65+ years in NBFI sector	W	Low digital presence
O	Lead by example in the sustainable finance sphere	T	Increased cyber and information security attacks

Natural Capital

GRI 201-2

As a service organisation, AFC's operations do not depend on natural resources extracted from the environment. Nonetheless, the Company considers it a duty to lead by example in promoting the conservation and sustainable management of resources in order to work towards the preservation of Natural Capital.

Inputs

- Energy Management
- Controlling Emissions
- Conserving Water
- Managing Waste
- Climate Conscious Lending
- Environmental Projects

Value Transformation

Material Matters

- Sustainable development - Economic growth
- Energy efficiency
- Battling climate change and environmental protection
- Innovation and digitization
- Reputation and brand value
- Sustainable business practices
- Business ethics

Management Approach

AFC approach to managing Natural Capital is in alignment with the CBSL's Guidelines for Sustainable Finance, including the Green Finance Taxonomy guidelines to integrate environmental sustainability into financial decision-making processes driven by a six-pillar strategy involving Energy Management, Controlling Emissions, Conserving Water, Managing Waste, Climate Conscious Lending and Environmental Projects. This comprehensive approach to environmental stewardship represents AFC's commitment to long-term sustainability and resilience in an ever-evolving financial landscape.

Key Actions for FY 2023/24

- LKR 32 Mn invested in energy conversion
- Independently verified GHG Inventory Report in accordance with ISO 14064-3:2019
- LKR 214 Mn worth of loans granted through the Climate Financing product portfolio
- LKR 19 Mn invested in tree planting
- Established Environment and Climate action policy and detailed action targets to reach carbon neutrality and other climate actions.

Stakeholder Outcomes

- -28.80% year on year reduction in water consumption
- -1.70% year on year reduction in Electricity Intensity for unit per employee
- Access to finance for 284 micro entrepreneurs under Climate Finance loans
- Sequestered 20,213 Mt of C02 equivalent to the forest cover spanning 19,077 acres through the "Thuru Mithuru" tree planting campaign
- -2.6% reduction in Direct Emissions

Outputs for AFC and Impact on other Capitals

Opportunities for sustained revenue generation through the focus on climate finance	⊕	FC
Enhanced brand image resulting from environmental advocacy	⊕	IC

SDG's

1 NO POVERTY
2 ZERO HUNGER
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Energy Management GRI 302-1, 302-3, 302-4

AFC has adopted a two-pronged approach to energy management pivoted on environmental sustainability and operational efficiency. Through a combination of innovative strategies and technology investments, the Company endeavours to optimise energy efficiency across its operations.

Energy usage and performance metrics are continuously monitored to enable continuous improvement Energy monitoring also helps to establish consumption patterns to support setting of targets for energy conservation and implement targeted solutions to achieve these goals. To further strengthen these efforts and bring more focused oversight over the energy management pillar, a dedicated Energy Manager was appointed in the current financial year.

Energy Management - Key Commitments	Highlights for FY 2023/24
Invest in energy efficient electrical appliances such as inverter air conditioners, energy efficient photocopiers, printers, laptops and computers and LED lighting at all Company locations.	LKR 32 Mn invested in energy conversion
Adoption of energy efficient practices at newly opened or relocated branches	Emphasis on sourcing eco-friendly office supplies
Use of natural lighting at our workstations	Ongoing
Creating awareness among employees	02 awareness sessions

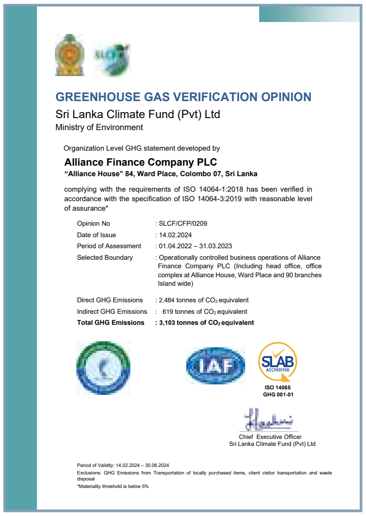
Total Carbon Footprint:

3,327 tCO_2e

Controlling Emissions

AFC is deeply committed to controlling emissions as part of its broader sustainability agenda. Recognising the critical need to mitigate the impacts of climate change, the Company has implemented a multifaceted approach to reduce its carbon footprint across its operations.

The current financial year saw AFC taking the first steps to measure its carbon footprint through the assessment of GHG (scope 1, scope 2 and scope 3) emissions attributed to its operations, measured in line with ISO 14064-1:2018 and verified in accordance with ISO 14064-3:2019 -by Sri Lanka Climate Fund Pvt LTD.



GREENHOUSE GAS VERIFICATION OPINION
Sri Lanka Climate Fund (Pvt) Ltd
Ministry of Environment

Organization Level GHG statement developed by

Alliance Finance Company PLC
"Alliance House" 84, Ward Place, Colombo 07, Sri Lanka

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance*

Opinion No : SLCF/CFP/0209
Date of Issue : 14.02.2024
Period of Assessment : 01.04.2022 – 31.03.2023
Selected Boundary : Operationally controlled business operations of Alliance Finance Company PLC (Including head office, office complex at Alliance House, Ward Place and 90 branches Island wide)

Direct GHG Emissions : 2,484 tonnes of CO_2 equivalent
Indirect GHG Emissions : 619 tonnes of CO_2 equivalent
Total GHG Emissions : 3,103 tonnes of CO_2 equivalent

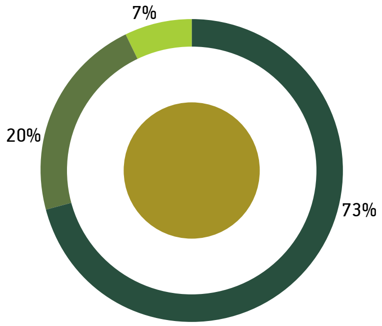
ISO 14065
GHG 001-01

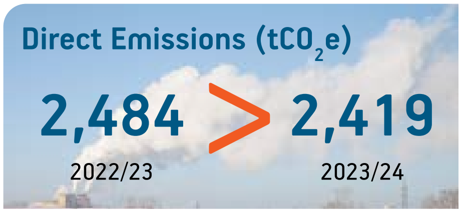
Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Period of Validity: 14.02.2024 – 30.06.2024
Exclusions: GHG Emissions from Transportation of locally purchased items, client visitor transportation and waste disposal
*Materiality threshold is below 5%

GRI 305-1, 305-2, 305-3, 305-4, 305-5

Emission by scope (%)





Direct Emissions (tCO_2e)

2,484 > 2,419

2022/23 2023/24

- ■ Scope 1 - Direct GHG Emissions
- ■ Scope 2 - Indirect GHG Emissions
- ■ Scope 3 - Other Indirect GHG Emissions

Controlling Emissions - Key Commitments	Highlights for FY 2023/24
Management of regulatory requirements associated with climate change and carbon emissions	Comprehensive measurement of direct (scope 1 and scope 2) and indirect (Scope 3) GHG emissions.
	Independently verified GHG Inventory Report covering Scope 1 and Scope 2 emissions
Monitoring of upstream and downstream emissions, including employee commuting, and financed activities	Ongoing
Prioritising investments in energy efficiency, renewable energy and sustainable practices to demonstrate environmental leadership in the NBFI sector	Ongoing
Monitoring climate related risks and opportunities across the operations	Ongoing

GRI 302-1, 303-5

Energy Footprint

Energy Footprint- **4,624.32 GJ**
Per employee- **2.6 GJ**

Water Footprint

Water Footprint- **38,560 m3**
Per employee- **22.16 m3**

Carbon Footprint

Direct GHG Emissions : **2,419 tCO2 equivalent**
Indirect GHG Emissions : **908 tCO2 equivalent**
Total GHG Emissions : **3,327 tCO2 equivalent**

GRI 302-1, 303-3, 303-5

Units (kWh)
271,798
2023/24
229,534 ▲ 18.40%
2022/23

No. of Employees (HO)
401
2023/24
333
2022/23

Cost (LKR)
16,981,310
2023/24
8,108,071
2022/23

Intensity(Units/Employees)
678
2023/24
689 ▼ -1.70%
2022/23

Intensity(Cost/Employees)
42,347
2023/24
24,349 ▲ 73.92%
2022/23

Electricity

Fuel

Units (Liters)
26,024
2023/24
15,605 ▲ 66.8%
2022/23

No. of Employees (HO)
401
2023/24
333
2022/23

Cost (LKR)
9,574,378
2023/24
6,595,851
2022/23

Intensity(Units/Employees)
65
2023/24
47 ▲ 38.50%
2022/23

Intensity(Cost/Employees)
23,876
2023/24
19,807 ▲ 20.54%
2022/23

Units (m^3)
5,899
2023/24
8,283 ▼ -28.80%
2022/23

No. of Employees (HO)
401
2023/24
333
2022/23

Cost (LKR)
1,054,830
2023/24
986,461
2022/23

Intensity(Units/Employees)
15
2023/24
25 ▼ -40.90%
2022/23

Intensity(Cost/Employees)
2,630
2023/24
2,962 ▼ -11.20%
2022/23

Water

Paper

Units (ton)
18.8
2023/24
12.3 ▲ 53.20%
2022/23

No. of Employees (HO)
401
2023/24
333
2022/23

Cost (LKR)
10,569,140
2023/24
6,909,634
2022/23

Intensity(Units/Employees)
0.05
2023/24
0.04 ▲ 27.20%
2022/23

Intensity(Cost/Employees)
26,357
2023/24
20,750 ▲ 27.02%
2022/23

Conserving Water GRI 2-25

AFC's requirement for water is mainly for staff utility purposes. Water for daily consumption is primarily sourced from public water lines while bottled water is purchased for drinking.

Despite its own limited interaction with water, AFC understands the importance of responsible water management and as such has integrated water conservation as a key component of its comprehensive sustainability strategy. The Company takes proactive measures to minimise water usage and enhance efficiency across its operations including through the adoption of innovative water-saving technologies, such as low-flow fixtures as well as by undertaking regular maintenance to prevent water wastage. Such efforts are combined with awareness to inculcate sustainable water stewardship practices among employees.

In addition, AFC has successfully completed three water projects to provide clean drinking water and improve sanitary conditions at one school and two Montessori institutions in the Killinochchi, Badulla, and Jaffna districts.

Managing Waste GRI 306-1, 306-2

As a financial institution, AFC consumes large volumes of paper across its operations which in turn generates a high quantum of paper waste on a daily basis. As a responsible business entity, AFC practises the 3R principle to reuse, recycle and reduce paper waste as much as possible.

Employees are instructed to reuse paper whenever possible and practical, for instance through double side printing and reducing the paper size of letters and other documents provided to clients.

The Company is a strong advocate of circularity and has tied up with a third party to ensure paper waste is recycled and used for the manufacture of sustainable stationary. Accordingly, paper waste used by AFC is shredded onsite and handed over to the recycler for the production of stationary items such as paper and boards, which are then procured by AFC, thereby integrating recycled materials back into operations.

Moreover as part of the overall waste reduction effort, AFC banned the use of single use plastic bottles and plastic bags on its premises with effect from 1st of March 2024. At the same time waste segregation practices were reinforced with colour coded collection bins introduced at all Company locations.

Further, as part of a conscious effort to reduce paper usage, AFC has progressively increased its investment in digital technology with the intention of achieving paperless operations.

The strategic shift towards digitising processes and automating operations has led to a sustained decline in paper consumption. Moreover, the work-from-home process which was in operation during the early part of the year was also responsible for significant paper savings. Since the recommencement of in-person work from mid 2023 onwards year, the Company has been aiming for sustained paper reduction supported by focused paper saving efforts.

AFC's Premises Management Division oversees waste management and is reasonable for implementing and monitoring recycling programmes to ensure proper disposal methods and for identifying opportunities for waste reduction. Further every department is charged with developing and implementing strategies to reduce paper waste, including through the use of digital tools, double-sided printing and ensuring waste segregation and disposal in line with the waste hierarchy.

AFC Climate Finance Product Strategy

AFC has made a firm commitment to work towards combatting climate change in Sri Lanka, which has been identified to. be among the 10 most climate affected countries in the world, despite the relatively low contribution to global warming

Working in line with Sri Lanka Green Taxonomy guidelines issued by the CBSL, AFC expanded its climate efforts in 2023 through the introduction of a new Climate Finance product range as part of a focused climate action initiative. The scheme aims to assist MSMEs to contribute towards reducing the negative climate impacts. Accordingly, Phase 1 of the effort saw the introduction of special products to promote investment in renewable energy solutions, agri-based climate mitigation and adaption activities and solid waste management solutions.. The loan quantum granted for each player in the value chain vary based on the project needs and viability as well as repayment capacity and availability of alternate income sources of the borrower. The general loan limit for cultivation is LKR 1.5 million, while up to LKR 500,000/- is granted under the clean loans scheme. As of March 2024, AFC has granted more than 250 climate loans to the value of over LKR 200 million.

Beyond this, AFC has offered to support the USAID-led Climate Adaptation Project a knowledge transfer initiative to enable small scale agri farmers to embrace best practices for climate adaptation and mitigation.

Additionally, AFC has made a voluntary commitment to reduce atmospheric greenhouse gases through sequestration and emission controls. As of March 2024 AFC has planted 715,380 forest and fruit trees (more than 20 species) and is aiming to reach 1 million trees by 2026, in order to sequester 120,000 MT of CO_2 by 2023.

Driving Paperless Operations at AFC

- Reinforcing the use of digital communication channels such as e-mail, Google Suite, Clickup and Zoom
- Whenever possible, using digital channels for client contacts and encouraging the usage of SMS services
- Keeping scanned copies of customer documents instead of physical files
- Encourage staff to use e-docs instead of paper documents.
- Managing personnel records through the HRIS
- Investing in the new Core IT system

Climate Conscious Lending

To demonstrate the pivotal role financial institutions can play in addressing climate change, AFC has always maintained a strong stance to promote climate-conscious lending with more emphasis on lending to environmentally sustainable projects. In this regard, AFC has always worked in alignment with the IFC performance standards to manage the social and environmental risks associated with its lending products.

The Climate Finance portfolio introduced in 2022 underscores AFC's commitment to support projects and initiatives that focus on renewable energy solutions, agri climate programmes and solid waste management solutions.

In 2023, the Climate Finance suite further streamlined with structured products to drive climate adaptation efforts across a broader spectrum of customers within the Company's core market segment - the MSME sector.

Climate Smart Irrigation Loan - Offering credit facilities coupled with technical support to reduce the farm level climate risk, vulnerability, yield variations and improve water use efficiency while improving the yields and year-round production capability of many crops. The loan also focuses on supporting farmers to improve water efficiency through investments in the latest irrigation methods, rainwater collection and storage etc.

Dairy Development Loan - providing credit and technical assistance to develop and uplift domestic small and micro scale farmers across different industries to embrace sustainable farming practices, thereby transitioning towards low-carbon and climate-resilient business models. Climate change poses significant risks to the dairy industry, including reduced animal productivity due to droughts and temperature increases. AFC's Dairy Development Loan aims to promote climate adaptation strategies, such as investing in climate-resilient animal breeds to help mitigate climate-related risks and ensure the long-term viability in vulnerable regions.

Cinnamon Cultivators' Loan - provide credit and technical assistance to expand the cultivation of cinnamon and drive productivity improvement through the adoption of agriculture best practices. The loan targets the entire cinnamon value chain cultivators, cinnamon collectors, cinnamon oil processors and exporters.

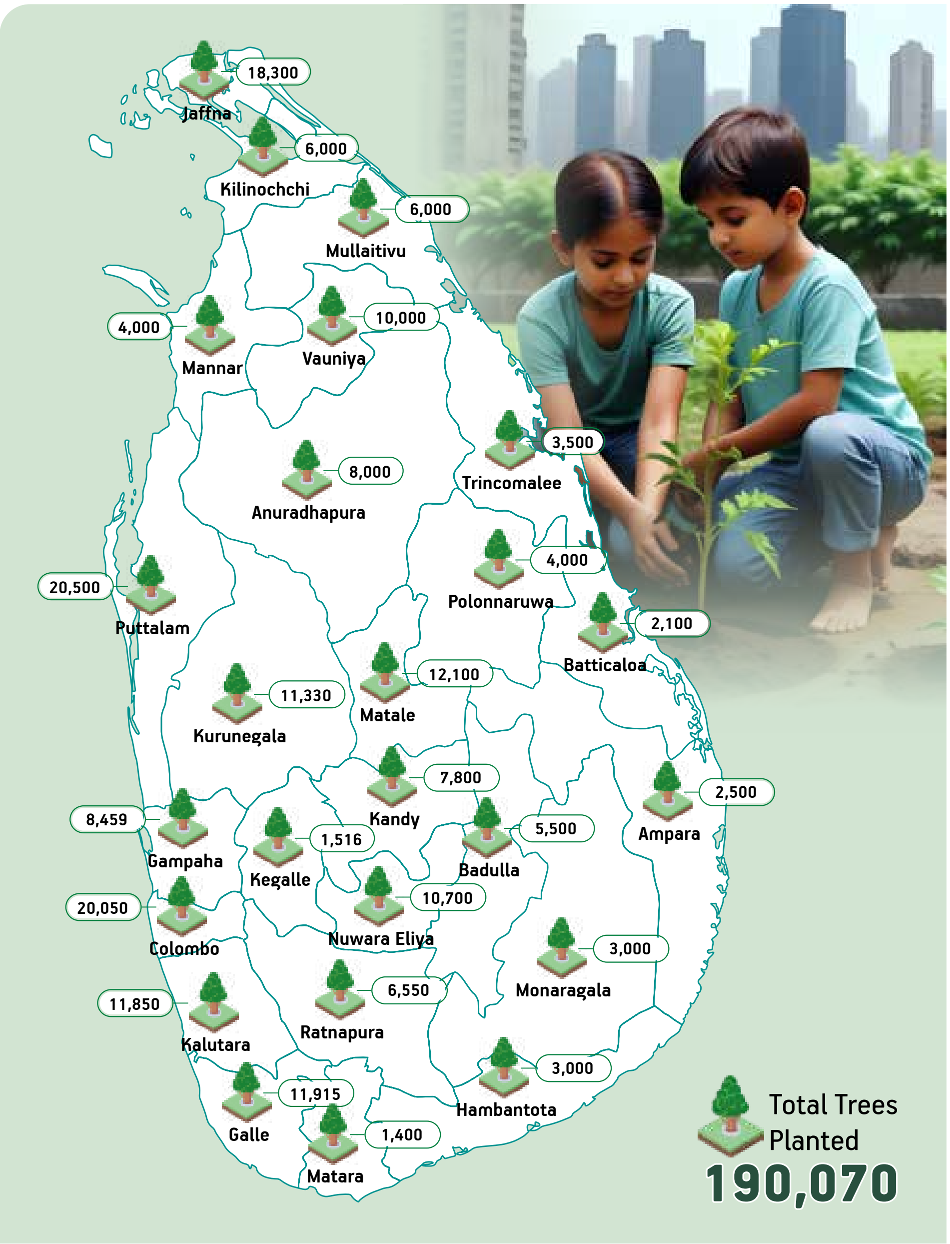
Tea Cultivators Loan - Offering working capital financing to small-scale low elevation tea cultivators to enable them to extend cultivated extent and embrace agronomy best practices such as soil conservation and rehabilitation.

Green Energy Loan/Solar Loan - provdining special credit facilities to encourage micro and small scale entrepreneurs to migrate to clean energy as a sustainable long term solution

Climate Finance Portfolio as at 31st March 2024

Product	Total Climate Facility Count	Facility Amount LKR
CINNAMON	5	1,225,506
DAIRY	124	31,708,205
IRRIGATION	20	6,601,869
SOLAR	88	159,849,074
TEA	47	14,592,700
Grand Total	284	213,977,355

- Deniyaya Branch tree planting project -



- Kurumankadu branch tree planting project -

- Homagama branch tree planting project -

Total Trees Planted (2017-2024) - 715,380

- Kelaniya branch tree planting project -

- 10,000 trees planting project with the Catholic Youth in Galle, celebrating the historic 150th anniversary of the Queen of the Holy Rosary Cathedral -

- Gampaha branch tree planting project -

- Embilipitiya branch Tree planting project -

- Borella branch tree planting project -

- Ganemulla branch tree planting project -

- Aluthgama-Tree planting project -

- Kiribathgoda branch tree planting project -

- Alliance Finance has joined with "AFC child saving accounts" and initiated a forest project to the nation on 09 May 2023 at Dulgolla, Pathamilapitiya in Kandy district. -

- FHA Environmental Day tree planting project -

Environmental Projects

AFC is deeply committed to undertaking environmental projects that contribute to the preservation and restoration of ecosystems, biodiversity, and natural resources. Leveraging its financial expertise in climate financing, the Company actively collaborates with various stakeholders to support initiatives aimed at mitigating environmental degradation and promoting sustainability.

AFC's flagship environment project is the "Thuru Mithuru" tree planting campaign which commenced over 05 years ago in 2018 and has since partnered with numerous organisations to plant more than 700,000 trees across the island. The "Thuru Mithuru" initiative has a reforestation aspect as well, reducing atmospheric carbon naturally through carbon sequestration and providing habitats for wildlife in the area.

Through the long-standing commitment to "Thuru Mithuru", it is estimated that AFC has successfully sequestered **20,213 $MtCO_2e$**, through which is equivalent to the forest cover spanning 19,077 acres.

Our Conservation Efforts GRI 304-1, 304-2, 304-3, 304-4

	Project/Partner name	No of Plants
Thuru Mithuru tree planting drive	FHA tree planting project with all branches	141,629
	Branch tree planting projects	21,626
	Galle tree planting project	10,000
	Tree planting project for Vesak festival with Mihijaya Environmental society - Chilaw	5,000
	Hapannu Forest tree planting project-Dulgolla,Kandy	4,800
	Secretariat Office of Lunugamwehera	2,100
	RDA Project- Highway office-Kaduwela	2,000
	Minuwangoda	1,000
	Balapitiya Divisional secretarial	740
	Tree distribute at SLIM award ceremony - 2023	400
	Benthota Divisional secretarial	350
	Ambalangoda Divisional secretarial	325
	Tree planting project for blood donation camp The OBA of CMS Sri Jayawardenapura College	100
	Total trees planted as at 31st March 2024	190,070
Hill Country Leopard Conservation Project	AFC partnered with the Wilderness and Wildlife Conservation Trust (WWCT) in 2018 with the intention of protecting the endemic Leopard species - Panthera Pardus Kotiya of the central highlands of Sri Lanka and to protect the flora and fauna and other living species in the 18- acre Peak Ridge Forest Corridor (PRFC) which has been distinguished as a World Heritage Site since 2010. The leopard found in the hill country is a sub-species endemic to Sri Lanka, whose existence is threatened mainly due to habitat loss and human-leopard encounters and has been listed as endangered on the IUCN Red List. As a result of this valuable initiative, during the period AFC has engaged with WWCT, 157 leopards were identified for protection along with 35 other mammal species in the peak wilderness area. Under the Peak Ridge Forest Corridor conservation program AFC planted 470 plants to replenish the forest cover which allows the growth of endemic species of plants while leading to ecological restoration and increased biodiversity of the protected area.	
AFC Hapannu	Alliance Finance has joined with "AFC child saving accounts" and initiated forest project to the nation on 09th May 2023 at Dulgolla, Pathamilapitiya in Kandy district. This is an initiative we embarked on during the year in collaboration with the Forest Department, through which we intend to develop forest cover across 25 hectares along the Kandy-Randenigala route.	
Dalu by AFC	Dalu by AFC is the social media drive of the Company's "AFC Dalu" sustainability program, through which we educate the general public on environmental sustainability and increase climate literacy. This campaign is ongoing via Facebook, Instagram and the www. afcdalu.com web portal. The web portal launched in 2020 featuring the sustainability initiatives of the Company encourages the participation and contributions of interested parties towards the 'One Million Trees for Unity' program. Through our initiatives we are also contributing towards Sri Lanka's Bonn Challenge which aims to reach the goal of 32% forest cover by 2030. With the one million tree planting project AFC will contribute 8.97% to this national goal.	

Way Forward GRI 305-1, 305-2, 305-3, 306-1

AFC has made ambitious plans to advance its environmental sustainability agenda in the coming years. Key focus areas include investment in solar energy to systematically convert all AFC branches to renewable energy. The AFC Board is also targeting a 10% year on year reduction in emissions alongside 5% year on year reduction in water and paper waste and reaching scope 1 and scope 2 carbon neutrality by 2029. At the same time, the "Thuru Mithuru" will be significantly expanded with the aim of reaching 1 million trees by 2027.

Enhancing the Accuracy and Thoroughness of Our GHG Inventory

With the forthcoming conclusion of our GHG verification exercise, we have taken steps to enhance the completeness of our GHG inventory by incorporating the following emission sources:

Scope 1: We have added emissions from refrigerants and fire extinguishers.

Scope 3: We have increased the coverage of emissions generated in employee commuting, which is captured partially.

(Our scope 3 emissions encompass a wide range of categories, including purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, and employee commuting.)

S Pioneer in the Climate Finance space

W Lack of market awareness regarding environmental sustainability

O Pursue partnerships to support high impact climate action projects

T High degree of competition among the NBFI

Elevating People

By allocating 50 trees to be planted for every lease, we ensure that our customers become a significant part of our sustainable efforts.

“We are driving the green agenda with a focus on giving back to our spheres of attention”

Corporate Governance Report

GRI 2-9, 2-23

Introduction to Corporate Governance

Corporate governance serves as the backbone of AFC's operations, guiding us in maintaining transparency, accountability, and ethical behaviour across all levels of the organisation. It is through robust governance practices that we as a Company safeguard the interests of our stakeholders.

In today's dynamic business landscape, the importance of effective governance cannot be overstated. As such, the AFC Board continually strives to enhance our governance framework, aligning it with evolving regulatory requirements and international best practices. Our commitment to excellence in governance is evident in every decision we make and every action we take, ensuring prudent risk management, and fostering long-term sustainable growth.

Board Focus for FY 2023/24 GRI 2-14

As always the Board continued its endeavour to further strengthen the Company's corporate governance framework. In the light of the new Corporate Governance Rules issued by the CSE we have commenced implementing some of the requirements.

Another important matter that commanded the Board's attention was our ESG strategy. After careful deliberations, the Board refreshed the Company's High Impact Goals to allow us to address ESG matters more comprehensively through our core business verticals.

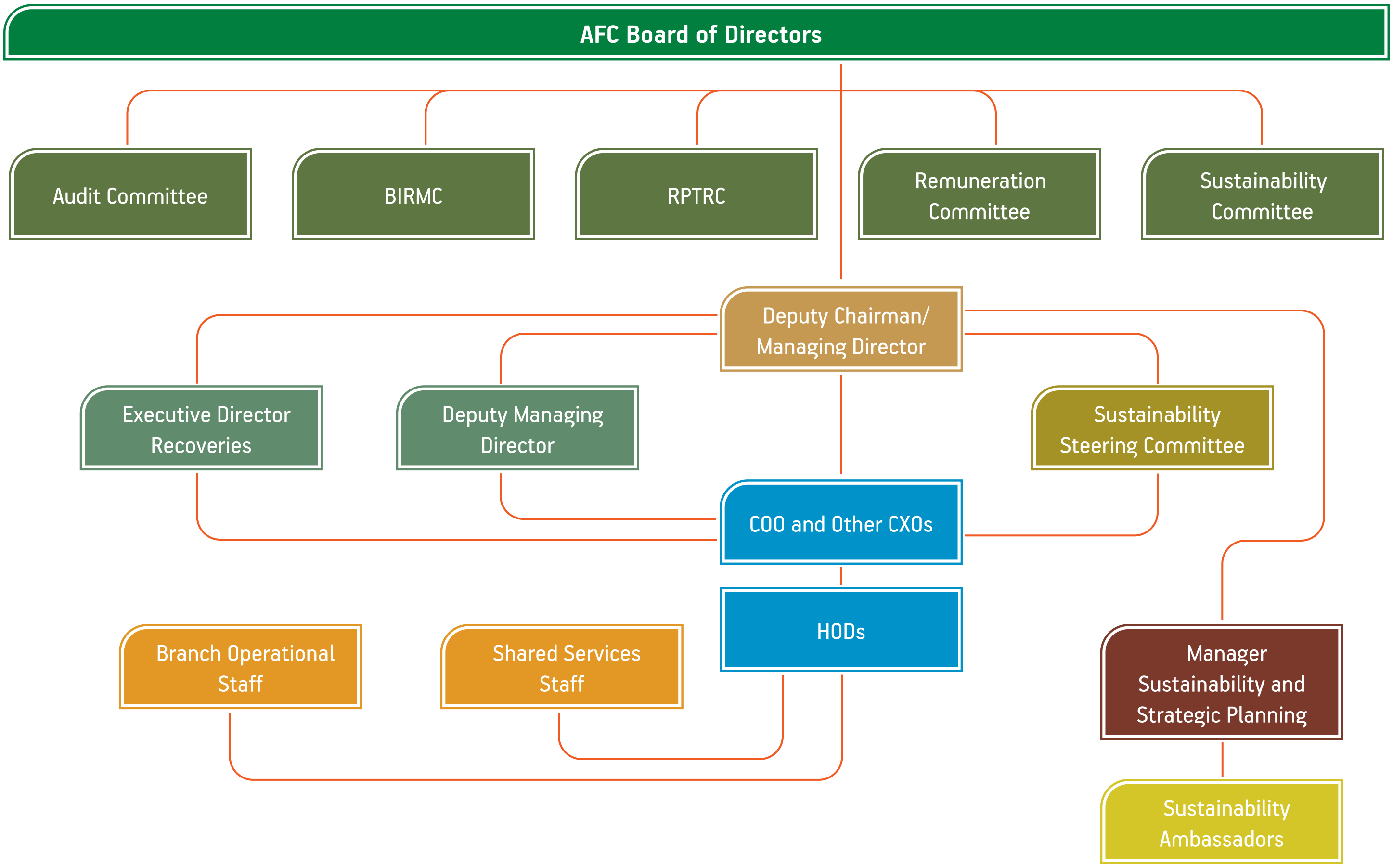
We also began the ambitious efforts towards early adoption of the new SLFRS S1 and S2 standards. Having hired the services of a consultant, we have commenced disclosing qualitative aspects of S1 and qualitative disclosures in S2 as referred to in page 305, well ahead of the mandatory deadlines.

Declaration

The Directors of AFC have diligently fulfilled their duties, in line with the Company's Code of Conduct for Directors, with each Director individually and the Board collectively demonstrating their commitment to the principles of Transparency, Accountability, Governance and Sustainability . We wish to place on record that the Corporate Management and employees of the Company have carried out their duties in line with the Company's Code of Conduct including adherence to the Codes' clauses on Anti-Bribery and Corruption. Further, all Directors, Corporate Management and employees of Alliance Finance Co PLC have carried out their duties in compliance with applicable regulatory frameworks, including, the CBSL Direction No.5 of 2021, to the extent applicable to the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and the Listing Rules of the Colombo Stock Exchange, including the new Corporate Governance Rules as per the given time lines and the Company's internal constitutional mandates.

AFC's Approach to Corporate Governance GRI 2-14

For over 65+ years, Good governance has remained at the heart of AFC's business model, guiding the management to improve accountability and transparency through effective leadership and oversight, in turn facilitating the sustained generation of value for all stakeholders.



Regulatory Requirements

- Finance Leasing Act No.56 of 2000
- AML and CFT legislations and relevant rules and regulations issued by the FIU
- Finance Companies Direction on Corporate Governance and amendments thereto
- Listing Rules of the Colombo Stock Exchange
- Inland Revenue Act No. 24 of 2017 and amendments thereto
- Shop & Office Employees Act No. 19 of 1954 and amendments thereto
- Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS)
- Finance Business Act No. 42 of 2011 and all Directions/Guidelines issued thereunder
- Corporate Governance Rules issued by the CSE for listed entities

Internal Frameworks

- Purpose Statement
- Articles of Association
- Risk Management Framework
- Operational Risk Management Policy
- Compliance policy
- Corporate Governance Charter
- Internal Control Framework
- Information Technology Security Policy
- Code of Conduct issued by the Finance Houses Association
- Code of Conduct for Directors
- Whistle-blower Policy
- Related Party Transactions Review Policy
- Financial Reporting Framework
- Ethics and Integrity policy
- BCMS guidelines
- All other Board approved Policies and Procedures.

Voluntary Codes and Best Practices

- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued by the Global Reporting Initiative
- The United Nations Sustainable Development Goals (SDG's)
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- IFC exclusion list

The Role of the Board

The Board serves as the guardian of corporate governance, it is entrusted with upholding AFC's commitment to robust corporate governance principles and exemplary ethical standards and in doing so bears the ultimate responsibility for ensuring that all business segments uphold the principles with fairness and transparency. The AFC Board operates as per the Board Terms of Reference.

As the apex governing body within the organisation, the AFC Board assumes responsibility for defining the Company's Purpose Statement, high impact goals Corporate Objects, ethics, and strategy in alignment with stakeholder expectations. The role of the Board also involves providing entrepreneurial guidance to the management for strategy execution as well as continuous performance monitoring to safeguard stakeholder interests over the short, medium and long term.

Schedule of matters reserved expressly for the attention of the Board		Update for FY 2023/24
Strategy	◉ Approval of the Company's strategy, medium-term and short-term plans ◉ Approval of the Company's annual budget, setting out KPI's for all business segments ◉ Reviewing actual performance against budget ◉ Approving major capital projects, investments, acquisitions, mergers or disposals	The Board approved the Strategic Objectives for the year 2023/24 outlining a new set of high impact goals that provide the roadmap for obtaining SSCI v2.0 Sustainability Standards Certification by 2025. The Annual budget for the year 2023/24 was approved in March 2023 and it was rolled out in April 2023.
Risk, Capital and Liquidity Planning	◉ Approving changes relating to the Company's capital structure ◉ Approval of the annual capital plan ◉ Approval of risk appetite and liquidity risk appetite	Annual Capex was approved by the Board. The Risk Appetite Statement was reviewed and approved.
Financial Results and Dividends	◉ Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices	Review of monthly performance against the budget Review and approval of interim financial statements Review and approval of the Annual Report for publication Recommendation of the First and Final Dividend
Remuneration Structures	◉ Approval of the framework for determining the policy and specific remuneration of the Chair and executive directors ◉ Approval of non-executive director remuneration ◉ Approving employee share schemes ◉ Reviewed the Remuneration Policy	Revised the Performance Appraisal and Reporting System
Corporate Governance	◉ Approval of principal regulatory filings ◉ Approval of the Terms of Reference (TOR) and membership of Board Sub Committees ◉ Approval of Board and Board Sub Committees performance evaluation process ◉ Reviewing and updating the Corporate Governance framework in line with regulatory developments and best practices	Partial compliance of the new corporate governance rules issued by the CSE for listed entities. The following activities were undertaken ◉ Amended the Terms of Reference of the Board ◉ Reviewing and updating of policies and introduction of new policies including Compliance Charter Policy, Sustainability Policy, Environment & Climate Action Policy, Sustainability Governance Structure, Risk Management Policy, Operational Risk Management Policy, Related Party Transactions Review Policy, Group Governance Framework, Whistleblower Policy, Customer Complaint Handling Policy and Human Resource Policies

Board Composition

The composition of the Board is determined in accordance with both the Company's Articles of Association, Direction No.5 of 2021 issued by the Central Bank of Sri Lanka and the Listing rules of the Colombo Stock Exchange. Adhering to these regulations, the Company prioritised a strong balance of power within the Board, preventing any single Director from having unfettered authority over decision-making processes.

The Board composition does undergo changes periodically due to factors such as new appointments, retirements, resignations, and the re-election of Directors.

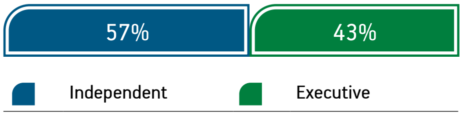
The AFC Board as at 31st March 2024 comprised 07 Directors, of which 04 functioned as independent Directors, while 03 serve the Board in executive capacity.

Board Diversity GRI 2-17

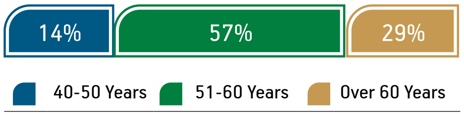
Operating within the mandatory Board composition regulations, AFC is committed to maintain strong diversity at the Board level with careful consideration given to achieving the optimal Board balance in terms of skills, competencies, as well as diverse backgrounds, including gender and other indicators. The Board regularly assesses its composition and balance to ensure ongoing alignment with these principles.

Accordingly the size and collective composition of the AFC Board as at 31st March 2024 was deemed appropriate in terms of the relevant range of skills, knowledge and diverse perspectives to support the achievement of the Company's strategic objectives in the short, medium and long term.

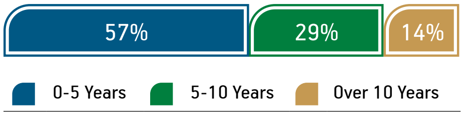
Structure



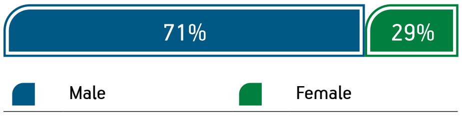
Age



Tenure



Gender



Procedures for assuring Directors Independence

The Independence of Non-Executive Directors on the AFC Board is assured by the Governance Direction issued by the Central Bank of Sri Lanka

DEFINITION

Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the CA Code 2017.

→

ASSESSMENT

Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non- Executive Directors.

→

OUTCOME

The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review

Non - Executive Directors Period of Office

Name of Director	Date of appointment on the Board	Period of Office as at 31st of March 2023
Mrs. G. S. T. Dharmakirthi - Herath	22.10.2020	3 years and 5 months
Mrs. P. De Silva	09.08.2018	5 years and 7 months
Mr. L. J. H. De Silva	16.10.2019	4 years and 5 months
Mr. D. L. I. Hettiarachchi	22.10.2020	3 years and 5 months

Appointment / Re-election / Resignation of Directors

Directors are appointed in terms of a formal procedure that details the process for selection, and appointment of new Directors, re-election is governed by the Articles of Association of the Company, retirement is governed by the Direction issued by the Central Bank of Sri Lanka. For new appointments typically potential candidates are considered with reference to their skills and expertise and how these complement the current balance of the AFC Board.

Board members are appointed through a transparent process which includes ensuring that Directors meet the fit and proper test requirements encompassing skills, integrity, etc. The number of external directorships held by Directors is also assessed to ensure that these do not exceed what is reasonable for them to be able to exercise due care, skill and diligence in their role as a member of the AFC Board.

A Director appointed by the Board during the year to fill a casual vacancy that may have arisen since the previous AGM, is required to offer himself / herself for re-election at the next AGM.

All new appointments approved by the Central Bank of Sri Lanka are communicated to the CSE.

There was one appointment to the AFC Board in the current financial year and due process was followed with regard to the appointment. Two Executive Directors who reached 70 years retired during the year.

Conflict of Interest

Directors are held to the highest standards of good faith, honesty, and integrity in all their interactions on behalf of the Company and a Conflict of Interest Policy is in place which is guiding framework in determining and managing conflicts. As a member of the Board, each Director is expected to promptly disclose any actual or potential conflicts to the Board. This may involve any direct, indirect, beneficial, or non-beneficial interests in a contract or potential contract are disclosed and Related Party Transaction Review Committee. Meanwhile in the event a matter is being discussed at a Board meeting where a Director is directly affected, the respective Director is expected to recuses himself / herself from participating in such discussions.

Division of Responsibility between the Chairperson and Managing Director / CEO

The role of the Chairperson is distinct and separate from that of the AFC's Managing Director (MD)/CEO. The separation of responsibilities is designed to ensure that the appropriate balance of power exists on the Board and no single person has full authoritative control over the decision making process.

Chairperson	AFC's Chairperson - Ms.Tamara Dharmakirti-Herath serves as an independent non-executive Director. In this capacity, the Chairperson is responsible for leading the Board and ensuring the integrity and effectiveness of the Board and its Committees.
MD / CEO	The Company's MD/ CEO - Mr.Romani de Silva is an Executive Director. He is responsible for managing the day to day operations by driving operational performance as per the Board approved strategy and in line with Board approved risk appetite. In this regard, the MD/ CEO is authorised to recommend the Senior Management team which is approved by the Board. Executive management team is appointed by MD/CEO to ensure suitable personnel are in place to oversee functional aspects of the business.

Board Meetings

Board meetings are held every month, or more often when needed. A structured framework is in place for planning of Board meetings, which is undertaken by the Chairperson in conjunction with the Company Secretary. It is mandatory for all Directors to attend Board meetings.

A total of 15 scheduled Board meetings were held in FY 2023/24, with 100% attendance noted at all Board meetings and the active participation of Directors in Board matters was seen. Key Management Personnel (KMP) such as the AGM Finance, Compliance Officer, Head of Risk and Head of IT, and the Chief People Officer were also invited, as needed, to attend Board meetings to discuss relevant areas of business.

Planning

The meeting calendar is prepared annually in advance and communicated to all Board members.

Before each scheduled meeting, the Chairperson, assisted by the Company Secretary, sets the agenda for the meeting to ensure relevant matters are presented for discussion in order of priority. To enable Directors to make informed decisions, Board Papers and relevant material is collated by the Company Secretary, approved by the Chairperson, and circulated among all Directors seven (7) days prior to the Board Meeting.

Execution

The Chairperson plays a critical role in ensuring the effective functioning of the Board by presiding over the proceedings and setting the tone for professionalism, collaboration, and focused deliberation. All Board members are expected to be fully prepared and actively participate in exercising independent judgment over matters discussed. Throughout the Board meeting, the Chairperson facilitates discussions, ensuring that all viewpoints are heard, and guiding the Board towards consensus when necessary. Additionally, the Chairperson manages the allocation of time to agenda items, maintaining a balance between thorough exploration and timely decision-making.

Review

After the conclusion of a Board meeting, the minutes of the meeting are prepared by the Company Secretary and presented to the Chairperson for approval, before being circulated to all Board members for review. requiring formal resolutions. Minutes are customarily circulated within a reasonable time frame from the conclusion of the Board meeting.

Directors' attendance at Board and Board Committee meetings are given below:

Name of a Director	Capacity Ex, NEI	Board Meeting	Board Audit Committee	Board Integrated Risk Management Committee	Related Party Transactions Review Committee	Remuneration Committee
Mrs. G.S. Tamara Dharmakirti-Herath Chairperson	NEI	15/15	10/10	06/06	04/04	05/05
Mr. R.K.E.P. de Silva	Ex	15/15	01/10	05/05	-	-
Mr. W.P.K. Jayawardana	Ex	15/15	05/10	05/05	-	-
Mr. M J Benedict (appointed 01.09.2023)	Ex	09/15	01/10		-	-
Mr. J.M. Gunasekera (retired 15.07.2023)	Ex	03/15	-	-	-	-
Mrs. P. De Silva	NEI	15/15	10/10	06/06	-	-
Mr. L.J.H. De Silva	NEI	15/15	10/10	01/01	04/04	05/05
Dr. D.L.I. Hettiarachchi	NEI	15/15	-	-	04/04	05/05

Ex - Executive Director , **NEI** - Non Executive Independent Director

Access to Information

The Board has unrestricted access to Management, as well as quantitative and qualitative information, and resources to facilitate discharge of their duties. Directors are also entitled to seek independent professional advice, co-ordinated through the Company Secretaries at the Company's expense. A policy is in place for Directors to seek an independent professional advice.

Board Evaluation

The annual performance evaluation of the Board and its Sub-Committees is a comprehensive process designed to gauge their effectiveness and identify areas for improvement vis-a-vis the balance and mix of skills, experience, independence and knowledge as well as how the Board works together as a unit, and any other factors relevant to its effectiveness. As part of the evaluation process, every member of the Board is required to submit a self-evaluation, and the self evaluation is evaluated by the Chairperson. The evaluation of the performance of the Chairperson is carried out by the Non Executive Directors. Apart from the self-evaluation process, the performance of Executive Directors is evaluated by the Chairperson, against short, medium and long term goals and targets established by the Board in line with the Company's strategy and risk fundamentals.

Based on the Board evaluation carried out in July 2024, it was established that the AFC Board has performed its stewardship duties effectively in FY 2023/24.

Evaluating the Performance of the Managing Director/CEO

The performance of the MD / CEO is assessed by the Board Chairperson based on the agreed goals and objectives for a particular financial year, set at the commencement of that particular year.

Remuneration of Directors

The remuneration of Executive Directors comprises both fixed and variable components, the fixed component is designed to be competitive in line with market rates, while the variable component is based on the achievement of predetermined KPI's. The same principles apply for the remuneration of Key Management Personnel (KMP) as well.

Directors Training

All Directors benefit from required training to support ongoing knowledge enhancement and also to inform them of economic, regulatory and industry trends. All training for Directors is approved by the Chairperson and organised by the Company Secretary. In the year under review, Board Directors attended training programmes on matters pertaining to the new regulations, focused specific training both individually and collectively and Enterprise Social Governance (ESG) aspects and IT Security.

Board Sub Committees

Complying with the requirements set out under the Code of Best Practice on Corporate Governance issued by the Central Bank of Sri Lanka, the AFC Board had established all four (04) mandatory Board Sub Committees – Board Audit Committee, Board Integrated Risk Management Committee, Related Party Transactions Review Committee and Remuneration Committe. All Sub Committees operate as per the Board approved Terms of Reference (TOR). These TORs undergo annual review by the Board and are adjusted as necessary.

Board Sub Committee meetings are held as per the Direction and are held every alternate month or quarterly as stipulated. Following each Subcommittee meeting, the Subcommittee Chairperson is mandated to provide a report to the Board, underscoring the emphasis on transparent communication at Board level.

Company Secretary

The Board has designated a Company Secretary to support its functions in fulfilling its duties and responsibilities. Acting as the secretary to the Board and all Board Subcommittees, the Company Secretary facilitates the smooth flow of information between the Board, Board Committees, and Senior Management. The Company Secretary attends all Board and Board Sub Committees meetings. The appointment and dismissal of the Company Secretary require Board approval.

All Directors have direct access to the Group Company Secretary. In addition the Company Secretary is tasked with various responsibilities.

- Providing individual and collective guidance to Directors on fulfilling their duties in compliance with relevant regulations and the Company's Articles of Association.
- Coordinating the necessary arrangements to ensure smooth conduct of Board meetings, including agenda planning, issuing meeting notices, and circulating Board papers.
- Maintaining minutes of general meetings, Board meetings, and all Sub Committee meetings.
- Managing the register of shareholders, documenting details of past and present shareholders and their shareholdings.
- Ensuring the Company complies with CSE listing rules, including related party disclosures.
- Informing regulators of any governance structure changes due to the appointment, retirement or resignation of Directors and Key Responsible Officers.

- Coordinating requirements for the AGM, including issuing notices and circulating the annual report in accordance with CSE listing rules.
- Facilitating ongoing professional development through training and knowledge enhancement on industry regulations and developments.
- Acting as custodian for AFC's legal documents, including the certificate of incorporation and memorandum and articles of association.

Board Accountability

Compliance

The Board holds responsibility for ensuring AFC adheres to relevant laws, regulations, codes, and standards. In fulfilling this duty, the Board oversees the fulfilment of all applicable compliance requirements and encourages the prompt adoption of new regulations.

Regulation/ Code	Disclosure Table
Finance Business Act Direction No 05 of 2021 - Corporate Governance	Page 122
Code of Best practice on Corporate Governance issued by the institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Page 141
Listing Rules of the Colombo Stock Exchange (CSE)- Section 7	Page 148
Listing Rules of the Colombo Stock Exchange (CSE)- Section 9	Page 151

Risk Management and Control

The Board has a thorough understanding of the key risks associated with AFC's operations as a financial services institution and as such has established suitable risk management systems, internal controls, and compliance frameworks for the effective management and control of risk. Working closely with the Board Integrated Risk Management Committee, the Board works to enable continuous improvement to improve the robustness of risk management and internal control systems to support scope and scale of AFC's operations and provide reasonable assurance to stakeholders regarding the achievement of strategies objectives.

Further reading - Risk Management Report on Page 190.

Financial Reporting

The AFC Board has established an extensive reporting suite to convey the Company's performance and financial standing to stakeholders. At the core of this suite lies the Integrated Annual Report, which offers a balanced and transparent evaluation of the Company's financial and non-financial performance and future prospects. The Integrated Annual Report adheres to all legal requirements and encompasses key documents such as the Annual report of the Board of Directors on the affairs of the company (page 170), Directors' Responsibility for Financial Reporting (page 189), Directors' Statement on Internal Control Over Financial Report (page 185), Report on Corporate Governance (page 112) and the Report of the Auditors (page 202).

Ahead of publication, the Annual Report undergoes review and recommendation by the Board Audit Committee prior to approval by the Board. It is then submitted to the CSE both digitally and in print form. In the lead up to the Annual Report, the Board approves the publication of Interim Quarterly Reports and Bi Annual quarterly press releases summarising the Company's performance.

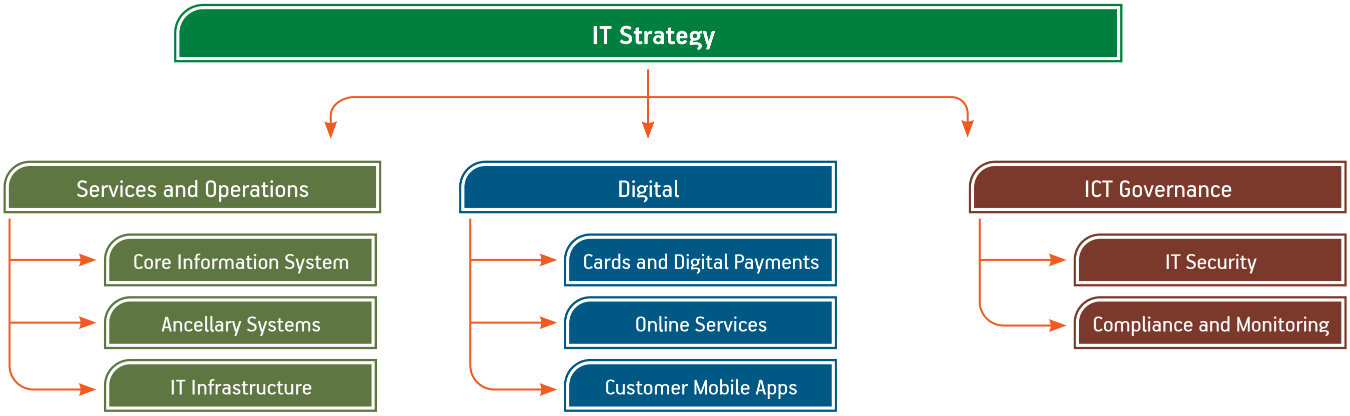
Culture and Conduct **GRI 205-1, 205-3**

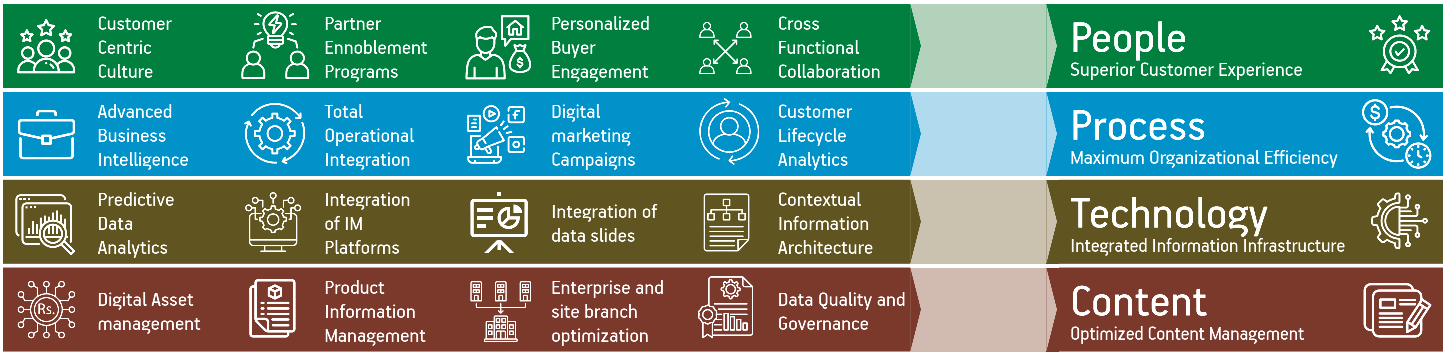
The Board plays a pivotal role in fostering a culture of fairness throughout the organisation, guided by the Codes of Conduct for Directors and employees. By exemplifying strong ethical standards and unwavering integrity, the Board establishes clear expectations for employee conduct, values, and behaviour. All employees, without exception, are governed by the Company's Code of Conduct which also includes the following key mandates:

1. Bribery and Anti-Corruption Policy: This policy prohibits bribery, kickbacks, and facilitation payments in all business dealings. It applies to all Directors and employees, with regular training sessions to reinforce compliance. Business partners and third parties acting on behalf of the Company must also adhere to these guidelines.
2. Whistleblowing Policy: This policy provides a confidential channel for reporting financial irregularities, inappropriate financial reporting, or other concerns requiring investigation. Whistleblower complaints are received by the Mr.Hiran de Silva, with all such complaints investigated by a special investigation team. Employees are made aware of the whistleblowing process the policy is available on the intranet.

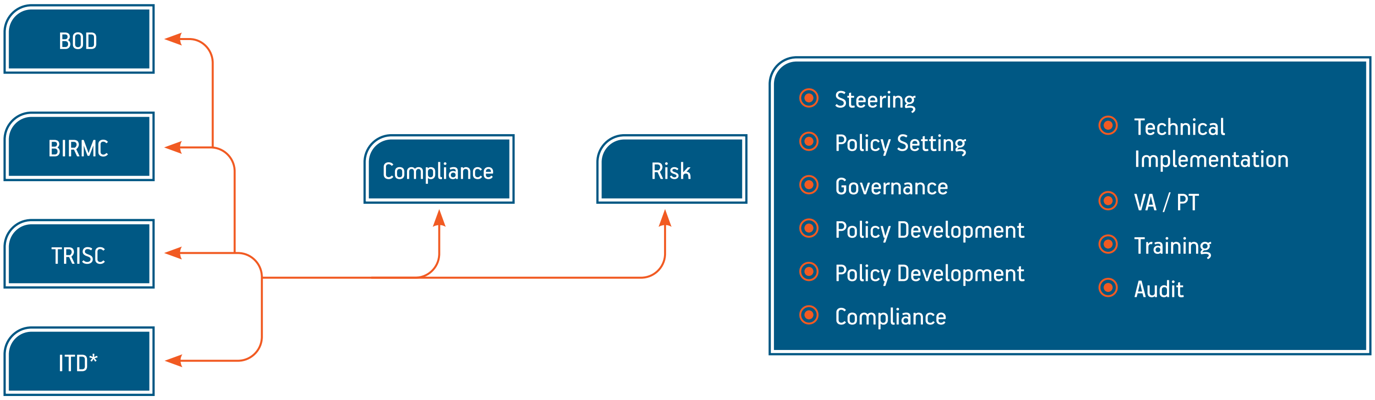
IT Governance

The AFC Board plays a critical role in IT Governance by overseeing the strategic alignment of information technology with the financial objectives and priorities of the organisation. The Board sets the direction for IT investments, prioritising initiatives that enable and strengthen the company's tiple bottom-line approach, financial processes, data security, and regulatory compliance while adhering to the sustainability principles that lie in the core of its operations. In this regard, the Board is charged with establishing policies and procedures to ensure the efficient and effective use of IT resources in support of financial operations, risk management, and compliance requirements. Additionally, the Board works closely with the Company's IT Steering Committee to monitor the performance of IT systems and projects to ensure that IT decisions align with the organisation's financial goals and contribute to the enrichment of the customer experience. Similarly, the Board liaises with the Technology Risk and Information Security Committee (TRISC) to increase its vigilance on information security risks to safeguard against loss of data and services whilst prioritising customer data privacy. The management has taken firm initiatives to adopt and implement the CBSL Technology Risk Management and Resilience direction and closely monitors its progress to ensure compliance, this has greatly assisted to improve the Information Security approach.





Information Security Governance Structure



*Information Technology Department

ESG Governance and Reporting

The Board takes the lead in the stewardship of sustainability matters and has remained firmly committed to ensure core lending operations are managed in line with the IFC exclusion list, which aims to prevent lending to activities that have a potential negative impact on society and the environment.

Going beyond this mainstream approach, the AFC Board in 2023, approved a series of High Impact Goals (HIG) to serve as the umbrella framework to embed Environmental, Social and Governance considerations across the Company's strategy and risk management practices.

To that end, the Board engaged the services of an international sustainability specialist from the Netherlands, to assist in evaluating the environmental and social risks associated with the Company's portfolios and customer segment served. This approach forms part of an ambitious effort to implement the SSCI V2.0 framework to strengthen sustainability governance and management structures while enabling an innovative culture for sustainable finance and value creation for environmental and social governance.

From a reporting perspective, AFC has for the past 10 years, adopted the GRI standards as the basis reporting on the Company's ESG performance. More recently the Company has also sought to demonstrate its commitment to the UN Sustainable Goals (SDG's). Following the implementation of the internal HIG framework, the Company is making a conscious effort to further enhance the quality of its disclosures through the early alignment of the SLFRS S1 and S2 requirements.

Stakeholder Engagement

The AFC Board believes that transparent engagement with both external and internal stakeholders is essential for building trust and gaining valuable insights into their expectations of the Company. Accordingly, under the supervision of the Board, the Company's Managing Director / CEO guides Corporate Management teams, to proactively communicate with stakeholders within their respective functional areas.

Further Reading - Stakeholder Engagement Page 34

Shareholder Relations

Recognising their responsibility to stakeholders, the Board is dedicated to fair disclosure, prioritising the integrity, timeliness, and relevance of information provided to shareholders. Moreover, shareholders have the opportunity to connect one-on-one with the Board at the Company's Annual General Meeting. Shareholders can also address questions, comments, or suggestions to the Board through the Company Secretary, who is required to forward significant issues and concerns to the Board.

Annual General Meeting (AGM)

The AGM serves as the main platform for shareholders to directly meet with the Board. The Notice of the AGM, the Annual Report and statement of accounts, and any proposed resolutions, along with relevant information, are circulated to shareholders at least 15 working days before the scheduled AGM date. This timeline allows shareholders ample opportunity to review the documentation and participate in the AGM.

Additionally, the digital version of the Annual Report is accessible on the corporate website www.alliancefinance.lk under the Investor Relations Tab.

AFC's 68th AGM is scheduled to be held on 28th June 2024.

Finance Business Act Directions No.05 of 2021-Corporate Governance

Section	Corporate Governance Principle	Compliance
1	**1. Board's overall responsibilities**	
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, requirements.	The Board has the overall responsibility and accountability over the entity.
1.2	**Business Strategy and Governance Framework**	
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	The Board approves and oversees the formulation of the Strategic Plan and the Strategic Objectives for the Company. Strategic Plan would encompass the High Impact Goals which is woven into the business fabric and is determined for a period of three years with milestones for every year both for financial and non financial objectives. This plan is reviewed annually and revised if required.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	The Board has approved and implemented a robust Governance framework considering its size, complexity, structure, strategies and regulatory requirements.
1.2.c	Assessing the effectiveness of its governance framework periodically.	An approved procedure is in place to assess the effectiveness of the governance framework at regular intervals.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board has appointed a Chairperson who is an Independent Non Executive Director whose role is specific in keeping with the Non Executive role. Our Company has appointed a Managing Director for the Company and he is the virtual CEO. The roles and responsibilities of the Chairperson and Managing Director are clearly defined.
1.3	**Corporate Culture and Values**	
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	Being a Company that has practiced governance principles from its inception, the company has a strong corporate culture with time tested principles which had been handed down over three generations. Ethical and professional behavior is inculcated and strictly observed. inculcated amongst the employees.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board has adopted a codes of conduct for both directors and employees and has functioned as a role model embodying the corporate culture it wishes the employees to emulate. Conflict of Interest Policy is in place to manage conflicts if it were to arise
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Our Company is the only company in Sri Lanka to be certified for Sustainability by Sustainability Standards Certification Institute, Karlsruhe Germany. The standard promotes a holistic approach as the Standard embodies both social and environmental aspects. The principles are interwoven into the business strategies and insetting corporate objectives and high impact goals.
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	The Board has formulated and implemented a Communication Policy considering all the stakeholders and a equitable treatment for all.

Section	Corporate Governance Principle	Compliance
1.4	**Risk Appetite, Risk Management, and Internal Controls**	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	The Risk Appetite Statement was designed to be in line with the overall Strategic direction and objectives and the governance framework. RAS is reviewed by the BIRMC on a regular basis and approved by the Board.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board has approved a Risk Management framework which is outlined in the Risk Management Policy which serves as a guideline for the identification of risks of all types and to manage and mitigate such risks prudently with methodologies in place to foresee the risk and implement risk mitigation.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	The Board has established a healthy internal control and management systems which is well supported by an organization and management structures with a view to having an overall effective control mechanism for a sustainable enterprise. The Internal Control System is evaluated periodically by the internal Auditors and annually by the External Auditors who furnish an independent certification on this.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Our Company has a certification for Business Continuity Management Systems and Quality Management Systems and is audited by Det Norske Veritas on an annual basis.
1.5	**Board Commitment and Competency** GRI 2-17	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	Every member of the Board has devoted adequate time to attend to the matters relating to the Company on a timely basis.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	The Board of Directors comprise of members who are professionals in divergent disciplines and have in depth knowledge on different aspects spheres. Some Directors have many years of experience in the industry as well.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	The Board has had continuous identified specific training and development programs collectively as a Board also individually. Both collective and individual training needs are identified and the members of the Board then suitable training programs that match the needs.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	On an annual basis the Directors have adopted a self assessment scheme and it is tabulated and records are maintained.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	A procedure is in place for the Directors to obtain external professional advice as and when required.

Section	Corporate Governance Principle	Compliance
1.6	**Oversight of Senior Management**	
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk	The Board of Directors has a policy and procedure in place to identify and designate persons as Key Responsible Officers who form the Senior Management of the Company. Such designated Officers have specific job rules to exercise control over business operation and risk management collectively they influence policy decisions as well.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	Each member of the Senior Management have their designated roles and responsibilities which are documented and reviewed periodically to ensure that it is in keeping with their job requirements.
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	Senior Management team has diverse functions which is essential for the smooth operations of the Company. The team has the required qualification, skills, experience and knowledge akin to their specific area of expertise and are able to contribute towards the overall achievement of the objectives of the Company.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	The management of the Company is structured in a manner that the key functions are identified with an appropriate oversight by the members of the Senior Management. There are Systems, Controls and mechanisms in place for effective management.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	Key and critical areas have been identified by the Board, and a formal Board approved Succession Plan is in place for all persons who are responsible for such areas including those who are in the senior management.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Board has created forums where the senior management would meet with the Directors to manage the various functions of the entity. Such forums are held on regular basis with a specific focus which would facilitate and measure performance and progress in achieving the strategic objectives. There are established lines of communications for the flow of information and effective and timely communication of decisions.
1.7	**Adherence to the Existing Legal Framework**	
1.7.a	Ensuring that the FC does not act in a1.7.a Ensuring that the FC does not act in atom the interests of, and obligations to, depositors, shareholders and other stakeholders.	There is a Code of Conduct for the Board and another for the employees which enumerates on the expected conduct of each person, and the business ethics to be adhered to ensure the best interest of all the stakeholders.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Board ensures that the Directors and employees keep abreast of all laws, regulations, directions and any changes there to and adherence to the same.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Good governance is practiced as a way of life, as such the business activities of the Company is carried out with prudence, integrity and ethics.

Section	Corporate Governance Principle	Compliance
2	**Governance Framework**	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021.	The Board has formulated and implemented a comprehensive Corporate Governance framework in keeping with the provisions of the Finance Business Act Direction No.5 of 2021.And taking into consideration other statutory requirements and obligations.
3	**Composition of the Board** GRI 2-17	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	Considering the complexities of the operations of the Company, the composition of the Board has been formulated to determine the right balance, skills, professionalism, qualifications, expertise and experience is maintained with an emphasis to identify and address the need for specific skills and experience.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	During the financial year, there were eight Directors and two Directors retired and a Director was appointed during the year bringing the total at the end of the year to seven. At the end of the financial year there were three Executive and four Non-Executive Directors. The required balance was maintained throughout the year.
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/ Executive Director shall not exceed nine years, subject to direction.	None of the Non Executive Directors have served the Board for over nine years.
3.4	Non-executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	There are no Non Executive Directors representing shareholders of the Company.
3.5	**Executive Directors**	
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board.	As at the close of the Financial Year there were three Executive Directors i.e. Managing Director, Deputy Managing Director and one Executive Directors and the composition is in compliance with the transitional provisions.
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/ senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	The Managing Director of the company is also a shareholder and a director. His term of office is determined by his contract of employment.

Section	Corporate Governance Principle	Compliance
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	There were four Executive Directors at the commencement of the financial year and end of the financial year, there is one Executive Director, Deputy Managing Director and there is a designated managing director and he is the virtual CEO.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	All Executive Directors have functional reporting lines and specific defined and documented areas of responsibility and oversight.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	The Deputy Managing Director and the Executive Directors report to the Board through the Managing Director who is the virtual CEO.
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	The Directors having executive functions in the Company are not Executive Directors or hold senior management positions in other companies.
3.6	**Non-Executive Directors**	
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	There are four Non Executive Directors on the Board and they have the knowledge, skills, experience and expertise which enable them to contribute to the deliberations and decisions made by the Board. Their profiles are on pages 8 to 10.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/ Executive Director of the Company.	The Managing Director of the Company is an Executive Director and the Directors carrying out executive functions are Executive Directors of the company.
3.7	**Independent Directors**	
3.7.a	The number of Independent Directors of the Board shall be at least three or one third of the total number of directors, whichever is higher.	There are four Independent Non Executive Directors on the Board as at the closure of the financial year. The total number of the board been seven the board balance is compliant with the requirement. And is compliant with the requirement.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	Independent Directors have been appointed considering their professional qualifications, experience and expertise.
3.7.c	Independence Criteria of the Non- Executive Director who would be considered independent.	The four Non Executive Directors are independent and their independence is evaluated on an annual basis.
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	Nomination Committee is not in place which is within the transitional provisions. However, there was no circumstance that prejudiced the independence of the Independent Directors during the year under review.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	A process is in place which enables the Independent Director to intimate the change in circumstance which would render him/her to continue to function as an independent Director. There was no such occurrence in the year under review.
3.8	Alternate Directors	There are no Alternate Directors on the Board.
3.9	Cooling off Periods	There are no members of the Board who are subjected to cooling off periods.

Section	Corporate Governance Principle	Compliance
3.10	**Common Directorships**	
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	The Executive Directors and Senior Management of the Company do not hold executive positions in other companies including the subsidiary and associates.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	The members of the Board do not hold Directorships or equivalent positions exceeding twenty.
4	**Assessment of Fit and Proper Criteria**	
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons)Direction or as amended.	Fitness and Propriety of the Directors are assessed on an annual basis following the stipulated process.
4.2	A person over the age of 70 years shall not serve as a director of an FC.	There were four Executive Directors at the beginning of the financial year and two Directors upon reaching the age of 70 retired. There are no Directors on the Board who is over seventy years as at the close of the financial year.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the criteria mentioned in 4.3(a) , 4.3 (b), 4.3 (c) and 4.3 (d).	There were two directors on the Board who were appointed to the board prior to the introduction of this direction and could have continued to be in office till 31.03.2025.However,they retired upon reaching seventy years. As such there are no directors who are members of the board who exceed seventy 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.	During the year Non-Executive Director was appointed and the appointment was made in accordance with the provisions of the Direction on KRPs.The retirement of the executive directors too was carried out following the same provisions. Resignations to the Senior Management team was also subject to meeting the requirements of the Direction on KRPs.
6	**The Chair and The Chief Executive Officer**	
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall beset out in writing.	The functions of the Chairperson and Managing Director indistinctly different and the Managing Director is the virtual CEO of the Company and their roles are clearly distinct and defined .Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	The Chairperson is an independent Non-Executive Director. As such a Senior Director was not appointed.

Section	Corporate Governance Principle	Compliance
6.4	**Responsibilities of the Chairperson**	
6.4.a	Provide leadership to the Board;	The Chairperson of the Company has many years of experience in the industry and has expertise and experience in the affairs of a Licensed Finance Company. Having such wealth of experience and expertise, she is able to provide leadership to the Board which encourages active participation of both the Executive and Non Executive Directors in the deliberations and decision making processes.
6.4.b	Maintain and ensure a balance of power between the Executive and Non Executive Directors;	In order to optimize the decision-making process, the Board is constituted of an adequate number of Non-Executive Directors who impact the decision-making by their objective independent outlook. As constituents of the Board sub-committees, they play a crucial role in providing a sound advice for the Company's critical functions.
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	The Chairperson facilitates and encourages active contribution by all Directors during deliberations at Board level and the decision making process to ensure that the outcome is in the best interest of the Company. Directors with expertise in specified areas are provided with opportunities to offer advice and guidance, which has proven beneficial to the company in reaching final outcomes or making ultimate decisions.
6.4.d	Ensure the Board works effectively and discharges its responsibilities.	In the role to facilitate the effective and timely decision making process, the Chairperson ensures the flow of information is adequate to make informed decisions and also provides guidance at meetings. By the formal delegation of the key functions, the responsibilities of the Directors carrying out executive functions are well documented and are measurable. Thus the Board as a whole is able to discharge its responsibilities effectively, efficiently and in a timely manner.
6.4.e	Ensure all key issues are discussed by the Board in a timely manner.	All key areas are identified and have been documented. Thereby the key issues are deliberated on a timely and effective manner.
6.4.f	Implement decisions/directions of the regulator.	A process is in place and is strictly adhered to implement the decisions, recommendations and directions of the regulator.
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	The Chairperson has delegated the responsibility of preparation of the agenda to the Company Secretaries. Thereby the Company Secretaries prepare the Agenda in consultation with the Chairperson.
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	The Chairperson does not have executive functions nor does she involve herself in the operational matters of the Company.

Section	Corporate Governance Principle	Compliance
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Effective communication is maintained with the shareholders during the entire year. Shareholders have accessed the Directors and the Company Secretary as and when required and it has been effective. The Annual General Meeting of the Company is the main forum at which forum the Board is able to maintain effective communication with the shareholders and they are given the opportunity to raise matters for which clarifications are needed and also express their views. The Chairperson chairs the Annual General Meeting as well and facilitates and promotes a healthy atmosphere for shareholders to raise relevant matters. Further, the Board approved Communication Policy evidences the Company's process in this regard.
6.4.j	Annual assessment of the performance and the contribution during the past 12months of the Board and the CEO.	The Chairperson evaluates the performance and contribution of the Managing Director on an annual basis.
6.5	**Responsibilities of the CEO**	
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at lease include the criteria mentioned in 6.5 (a) to 6.5 (g) in the direction.	The Managing Director of the Company is the virtual CEO of the Company and is the apex Executive of the Company. The overall management of the Company rests with the Managing Director who is responsible for the initiation of the strategic direction and setting of goals for the Company which then is deliberated and decided upon collectively by the Board. In his capacity the Managing Director is responsible for the smooth, effective and efficient functioning of the Company. He is assisted by the Deputy Managing Director and Executive Directors and the Key Management Personnel who hold delegated authority.
7	**Meetings of the Board**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	The Board meets on a monthly basis and additional meetings were held when required. The details of the attendance and number of meetings also included in this report. Consent through Circular Resolutions were obtained when required.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	A procedure is in place and has been functional for Directors to include items into the Agenda for the Board Meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Minimum of seven days Notice had been given for all monthly Board Meetings and a calendar was drawn up at the commencement of the calendar year. Special meetings were convened with shorter notice.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The Directors have prepared to discuss matters pertaining to the Company and have made valuable contributions and views at the Board meetings and Board Sub Committees.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent Directors.	All Independent Non Executive Directors have been present at all meetings.

Section	Corporate Governance Principle	Compliance
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	The Chairperson held two meetings with the Non Executive Directors without the Executive Directors being present at the meeting.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has a substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Directors' have abstained from voting nor have they been considered for the quorum when matters of interest were discussed. The interested party was not part of the decision making process.
7.8	A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	All Directors have attended all meetings. Hence this is not applicable.
7.9	**Scheduled Board Meetings and Ad Hoc Board Meetings**	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	This is being encouraged. However, due to practical reasons the meetings were held online.
8	**Company Secretary**	
8.1.a.	The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Alliance Management Services (Pvt) Ltd., a company registered with the Registrar of Companies acts as the Company Secretaries, handles the secretarial services to the Board. They also function as Secretaries to the Board Committees. In their role they attend the shareholder meetings and carry out other functions specified in relation to applicable laws and regulations. This is in accordance with the transitional provisions.
8.1.b.	The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007,on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	Alliance Management Services (Pvt) Ltd., a company registered with the Registrar of Companies acts as the Company Secretaries, handles the secretarial services to the Board. They also function as Secretaries to the Board Committees. In their role they attend the shareholder meetings and carry out other functions specified in relation to applicable laws and regulations. This is in accordance with the transitional provisions. The Company Secretary should be an employee is applicable from 1st July 2024.
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	All Directors have access to the Company Secretary to enable Directors to follow all Board procedures, laws, directions, rules and regulations.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	The Chairperson has delegated the function of preparing the Agenda to the Company Secretary. The Agenda is prepared in consultation with the Chairperson.
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.	The Minutes of Board Meetings and the submissions to the Board are retained by the Secretaries.
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.	The Minutes of the Meetings are prepared in an orderly manner and follows the laid down requirements.

Section	Corporate Governance Principle	Compliance
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it impossible 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 information mentioned in 8.6 (a) to8.6(f).	The Minutes of the Board Meetings are prepared in detailed form with due care and prudence and it includes a summary of data and information used for deliberations, matters considered by the Board, compliance details, details pertaining to risk and Board resolutions.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	The Minutes are open for inspection by the Directors with reasonable notice being given.
9	**Delegation of Functions by the Board**	
9.1	The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board approved Delegated Authority has been documented with clear directions and the parameters on which the Board and senior management would operate on behalf of the FC.
9.2	In the absence of any of the subcommittees mentioned in Direction10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	The Board has not appointed a Nomination Committee in keeping with the transitional provisions as such these functions are carried out by the Board.
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions.	The Board has established Senior Management level Subcommittees namely ALCO, Credit Committee, ITSC, ERMC and other Management Committees.
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board has not delegated any function or responsibility to an extent that it is unable to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is reviewed at regular intervals to ensure that it is current and relevant.
10	**Board Sub-Committees**	
	A transitional period until 01.07.2024 will be granted. However, during the transitional period provisions contained in Section 8: Board Appointed Committees of the Finance Companies (Corporate Governance) Direction No.03 of 2008 will be applicable FCs with asset base of more than LKR 20 Bn	
10.1.a	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC),Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	Board Audit Committee Board Integrated Risk Management Committee Remuneration Committee Related Party Transactions Review Committee has been established. Meetings have been held once in two months for both BIRMC and BAC.BAC has held meetings over and above this requirements.
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	All Board Sub Committees have terms of reference that has been approved by the board with defined authority,responsibilities and duties.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the Company.	The reports of the Board Committees have been compiled and published in this Annual Report. Board Audit Committee - Page 179 Board Integrated Risk Management Committee - Page 183 Related Party Transactions Review Committee - Page 181 Remuneration Committee - Page 78

Section	Corporate Governance Principle	Compliance
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretaries to the Board functions as the Secretary to the Board Committees and maintains records of meetings and Minutes. Their work is supervised by the respective Chairs.
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	All Board Committees have three Board Members who have the required knowledge, skills and experience to carry out the functions. The sub committees have the required number of independent Non-Executive Directors.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.	This will be considered as and when it is deemed necessary.
10.2	**Board Audit Committee (BAC)**	
	The following shall apply in relation to the Board Audit Committee.	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	The Chairperson of the BAC is an Independent Non Executive Director who possesses the required qualifications and has experience in finance and audit. Her profile appears on page 10 of this Annual Report.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	In addition to the Chairperson there are two members of the BAC and both are independent and have the required expertise and experience to be members of the BAC.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor {CIA).	The Secretary to the BAC is the Secretary to the Board.
10.2.d	**External Audit Function**	
	i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	BAC had made recommendation in connection with the appointment of the External Auditors and has taken into consideration the rotation of the partner who handles the audit, audit fee, and the service period. During the last financial year the Auditors were changed from Baker Tilly Edirisinghe and Company to Deloitte Associates. The appointment which was recommended by the BAC was approved by the Board and thereafter by the Shareholders.
	ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Deloitte Associates were appointed during the year under review and thus he Audit Partner is carrying out the engagement for the first year. As such the engagement of the Audit Partner had not exceeded five years.
	iii. The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	The Audit Partner who engaged in the audit is not a shareholder, director or a member of the senior management nor an employee of the FC.
	iv. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	BAC reviewed the independence of the External Auditors and established their independence and objectivity.
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	The Audit firm had not engaged in non audit services during the year under review. There is a policy in place to review and approve such engagements if it occurs.

Section	Corporate Governance Principle	Compliance
10.2.d	vi. The BAC shall, before the Audit commences, discuss and finalize with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co ordination between auditors where more than one auditor is involved.	The External Auditors submit a written proposal outlining the nature and scope of the audit and other material facts pertaining to the annual audit. This is also presented at the meeting reviewed and approved with or without amendments. The preparation of the financials is in accordance with the relevant accounting principles and reporting obligations. The audit of the Holding Company and Subsidiary is handled by one Auditor. Deloitte The external Auditors have assessed the compliance with the directions in term of internal control and their certification is incorporated in this Annual Report. Coordination has occurred between the auditors of this company and that of the Associate in the preparation and finalization of the audited accounts for the year under review.
	vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Company'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 and other legal requirements.	The BAC has reviewed the financial information of the Company through established processes to ensure that the reporting, disclosures, judgments, changes to accounting policies and practices are prepared in compliance with relevant accounting standards and legal requirements. This has been followed for the preparation and finalization of the Annual Report and also the periodic report.
	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	There have been no problems or issues that has been brought to the attention of the BAC with regard to the Interim or Final audits. The BAC had met with the External Auditors in the absence of the Senior Management to facilitate such matters to be raised but no such issues or matters were raised.
	ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such and report to the Board.	BAC has reviewed the External Auditors' Management Letter and the responses thereto and has reported to the Board accordingly.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	On an annual basis the BAC conducts a review of the effectiveness of the system of internal controls. Assurance Certification has been obtained from the External Auditors as well on this aspect.
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	BAC has a laid down process to ensure that the corrective actions and recommendations for improvement are implemented in a timely manner and the Internal Auditors will verify this during their follow up audits and other laid down procedures.

Section	Corporate Governance Principle	Compliance
10.2.g	**Internal Audit function:**	
	i. The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.	BAC has established an independent Internal Audit function in house and there is an approved structure in place to ensure that the Internal Audit function is carried out on a timely and planned manner with adequate scope.
	ii. The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the company to carry out their assignments effectively and objectively.	The Internal Audit Department is governed by the Internal Audit Manual and the reporting is to the Chairperson of the BAC. Qualified and experienced persons competent to carry out the functions objectively, efficiently and effectively are appointed to the Internal Audit Department. The Department is headed by head of Internal Audit who is responsible for the smooth functioning of the Internal Audit function under the guidance of the BAC.
	iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	BAC has taken the required steps to ensure that the Internal Audit function is compliant to the requirements as enumerated below. (i) The scope of the internal audit function is reviewed and approved by the BAC ensuring that there are officers to carry out the functions efficiently and effectively and in a timely manner. (ii) Review and approve the internal audit program and the processes involved and the risk can be measured through such audits. (iii) Assess the performance of the Head of Internal Audit and the senior staff members. (iv) Adequate measures have been taken to ensure that the internal audit function is independent and the functions are carried out with impartiality and with sound judgment. (v) The Compliance and Risk Departments' operations are reviewed by the BAC. (vi) Ensure that the findings and the responses are received in a timely manner and relevant actions are taken.
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The statutory onsite examination report of the Central Bank of Sri Lanka was reviewed by the BAC and the implementation is being monitored for timely action.
10.2.	**Meetings of the Committee**	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	The Calendar of Meetings is shared with the members of the BAC at the commencement of a calendar year and the Committee has met in excess of the requirement. Minutes are maintained with adequate detail and the discharging of duties and responsibilities are ensured.
	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.	Invitations are extended to the Directors of the Board and Senior Management when matters to their areas of responsibility are discussed to ensure that the deliberations are productive and the recommendations made by the BAC are implemented.

Section	Corporate Governance Principle	Compliance
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management I employees being present.	Three meetings were held with the External Auditors. Two of them were held without the presence of the Executive Directors and the Senior Management. There were two meetings held with the new Auditors Deloitte Associates and one meeting was held without the Senior Management being present. Further meeting will be held without the Senior Management with Deloitte Associates.
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
	The following shall apply in relation to the BIRMC:	
10.3.a	The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Committee is chaired by an Independent Non Executive Director and one member is Non Executive and rest were Executive. Transitional provisions are applicable. However the structure was changed during the financial year and at the close of the financial year there were three Independent Directors.AGM Risk attended the meeting. Decisions and recommendations are made within the approved Risk Framework and followed up to monitor whether that it had been implemented.
10.3.b	The secretary to the committee may preferably be the CRO.	The Secretary to the Committee is the Secretary to the Board.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company. At least 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;	BIRMC reviews all risks that are pertinent and the recommendations of the ERMC also taken into consideration. Quarterly Risk Report is sent to all the Directors. Recommendations are made to the Board based on the risk appetite and indicators. A report is submitted to the Board at the conclusion of each meeting.
10.3.d	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	Risk Appetite Statement was reviewed taking into consideration the risk parameters and other aspects. And approved by the Board.
10.3.e	The BIRMC shall review the Company's risk policies including RAS, at least annually.	The BIRMC reviewed the Risk Management Policy and it was amended during the year under review. Risk Appetite Statement was also reviewed during the year.
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	BIRMC reviewed the functioning of the Senior Management Committees ALCO, Credit Committee and ERMC.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Business Continuity Processes are reviewed and audited through the report submitted by the External Auditors Det Norske Veritas.
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Annual assessment of the persons handling Risk and Compliance functions is carried out by the BIRMC.

Section	Corporate Governance Principle	Compliance
10.3.i	**Compliance function**	
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	Independent Compliance function has been established with a competent and experienced and qualified person handling the work to ensure that the Company is compliant with all the legal, statutory and other requirements. Compliance Report is circulated on a monthly basis to the Directors and the contents reviewed.
10.3.i.ii	For a Company with an asset base of more than LKR 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.	A dedicated Compliance Officer has been appointed and has functioned during the year.
10.3.i.iii	For FCs with an asset base of less than LKR 20 Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Being a FC with an asset base of over LKR 20 Bn, a dedicated Compliance Officer has been appointed.
10.3.i.iv	The responsibilities of a compliance officer would broadly encompass the following:	The Compliance Officer has a detailed Job Description which encompasses the detailed requirements as set out in the Direction and other areas.
10.3.j	**Risk management function**	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	An independent Risk Management function had been established to manage and mitigate risks in a timely manner.
10.3.j.ii	For FCs with an asset base of more than LKR 20 Bn, it is expected to have a separate risk management department and a dedicated CAO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically.	A dedicated Risk Management Department is in place headed by Head of Risk and Compliance to carry out the risk related functions. He reports regularly to the BIRMC through presentations and reports and also follows upon on the implementation.
10.3.j.iii	The CAO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	The Risk Management Policy was reviewed and revamped to cover the changes that were effected to improve on the processes and procedures, and also to accommodate the new product line. The functions are carried out in a manner that it considers the requirements of the various stakeholders.
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: a) various potential risks and frauds b) possible sources of such risks and frauds c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. d) effective measures to control and mitigate risks at prudent levels; and e) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	There is a Board approved Risk Management framework in place encompassing potential risks, mechanism to identify, monitor and mitigate risks and frauds, recommend control measures, and ensure that the responsibility is assigned for implementation for the recommended action is monitored by the Senior Management.

Section	Corporate Governance Principle	Compliance
10.3.j.v	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Head of Risk participated in all management level meetings and key decision making forums on the functioning of the treasury and the introduction of the new products.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The updated risk register is maintained and is presented to the BIRMC on a quarterly basis.
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 Risk Assessment report is circulated to the Board on a monthly basis.
10.4	**Nomination Committee**	
	When establishing the Nomination Committee, the criteria mentioned in the direction 10.4.(a) - 10.4.(k) should be applicable.	Nomination Committee has not been established and transitional provisions are applicable.
10.5	**Human Resources and Remuneration Committee**	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	Remuneration Committee has been established transitional provisions are applicable
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.	The Committee is chaired by an Independent Non Executive Director and all members are Independent Non Executive Directors.
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	The Secretary to the Committee is the Board Secretary.
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	The Committee has established a Board approved Remuneration Policy. The remuneration relating to the Executive Directors is determined by the Committee and also the structure for the remuneration of the Senior Management and the framework for the payment of fees to the Non Executive Directors.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The policy has been established and was formulated in a transparent manner and was reviewed during the year under review.
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	The Remuneration Policy was approved by the Board and was reviewed in the year under consideration.
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take an excessive risk or to act in self-interest.	The Remuneration Policy has been formulated to compensate those carrying out executive functions based on performance and the overall outcome for a specific financial year.
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.	Transitional provision is applicable
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.	Transitional provision is applicable The Senior Management is not a party to the meetings held to take decisions relating to their own remuneration.

Section	Corporate Governance Principle	Compliance
11	**Internal Controls**	
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	The Company has established an Internal Control system taking into consideration all aspects pertaining to maintaining a robust internal control system.
11.2	A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimize the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies.	The robust internal control system promotes effective and efficient operations, establishes that the financial information provided is reliable, safeguards are set for the protection of the assets, minimize the losses that could arise from irregularities, frauds and errors, ensure that the risk management system is effective and compliance function is comprehensive and conclusive.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	All employees have been adequately advised on accountability in terms of internal control whilst achieving the objectives.
12	**Related Party Transactions**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	The Board has formulated a Related Party Transactions Review policy.
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	The Chairperson of the RPTRC is an Independent Non Executive Director and all the members are independent and Non executive directors.
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	All related party transactions are reviewed and recommended by the RPTRC.
12.1.c	The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	All business transactions between related parties as defined by the Direction has been reviewed by the RPTRC inclusive of accommodations, deposits, provision or obtaining of services, creating reporting lines and information flow.
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction.	The Conflict of Interest Policy has been approved and implemented by the Board. Thereby there is an identified list of related parties (natural persons and entities) and this list is reviewed and updated on an annual basis.
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favorable 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 and the Conflict of Interest Policy defines the manner in which transactions should be carried out. In the year under review no transaction was carried out with more favorable treatment and all transactions were carried out in an arms' length basis.

Section	Corporate Governance Principle	Compliance
13.	**Group Governance**	
13.1	Responsibilities of the FC as a Holding Company.	The Company as the Holding Company has embedded its governance structure for the Group.
13.2	**Responsibilities as a Subsidiary**	
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	This is not applicable.
14	**Corporate culture** GRI 2-16	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Board of Directors has adopted a Code of Conduct for Directors and also the Conflict of Interest Policy.
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	There have been no reported breaches to the Code of Conduct
14.3	AFC 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 confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Whistle Blowing Policy has been established with the approval of the Board. The policy defines the manner in which whistle blowing could be carried out and the safeguards in place. It is easily accessible to all employees. The policy was reviewed by BIRMC during the year and was approved by the Board.
15	**Conflicts of interest** GRI 2-15	
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Directors do not participate nor vote on transactions that are with related parties and they abstain from such decisions. All transactions are carried out in an arms' length basis with no preferential terms.
15.1.b	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 Board has an approved Conflict of Interest policy in place.
16.	**Disclosures**	
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	The Interim and Annual Audited Financial Statements have been prepared and presented with the applicable Standards Rules Regulations and Acts. The Audited Financials have been published in English, Sinhala and Tamil in the newspapers.
	i. Financial Statements	Interim and Annual Financial Statements are prepared, approved and disseminated in a manner that is in keeping with the specified requirements.
	ii. Chairperson, CEO and Board Related Disclosures	Details of the Board of Directors appears on pages 8 to 10.
	iii. Appraisal of Board Performance	The performance appraisal of the individual Directors, CEO and the Board as a whole and the Board Committees have been carried out in conformity with the requirements.

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></tr>
<tr><td>16.1</td><td>I. Remuneration</td><td></td></tr>
<tr><td></td><td>

A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.
The aggregate values of remuneration paid by the FC to its directors and senior management.

</td><td>
Director’s Remuneration Paid-
<table>
<tr><th></th><th>2024</th><th>2023</th></tr>
<tr><td>Short term - Employment benefits</td><td>81,529,499</td><td>103,119,863</td></tr>
<tr><td>Long term - Employment benefits</td><td>31,374,656</td><td>27,523,194</td></tr>
</table>
Key Management Personnel’s Remuneration Paid-
<table>
<tr><th></th><th>2024</th><th>2023</th></tr>
<tr><td>Short term - Employment benefits</td><td>71,141,943</td><td>157,677,998</td></tr>
<tr><td>Long term - Employment benefits</td><td>32,125,547</td><td>32,041,331</td></tr>
</table>
The aggregate value of remuneration paid by the Company to its Directors and Senior Management is LKR 216,171,645 in 2023/24 (in 2022/23 LKR 320,362,386). The details are disclosed under the note 51.2 to the Financial Statements on page 275.
</td></tr>
<tr><td></td><td>V. Related Party Transactions</td><td>
Directors’ transactions with the finance company
<table>
<tr><th></th><th>2024</th><th>2023</th></tr>
<tr><td>Assets and Liabilities</td><td></td><td></td></tr>
<tr><td>Loans</td><td>-</td><td>-</td></tr>
<tr><td>Deposits</td><td>151,792,917</td><td>467,874,076</td></tr>
<tr><td>Income and Expenses</td><td></td><td></td></tr>
<tr><td>Interest Income</td><td>-</td><td>-</td></tr>
<tr><td>Interest Expenses</td><td>5,321,226</td><td>5,141,219</td></tr>
</table>
Key Management Personnels’ transactions with the finance company
<table>
<tr><th></th><th>2024</th><th>2023</th></tr>
<tr><td>Assets and Liabilities</td><td></td><td></td></tr>
<tr><td>Loans</td><td>11,346,070</td><td>36,599,924</td></tr>
<tr><td>Deposits</td><td>25,648,438</td><td>20,923,178</td></tr>
<tr><td>Income and Expenses</td><td></td><td></td></tr>
<tr><td>Interest Income</td><td>1,027,762</td><td>2,540,309</td></tr>
<tr><td>Interest Expenses</td><td>52,969,846</td><td>92,475,155</td></tr>
</table>
</td></tr>
<tr><td></td><td>vi. Board Appointed Committees</td><td>The Board appointed Committee composition, activities and reports are included in the Annual Report</td></tr>
<tr><td></td><td>vii. Group Structure</td><td>Appears on Page 7</td></tr>
<tr><td></td><td>viii. Director's Report</td><td>Annual Report of The Board of Directors on the Affairs of the Company appears on Pages 170 - 177</td></tr>
<tr><td></td><td>ix. Statement on Internal Control</td><td>Appears on Page 185</td></tr>
<tr><td></td><td>x. Corporate Governance Report</td><td>Appears on Pages 112 - 169</td></tr>
<tr><td></td><td>xi. Code of Conduct</td><td>Covered in the Corporate Governance Report</td></tr>
<tr><td></td><td>xii. Management Report</td><td>Appears on Pages 58 - 109</td></tr>
<tr><td></td><td>xiii. Communication with Stakeholders</td><td>Covered in the Corporate Governance Report</td></tr>
</table>

Code of Best Practice on Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
	DIRECTORS GRI 2-18		
A.1	The Board	At the commencement of the financial year the Board comprised of eight Directors of which four are Executive and four Non Executive and Independent. During the year two Executive Directors have reached 70 years retired and one Executive Director was appointed. The total number on the Board at the close of the financial year was seven of which three are Executive and four are Non Executive Independent. The Non-Executive Directors, have the required professional competence, skills and experience amongst others in the fields of finance, business, law, brand building and marketing. The Board is overall responsible for the direction and the strategy of the Company whilst the Managing Director, Deputy Managing Director and the Executive Directors are responsible for the day to day management of the Company and delivering on the Strategic High Performance Goals and Corporate Plan, both on the financial and the qualitative objects set by the Board.	✓
A.1.1	Regular meetings	Board Meetings are held on a monthly basis on the pre-agreed dates which are changed if required to facilitate maximum attendance. In the financial year 2023/24 the Board met on 15 occasions. Attendance at meetings appears on page 117.	✓
A.1.2	Role and responsibilities of the Board	The Board has matters reserved for its purview and has fulfilled its role in approving, monitoring, reviewing plans, financials and non financials as mandate and has established a mechanism to ensure that the overall responsibility over functions of the Board has been complied with.	✓
A.1.3	Act in accordance with laws	The Board has set out a framework to ensure that the Board and the Directors in their individual capacity along with the Company complies with the laws of the land and the regulatory obligations. The Board is apprised by the Risk and Compliance Officers in regard to the applicable laws and regulations and standards on a monthly basis and compliance thereto.	✓
A.1.4	Access to advice and services of Company Secretary	The Directors have access to the Company Secretaries, a duly registered company functions as the qualified Secretary. Their services are available to all Directors and they advise the Board on corporate governance matters, Board procedures and applicable rules and regulations.	✓
A.1.5	Independent judgment	The Board Independent Non-Executive Directors whose independent judgment is assured at all times on matters discussed.	✓
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	The Board Meetings are structured in a manner which enables Directors to dedicate such time as required to ensure an outcome that is best suited and beneficial to the Company with items of importance being prioritized. This is also aided by supporting documents and material being circulated to the Directors well in advance so that they could appraise themselves of the matters under consideration. Meetings of the Board Committees too are structured in a manner to achieve the objectives set out in the policy framework for such Committees and for the effective discharge of its responsibilities and functions. The Chair of the Board and the Board Committees leads the deliberations and encourages participation of all Directors.	✓
A.1.7	If necessary in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board	No such resolutions were presented to the Board.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
A.1.8	Board induction and training	Induction programs were conducted for the new directors. The entire Board has attended forums which have direct relevance to their sphere of work and also others which would have a general bearing to their role. Programs relating to changes in the applicable laws and regulatory framework are attended by the Directors. In addition, in-house programs are conducted on matters that Directors are required to exercise independence and that which affects the overall strategic direction of the Company. The Directors are apprised of the changes in the Directions issued by the Central Bank of Sri Lanka and the Colombo Stock Exchange. Directors also attended individual programs relating to specified areas to familiarize themselves with the changes in the regulations and its bearing on the role of the Directors.	✓
A.2	Separating the business of the Board from the executive responsibilities for management of the Company	The Chairperson is Non-Executive and does not engage in any executive or supervisory functions and the Managing Director who is the virtual apex Executive is responsible for the overall management of the Company of its day to day affairs. There is a distinct difference in the roles of both Executive Management and that of the Board and the authority they exercise. Board's responsibilities and role is specified in the terms of reference for the Board which does not have management functions.	✓
A.3	Chairman's role in preserving good corporate governance	The Chairperson provides leadership to the Board, ensures that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner and in keeping with good governance practices. She also ensures that governance aspects are discussed at Board level with contributions from the entire Board has to how it could be enhanced so that it could be beneficial to the Company.	✓
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	The Chairperson of the Audit Committee is a Fellow of Certified Practicing Accountants (FCPA) Australia and a Fellow of the Chartered Institute of Management Accountants (FCMA) UK. The Deputy Managing Director is an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Global Management Accountant (CGMA) 2012 and also a qualified Accountant of the Association of Chartered Certified Accountants, UK (ACCA). Remaining members of the Board also possess experience in finance business and business in general and other disciplines which has an interface with finance thus there is sufficient financial acumen and knowledge within the Board to offer guidance on matters of finance. The profiles of the Board of Directors are given on pages 8 to 10.	✓
A.5	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.	There were no instances where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the Minutes	✓
A.6	Provision of appropriate and timely information	The Board has a mechanism in place for the flow of accurate information within specified time frames and in a form and manner that facilitates the Board to make informed decisions. Board papers, Agenda and Minutes are circulated to the Directors along with the other documents within the agreed time frame prior to the Board meeting. The executive Directors and the Management is responsible to send the information to the Board which has regular time frames and also any other information required by the Board is also furnished .	✓
A.7	Appointments to the Board and reelection Nomination Committee Disclosure requirements when appointing new Directors to the Board	The Board has an approved transparent nomination process which is stringently followed with regard to the appointments to the Board of Directors. The Board follows the nomination process and the new appointments and re-elections adopting the specified process. The Articles of Association specifies the criteria for re-election of the Directors Announcements were made when appropriate through the Colombo Stock Exchange on the appointment of new Directors and also the composition of the Board Committees. Details of the Board of Directors are given in the Annual Report with resumes for each Director.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
A.8	All Directors should submit themselves for re-election at regular intervals	Re-election of Directors is carried out as stipulated in the Articles of Association of the Company for Non Executive Directors who are continuing on the Board. Newly appointed Directors are required to retire at the first Annual General Meeting following their appointment as per the Articles of Association. One Director retires by rotation as per the Articles of Association of the Company.	✓
A.9	Appraisal of Board and committee performance Annual self-evaluation by the Board of its sub-committees Disclosure in the Annual Report about the Board's performance evaluation methodology.	Annually the Directors submit individual appraisal forms to the Company Secretaries on the overall performance of the Board and the Board Committees. Which is then collated and discussed at the Board Meeting. Decisions made by the Board arising from the appraisal forms which require action are then implemented as appropriate. The appraisal of the performance of Board Committees is carried out. Disclosures have been made in this Report. This is covered in the Report of the Board of Directors.	✓
A.10	Annual Report to disclose specified information regarding Directors	The Shareholders are advised on the changes to the Board of Directors by announcements made vide the Colombo Stock Exchange and also through the Company website. Annual Report carries the required disclosures in respect of Directors. Profiles of the Board of Directors are given on pages 8 to 10 including other directorships held by the Directors and memberships of Board Committees. Directors attendance is disclosed on page 117.	✓
A.11	Appraisal of the CEO	The Board should annually assess the performance of the CEO. The Managing Director functions as the virtual CEO of the Company and the performance is reviewed by the Board through the annual appraisal process. The appraisal process requires for Directors to assess the performance based on the annual budgets and qualitative measures that the Board set out to achieve at the commencement of the financial year. At the end of each financial year the Board evaluates its performance against the set targets and the actual and other performance parameters.	✓
B	**DIRECTOR'S REMUNERATION**		
B.1	Directors' and executive remuneration	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 was involved in deciding his/her own remuneration. **Setting up of Remuneration Committee -** The Company has a Board Remuneration Committee in place and the Terms of Reference is contained in the Remuneration Policy. The functions of the Committee include determination of compensation and benefits of the Managing Director, Deputy Managing Director and Executive Directors. The compensation of the key responsible personnel are determined by the Committee where appropriate. **Composition of Remuneration Committee -** Composition of the Board Remuneration Committee is in line with the Listing Rules. All members are Non-Executive Directors as per the Code and the Listing Rules of the CSE. **Disclosure in the Annual Report about the Remuneration Committee members-** Remuneration Committee Members are specified in the Report submitted by the Committee. **Remuneration of Non-Executive Directors -** The Non-Executive Directors receive Directors' Fees.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
B.2	Level and make-up of remuneration	Level of remuneration of both the Executive and the Non- Executive Directors should be sufficient to attract and retain the Directors required to manage the affairs of the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance **Remuneration of Executive Directors -** Remuneration of Executive Directors consists of fixed remuneration and performance based payment in order to attract, retain and motivate suitable persons. **Remuneration packages in line with industry practices -** The Remuneration Committee reviews the information relating to industry in which the competitors of the Company, operates. Due care is taken to ensure that remuneration is on par with industry standards. **Remuneration packages in line with other companies in the Group -** This is not applicable to the Company. **Performance-related payments to Executive Directors -** In addition to the fixed remuneration, there are performance related elements of remuneration for the Managing Director, Deputy Managing Director and Executive Directors which is directly related to performance or achievement of the financial and non financial objectives. **Executive Share Option -** There are no Share Option schemes offered by the Company to its employees.	✓
B.2	Level and make-up of remuneration	**Designing schemes of performance related remuneration -** The Remuneration Policy depicts the provisions in the determination of the performance related remuneration for the Managing Director, Deputy Managing Director, Executive Directors and Senior Management, the Company takes note of the appropriate provisions. **Early termination of service of Directors -** This situation has not arisen during the year under review. **Remuneration of Non-Executive Directors -** Non-Executive Directors are entitled to fixed fees which is termed as Directors Fees. The Company has not offered any Share Option plans to either Executive Directors or Non-Executive Directors.	✓
B.3	Disclosures related to remuneration in Annual Report	Annual Report of the Company should contain a statement on Remuneration Policy and details of remuneration of the Board as a whole. Disclosure in the Annual Report about the Remuneration Committee members, statement on Remuneration Policy and aggregate remuneration paid. Remuneration Committee report is given on page 178 which sets out the details on the composition of the Committee and the remuneration policy. The aggregate remuneration paid to the Board of Directors is disclosed in Note 51.2 to the Financial Statements page 275.	✓
C	**RELATIONS WITH SHAREHOLDERS**		
C.1	Constructive use of the AGM and conduct of other general meetings	**The Board use the AGM to communicate with shareholders and encourage their participation -** To facilitate active participation the Notice convening the Meeting and the Annual Report is circulated to the Shareholders within the stipulated time frame. The Annual General Meeting is considered as the forum which the shareholders are encouraged to participate and to engage with the Board of Directors and to be apprised of the performance and also the future outlook amongst other matters. **Use of proxy votes -** The votes of the proxies are considered when passing resolutions at the Annual General Meeting. Shareholders of the Company send in the Proxies and it is considered when passing resolutions. **Separate resolutions for separate issues -** Individual resolutions are set out in the Notice convening the Annual General Meeting and the Form of Proxy. Shareholders who are unable to attend the meeting could then complete and send the Form of Proxy indicating their voting preference. At the Annual General Meeting shareholders express their preference on the specific resolution and the outcome is recorded.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
C.1	Constructive use of the AGM and conduct of other general meetings	**Arrangement made by the Chairperson of the Board that all Chairmen/ Chairpersons of Sub Committees make themselves available at the AGM** - Chairpersons / Chairmen of the Board and Board Committees are present at the Annual General Meeting of the Company and are available to respond to any matters that would be raised by the shareholders. **Adequate notice for the AGM to the shareholders** - The Annual Report including Financial Statements and the Notice of the Meeting are sent to shareholders 15 working days prior to the date of the AGM as stipulated by the Companies Act. **Procedures of voting at general meetings** - Shareholders right to appoint a proxy for voting at the Annual General Meeting is specified in the Notice of convening the Meeting and on the Form of Proxy has separate resolutions for the items to be voted on. Voting procedures at the Annual General Meeting and the due completion and submission of the Form of Proxy within the stipulated time frame appear on the Form of Proxy.	✓
C.2	Communication with shareholders	**Channel to reach all shareholders to disseminate timely information** - Such disclosures and announcements are available on the CSE website. Interim financials are also uploaded in the CSE website and is made available to the shareholders within 45 days from the end of the first three quarters of any financial year and within 60 days from the closure of a financial year. Bi annually, the financials are published in the newspapers as required by the Central Bank of Sri Lanka. The Annual Audited Financials are made available to the shareholders within five months of the closure of the financial year and the Annual Report is also available in the CSE website. If the shareholders so require printed copies are made available on request. **Policy and methodology of communicating** - The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided. **Implementation of the communication policy and methodology** - Shareholders receive the Annual Report from the Company by a modem as stipulated by the CSE and if they make a request a hardcopy of the Annual Report is furnished softcopy will be emailed. In keeping with the applicable CSE Rules. **Contact person** - Shareholders may, at any time, direct questions and request for publicly available information from the Directors or Management of the Company. Company Secretary could be contacted for any queries of shareholders. **Awareness of Directors on major issues and concerns of shareholders** - The Company Secretary maintains a record of all correspondence received and will deliver as soon as practicable such correspondence, which require Board attention to the Board or individual Director/s as applicable.	✓
C3	Disclosure of major and material transactions	**Major transactions** - Directors should disclose all proposed corporate transactions which would materially alter the net asset base of the Company. During the year, the Company did not engage in or commit to any major transactions which materially affected the Company's net asset base.	✓
D	**ACCOUNTABILITY AND AUDIT**		
D.1	Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, and challenges, opportunities and prospects	The Board should present a balanced and an understandable assessment of the Company's financial position and prospects. Board should present interim and other price sensitive information to the public and reports to regulators. The Company has reported a true and fair view of its financial position and performance for the year ended on 31st March 2024 and at the end of each quarter of the financial year and all price sensitive information has been disclosed in a timely manner. **Directors' Report in the Annual Report** - Annual Report of the Board of Directors on the affairs of the Company is given on pages 170 to 177 covering all areas of this section. **Annual Report disclosure stating Board's and Auditors' responsibility** - Statement of Directors' Responsibility for Financial Reporting is given on page 189 and Auditors' certification on the Internal Control is given on page 187 respectively.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
D.1	Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, and challenges, opportunities and prospects	**Management discussion and analysis -** Management discussion and analysis is given on pages 47 to 109. **Disclosure of Related Party Transactions -** A Board-approved Related Party Transaction Review Policy is available in the Company for monitoring and reporting of Related Party Transactions. The Company Secretary will make necessary disclosures of any Related Party Transactions which require disclosure as per the rules vide the CSE. All related party transactions as defined in Sri Lanka Accounting Standard – 24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 51 to the Financial Statements on page 275. **Directors' assumption on the going concern of the business -** This is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 170.	✓
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company. The BIRMC assists the Board in the discharge of its duties with regard to risk management and the BAC assists the Board in discharge of its duties in relation to internal control. The Risk Management Report and the report by the Board Integrated Risk Management Committee outlines the responsibilities of the Committee and its activities during the year. The risk framework had been formulated to meet the business specific needs and codes on best practices. The risk related report appears on the pages 190 to 199 the BIRMC report appears on page 183 and the Internal Control Statement appears on page 185 of the Annual Report.	
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 maintaining an appropriate relationship with the Company's Auditors. The Board Audit Committee oversees that the formal process implemented and assists the Board in ensuring that the requirements of sound financial reporting and adequate controls are maintained. The Audit process is routed through the BAC to ensure independence. **Composition of the Audit Committee -** The Audit Committee comprises the following Directors: Mrs. Priyanthi De Silva-Chairperson Independent Non Executive, Mrs. Tamara Dharmakirti Herath-Member Independent Non Executive, Mr. Hiran De Silva- Member Independent Non Executive. Reviewing the scope and results of the audit and its effectiveness and independence and objectivity of the Auditors. The Board Audit Committee reviews the audit plan of the External Auditors, the scope and come out of the audit and its effectiveness. Further independence and the objectivity of the Auditors are also reviewed annually. The Committee would consider whether the External Auditors' independence would be impaired when engaging the External Auditors in the provision of non-audit engagements. It is also responsible to make recommendations on the appointment, reappointment and removal of Auditors. The Board Audit Committee has made the recommendation with regard to the appointment of a firm as a new auditor to the Board. Disclosures made in the Annual Report about Audit Committee. Audit Committee report is given on pages 179 to 180 of the Annual Report.	✓

Code Reference	Compliance And Implementation	Status Of Compliance	Complied
D.4	Code of Ethics	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. Code of Business Conduct and Ethics is in place. There were no violations on the Code of Business Conduct and Ethics.	✓
D.5	Corporate governance disclosures	The Board should include this in the Annual Report setting out the manner and extent for it to be complied. Disclosure of Corporate Governance Compliance The requirement is met with the presentation of this Corporate Governance Report from pages 112 to 169 of the Annual Report.	✓
E & F		The Company has 2001 ordinary voting shareholders of which 19.90% are institutional shareholders. All shareholders are encouraged to participate at AGM and cast their votes. The AGM provides a forum for the Board to inform the shareholders on the affairs of the Company in terms of the performance in a given financial year, its future plans and strategic direction and any other matter that is relevant to the shareholders. For investors, it provides a forum to learn more about the business and ask questions from the Directors and to use their votes responsibly.	✓

Section 7 of the Listing Rules of the Colombo Stock Exchange

Code Reference	Compliance and Implementation	Status of Compliance	Complied
7.6 (iv)	The public holding percentage	Please refer page 299	✓
7.6 (v)	Director's and Chief Executive Officer's holding in shares at the Item 5.4 of the "Investor Relations" beginning and at the end of the financial year	Please refer page 172	✓
7.6 (vi)	Information pertaining to material foreseeable risk factors	Please refer the pages 190 to 199	✓
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Please refer pages 72 to 81	✓
7.6 (viii)	Extents, locations, and valuations of land holdings and Investment properties as at the end of the year	Please refer Notes 32 and 33 Information on the freehold land and buildings of the Company in the Notes to the Financial Statements on pages 254 to 258	✓
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	Please refer Note 44 Stated Capital in the Notes to the Financial Statements on page 266	✓
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as at the end of the year	Please refer 'Shareholder Information' on pages 299 to 300	✓
7.6 (xi)	Ratios and market price information:	Please refer 'Ten year summary' on pages 297 and 298	✓
	Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share	Please refer 'Corporate information' on Inner Back Cover of the Annual Report	✓
	Any changes in credit rating	Please refer 'Corporate Information on the Inner Back Cover of the Annual Report for the Credit Rating of the Company	✓
7.6 (xii)	Significant changes in the Company or its Subsidiaries fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year	Please refer Note 33 - Property, Plant & Equipment in the Financial Statements on page 256	✓
7.6 (xiii)	Details of funds raised through Public Issues, Rights Issues and Private Placements during the year	There were no share issues, Rights Issues or private placement during the year	✓
7.6 (xiv)	Information in respect of Employee Share Option Schemes: Total number of shares allotted during the financial year, price at which shares were allotted and the details of funding granted to employees (if any) Highest, lowest, and closing price of the share recorded during the financial year	The Company does not have any Employee Share Ownership or Stock Option Scheme at present	✓
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Listing Rules	Please refer the sections below	✓
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Company did not have any Related Party Transactions exceeding these thresholds during the year	✓
07.10.1	**NON-EXECUTIVE DIRECTORS**		
7.10.1 (a)	Two or one-third of the Directors, whichever is higher, should be Non- Executive Directors	As at 31st March 2024 the Board comprised of four Non-Executive Directors out of a total seven members which is s over and above the threshold. All Non Executive Directors are Independent	✓
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	The Board comprised of eight Directors as at the conclusion of the immediately preceding AGM and as such the numbers of Non executive Directors is in excess of the requirement	✓

Code Reference	Compliance and Implementation	Status of Compliance	Complied
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	The cessation and the appointment of the Directors as disclosed a is in the ratio on the proportion of composition was complied with during the year	✓
07.10.2	**INDEPENDENT DIRECTORS**		
7.10.2 (a)	Two or one-third of Non-Executive Directors whichever is higher, should be independent.	All Directors out of the four Non- Executive Directors are Independent	✓
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	All Non-Executive Directors have submitted annual declarations a in respect of the year under review	✓
07.10.3	**DISCLOSURES RELATING TO DIRECTORS**		
7.10.3 (a)	The Board shall make determination of Independence/ Non- Independence annually and Names of Independent Directors should be disclosed in the Annual Report	The Board has determined the independence of the Non Executive directors. Refer pages 8 to 10 and 170 of the Annual Report	✓
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not applicable	✓
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Please refer pages 8-10 in the Annual Report	✓
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for Dissemination to the public	An Executive Director was appointed during the financial year 2023/24 the required dissemination was carried vide the CSE.	✓
07.10.4	**CRITERIA FOR DETERMINATION OF INDEPENDENCE OF DIRECTORS**		
7.10.4 (a-h)	Requirements for meeting criteria to be independent	All Independent Directors of the Company met the criteria for independence specified in this Rule.	✓
07.10.5	**REMUNERATION COMMITTEE**		
7.10.5 (a)	A listed Company shall have a Remuneration Committee. The remuneration committee shall comprise; of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher	Board appointed Remuneration Committee is in place. Please refer page 178 of the Annual Report. The Three Directors in the Remuneration Committee are Non Executive Directors and all are Independent.	✓
7.10.5 (b)	Functions of Remuneration Committee shall be to recommend the remunera- tion of the Chief Executive Officer and the Executive Directors. Majority of whom shall be independent, whichever shall be higher.	Please refer the Report of the Remuneration Committee on page 178 to the Annual Report.	✓
7.10.5 (c)	The Annual Report shall set out; (i) The names of the Directors that comprise the Remuneration Committee; (ii) A statement of remuneration policy; (iii) Aggregate remuneration paid to Executive and Non-Executive Directors.	Please refer the page 178 of Remuneration Committee Report and note number 51.2 on page as 275 regards the aggregate remuneration paid.	✓

Code Reference	Compliance and Implementation	Status of Compliance	Complied
07.10.6	**AUDIT COMMITTEE**		
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non- Executive Directors or a majority of Independent Non-Executive Directors whichever is higher	All the members of the Board Audit Committee are Non Executive Independent Directors.	✓
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	An Independent Non-Executive Director functions as the Chairperson	✓
	The Chairman or one member of the Committee should be a member of a recognized professional accounting body	An Independent Non-Executive Director, Mrs. Priyanthi de Silva functions as the Chairperson. The Managing Director, the Deputy Managing Director, AGM Risk & Compliance and AGM Finance attended the Meetings by invitation. The Chairperson of the Board Audit Committee is a Fellow of Certified Practicing Accountants (FCPA) Australia, Fellow of the Chartered Institute of Management Accountants (FCMA) UK.	✓
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Please refer Board Audit Committee report on page 179 of the Annual Report	✓
7.10.6 (c)	Annual Report shall set out; (i) The names of the Directors who comprise the Audit Committee (ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination (iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules	Please refer the Audit Committee Report' on pages 179-180 for the required disclosure	✓

Section 9 of the Listing Rules of the Colombo Stock Exchange (Revised Corporate Governance Rules) GRI 2-10

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.2 Policies (Effective from 01/10/2024)	9.2.1	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; (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	As at close of the financial year there is partial compliance and it will be fully complied with in line with the effective date as of 1st October 2024.
	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 sought or granted.
	9.2.3	Listed Entities shall disclose in its Annual Report: (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.	The disclosure will be adhered to in line with the effective date as of 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	This will be complied with in line with the effective date as of 1st October 2024.
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.	As at the close of the financial year except the Nomination Committee all other Committees were fully operational
	9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above-Board committees as set out in these Rules.	The required disclosures have been made in this Annual Report
	9.3.3 (Effective from 01/10/2024)	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.2 Policies (Effective from 01/10/2024)	9.2.1	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; (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	As at close of the financial year there is partial compliance and it will be fully complied with in line with the effective date as of 1st October 2024.
	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 sought or granted.
	9.2.3	Listed Entities shall disclose in its Annual Report: (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.	The disclosure will be adhered to in line with the effective date as of 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	This will be complied with in line with the effective date as of 1st October 2024.
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.	As at the close of the financial year except the Nomination Committee all other Committees were fully operational
	9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above-Board committees as set out in these Rules.	The required disclosures have been made in this Annual Report
	9.3.3 (Effective from 01/10/2024)	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
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 favour 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.	The Communication Policy is in place, item (c) will be complied with the effective date as of 1st October 2024
9.5 Policy on matters relating to the Board of Directors	9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) recognise 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, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) set out the rational for combining such positions; and, (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. (iii) set out the measures implemented to safeguard the interests of the SID. (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. (d) stipulate the maximum number of Directors with the rationale for the same (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. (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. (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. (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. (i) specify the maximum number of directorships in Listed Entities that may be held by Directors. (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	Will be complied in line with the effective date as of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.5 Policy on matters relating to the Board of Directors	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.	Will be complied in line with the effective date as of 1st October 2024.
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.	The Chairperson is an Independent Non Executive Director
	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 The roles of Chairperson and CEO are not held by the same individual, close family members or relatives. The Chairperson is an Independent Non Executive Director as required by Corporate Governance Direction No.5 of 2021 failing which a Senior Director would have to be appointed
	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 this requirement had been complied with
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.	Fit & Proper status has been evaluated by the Central Bank of Sri Lanka as the entity is a Licensed Finance Company
	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.	The Directors of the Company have followed the Direction issued by the Central Bank of Sri Lanka in terms of Fitness & Propriety

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.7 Fitness of Directors and CEOs	9.7.3	**Fit and Proper Assessment Criteria:** **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;	The Directors of the Company have followed the Direction issued by the Central Bank of Sri Lanka in terms of Fitness & Propriety
		(i) has been convicted by a competent court of law in respect of a marketoffence for which he/she has been charged under the SEC Act or Securities Laws outside of Sri Lanka. (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. (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. (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. (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. (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. (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.	
		b) Competence and Capability A Director or the CEO of an Entity shall not be considered as 'fit and proper' if she or he; (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). (ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.	
		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;	
		(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. (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. (iii) has been in a position capable of exercising significant influence in a company that has: (a) been declared bankrupt within or outside of Sri Lanka; or (b) its assets sequestrated for the non-satisfaction of a judgement ebt.	Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.7 Fitness of Directors and CEOs	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.	The Managing Director of the Company is the virtual CEO and his Fitness & Propriety has been established by the Central Bank of Sri Lanka in terms of Fitness & Propriety
	9.7.5	**Disclosures in the Annual Report of Listed Entities** Listed Entities shall include the following disclosures/reports in the Annual Report; a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.	This disclosure has been made
9.8 Board Composition	9.8.1 (Effective from 01/10/2024)	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The minimum threshold set by the Central Bank of Sri Lanka is seven Directors and this had been complied with
	9.8.2 (Effective from 01/10/2024)	Minimum Number of Independent Directors: (a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	The minimum threshold set by the Central Bank of Sri Lanka is 1/4th shall be Independent Directors and this had been complied with as there are four Independent Non Executive Directors on the Board.
	9.8.3	Criteria for determining independence: A Director shall not be considered independent if he/she: (i) has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director. (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. (iii) currently has/had during the preceding financial year a Close Family Member who is a Director and/or CEO in the Listed Entity. (iv) has a Significant Shareholding in the Listed Entity. (v) has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment. (vi) is employed in another company or business; a. in which a majority of the other directors of the Listed Entity are employed or are directors; or b. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or c. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.	The Independence of the Directors has been determined by the Fitness & Propriety Direction of the Central Bank of Sri Lanka as at close of the financial year.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.8 Board Composition	9.8.3	(vii) is a director of another company; a. in which a majority of the other directors of the Listed Entity are employed or are directors; or b. that has a Business Connection in the Listed Entity or a Significant Shareholding. (viii) has a Material Business Relationship or a Significant Shareholding in another company or business; a. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or b. which has a Business Connection with the Listed Entity or Significant Shareholding in the same; and/or c. where the core line of business of such company is in direct conflict with the line of business of the Listed Entity. (ix) is above the age of seventy (70) years.	
	9.8.5	**The Board of Directors of Listed Entities shall require:** (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. (b) Make an annual determination as to the "independence" or "nonindependence" 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. (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.	The Directors have complied with this requirement
9.9 Alternate Directors		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: (a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment. (b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity. (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 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. (d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following: i. The exceptional circumstances leading to such appointment; ii. The information on the capacity in which such Alternate Director is appointed, i. 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. (e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.	There are no Alternate Directors appointed to the Board. Hence this is not applicable

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.10 Disclosures relating to Directors	9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	The Central Bank of Sri Lanka has stipulated a maximum of positions as 20 per Director and this had been complied with
	9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; 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.	An Executive Director was appointed to the Board and the required Announcement was made according the criterion applicable as at the date of announement
	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	Listed Entities shall also disclose the following in relation to the Directors in the Annual Report: (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 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; (f) number of Board meetings of the Listed Entity attended during the year; (g) names of Board Committees in which the Director serves as Chairperson or a member; (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, (i) The terms of reference and powers of the SID (where applicable)	The Directors profiles carries the required information
9.11 Nominations and Governance Committee (Effective From 01/10/2024)	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.	Will be fully complied in line with effective date of 1st October 2024.
	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.	Will be fully complied in line with effective date of 1st October 2024.
	9.11.3	The Nominations and Governance Committee shall have a written term of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Will be fully complied in line with effective date of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.11 Nominations and Governance Committee (Effective From 01/10/2024)	9.11.4	**Composition** (1) The members of the Nominations and Governance 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. (2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. (3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.	Will be fully complied in line with effective date of 1st October 2024.
	9.11.5	**Functions** The functions of the Nominations and Governance Committee shall include the following: (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. (ii) Consider and recommend (or not recommend) the re-appointment/reelection 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 commitments. (iii) Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity. (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. 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. (vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity. (vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities. 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. (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. (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.	Will be fully complied in line with effective date of 1st October 2024.
	9.11.6	**Disclosures in Annual Report** 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;	Will be fully complied in line with effective date of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.11 Nominations and Governance Committee (Effective From 01/10/2024)	9.11.6	(a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members); (b) the date of appointment to the Committee; (c) whether a documented policy and processes are in place when nominating Directors; (d) whether all directors should be required to submit themselves for reelection at regular intervals and at least once in every three (3) years; (e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance; (f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors. (g) The following information regarding directors who are re-elected or being proposed for re-election during the year: ◉ Board Committees served on (as a member or Chairperson), ◉ Date of first appointment as a Director, ◉ Date of last re-appointment as a Director, ◉ Directorships or Chairpersonships and other principal commitments both present and those held over the 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.	
		(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 (i) Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity; (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; (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. (l) A statement that the Directors of the Listed Entity meet the criteria for determining independence. (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.	
9.12 Remuneration Committee	9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	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.	Will be complied in line with the effective date as of 1st October 2024.
	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.	Will be complied in line with the effective date as of 1st October 2024.
	9.12.5	Remuneration Committee shall have a written term of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Will be complied in line with the effective date as of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.12 Remuneration Committee	9.12.6	**Composition** (1) The members of the Remuneration Committee shall effective from (Effective from 01/10/2024) (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. (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. (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied a) The Committee comprise of Three Independent Non-Executive Directors 2) Not applicable – company has a separate Remuneration Committee. 3) The Committee is chaired by an Independent Director
	9.12.7	**Functions** (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	Complied
	9.12	**Disclosure in Annual Report** The Annual Report should set out the following: (a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company); (b) A statement regarding the remuneration policy; and, (c) The aggregate remuneration of the Executive and Non-Executive Directors.	Complied Please refer Remuneration Committee Report
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 term of reference clearly defining its scope, authority and duties.	Complied
	9.13.3 (Effective from 01/10/2024)	**Composition** (1) The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors of the Listed Entity.	Complied 1) The Committee comprises of three Independent NonExecutive Directors.
		(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	2) Complied
		(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	3) The Committee has met on every other month

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.13 Audit Committee	9.13.3 (Effective from 01/10/2024)	(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	4) Not applicable – Company has its own Audit Committee
		(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	5) The Chairperson of the Board Audit Committee is an Independent Non Executive Director and has the required qualifications as stipulated by the Central Bank of Sri Lanka
		(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.	6) The Managing Director who is the virtual CEO and AGM Finance has attended the meetings by invitation
		(7) The Chairperson of the Audit Committee shall be a Member of a recognised 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.	7) Complied
	9.13.4 (Effective from 01/10/2024)	Functions (1) The functions of the Audit Committee shall include the following: (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. (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: (a) changes in or implementation of major accounting policy changes; (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; (c) compliance with accounting standards and other legal requirements; (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; (e) any letter of resignation from the external auditors of the Listed Entity; and, (f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment (iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Full compliance from the effective date of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.13 Audit Committee	9.13.4 (Effective from 01/10/2024)	(iv) Obtain and review assurance received from: (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 (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. (v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons. (vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. (vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans. (viii) Review the risk policies adopted by the Entity on an annual basis. (ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements. (x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors. (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. (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. (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. (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.	Full compliance from the effective date of 1st October 2024.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.13 Audit Committee	9.13.5 (Effective from 01/10/2024)	**Disclosures in Annual Report** (1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates. (2) The Audit Committee Report shall contain the following disclosures: (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 group company); (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable). (c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances. (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Listed Entity has a formal Audit Charter; (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function; (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;	Will be complied in line with effective date of 1st October 2024.
		(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 (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.	
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	**Composition** (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 Chairperson of the Committee.	The Committee comprises of Three Independent Non Executive Directors
		(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.	Not Applicable -Company has its own Related Party Transaction Review Committee.

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.14 Related Party Transactions Review Committee	9.14.3	**Functions** (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. (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. (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. (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.	Complied The Related Party Transactions Review Committee Report sets out the functions of the Committee.
	9.14.4	**General Requirements** (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. (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. (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. (4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) be present while the matter is being considered at the meeting; and, (b) vote on the matter.	
	9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee (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. (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. (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: (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.	Partially Complied

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.14 Related Party Transactions Review Committee		(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: (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.	
		(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.	
		(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.	
9.14 Related Party Transactions Review Committee	9.14.6	**Shareholder Approval** (1) Listed Entities shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions: (A) If a non-recurrent transaction; (i) Any Related Party Transaction of a value equal to, or more than: (a) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; or (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 nonrecurrent transactions entered into with the same Related Party during the same financial year. (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. (B) If a recurrent transaction; Any recurrent Related Party Transaction of a value equal to, or more than: (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 (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; (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 favourable to the Related Party than those generally available to the public.	Complied – No requirement arose for the FY 2023/24

Section	Rule No	Corporate Governance Rule	Status of Compliance
		(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.	
		(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.	
	9.14.7	**Disclosures** (1) Immediate Disclosures A Listed Entity shall make an immediate Market Announcement to the Exchange; (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 (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.	Complied -No requirement arose for FY 2023/24
9.14 Related Party Transactions Review Committee	9.14.7	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. The Market Announcement to the Exchange shall include: (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 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.	Complied -No requirement arose for FY 2023/24

Section	Rule No	Corporate Governance Rule	Status of Compliance
	9.14.8	**Disclosures in the Annual Report** (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. ◉ 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. ◉ Terams and conditions of the Related Party Transaction(s) ◉ The rational for entering into the transaction(s) (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. ◉ Name of the Related party ◉ Relationship ◉ Nature of the Transaction(s) ◉ Aggregate value of the Related Party Transaction(s) entered into during the financial year ◉ Aggregate value of Related Party Transaction(s) as a % of Gross ◉ Revenue /Income ◉ Terams and conditions of the Related Party Transaction(s)	Complied
9.14 Related Party Transactions Review Committee	9.14.8	(3) The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: ◉ 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.	
		(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.	
	9.14.9	**Acquisition and Disposal of Assets from/to Related Parties** (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.	Not Applicable
		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.	
		(2) Acquisition and Disposal of Assets from/to Related Parties 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.	

Section	Rule No	Corporate Governance Rule	Status of Compliance
9.14 Related Party Transactions Review Committee	9.14.9	(3) Acquisition and Disposal of Assets from/to Related Parties Rule 9.14.9(1) does not apply to: ◉ 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.	
		(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.	
		(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.	
	9.14.9	(6) The competent independent advice required in terms of Rule 9.14.9 (4) shall include: (a) the key assumptions, conditions or restrictions that impact the estimate value; (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; (c) the sources of information relied upon for the valuation; (d) the identity of individuals participating in the valuation assignment and their qualifications; (e) statement confirming the independence of the parties participating in the advice; (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.	
9.16 Additional Disclosures		The following declarations by the Board of Directors to be included in the Annual Report: (i) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested; (ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so; (iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; (iv) 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	Complied – No additional disclosures for FY 2023/24

Annual Report of The Board of Directors on The Affairs of the Company

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General

The Directors of Alliance Finance Company PLC (AFC) have pleasure in presenting this report to the shareholders together with the audited Financial Statements for the year ended 31st March 2024 and the independent Auditor's Report. The information is provided in conformity with the requirements of the Companies Act No.07 of 2007, Finance Companies Corporate Governance Direction No.05 of 2021 with transitional provisions, Listing Rules of the Colombo Stock Exchange and Code of Ethics for Corporate Governance.

Company Overview

AFC was incorporated as a public company on 18th July 1956 under the provisions of the Companies Ordinance No.51 of 1938 and re-registered under the Companies Act No.07 of 2007 and bears Registration Number PQ 93. AFC's Ordinary Shares were listed on the Main Board of the Colombo Stock Exchange (CSE) in 1959 (then Colombo Stock Brokers Association). In the NBFI sector, AFC is the oldest Finance Company, counting over 65 years in successful business operations. The Registered Office of the Company and the principal place of business are situated at "Alliance House", 84, Ward Place, Colombo 7. Lanka Rating Agency Ltd., has assigned an entity rating of BBB- with a stable outlook rating to the Company.

Business Outlook

The Board of Directors is pleased to inform that the Company when compared to YoY had performed well amidst the continuing non conducive factors in the market place by adopting strategies and diversified approaches during the year under review. The Profit after Tax reached to LKR 917 Mn which compared to 2022/23 is 82% over the previous year with a portfolio growth of 18% when most players in the industry experience contraction of the portfolio and NPL ratio reduced to 9.38%. The product offerings of the Company was diversified and sustainable finance products were introduced and a fair portfolio was built up during the year.

Purpose Statement and High Impact Goals

AFC continues on its remarkable journey which counts over 65 years and being the oldest finance company the time tested intrinsic values that have been handed down for three generations has held the Company in good stead. AFC being the first Finance Company in Asia to obtain SSCI certification 1.0 is guided by its Purpose Statement and a set of High Impact Goals which had been realigned to be in keeping with the sustainability standard and UNSDGS. The Company's business philosophy is a triple bottom- line approach. These are detailed on pages 42 to 43 of this Annual Report.

Principal Business Activities

The Principal business activities of the Company include providing finance leases, term loans, gold loans, pledge loans, mortgage loans, Ran Ayojana, Climate Smart Finance products and acceptance of public deposits and savings. Other Lines of Business include hire purchase, trading, investment in shares and real estate. The Company also provides end-to-end vehicle management solutions which include operating leases and hiring of vehicles. The principal activity of the subsidiary Alfinco Insurance Brokers (Pvt) Ltd, is brokering of insurance business.

Branch Network

The Company closely reviewed its branch network and there were a few relocations, revamping and there were mobile offices which were also introduced to increase the market reach and to increase financial inclusion. This has led to an increased customer base particularly the deposit base has seen a significant increase in the year 2023/24 and the number of depositor holders have also increased correspondingly. As at 31st March 2024 there were 90 points of presence across the country. More details regarding this is available on page 70 in this Annual Report.

Review of operations and Future Developments

An overview of the Company's financial position and performance during the year, review of financial results, achievements and future outlook is summarized in the Chairperson's Message on pages 22 to 25. The Deputy Chairman/ Managing Director's Message on pages 26 to 29 covering the highlights for the year along with the salient features with regard to performance and the future outlook of the Company. Comprehensive details are provided in the Business Report on pages 47 to 55 and the Capital Management Report on pages 58 to 109 of the Annual Report. The independent Auditor's Report along with the Audited Financial Statements reflect the state of affairs of the Company for the year ended 31st March 2024.

Financial Statements of the Group and the Company

The Financial Statement of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No.07 of 2007 and where applicable to the Directions issued by the Central Bank of Sri Lanka. The Financial Statements of the Company were duly certified by the Company's Auditors Deloitte Associates and approved by the Board of Directors and signed by the Deputy Chairman/Managing Director and Deputy Managing Director. Report on the operations of AFC appears on pages 47 to 55 of this Annual Report.

Group Financial Statements as at 31st March 2024 were reviewed and recommended by the Board Audit Committee. The Statement of Financial Position, Income Statement and Notes to the Financial Statements appear on pages 206 to 292 of the Annual Report.

Independent Auditor's Report

The Company's Auditors, Deloitte Associates performed the audit of the consolidated Financial Statements for the year ended 31st March 2024 and the Auditor's Report issued thereon appears on page 202 of the Annual Report.

Accounting Policies and Changes during the Year

Significant accounting policies adopted in preparation of the Financial Statements of the Company are given on pages 214 to 233 and there have been no material changes. These Financial Statements comply with the requirements of Sri Lanka Accounting Standards on "Presentation of Financial Statements"(LKAS 01) and comply with Section 168 (1)(d) of the Companies Act No. 07 of 2007.

Accounting Period

The Financial accounting period reflects the information from 01st April 2023 to 31st March 2024.

Financial Results and Appropriations

Interest Income

The total interest income of the Company for the year ended 31st March 2024 was LKR 13,185 Mn (LKR 11,947 Mn in 2022/23). A more descriptive analysis of the interest income is given in Note 7 to the financial statement on page 234.

Financial Results

The Company recorded a Profit Before Tax of LKR 1,698 Mn and Profit After Tax of LKR 917 Mn for the financial year ended 31st March 2024. The Company's performance and details of appropriations of profit relating to the Company are tabulated as follows:-

	Year ended 31.03.2024 LKR Mn	Year ended 31.03.2023 LKR Mn
Interest Income	13,185	11,947
Retained earnings brought forward from previous year	3,762	3,500
Add: Profit after Taxation	917	505
Earnings available for appropriation	4,679	4,005
Appropriations:		
Add: Net actuarial gain/(loss) on defined benefit plan	11	49
Add: Transfer of realized profit on investment property disposal to retained earnings	35	3
Less: Dividend paid for previous/current year	(168)	(270)
Less: Transfer to reserves	(46)	(25)
Total appropriation	(169)	(243)
Retained earnings carried forward	**4,510**	**3,762**

Taxation

The income tax rate applicable on the profits earned was 30%, rate of VAT on financial services during the year was 18% and Social Security Levy was 2.5%. Accordingly, the current year income tax provision of the Company was LKR 781 Mn compared to LKR 446 Mn for the year 2022/23. A more descriptive note on income tax and deferred tax of the Company is disclosed in Note 16 to the Financial Statements.

Dividend

The Board of Directors recommend a First and Final Dividend of LKR 8.40 per share amounting to LKR 283,046,400 for the year 2023/24 and approval of it rests with the shareholders. The Board of Directors remain satisfied that the Company would meet the requirements of the solvency test in terms of Section 56 (3) of the Companies Act No.07 of 2007 immediately after the payment of the First and Final Dividend. Accordingly, the Board of Directors has obtained a Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the above statutory provision. The approval of the Central Bank of Sri Lanka was sought and obtained for the recommendation of the First and Final Dividend.

Property, Plant and Equipment

The total capital expenditure incurred on property, plant and equipment and intangible assets (including capital work in progress) of the Company in the year ended 31st March 2024 amounted to LKR 288 Mn and LKR 19 Mn respectively (LKR 250 Mn and LKR 24 Mn in 2022/23). The details of property, plant and equipment are presented in Note 33 (page 256 to 261) to the Financial Statements.

Extents, locations, valuations and the number of buildings of the Entity's land building and investment properties are detailed on pages 254 to 256 of this Annual Report. The Company has invested in a state of the art core banking system, which would support AFC's future digital journey in the years to come and the implementation is in progress.

Directors' Interests in Shares

In compliance with section 200 of the Companies Act No 07 of 2007, the Directors have disclosed to the Board their shareholding in the Company. There were acquisitions made by Directors during the year 2023/24 but there were no disposals of shares by the Directors.

The changes in the shareholdings are depicted in the details given below.

Name of Director	Shareholding as at 31/03/2024	Shareholding as at 31/03/2023
Mrs. G.S.T. Dharmakirti-Herath	100	100
Mr. R.K.E.P.de Silva	11,881,187	11,635,291
Mr. W.P.K.Jayawardana	42,750	42,750
Mr. M.J. Benedict	1,000	-
Mrs. P.de Silva	100	100
Mr. L.J.H.de Silva	3,052	3,052
Dr. D.L.I. Hettiarachchi	100	100

Managing Director's Interest in Shares

The Managing Director, Mr. R.K.E.P.de Silva's individual shareholding in the Company and also that of the Deputy Managing Director Mr.W.P.K. Jayawardana as at 31st March 2024 and 31st March 2023 are given above.

Directors' Meetings

The details of Directors' meetings and attendance at the Meetings by the Directors are presented in the Corporate Governance report on page 117 of this Annual Report.

Corporate Governance

The Board of Directors is committed to adhering to the Corporate Governance Charter which includes the procedures and processes governing the different stakeholders in the organization such as the Board, Executive Management Staff, Middle Management and other staff, Shareholders and others to ensure that the highest principles of Corporate Governance principles are maintained across all constituents. In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies Corporate Governance Direction No. 5 of 2021 and the transitional provisions. Recommendations and proposals of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka have been complied with as far as it is applicable. The measures taken in this regard are set out in the Corporate Governance Report on pages 112 to 169 of this Annual Report.

Code of Conduct

The Board of Directors and employees follow Codes of Conduct and ethics and have adhered to the principles therein.

Group Structure

The Group Structure is depicted in the Corporate Governance Report and the Governance framework of the Company takes into consideration the governance framework of the Group.

Board Committees

Board appointed Committees are functioning and is comprised of Independent Non Executive Directors, excluding the Board Integrated Risk Management Committee where the members comprise of Executive Directors as well. The Committees in operation are Board Audit Committee, Board Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee. Composition of the said Committees is set out on the inner back cover of this Annual Report. All Committees are governed by the Terms of Reference which are approved by the Board of Directors.

Board Audit Committee

All three members of the Board Audit Committee are independent Non- Executive Directors. The Chairperson holds the required accounting qualifications to function as the Chair. Executive Directors, Members of the Senior Management, Internal and External Auditors attended the meetings by invitation. The Board Audit Committee's Report is given on pages 179 to 180 of this Annual Report.

Board Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system, policy and procedure in the Company to identify, evaluate and manage the risks associated with the operations and overall performance of the Company. The risk framework is reviewed on a regular basis by the Board Integrated Risk Management Committee to mitigate the risks due to constant changes in the business environment and other factors that would impact it. A detailed overview of the process is set out in the Board Integrated Risk Management Committee Report on pages 183 to 184 of this Annual Report. Board Integrated Risk Management Committee comprises of two Independent Non Executive Directors and two Executive Directors and the Chairperson of the Committee is an Independent Non Executive Director. The Committee was restructured in February 2024 and an Independent Director was appointed and the exclusion of the Executive Directors.

Remuneration Committee

The Remuneration Committee has three Independent Non Executive Directors of which one functions as the Chair. Remuneration Committee report is given on page 178 of this Annual Report.

Related Party Transactions Review Committee

The Committee carried out the functions mandated in the Terms of Reference of the Committee and amongst other matters reviewed and recommended the related party transactions during the year 2023/24. There are three Independent Non Executive Directors in the Committee and it is chaired by an Independent Non Executive Director. The Report of the Related Party Transactions Review Committee is given on pages 181 to 182 of the Annual Report.

Related Party Transactions

There were no related party transactions that exceeded 10% of the Equity or 5% of the total assets whichever is lower, being the thresholds set by the Colombo Stock Exchange, for transactions which would require shareholder's approval. Confirmation that the Company has compiled with the requirements of the Code of Best Practice on Related Party Transactions in respect of requisite disclosures is dealt with in a separate report. The Directors and the Senior Management had disclosed all transactions that could be classified as related party transactions. The details are depicted in the Note No. 51 on pages 275 to 277 of this Annual Report. All transactions with the related parties were conducted in an arms' length basis and no favourable terms were granted to them. The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2024.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and Group which reflects a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Financial Position, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the Financial Statements for the year ended 31st March 2024 therefore have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 and the Regulations made under Finance Business Act No.42 of 2011. The "Statement of Directors' Responsibility for Financial Reporting" is provided on page 189 and forms an integral part of the report.

Donations, CSR and Sustainability Expenses

The Company expended LKR 16.7 Mn for donations, Corporate Social Responsibility activities and sustainability initiatives during the year 2023/24 (LKR 13.5 Mn in 2022/23).

System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial and compliance controls required to carry out its operation in an orderly manner, safeguard its assets and secure as far as possible, the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Directors have assigned to the Company's Internal Auditors, to review and report on the effectiveness of financial, operations and compliance controls. The External Auditors too independently verify this and their certification appears on page 187.

Investments

Details of investments held by the Company are disclosed in Notes 26, 30 and 31 on pages 250 to 254 to the Financial Statements.

Stated Capital and Shareholders' Funds

In compliance with the Companies Act No 07 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issued Share Capital. The Stated Capital is represented by 33,696,000 Ordinary Shares.

The Stated Capital and reserves stood at LKR 614 Mn and LKR 7,515 Mn respectively as at 31st March 2024 (LKR 614 Mn and LKR 6,344 Mn as at 31st March 2023). During the financial year LKR 46 Mn was transferred from Retained Earnings to the Reserves. Details of movement of Reserves and Stated Capital are provided in the Statement of Changes in Equity on page 210 of the Financial Statements. No funds were raised through a public issue or private placement of shares during the year under review.

Issue of Debentures

There was no issue of debentures during the financial year 2023/24. Thereby the market price and movement is not recorded.

Minimum Capital Requirement

The Board of Directors is cognizant that it is required to maintain the statutory requirement on minimum capital adequacy ratios to mitigate the liquidity risk and safeguard the depositors' funds, and the risk weighted capital ratio thus ensuing the sustainability of the Company and the industry as a whole. The Company is compliant with the capital requirements and has mentioned the capital was at the required levels and the information on minimum Capital Requirement is given on page 292 of the Annual Report. The Company has a status of well capitalized entity as per the guideline of the Central Bank of Sri Lanka in terms of the Total Capital.

Share Information

The ten-year summary appears on pages 297 to 298 and shareholder information and information on trading are provided under the "Shareholder Information" and are on pages 299 to 300 of the Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders which includes,

- Number of shares representing the entity's stated capital.
- A distribution schedule of the number of holders in equity securities, and the percentage of their total holding.
- The ratio of Dividend per share, Dividend payout and net assets per share.
- Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year.
- Float adjusted market capitalization, Public holding percentage, number of public shareholders and the Minimum Public Holding Requirement.

Substantial Shareholding

The list of the Company's top 20 shareholders, number of shares held by them and percentage of their respective holding and Public Holding percentage are given under the title Shareholder Information on pages 299 to 300.

Information to Shareholders

The Board strives to be transparent and provide accurate information in a timely manner to shareholders in all published material.

Communication with Shareholders

A communication policy is in place to cater to the requirements of all stakeholders. Different methods are used to communicate with the shareholders. The Company Secretary serves as the communication link. AFC has taken all measures which are reasonably possible to ensure fair treatment of all its stakeholders specially the Depositors of the Company.

Board of Directors

Composition

Our Board of Directors has the qualifications, experience and expertise in finance, marketing, law, accounting and management. As at 31st March 2024, there were seven Directors on the Board of Alliance Finance Co. PLC of which three are Executive and four are Independent Non Executive.

The Board is governed by the Terms of Reference which embodies the framework governing its responsibilities and activities. The required balance in terms of the Corporate Governance is maintained.

Chairperson of our Company is an Independent Non Executive Director and, thereby no Independent Non Executive Director was appointed as the Senior Director as the offices of Chairperson and CEO are held by two different persons.

The qualifications and experience of the Directors is provided on pages 8 to 10 of this Annual Report. The following Directors held office as at the end of the financial year.

Mrs. G.S.T. Dharmakirti-Herath *Chairperson (Independent Non Executive)*
Mr. R.K.E.P. de Silva *Deputy Chairman & Managing Director (Executive)*
Mr. W.P.K. Jayawardana *Deputy Managing Director (Executive)*
Mr. M.J. Benedict *(Executive Director) appointed 1st September 2023*
Mrs. P. de Silva *Non Executive Director (Independent Non Executive)*
Mr. L.J.H. de Silva *Non Executive Director (Independent Non Executive)*
Dr. D.L.I. Hettiarachchi *Non Executive Director (Independent Non Executive)*
The Board welcomed the new Director Mr. M.J. Benedict as Executive Director Recoveries, Mr. Benedict served the Company for over 20 years prior to his appointment in different capacity and as Chief Recoveries Officer immediately prior to his appointment.

Mr. R.E. Rambukwelle retired on 6th April 2023 and Mr. J.M. Gunasekera retired on 15th July 2023 both having reached 70 years.

Independent Directors

The Independent Directors are in conformity of the Rule 9.8.3 of the Colombo Stock Exchange and also that of Direction No.5 of 2021 as at the close of the financial year.

Each of the Directors has determined their Independence as required by the Colombo Stock Exchange and have furnished the Appendix 9A.

Alternate Directors

There are no Alternate Directors appointed to the Board during the financial year 2023/24 and there are no functioning Alternate Directors as well.

Resignations and cessations

There were no resignations from the Board during the year 2023/24.

Retirement by Rotation Mrs. P. de Silva retires under Articles numbered 130 to 131 and being eligible offer herself for re-election with the unanimous support of the Board of Directors.

Directors' Interest Register

In compliance with the Companies Act No.07 of 2007, the Company maintains an Interests Register which is available for inspection.

Directors’ Interests in Transactions/ Related Party Transactions

The Directors of the Company have made general declarations as provided in the section 192 (2) of the Companies Act No. 07 of 2007 of their interests in the transactions of the Company. Details of the transactions disclosed therein are given on pages 275 to 277 under related party transactions. There have been no material interests in contracts with the Company.

Directors' Declarations in terms of Section 16.1 of the Finance Business Act Directions No. 05 of 2021, Corporate Governance

The Chairperson and the Directors of the Company have made declarations as per the requirements in Section 7(3) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021, that there is no financial, business, family or other material/relevant relationship(s) between the Chairperson and the Managing Director and/or amongst the members of the Board.

Directors’ Remuneration and Related Expenditure

The consolidated details of Directors’ Fees and Directors’ Emoluments paid during the year are stated in Note 51.2 to the accounts.

Appraisal of Board Performance

Appraisal of the Board Performance is conducted on an annual basis Self - assessments were carried out by the individual Directors and the Chairperson also assesses the performance of the Directors. The Board as a whole evaluates its performance against pre determined criterion and the information is collected by the Company Secretaries and discussed at the Board level. Performance of the Board Committees is also evaluated and the records are maintained. Fitness and Propriety of the Directors were assessed in terms of the Rules of the Colombo Stock Exchange and it is in conformity of such requirements. The Fitness of Propriety of the was approved by the Central Bank of Sri Lanka.

Human Wealth

The Board considers its employees as its wealth and is committed to provide opportunities for continuous improvement and invests in career enhancement, training of its employees and has implemented measures for the overall well-being of all employees with a holistic approach. Operating in a competitive environment skills are honed and developed to provide the competitive edge and to optimize their contribution towards the achievement of the High Impact Goals and objectives of the Company. This aspect is further covered on pages 72 to 81 of this Annual Report. Our recruitment policy is structured in a manner that bears no bias to age gender, religion or race and to give equal opportunity for all.

Employee Share Option

The Company has not adopted an Employee Shares Option Scheme.

Stakeholder Management/Corporate Social Responsibility

The Company continues to take measures on an ongoing basis to manage the expectations of all its stakeholders and enhance the value created to shareholders, customers, suppliers, and the community. These efforts are presented in the Social and Relationship Capital Report presented on Pages 82 to 93 of the Annual Report.

Environmental Protection

To the best of its knowledge the Board, of the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any direct activity that is harmful or hazardous to the environment. On the contrary, the Company has undertaken several initiatives that contributed to the environmental protection positively. The Company has voluntarily adopted the Accounting Standards SI & S2. Further details of these initiatives of the Company are outlined in the Report on pages 305 to 306.

New IT System

The Company procured a new IT system and the implementation has to be slightly delayed with the transition to the new system which is scheduled during the Financial Year 2024/25.

Compliance with Laws and Regulations

The Company has not engaged in any activity contravening any laws and regulations. Time to time the Board has been apprised of the changes to the laws, Directions and Rules and where required have also followed a detailed training program.

Statutory Payments

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

Outstanding Litigation

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on Note 47.1 to the Financial Statements on page 269.

Events after the Reporting Period

Details of events after the reporting date are reflected in Notes 48 on page 269 to the Financial Statements.

Going Concern

After considering the Financial Position, the Company's Corporate/Business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Contingent Liabilities

There are no contingent liabilities for the Company in the foreseeable future.

Auditors

The Company's Auditors during the year under review were Deloitte Associates who have carried out the audit being the first year. As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this Annual Report.

Remuneration

A total amount of LKR 3,900,000 is payable by the Company to the Auditors for the year under review comprising LKR 2,850,000 as Audit Fees and LKR 1,050,000 as other assurance service related expenses.

Auditors

The retiring auditors, Deloitte Associates in compliance with the Corporate Governance Direction No.5 of 2021, are seeking reappointment. They have offered their services at a remuneration of LKR 4,190,000 being all inclusive payment for the audit, consolidation and assurance report for the financial year ending 31st March 2025. A special fee of LKR 322,500 is payable with regard to system migration. Their appointment rests with the Shareholders.

Annual General Meeting

The Alliance Finance Co PLC AGM will be held on Friday, 28th June 2024 at 9.30 a.m. at 722, Kotte Road, Rajagiriya.

Notice of Meeting

Notice of the meeting relating to the 68th Annual General Meeting is provided on Page 314 of this Annual Report.

Acknowledgment of the Content of the Report

On behalf of the Board of Directors of the Company, the Deputy Chairman & Managing Director, Deputy Managing Director and Company Secretaries of the Company in pursuance of the authority granted by the Board, have acknowledged the contents of this Annual Report.

By order of the Board of Directors, Alliance Finance Co.PLC

Romani de Silva
Deputy Chairman/ Managing Director

Kusal Jayawardana
Deputy Managing Director

(Sgd.)
Alliance Management Services (Pvt) Ltd.
Secretaries

31 May 2024

Remuneration Committee Report

GRI 2-19

Composition of the Committee

Composition of the Remuneration Committee (RC)

Name

Dr. D.L.I. Hettiarachchi - Chairman
Mrs. G. S. T. Dharmakirti Herath - Member
Mr.L.J.H. de Silva - Member

The Chairman of the Remuneration Committee was changed in February 2024 in compliance with the Corporate Governance direction No.5 of 2021.

The Secretaries of the Company functioned as the Secretary to the Remuneration Committee.

Meetings

The Committee met on four occasions during the year under review.

Remuneration Policy

The Committee reviewed the Remuneration Policy as it recognizes remuneration and reward as one of the key drivers in influencing an employee to drive performance, which would have a significant bearing on the business results. Therefore, the reward programs are designed to attract, retain and motivate employees and to evaluate individual employee performance to measurable performance based criteria applied at all levels of the company structured to ensure consistency of evaluation and grant rewards be on merit.

Variable pay (bonus) plan of the Company is determined according to the overall achievements of the Company on an annual basis and on pre-agreed individual targets and deliverables, which are determined on comprehensive and detailed performance parameters. Variable pay is structured in a manner to ensure equality for all levels of employees and to enable the company to clearly identify individuals who consistently outperform.

The Committee makes appropriate adjustments to the bonus pool upon the recommendations of the Executive Directors in the event of over or under achievements against pre-determined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Functions

Assist the Board where necessary in setting guidelines and policies to formulate compensation packages which are attractive and motivating thus enabling to retain qualified and experienced Directors/employees in the Company.

The Committee recommends to the Board on the compensation of the Managing Director, Deputy Managing Director, Executive Director, and when required that of the Key Responsible Officers.

Directors Remuneration

The details of the Directors Remuneration appear on note 51.2 of the Annual Report.

Dr. Lasantha Hettiarachchi
Chairman
Remuneration Committee

31 May 2024

Report of The Board Audit Committee

Composition

The Board Audit Committee (BAC) comprises of three Independent Non Executive Directors of the Board and remained unchanged. The Chairperson of the Committee Mrs.Priyanthi de Silva is a Fellow member of Institute of Management Accountants of UK. The Board Audit Committee constituent members possess the required compliance financial, commercial compliance and management with experience in the industry.

The brief profiles of the members of the Board Audit Committee are set out in the Board of Directors profiles section of the Annual Report.

Ms. Priyanthi de Silva - *Chairperson*
Ms. G.S.T. Dharmakirti Herath - *Member*
Mr. L.J.H. de Silva - *Member*

The Company Secretaries functioned as the Secretary to the BAC.

Meetings

The Board Audit Committee meetings are scheduled at the beginning of the year to facilitate smooth functioning of the Committee. BAC has met on a regular basis and the number of occasions on which it met is over and above the stipulated requirement in order to ful fill its mandate. Upon the invitation of the BAC had invited the Managing Director / Deputy Managing Director attended the BAC meetings. The Senior Management and Key Management Personnel also attended the meeting on invitation specifically AGM Finance, AGM Risk and Compliance Officer. Key Management Personnel attendance was required when matters pertaining to their areas were considered at the BAC meeting.

BAC met with the External Auditors on more than two occasions, without the Executive members of the Board being present at the meetings. Internal Auditors also attended these meetings. The Chairperson had delegated the preparation of the Agenda to the Company Secretaries and the proceedings at meetings were in accordance with the circulated Agenda to the BAC members. Matters considered were in keeping with the role and functions outlined in the Terms of Reference of the BAC, as well as the Audit Charter. Members of the BAC were briefed at the meetings on the impact the changes in the Directions issued by the Central Bank of Sri Lanka and changes to the legislations would have on the functions of the Company.

Number of audit meetings held duringthe year and details of attendance.

Name	Attendance
Mrs. P.de Silva	12/12
Mrs. G.S.T. Dharmakirti Herath	12/12
Mr. L.J.H. de Silva	12/12

Overview of the functions of the Committee during the financial year

Review of the Terms of Reference and Charter

The BAC reviewed the Terms of Reference and the Charter to ensure that it is in keeping with the new regulations that were introduced by the Regulator and also current in terms of the audit requirements of the Company in the changing demography.

Executive Functions

The Board Audit Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference. It also in relation to the matters of the Company's internal and external audit processes, financial reporting, risk assessment and internal controls over financial reporting.

External Auditors and Audit

During the year under review as mentioned in the previous BAC report, to be compliant with the requirements of the Regulator the External Auditors of the Company was changed. Edirisinghe & Co., was succeeded by Deloitte Associates as External Auditors of the Company and the change of Auditors was approved by the shareholders at the General Meeting of the Company. In this financial year the BAC met with both Edirisinghe & Co and Deloitte Associates in discharge of its duties. For the financial year 31st March 2025 the BAC has recommended the re appointment of Deloitte Associates.

In accordance with its mandate

The BAC reviewed and made recommendation on the audit nature, scope and audit plan for the year under review also is cognizant of the resources that were to be deployed for the audit function, prior to the commencement of the audit.

Evaluated the effectiveness of the audit with applicable standards and practices and ensured the smooth functioning of the external audit and also the transitioning from one External Auditors to another. It is noteworthy that the Management and staff had extended their fullest co operation to both the External Auditors in carrying out their functions as it was a year of transition and we are pleased to report that it was handled professionally.

Reviewed the Management Letter for the financial year ended 31st March 2023 and the Management's responses at a meeting with the External Auditors and briefed the Management on the proceedings.

BAC obtained assurance from the Auditors that their independence was not impaired.

The External Auditors were not called upon to provide non audit services, a policy is in place should the BAC require their services for non audit assignments.

In respect of Financial Statements

- Reviewed the interim and Annual Financial Statements of the Company as well as the financial information and disclosures made to the public in relation to the said financials prior to its submission and approval by the Board in order to ensure and to monitor the integrity of the financial statements.
- Reviewed the methodologies adopted in the determination of the significant estimates and judgments, significant changes to the policies and practices contained therein.

- Ensured that the annual Financial Statements fairly present the financial position of the Company and of the Group as at the end of the Financial year together with the results of operations and cash flows for the financial year and considered the basis on which the Company and the Group was determined to be a going concern.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Noted there were no material reports or complaints received concerning the accounting practices, internal audit, internal financial controls, contents of annual Financial Statements and related matters.
- Reviewed the recommendation of First and Final Dividend for the year 2023/24 of the Company in terms of the regulatory requirements.
- Evaluated the systems and procedures in place for the recording of the financial transactions whether it was robust.

In respect of Internal Control and Internal Audit

In line with the Section 11 of the Finance Companies Direction No. 05 of 2021 assessed the effectiveness of the Internal Control over Financial Reporting as at 31 March 2024.

- Reviewed and approved the internal audit charter, annual internal audit mandate and comprehensive audit scope and plan, and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its mandate and continuously monitored the implementation of the audit plan with periodic reviews. Adopted appropriate measures as and when required on the implementation of the audit plan.
- The comprehensive internal audit plan and scope was compiled considering the risk associated with each of those functions and its materiality.
- BAC sends a report to the Board prior to the Board Meeting on its deliberations, outcomes and recommendations at the conclusion of a BAC meeting which is discussed at the Board Meeting.
- Reviewed the policies and procedures of the Company and any changes thereto were reviewed by the Internal Audit prior to implementation and BAC also made recommendations for changes, improved performance through revamped controls where necessary.
- Considered reports of the internal and External Auditors on the Group's system of internal control, including internal financial controls and maintenance of effective internal control systems.
- Reviewed matters which were considered significant by the internal auditors on processes and the adequacy of corrective action required in response to such findings and made recommendations to the Board. Followed up on matters that were significant implementation of which was carried out by the Management.
- Reviewed significant differences of opinion between the internal audit function and management and noted that there were none.
- Assessed the adequacy of the performance of the internal audit function and made recommendation on the structure of the Internal Audit Department to the Board. The adequacy of the available internal audit resources and whether they were equipped with relevant expertise and experience to carry out the audit functions. Their performance is assessed against the predetermined parameters.
- Received assurance that proper and adequate accounting records were maintained and that the system controls that safeguard the assets had been fulfilled.
- Based on the above, the Committee formed the opinion that at the date of this report there were no material concerns on internal control, including internal financial controls, resulting in any material loss to the Company and Group.
- During the year there were no major findings of internal investigations which required management's response thereto.

Regulatory Compliance

A compliance related framework is in place and is operational, and the Compliance Officer is tasked with ensuring that the Company is compliant with all regulatory requirements by the Regulator and Statutory Bodies. Periodically the Board and Management was apprised of the changes in the regulatory and statutory requirements and also the introduction of new laws and regulations which Board, BAC and Management should be cognizant of. Compliance adopted the changes required for it to consistently and in a timely manner to implement monitor such changes and also to ensure effective monitoring of the ongoing requirements. This process includes the implementation of the recommendations on the onsite examination report.

Operating procedures and processes have been structured in a manner to encompass all the regulatory and statutory requirements are compliant. As a monitoring mechanism, a reporting system has been set up for periodic confirmations to be sent to the Board on the levels of compliance and if there are deviations. Thereby, confirmations have been received on the compliance of the Company, and it is in keeping with the regulatory requirements. Additionally, the internal Audit Department of the Company independently conducts periodic reviews of the compliance and governance functions and on the regulatory reporting to the regulatory bodies.

de Silva

Priyanthi de Silva
Chairperson -Board Audit Committee

31 May 2024

Related Party Transactions Review Committee Report

Composition

Non Executive Directors of the Board are members of the Related Party Transactions Review Committee (RPTRC). All members are Independent Non Executive Directors and one Independent Non Executive Director functions as the Chair. The composition was changed and the structure as at the end of the financial year is given below.

Dr. D. L. I. Hettiarachchi - *Chairman*
Mrs. G. S. T. Dharmakirti Herath - *Member*
Mr. L. J. H. de Silva - *Member*

Brief profiles of the members of the Related Party Transactions Review appear on pages 8 to 10 of the Annual Report.

The Company Secretaries functioned as the Secretary for the Committee.

Constitution

The Terms of Reference which was reviewed and approved by the Board serves as the constitution for the Committee and stipulates the scope of the Committee, functions and other relevant matters.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company in order to ensure that related parties are treated on par with other stakeholders and constituents of the Company and ensure good governance in when transaction with related parties to ensure that it is in the best interest of the Company and non related parties. In carrying out the duties of the Committee, it is required to avoid conflict of interest which may arise in any transaction of the Company with any person particularly with related parties, ensure arms length dealings and adequate transparency is maintained with related parties. Whilst also ensuring adherence to the Corporate Governance Directions, which requires the Company to avoid engaging in transactions with related parties in a manner that would grant such parties 'more favourable treatment' than accorded to other constituents of the Company carrying on the same business.

Highlights

Review and Revision of the Related Party Transactions Review Policy

Review of the Terms of Reference of the Committee

Meetings

The meetings were held every quarter and the Committee and all related party transactions were reviewed and recommended by the RPTRC.

Name	Attendance
Mr. D. L. I. Hettiarachchi	4/4
Mrs. G. S. T.Dharmakirti Herath	4/4
Mr. L. J. H. de Silva	4/4

Summary of Responsibilities

The Committee reviews all Related Party Transactions in accordance with the Related Party Transactions Review Policy approved by the Board of Directors. Key responsibilities of the RPTRC are as follows:-

- Review the Related Party Transactions and ensure that it is conducted on an arms' length basis without preferential treatment.
- Establish and review the mechanism for recurrent transactions to be carried with related parties and monitor its effectiveness.
- Ensure that the appropriate framework is in place to evaluate the provision of obtaining services to and from related parties.
- Review any post quarter confirmations on related party transactions.
- Review the thresholds for Related Party Transactions which, require either shareholders' approval or immediate market disclosures, and the criteria of Key Responsible Persons and the related party entering into a transaction with the Company.
- Ensure that the transactions are carried out as per the guidelines laid down in the Related Party Transactions Review Policy.
- Evaluate non recurrent transactions adopting the mechanism stipulated, and if required, obtain expert advice when making such recommendations.
- In evaluating the related party transactions to ensure that a Director who is an interested party does not participate in the decision making process unless expressly requested to do so.

Activities

(i) Reviewing that all related party transactions to ensure that it is conducted in a manner without preferential treatment for related parties and it was observed that it was in keeping both with the regulatory requirements and also within the parameters extended to non related parties.

(ii) Conflicts of Interest Policy is in place and the RPTRC and ensured that the systems are procedures in place are functioning smoothly in order to avoid conflicts of interests by identifying the related parties in an ongoing basis.

(iii) Ensured that if services are obtained from related parties proper evaluation was carried out when engaging such parties.

(iv) Recurrent and Non recurrent transactions with related parties are conducted in a manner that is stipulated in the Terms of Reference and is in par or better than the offerings of non related parties.

(v) Maintained the reporting lines in a manner that the information flow between the related party and the Company that is fair and equitable to all parties.

(vi) Reports on the functioning of the RPTRC were sent to the Board prior to the Board Meeting and the report was discussed at the Board Meeting.

(vii) An annual evaluation was carried out on the functioning of the RPTRC.

Disclosures

- Information relating to all related parties, as extracted at the end of each quarter, was presented to the RPTRC and the Board was apprised of the outcome of the review.
- The non-recurrent related party transactions value for the year was below the threshold set by the Colombo Stock Exchange.
- The aggregate value of the recurrent Related Party Transactions that were recorded were below the threshold set by the Colombo Stock Exchange and does not require disclosure in the Annual Report.
- The aggregate value of all Related Party Transactions during the year is disclosed in Note No 51 to the Financial Statements in terms of LKAS 24-Related Party Transactions.
- The Committee confirms that the Company has complied with the requirements of the Code of Best Practice on Related Party Transactions and compliance with the Listing Rules in respect of requisite disclosures.

Declaration

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

Dr. Lasantha Hettiarachchi
Chairman
Related Party Transaction Review Committee

31 May 2024

Board Integrated Risk Management Committee Report

Composition

The Board Integrated Risk Management Committee (BIRMC) has three Independent Non Executive Directors and there was a change to the Chair during the year to be in keeping with the regulatory framework.

Mrs. P. de Silva - *Chairperson*
Mrs. G.S.T. Dharmakirti Herath - *Member*
Mr. L.J.H. de Silva - *Member*

Head of Risk attended the meetings the Company Secretaries functioned as the Secretary to the Committee

Meetings

The Committee held seven meetings during the year under review, and a report was sent to the Board prior to the Board Meetings and was deliberated on at the Board Meetings.

Attendance

Name	Attendance
Mrs. P. de Silva	7/7
Mrs. G.S.T. Dharmakirti Herath	7/7
Mr. L.J.H. de Silva	7/7

Charter

The BIRMC was established by the Board of Directors in compliance with the Section 3 of Direction No. 5 of 2021with the transitional provisions on the Corporate Governance for Licensed Finance Companies in Sri Lanka. The Composition and the scope of work of the Committee is in conformity with the provisions of the Section 10.3 of the said Direction. The Board Integrated Risk Management Committee functions within the Terms of Reference, which sets out the objectives and responsibilities.

Role and Responsibilities of the BIRMC

- Ensure that the Company has a comprehensive and effective risk management framework and assess the risk factors in relation to the framework ensuring the key risk areas are identified and monitored in an ongoing basis. The Company's risk management framework that is in place was formulated and deployed in relation to its business activities, corresponding risk tolerance limits as permitted by the Board and in compliance to regulatory and supervisory requirements also factoring in prudential measures.
- Undertake to review all business risks on a monthly basis viz appropriate risk indicators presented by the Risk Management Department and submit to the Board risk assessment reports, with appropriate recommendations to highlight, mitigate risk as required.
- Formulate and Implement the Risk Management Policy and evaluated it annually.
- Ensure that the compliance function is in place to assess the Company's compliance with laws, regulations, directions, regulatory guidelines, internal controls and approved policies assisted by the Compliance Officer of the Company.
- Review the Business Continuity Plan and Disaster Recovery Plan and make recommendations to the Board.
- Report and recommend to the Board of Directors on compliance related matters seeking the Board's view and directions.
- Take appropriate action against the officers for failure to identify specific risk and take prompt corrective actions as recommended by the Committee.
- Develop a Risk Appetite Statement (RAS) which would stipulate the individual and aggregate levels of types of risks and make recommendations to the Board and review the RAS annually.
- Perform stress testing mechanisms and monitor outcomes through sensitivity analysis and its impact on the capital adequacy of the Company and appraise the Board of the outcome.
- Review the adequacy and effectiveness of all management level Committees such as the Credit Committee and the Asset & Liability Committee, to address specific risks and manage those risks within the quantitative and qualitative risk limits as specified by the Committee.
- Work closely with the Board Audit Committee to ensure that any lapses identified in relation to the Company's approved business processes, policies, and risk and compliance functions are discussed, appropriate disciplinary action and/or risk mitigating strategies are recommended to the Board for necessary action.
- On a quarterly basis to furnish a risk review report to the Board.

Functions

The BIRMC ensured that all key risks and risk areas were evaluated on a monthly basis and reported on to the BIRMC. Recommendations on the mitigation of risk was agreed upon and implemented forthwith. Meetings of the Management level Committees were held regularly and the matters that required the attention of the BIRMC were dealt with at the meetings. Matters relating to the Management level Committees that required deliberation were considered at the monthly evaluation of the key risk areas.

Stress testing on various aspects was carried out on an ad hoc basis and others on a consistent basis, which were determined by the BIRMC on the risks related to the products or market conditions pertaining to the product and how it would impact the core capital of the Company.

Risk Appetite Statement was reviewed with the input of the Management with detailed deliberations was recommended to the Board and approved.

Compliance Department reported to the BIRMC and the Board on a consistent and comprehensive basis to ensure that the Company is compliant with all regulatory and statutory requirements.

Risk Management Policy was reviewed by the BIRMC and was approved by the Board.

The Board was furnished with the Risk Review Report on a quarterly basis and a report on the BIRMC was sent to the Board on a quarterly basis with the recommendations and the key findings were briefed to the Board at the Board Meetings.

Both the BAC and BIRMC functioned closely to ensure that the risks are managed on products, processes and other aspects are managed in a timely and effective manner by making recommendations to the Board.

Significant Activities

- Carried out stress testing on different occasions for the core business products to assess the possible impact of the external factors on the lending and recoveries and its impact to the core capital ratios.
- Reviewed the Credit Risk Policy.
- Reviewed the Risk Appetite Statement and the related framework.
- Reviewed the Risk Management Policy

de Silva

Priyanthi de Silva
Chairperson
Board Integrated Risk Management Committee

31 May 2024

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

The Board of Directors ("the Board") of Alliance Finance Co. PLC (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of Finance Companies Corporate Governance Direction No 05 of 2021.

The Board is responsible for ensuring the adequacy and effectiveness of the internal control mechanism of the Company. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records, generate reliable financial information and safeguard assets of the Company. The internal control mechanism can therefore provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the mechanism of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

Reviews of this process are conducted by the Board on a regular basis. On the basis of such reviews the Board expresses the view that the internal control mechanism over financial reporting in place is adequate to provide reasonable assurance regarding reliability of financial reporting and that the preparation of Financial Statement for external purpose is in accordance with relevant accounting principles and regulatory requirements.

Board 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 order to assess 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 Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

Given below are the key processes which have been established to review the adequacy and integrity of internal control, with respect of financial reporting:

- Establishment of various sub committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies and Procedures are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and approved by the Board.
- The Internal Audit Department of the company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control mechanism, on an ongoing basis during their process audits. The risk-based auditing approach is adopted by the company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Initiatives have been taken by Internal Audit Department to apply data analytics to review the large volume of transactions in a systematic manner and to enhance the real time monitoring. Independent and objective reports covering significant observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.
- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.
- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management. In order to ensure that key management personnel comply with laid down systems and procedures and implement the required internal control systems at their work locations, a procedure has been introduced to obtain an annual certification from the respective officers.
- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.
- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

Confirmation

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statements by External Auditors

The External Auditors, Messrs. Deloitte Associates, have reviewed the above Directors' Statement on Internal Control Over Financial Reporting included in this Annual Report of the Company for the year ended 31 March 2024 and reported to the board that nothing has come to their attention that caused 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 Controls over Financial Reporting of the Company. Their report on the Statement of Internal Control over Financial Reporting is given on page 185 of this Annual Report.

Statement on Prudential Requirements, Regulations and Laws

There are no material non-compliance to prudential requirements, regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non- Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non- compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,

Tamara Dharmakirti-Herath
Chairperson

Romani de Silva
Deputy Chairman/ Managing Director

de Silva

Priyanthi de Silva
Chairperson - Audit Committee

Alliance Finance Co. PLC

31 May 2024

Independent Assurance Report on the Directors' Statement on Internal Control

Deloitte.

Deloitte Associates
Chartered Accountants
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Colombo 04
Sri Lanka

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INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board of Directors of Alliance Finance Company PLC Report on the Directors 'Statement on Internal Control

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

Management's responsibility

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Licensed Finance Company. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka. This standard requires 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 purposes 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.

Deloitte.

Summary of work performed

- Enquired from the Board of Directors and the management to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.
- Reviewed the documentation prepared by the Directors to support their Statement.
- Related the Statement made by the Board of Directors to our knowledge of the Company obtained during the audit of the financial statements.
- Reviewed the minutes of the meetings of the Board of Directors and of other relevant Board Committees.
- Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes were in place to identify any significant matters arising.
- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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 License Finance Company 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 judgment, having regard to our understanding of the nature of the Licensed Finance Company, the event or transaction in respect of which the Statement has been prepared. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control over financial reporting of the Licensed Finance Company.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo

31 May 2024

Directors’ Responsibility for Financial Reporting

The following Statement sets out the responsibilities of the Directors in relation to the preparation and presentation of the Financial Statements of the Company as per sections 148 (1) , 150 (1), 151,152 and 153 (1) and (2) of the Companies Act No 07 of 2007.

The Directors confirm that the Company’s financial statements for the year ended 31st March 2024, are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, Finance Business Act No 42 of 2011 and the Companies Act No.07 of 2007. They believe that the financial statements present a true and fair view of the state of the affairs of the Company as at the end of the financial year. The financial statements comprise the statement of financial position as at 31st of March 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes thereto.

The Directors also accept the responsibility for the integrity and accuracy of the Financial Statements presented and confirm that the appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgment has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to ensure that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company to safeguard the assets of the Company,to prevent, deter and detect fraud, to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the date of the Statement of Financial Position has been paid for, or where relevant, provided for.
The Directors also wish to confirm that as required under Sections 166 (1) and167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report on time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange.

The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The External Auditors, Messrs, Deloitte Associates were provided with the opportunity to make appropriate inspections of financial records, Minutes of Shareholders’ and Directors’ meetings and other documents and carry out review and sample check on the system of internal controls as they consider appropriate and necessary to enable them to form an opinion on the Financial Statements. The Report of the Auditors is set out on pages 202 to 205.

By order of the Board
Alliance Finance Co.PLC

(Sgd.)
Alliance Management Services (Pvt) Ltd.
Secretaries

31 May 2024

Risk Management Report

GRI 2-23, 2-24, 2-26

AFC's Risk Management Approach

AFC's risk management approach is designed to facilitate well-informed decision-making anchored to robust risk principles. To achieve this objective, the Company has adopted an extensive Enterprise Risk Management (ERM) framework, which serves as the bedrock for proactively identifying, measuring ,responding ,monitoring and continuously reporting all significant risks encountered within AFC's risk universe. In addition, we have recently developed a risk and opportunity management system (ROMS) to deal with ESG risk. The Board approved ROMS analysis manage company wide and each high impact goal related risk and opportunities and actions for risk resilience and opportunities realization. ROMS is a restricted document due to its information sharing sensitivity. The ERM framework comprises four distinct, yet interlinked components:

- Risk Governance: Establishes a transparent organisational framework for overseeing risk management. Risk Governance includes Board Risk Committee, Executive Risk Management Committee, management of department level risk triggers, system security risk management, Sustainability and Climate related risk management framework and Company Sustainability Governance Structure.
- Risk Control Architecture: Defines the necessary risk control measures to direct business units and departments in addressing adverse impacts and capitalising on opportunities.
- Risk Management Process: comprehensive identification, assessment, Responding monitoring, and reporting of all significant risks encountered by the Company.
- Risk Awareness Culture: Fosters a culture of shared responsibility and encourages risk ownership across all levels of the Bank

Risk Universe

AFC operates within a diverse risk universe that encompasses various factors inherent to its operations and the broader economic environment. As a financial institution, the Company's risk universe consists of traditional financial risks such as credit risk, market risk, and liquidity risk, which stem from its lending, investment, and funding activities. Additionally, operational risks, including those related to systems, processes, and human error, play a significant role in the organisation's risk universe. Compliance risks associated with regulatory requirements and legal obligations further contribute to the complexity of AFC's risk universe. Moreover, social, environmental and governance factors also influence the Company's risk profile.

	Factors observed within AFC's Risk Universe for 2023/24	Key Risk Impacts to AFC	Mitigation action
Political	◉ Ongoing restrictions on vehicle imports Introducing new taxes	◉ Lack of demand for vehicle leasing solutions	◉ Product diversification with more emphasis on sustainable lending to the MSME sector ◉ Increasing stress level of parameters used to do the analysis and forecasting
Economic	◉ The overall macroeconomic environment presented a high threat level due to the combination of unfavourable developments including the indirect impacts of political instability, contraction in GDP due to the disruptions to all economic activities	◉ Low credit appetite for core lending products from the MSME sector, owing to prolonged stress caused by the economic slowdown and inflation-induced cost increases ◉ Potential adverse impact on credit quality due to weakened repayment capacity of customers attributed to lower disposable income of households	
Social	◉ Staff turnover increased in 2023/24 due to a combination of factors including migration and headhunting by competitors. Impacting the overall customer experience and putting pressure on specialized jobs due to losses of experienced and trained staff. ◉ Growing influence of social media	◉ High attrition rates among middle and junior executives ◉ Impacting the overall customer experience and putting pressure on specialized jobs due to losses of experienced and trained staff ◉ Increasing customer complain through social media	◉ Implement structured succession planning to build a reliable talent pool across all employee categories ◉ Established a separate department to attend the queries made through social media
Technology	◉ Emergence of Fintech companies in the post-COVID era ◉ Increased cyber security risk	◉ Challenge in attracting and retaining tech savvy customers, mainly millennials and gen Z's ◉ High operating costs associated with conventional products ◉ Potential cyber attacks are more dangerous and likely to target establishments that handle sensitive data	◉ Invest in digital technology to strengthen delivery channels and focus on developing innovative digital financial products ◉ External IT risk assessment and other IT security measures were implemented

	Factors observed within AFC's Risk Universe for 2023/24	Key Risk Impacts to AFC	Mitigation action
Legal	◉ New regulations , compliance requirement and directives	◉ Escalating costs of compliance and potential regulatory action on non compliance	◉ Demonstrate compliance leadership through full and transparent adherence to new directives
Environment and Climate	◉ Adverse climate events affecting agricultural activities, Client business, staffs mobility and operation of the AFC ◉ High energy cost due to increased temperature.	◉ Low demand for credit from affected sectors Increased the default in affected areas ◉ Affected branch operation ◉	◉ Strengthen ESG integration across every aspect of the core business ◉ Prompted smart irrigation, Climate adaptation investment and Solar Financing ◉ Environmental impact is considered when opening and relocating the branch

Risk Governance

The Board

The Board is ultimately responsible for managing the AFC's risks and is assisted by the Board Integrated Risk Management Committee (BIRMC) in this task. In addition, the executive functional units of the AFC are also held responsible for the effective implementation of the risk management strategies that have been approved by the Board.

As the highest authority in risk governance, the Board formulates the Company's Risk Appetite, encompassing the risk appetite statement and the fundamental principles governing the risk strategy and desired risk profile. Building upon this framework, the Board establishes specific risk tolerance limits for various risk categories and delineates essential policies and procedures to establish a control framework that reinforces risk fundamentals at the operational level.

Risk Committees

Risk Committees support the Board in carrying out risk oversight. Risk Committees provide functional oversight over various risk categories and in doing so recommend to the Board appropriate revision to the risk tolerance limits and policy frameworks in response to new developments across various risk categories. Operating under the delegated authority of the Board, these Committees oversee and advise Corporate Management on effectively implementing risk management frameworks. Risk Committees also play a vital role in reinforcing risk monitoring and reporting systems and in cultivating a culture of risk awareness throughout the entire organisation.

Assisting the Board in its Risk Management duties are several Board Sub-Committees. These mainly include the Board Audit Committee, Board Integrated Risk Management Committee, Credit Committee, Assets and Liabilities management Committee, Corporate Management Committee, Board Related Party Transactions Review Committee and the IT Steering Committee. Each Board Sub-Committee plays a vital role in reviewing the Risk Appetite and Tolerance limits under their purview, in the context of any changes in the operating environment and advising the Board on necessary amendments.

Three lines of defence

The three line of defence mechanism which establishes the ecosystem for the effective and timely management of risk in day-to-day operations, is a key component of AFC's risk governance model.

Risk Governance Structure at AFC

Third line of defence - internal and external auditors who are charged with providing independent assurances to the Board regarding the soundness and efficacy of the Company's risk management practices and conduct an objective assessment to determine organisation compliance with internal mandate and regulatory requirements.

Second line of defence the Risk Department which is entrusted with the responsibility of monitoring, measuring and reporting to the Management and the Board Integrated Risk Management Committee as well as independently verifying the implementation of the ERM framework by the First Line of Defense

First line of defence comprises risk owners (business units and departments) who are responsible for risk management in the day-to-day operations in line with established policies, procedures and internal controls established for their respective business functions. They operate under the supervision of Management-level Committees appointed for specific purposes.

Risk Control Architecture

Risk Control Architecture goes hand in hand with the Risk Management Process. The Bank's robust risk control architecture consists of the Board approved constitutional framework, including risk appetite parameters and related tolerance limits, key risk indicators, policies etc...

Risk Appetite and Tolerance Limits

Through the Risk Appetite, the Board delineates the extent and magnitude of risk that AFC is prepared to undertake to fulfil its goals. Stemming from the risk appetite, the Board has established detailed risk tolerance thresholds that set quantifiable limits across all risk domains. Tolerance limits form the basis of formulating risk policies and driving the risk management process for the purpose of managing over exposure to any single or cumulative risks that could hinder the achievement of the Company's strategic objectives.

Risk Tolerance Limits

Type of risk	Metric	Limit	Actual FY 2023/24
Credit risk	Gross NPL	<= 12%	9.38%
	6 + Ratio	<=5%	4.65%
	Single borrowing limit	LKR 150 Mn	LKR 53 Mn
	Group borrowing limit	LKR 200 Mn	LKR 53 Mn
	Unsecured borrowing single borrower	0.5% of the core capital	Nill
	Unsecured borrowing group of borrowers	2.5% of the capital funds	Nill
Liquidity risk	Statutory reserve ratio	>12%	13.82%
	Deposit renewal ratio	>75%	76.23%
Interest rate risk	% Impact on Net Interest Income from 100 bps shock	5% of the equity	1.50%
Foreign Exchange Rate risk	Net open position for FX exposure	<= + / - 5 %	4.9%
Capital risk	Total capital ratio	14%	14.38%
	Capital funds to deposits	>=25%	25.60%

Risk management Policies and Procedures

Risk management policies and procedures are ensured standardised approaches for the management of each risk category. These policies and procedures are tailored to facilitate the timely identification, measurement, mitigating ,monitoring and reporting of risks arising from the core business activities and operations. All policies are reviewed regularly and updated to ensure alignment with regulatory requirements, laws, corporate governance standards, business strategy and industry best practices.

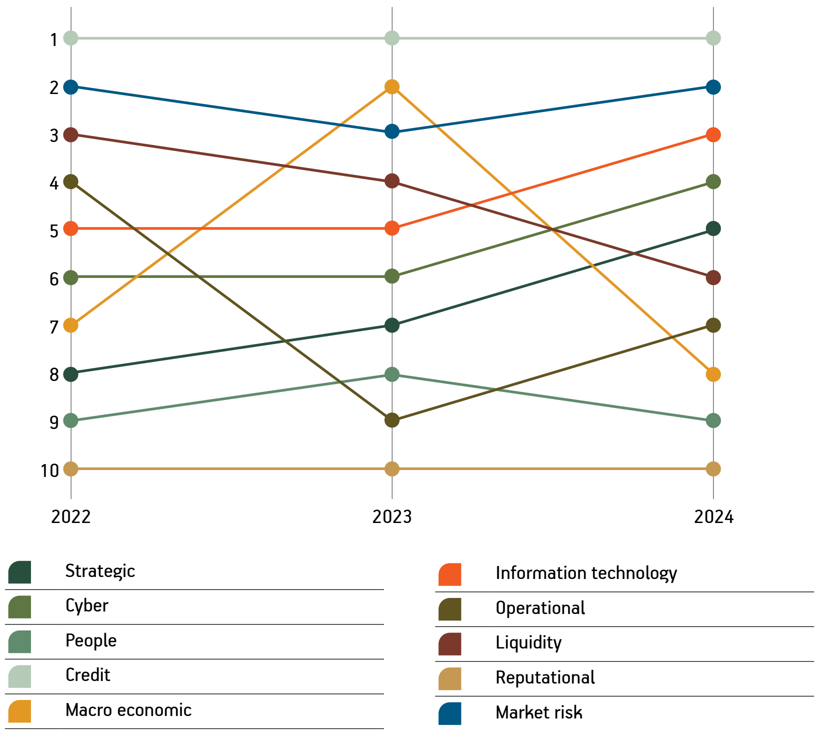
Risk Monitoring Tools - Stress Testing

Stress Testing is a crucial element of the AFC's Risk Control Architecture. It promotes risk identification and control; provides a complementary risk perspective to other risk management tools; improves the capital and liquidity management process; and enhances internal and external communication. A comprehensive Stress Testing Policy is in place and sets out the framework to assist the RMU to keep tabs on unexpected adverse outcomes arising from a wide range of risks, in turn supports decision making regarding liquidity and capital adequacy.

Risk Awareness Culture

To support its holistic approach to risk management, AFC seeks to promote a strong risk awareness culture at all levels of the organisation, where all employees are expected to be fully aware of and execute their duties within the boundaries established by the ERM framework for their respective area of operation. To further reinforce adherence to these principles, the Risk Department conducts regular training and other capacity building initiatives.

Top Risks Over the Last 3 Year (%)



Credit Risk

Credit Risk, which is the most material risk for any financial institution, stems from the possibility of financial loss due to customers failing to fulfil their contractual obligations promptly. For AFC, credit risk materialises primarily through loans extended to retail and MSME customers. The Company categorises Credit Risk into two main types: Default Risk, and Credit Concentration Risk.

A robust Credit Risk Management Policy acts as the cornerstone, directing the Board, Risk Committees, and the Risk Department in effectively managing default risk and credit concentration risks. This policy, alongside the Credit Operations Manual, set out clear directives to guide risk owners towards engaging in prudent lending with a view to mitigating credit risk as much as possible. Complementing these directives are meticulously outlined internal procedures, including product specific directives, delineating responsibilities and duties at every stage of the lending process from loan origination and pre-credit evaluation to credit administration and post-credit monitoring.

Moreover, the Credit Committee regularly revisits and revises the Credit Policy and lending guidelines, aligning them with evolving market conditions, industry dynamics, and the needs of various business segments.

Monitoring of Credit Risk revolves on the Company's NPL ratio across asset classes as well as various categories, including sector-wise, geography-wise etc. In addition, the AFC's NPL ratio is compared with peers and industry for benchmarking.

Credit Risk Context and Strategy for FY 2023/24

Influenced by the fallout from the 2022 economic crisis, economic activity remained subdued in the first half of the year, but made a remarkable turnaround in the latter part of the year, thanks to the consistent policy reforms implemented by the government as part of the IMF-led structural reform effort. Revival of the tourism sector along with incremental growth in inward remittances was also partly responsible for the economic resurgence seen toward the end of 2023.

Maintaining credit quality, especially in the first half proved to be a challenge for AFC, prompting the Company to strengthen recovery and collection efforts. It is worth noting that recovery efforts came under pressure owing to the squeezing borrowers' disposable income due to new taxes and cost based pricing for energy . In response to these challenges, the Company resorted to a prudent approach to credit expansion based on stringent underwriting principles.

Meanwhile monitoring of credit risk was also further tightened with the Risk Department enhancing its stress testing considering the following scenarios;

- Downgrading Impairment Stage
- Increased in LGD
- Decrease in Collateral Value
- Forecasting impact to the gold advances under stressed price scenarios

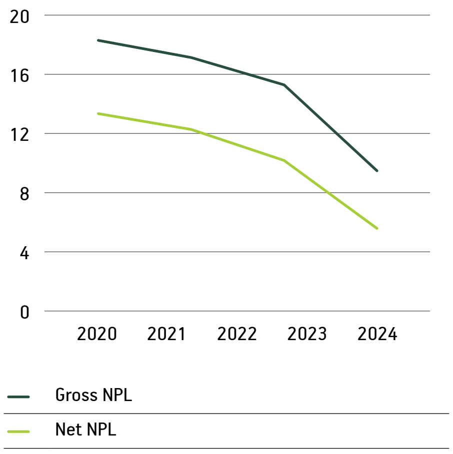
A culmination of these efforts saw AFC's credit risk remained elevated in the first half, gradually tapering off towards the end of the current year.

Credit Risk Outlook for 2024 and Beyond

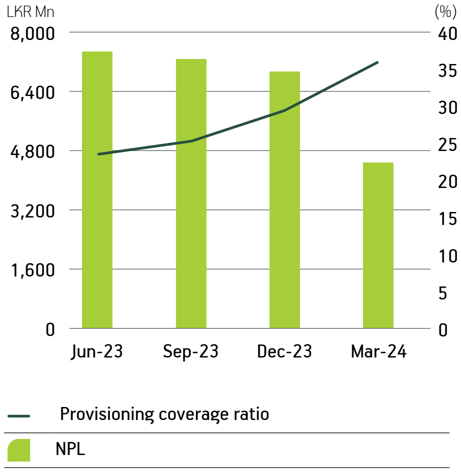
Although there were initial indications of an economic comeback towards the end of 2023, the local economy still lacks evidence of a sustained growth momentum. Consequently, the Credit Risk outlook is anticipated to remain unchanged, at least through the initial half of 2024. The potential for negative outcomes is expected to worsen, particularly due to ongoing worries about upcoming elections, potential tax increases, and fluctuating currency values. Moreover, the looming threat of a global recession adds to the overarching concerns for the future.

However, on a positive note, the ongoing IMF-led reform program, aimed at systematically addressing inherent structural weaknesses in the economy, is expected to bolster investor confidence and facilitate more cohesive growth across all economic sectors. Notably, the revival of the tourism sector is anticipated to serve as a significant driver of economic activity in 2024. Additionally, domestic manufacturing is poised for expansion, while export-oriented manufacturing may face contraction due to deepening global recessionary conditions. Despite challenges such as reduced disposable income and high input costs, the local construction sector stands to benefit from the resumption of government infrastructure projects, which will spur activity in construction-related ventures.

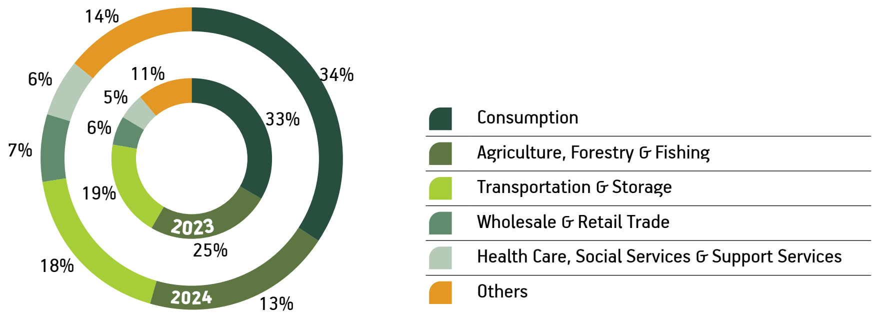
Gross NPL ratio and net NPL ratio (%)



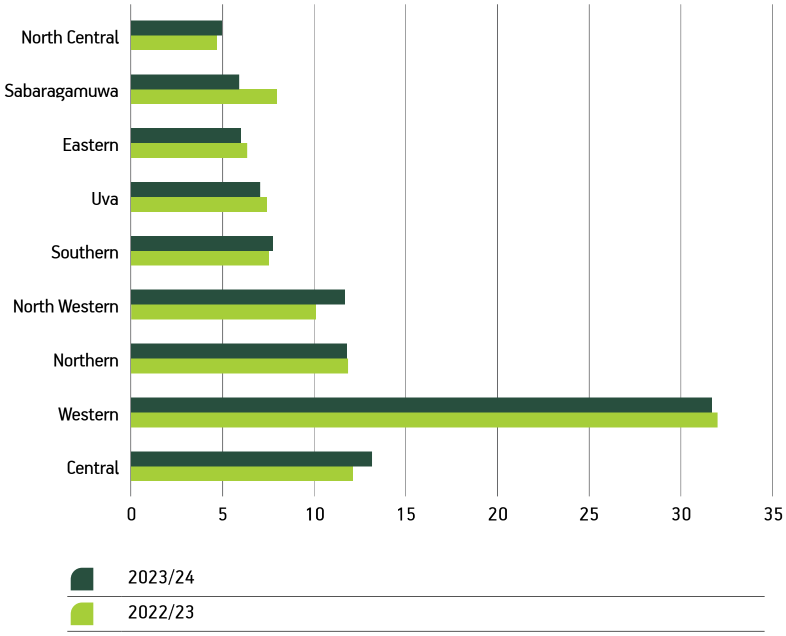
Provisioning Coverage



Sector wise Exposure (%)



Geographical distribution (%)



Market Risk

Market risk refers to the possibility of financial losses influenced by fluctuations in various factors, including interest rates, exchange rates, activity in equity markets, and commodity prices. As such, it comprises four fundamental elements. Therefore the management of market risk involves four distinct components - Interest Rate Risk, Foreign Exchange Risk, Commodity Price Risk and Equity Risk.

The Company's Asset and Liability Committee (ALCO) is charged with the responsibility of managing all components of Market Risk.

Interest Rate Risk (IRR)

Interest Rate Risk refers to the current or potential risk to AFC's capital and earnings arising from adverse movements in interest rates.

The Assets and Liabilities Management Policy provides the foundation for managing IRR.

Interest rate sensitive gap LKR Mn

Time band	0 to 1 month	0 to 3 month	0 to 6 month	0 to 12 month
Interest bearing assets	8,912.98	17,061.76	22,018.58	34,172.79
Interest bearing liabilities	4,310.84	13,306.61	20,052.54	31,918.81
Net rate sensitive Gap	4,602.14	3,755.15	1,966.04	2,253.99
Interest rate sensitive ratio	207%	128%	110%	107%

Analysis of impact on net interest income due to re-pricing

Annual Impact on NII rate hike	2023		2024	
	Parallel up	Parallel down	Parallel up	Parallel down
1%	110	(110)	107	(107)
2%	220	(220)	214	(214)
3%	331	(331)	321	(321)

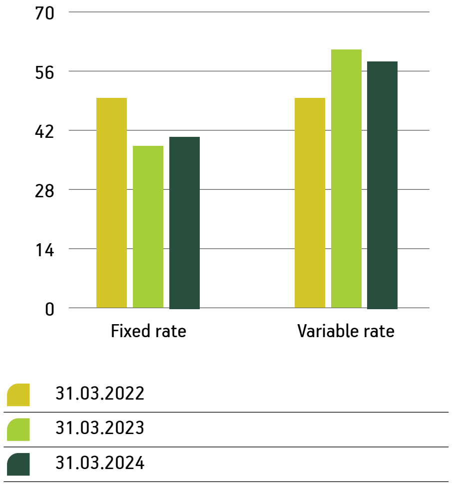
IRR Context and Strategy for FY 2023/24

Market interest rates witnessed a declining trend following the conclusion of the Domestic Debt Restructuring (DDO) programme in mid-2023. The declining interest rates have a positive impact on AFC, considering the maturity mismatch between asset and liability portfolios.

However, as part of the overall IRR management approach for the year, the ALCO continued to closely monitor the interest rate movements to determine appropriate strategies for managing asset and liability portfolios to reduce rate sensitivity between the portfolios. Accordingly, it was decided to promote lending products with shorter re-pricing cycles alongside efforts to leverage the low interest rates to negotiate fixed rate long term borrowings. Internally stress testing was also conducted to measure the impact on net interest income due to interest rate changes

IRR Metrics for 2023/24

AFC Borrowings Mix (%)



IRR Outlook for 2024 and Beyond

Anticipated adjustments in market interest rates are expected to follow a downward trajectory, aligning with relaxed monetary policies and administrative measures aimed at reducing overall lending rates. Additionally, yields on government securities are forecasted to further decrease, supported by diminishing risk premiums. Overall the greater stability in interest rates bode well for AFC.

Foreign Exchange Rate Risk

Foreign Exchange Rate Risk pertains to potential losses within a foreign currency-denominated investment portfolio and borrowing due to fluctuations in the relative values of the currencies involved.

Foreign Exchange Rate Risk Context and Strategy for FY 2023/24

A high degree of exchange rate volatility was observed in the first half of the year, mainly as a consequence of the spillover effects from the 2022 foreign currency shortage. Speculation regarding the non-finalisation of the Domestic Debt Optimisation (DDO) also had a notable impact on currency instability. As a result, the fluctuations of the LKR were seen persisting in the first half of 2023, with the impact seen across various sectors and raising concerns about inflation and the overall economic stability in Sri Lanka. .However, supported by broad based policy reforms to reign in economic instability coupled with sustained improvements in foreign reasoning saw the LKR appreciating by 11.65% during the twelve months ending 31st December 2023.

In order to manage the foreign currency risk , AFC continued to engage in proactive foreign currency swaps and back to back loans aiming at reducing the exposure to exchange rate fluctuations. These actions helped safeguard the Company's repayment capacity of foreign borrowings

Foreign Exchange Risk Outlook for 2024 and Beyond

The stability of LKR during the next year will depend on the progress made by the government in its external debt restructuring efforts along with the continuity of the IMF structural reform programmes , government policy changes , progress made on remittances and potential progress on tourism earnings.

Commodity Price Risk

Commodity price risk refers to the uncertainties of future market values and the size of the future income caused by the fluctuation in the prices of commodities. As AFC engages in the gold loan business, the company is subjected to the commodity price volatility. Gold price risk could arise from either of adverse movement in the local and international gold prices or exchange rates. The Gold Loan business reflects 22% of the total loan portfolio. Given the significance of the gold loan business to the company's overall lending position, fluctuation in the gold price could have an adverse impact on earnings.

Commodity Price Risk Context and Strategy for FY 2023/24

Although significant volatility was observed in world gold prices owing to rising geopolitical tensions during the year, these shifts were not reflected in the domestic gold prices, which remained relatively stable throughout the year. Nonetheless, the Company continued with its approach to focus on short term exposures through the Gold Loan portfolio, in order to safeguard against adverse impacts due to fluctuations in gold prices.

At the same time, the continued proactive monitoring of gold price movements to ensure price movements were appropriately reflected in advance rate offered by the company. From an operational perspective regular auction were carried out. On a prudent basis, additional management overlays were also booked to account for potential auction loss.

Commodity price Outlook for 2024 and Beyond

Future gold prices in the world market will depend largely on geo political tension as well as the federal reserve rates, while on the local front gold prices are expected to fluctuate based on the exchange rate, and household disposable incomes

Equity Risk

Equity risk refers to the impact on AFC's equity portfolio due to adverse movements in stock market prices. AFC's exposure to equity risk was minimal as at 31 March 2024. Value at Risk model used to measure the probable risk of the equity portfolio.

Liquidity Risk

Liquidity Risk arises due the insufficient availability of liquid funds to meet AFC's contractual and contingent financial obligations promptly as they fall due. As a financial institution, AFC's liquidity Risk is associated with the maturity mismatch between assets and liabilities portfolios.

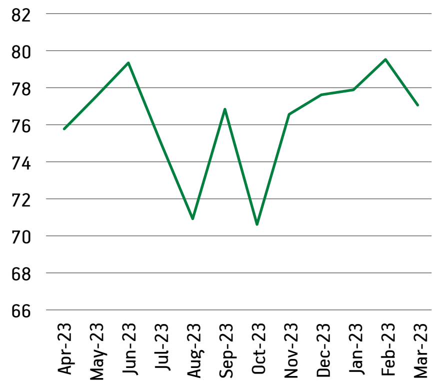
Liquidity Risk Management

The Board approved Assets and Liability Management Policy and Liquidity management Policy creates the foundation for managing Liquidity Risk by ensuring adequate funding to support business activities throughout market cycles, even during severe economic headwinds. Towards this end, the Company focuses on a combination of foreign funding and local facilities at competitive rates to bridge the maturity mismatch and maintain a consistently low Liquidity Risk profile

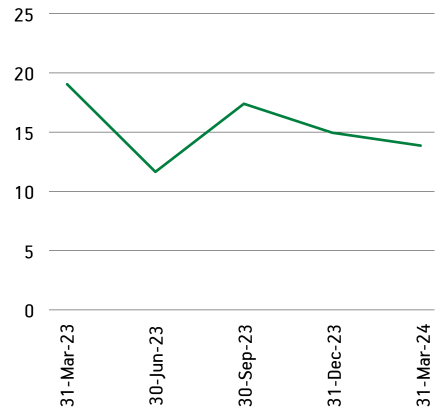
The responsibility for Liquidity Risk management is vested with ALCO . The ALCO oversees Liquidity Risk by monitoring, reporting, analysing, proposing, setting limits and guidelines, and also undertakes the responsibility for formulating and implementing plans related to Liquidity Risk management. Regular ALCO meetings are conducted to monitor the Company's liquidity position, and the Committee informs the Board of Directors of sources of Liquidity Risk mitigation actions through the BIRMC.

The Treasury Department prepares forecasted cash flow statements and Gap Analysis, to assess the Company's future funding requirements, with the findings presented at ALCO meetings. Additionally, the Treasury tracks the Liquidity Coverage Ratio and statutory liquid assets Ratio to monitor the Company's liquidity position.

Deposit renewal ratio (%)



Statutory liquid assets ratio (%)



Maturity bucket	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
Total Financial Assets	567	17,038	15,158	12,623	2,977	91
Total Financial Liabilities	1,051	10,403	16,568	10,468	5,422	55
Individual Gap	(484)	6,634	(1,410)	2,155	(2,445)	36
Cum Gap	(484)	6,150	4,740	6,895	4,451	4,487

Liquidity Risk Context and Strategy for FY 2023/24

In 2023, AFC's Liquidity Risk remained a concern especially amidst sluggish economic growth, elevated inflationary pressures, and high interest rates in the first half of the year. Consequently, stress tests were performed by discounting key cash inflows and assigning higher weightage to stressed cash flows, with the ALCO using the findings of these stress tests used to mobilise appropriate mitigation methods. Several new liquidity monitoring metrics were also developed to enable continuous monitoring and support cash flow projections to ensure statutory liquidity assets ratio remained well above the regulatory limit throughout the year.

The ALCO further undertook to review the Liquidity Management Policy, while the services of an independent foreign consultant was sought to review and suggest updates to the Company's Liquidity and Asset and Liability Policies.

The Company maintained a statutory liquidity assets ratio well above the regulatory limit., Strengthened the contingency funding arrangements using standby facilities, Regular ALCO meetings were held and the Committee monitored the liquidity position of the Company, Maintained the deposit renewal ratio at an acceptable level,and maintained close relationship with lenders

Operational Risk

Operational Risk refers to potential losses arising from inadequate or failed internal processes, personnel, and systems, as well as external events like natural disasters or social and political occurrences. Operational Risk also includes legal risk but excludes strategic and reputational risk

Operational Risk Management

Several frameworks, including the Operational Risk Management Policy and the ISO 22301:2019 certified Business Continuity Management System (BCMS), create the platform for managing Operational Risk at AFC.

Within the BCMS, the Business Continuity Plan and Disaster Recovery Plan provide a comprehensive framework for the swift resumption of business in the event of an unforeseen disruption. As part of the BCMS, scheduled drills are carried out to test the resilience of BCP and test the Disaster Recovery responsiveness of the core system.

In addition, AFC's internal audit function plays a key role to assure the efficacy of internal control mechanisms adopted by the operational departments, while the annual BCMS certification audit provides independent assurance regarding the business continuity and disaster recovery systems.

Operational risks are broadly discussed at the operational risk committee meeting and necessary actions and mitigations are taken at that meeting to address the operational risk based on the Company.

IT & Cybersecurity Risk

IT and Cybersecurity Risks arise as a consequence of inadequate or inappropriate controls in system investment in technology systems resulting in loss of competitive position and thereby lower market share. Similarly Cybersecurity risks which could include system failures, software vulnerabilities, and data breaches can also have profound implications on the Company's operations.

IT & Cybersecurity Risk Management

Given that AFC has only recently commenced its journey towards technology adoption, the Board established a new IT Steering Committee and Information Security Steering Committee to oversee the appropriate policy development process for the effective management of IT& Cybersecurity Risk.

Following additional measures were implemented during the year to manage the IT & Cybersecurity risk

1. Conducted IT security vulnerability assessment through a professional IT security firm
2. Server monitoring tool implemented
3. Security confirguration made for e-mail services
4. Training was conducted for cyber security

Strategic Risk

Strategic Risk pertains to potential adverse impact on the Company's performance, prospects, and reputation stemming from ineffective strategic decisions, resulting in missed business opportunities or failure to address potential threats. Strategic Risk is well managed under the stewardship of AFC's Board of Directors.

Strategic Risk is well managed through the Board-approved annual strategic plan that outlines AFC's future trajectory through a series of long-term goals, objectives, and priorities, alongside the necessary actions to achieve them in harmony with the Company's core purpose. Continuous environmental scans and PESTLE analysis inform the Board about areas that warrant strategic recalibration.

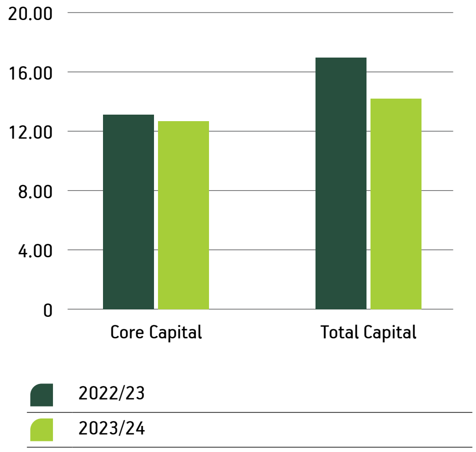
Capital Risk

Capital risk is the risk that the Company has insufficient capital resources to meet minimum regulatory capital requirements, to meet timely debt obligations, support credit rating and achieve strategic objectives. The main objective of capital is to withstand unexpected losses. For a financial institution capital is a buffer which could be utilized to absorb unseen losses which asserts the company's ability to continue its operation for a foreseeable future. The company's capital management process is steered with the aim of holding sufficient capital to support company's risk appetite while adhering to regulatory requirements..

Compliance Risk

Compliance Risk refers to the potential impact to the Company's profitability and reputation owing to non-compliance of regulatory requirements. Compliance Risk is managed through the direct involvement of the Board. The Board's role in managing Compliance Risk encompasses setting the tone at the top, establishing clear policies and procedures to ensure adherence to regulatory standards and ethical principles. By providing strategic guidance and direction, the Board also seeks to foster a culture of compliance throughout the organisation, emphasising the importance of integrity and accountability in all business activities. As part of this approach, the Board actively engages with management to assess compliance levels through regular analysis of compliance reports to help determine the potential risk exposure.

Capital Adequacy Ratios (%)



ESG Risk

ESG Risk refers to the potential loss or reputational damage due to inadequate focus on environmental, social and governance aspects through the core business.

AFC has always demonstrated a firm commitment to managing ESG (Environmental, Social, and Governance) risk. For over a decade the Company has made sure its lending models are framed around the principles of the IFC's exclusion list.

Recognising the importance of sustainability and responsible business practices, AFC has continued to systematically integrate ESG considerations into its decision-making processes across all levels of operations through its Sustainability Policy and Environment and Climate Action Policy.

In a bid to further prove its commitment towards advancing ESG integration, the Company developed a comprehensive ESMS (Environmental Sustainability Management System) to enable ESG risk assessment on all new lending exposures across all core lending models. In addition, the Company recently launched a series of 3 High Impact Goals (HIG) to create a platform to drive its ESG activities in a more systematic and meaningful manner to derive sustained benefits over time.

ESG risk management strategy and future outlook are elaborated in governance section. We adopted Environmental and Climate action policy, Sustainability policy and Risk and opportunity management system with regard to policy adaptation

Elevating Business

Our ethos is shaped and heavily influenced by the legacy we will leave behind, a world made better than before.

“Our longevity will be determined by our actions, led by a strategy that looks to a brighter future”

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TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alliance Finance Company PLC ("the Company") and the consolidated financial statement of the company and its subsidiary ("the Group") which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

Impairment of loans and receivables

Risk description	How our audit addressed the key audit matter
Refer to the accounting policy section 2.11.3 Impairment of financial assets and Notes 23 to 25 to the financial statements. As at 31 March 2024, total amount of lease receivables, loans and advances amounted to LKR 47,786 million, with a total allowance for impairment of LKR 1,682 million. Total net amount of loans and receivables contribute 77% to the total assets. Management assesses whether the credit risk of loans and receivables to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss (ECL). ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows: The impairment of loans and receivables using the ECL model was considered as a key audit matter due to factors such as: ◉ The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions. ◉ The magnitude of the reported amounts of loans and receivables to customers and the impairment allowances thereof. ◉ The determination of expected loss rates in an uncertain economic environment	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and receivables to customers in line with SLFRS 9 adopted, included the following: ◉ Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process (including evaluation of impairment of loans and receivables), and underlying information systems. ◉ Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired. ◉ Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management. ◉ Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information. ◉ To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans requiring impairment. ◉ For loans and receivables individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation. ◉ Checking the underlying calculations and data on a sample basis for accuracy and completeness. ◉ Assessing the accuracy and sufficiency of related disclosures.

Other Matter

The financial statements of Alliance Finance Company PLC for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with 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 3991.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo

31 May 2024

Statements of Profit or Loss

		Company		Group	
For the year ended 31st March	Notes	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross Income	6	13,926,094,250	12,420,568,123	14,063,875,468	12,525,096,443
Interest income		13,184,634,453	11,946,843,634	13,200,296,688	11,959,844,861
Interest expenses		(7,297,688,560)	(7,411,342,695)	(7,286,440,505)	(7,395,214,020)
Net Interest Income	7	5,886,945,893	4,535,500,939	5,913,856,183	4,564,630,841
Fee and commission income	8	318,390,667	182,764,216	413,481,566	272,637,751
Net gain / (loss) from trading	9	(22,928,907)	16,315,769	(24,710,704)	13,779,786
Other operating income	10	445,998,037	274,644,504	474,807,918	278,834,045
Total Operating Income		6,628,405,690	5,009,225,428	6,777,434,963	5,129,882,423
Impairment charges for loans and other losses	11	(335,708,297)	(274,638,036)	(335,708,297)	(274,638,036)
Net Operating Income		6,292,697,393	4,734,587,392	6,441,726,666	4,855,244,387
Operating Expenses					
Personnel expenses	12	(1,604,634,943)	(1,219,117,857)	(1,618,466,326)	(1,231,220,988)
Other operating expenses	13	(2,170,173,504)	(2,004,309,715)	(2,180,701,749)	(2,020,716,220)
Depreciation and amortization	14	(169,449,679)	(162,069,603)	(170,136,539)	(162,752,147)
Total operating expenses		(3,944,258,126)	(3,385,497,175)	(3,969,304,614)	(3,414,689,355)
Operating Profit before Taxes on Financial Services		2,348,439,267	1,349,090,217	2,472,422,052	1,440,555,032
Taxes on financial services	15	(668,603,605)	(419,432,886)	(668,603,605)	(419,432,886)
Operating Profit after Taxes on Financial Services		1,679,835,662	929,657,331	1,803,818,447	1,021,122,146
Share of profit from associate		18,031,098	21,068,498	18,031,098	21,068,498
Profit before Taxation from Operations		1,697,866,760	950,725,829	1,821,849,545	1,042,190,644
Provision for income taxation	16	(780,987,408)	(445,801,882)	(813,288,033)	(482,740,665)
Profit for the year		916,879,352	504,923,947	1,008,561,512	559,449,979
Profit attributable to :					
Equity holders of the company		916,879,352	504,923,947	975,500,926	532,796,238
Non controlling interest		-	-	33,060,586	26,653,741
Profit for the year		916,879,352	504,923,947	1,008,561,512	559,449,979
Basic Earnings Per Share	17	27.21	14.98	28.95	15.81
Dividend Per Share	18	8.40	5.00	8.40	5.00

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

Statements of Comprehensive Income

For the year ended 31st March	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Profit for the year		916,879,352	504,923,947	1,008,561,512	559,449,979
Other Comprehensive Income					
Other Comprehensive Income not to be Reclassified to Profit or Loss					
Actuarial gains on defined benefit plans	42	15,519,237	69,304,725	14,130,047	70,635,125
Deferred tax effect on above		(4,655,771)	(20,791,418)	(4,655,771)	(20,791,418)
		10,863,466	48,513,307	9,474,276	49,843,707
Surplus from revaluation of land and buildings	33	529,154,857	-	529,154,857	-
Deferred tax effect on land		(90,269,862)	-	(90,269,862)	-
Deferred tax effect on building		(68,476,595)	-	(68,476,595)	-
		370,408,400	-	370,408,400	-
Equity investments at FVOCI - net change in fair value and disposal gain / (loss)		41,220,588	(7,105,330)	41,220,588	(7,105,330)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		422,492,454	41,407,977	421,103,264	42,738,377
Total Comprehensive Income for the year		1,339,371,806	546,331,924	1,429,664,776	602,188,356
Attributable to:					
Equity holders of the company		1,339,371,806	546,331,924	1,396,604,190	575,534,615
Non controlling interest		-	-	33,060,586	26,653,741
Total Comprehensive Income for the year		1,339,371,806	546,331,924	1,429,664,776	602,188,356

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

Statements of Financial Position

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As at 31st March	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Assets					
Cash and cash equivalents	21	1,037,507,757	566,946,383	1,136,828,171	624,723,130
Repurchase agreements		962,606,909	250,154,110	962,606,909	250,154,110
Placements with banks & financial institutions		3,246,352,935	4,905,611,281	3,383,898,083	4,919,075,748
Financial assets recognised through profit or loss	22	3,508,968,758	3,130,690,272	3,508,968,758	3,130,690,272
Loans and advances - at amortised cost	23	23,506,870,064	17,449,867,823	23,506,870,064	17,449,867,823
Lease rentals receivable & stock out on hire - at amortised cost	24	22,597,190,332	21,552,425,839	22,597,190,332	21,552,425,839
Hire purchase rentals receivable & stock out on hire - at amortised cost	25	-	-	-	-
Financial assets- fair value through other comprehensive income	26	317,703,694	182,705,621	317,703,694	182,705,621
Other trading stocks	27	85,653,478	59,653,942	85,653,478	59,653,942
Other financial assets	28	458,631,541	415,454,128	450,152,849	417,933,228
Other non financial assets	29	257,537,354	173,787,786	265,196,987	174,283,305
Investments in associates	30	110,332,180	70,906,846	128,484,547	97,412,381
Investments in subsidiaries	31	16,924,038	16,924,038	-	-
Investment property	32	187,680,000	163,200,000	295,680,000	253,200,000
Property, plant & equipment	33	3,202,649,652	2,595,446,980	3,202,950,925	2,596,074,215
Intangible assets	34	147,087,856	139,188,404	147,169,590	139,461,804
Right of use asset	35.1	356,347,453	365,346,690	356,347,453	365,346,690
Deferred tax assets	43	174,526,137	209,616,678	175,796,752	210,498,249
Total Assets		60,174,570,138	52,247,926,821	60,521,498,592	52,423,506,357
Liabilities					
Due to banks	36	20,310,185,391	22,571,002,700	20,310,185,391	22,571,002,700
Due to depositors - at amortised cost	37	28,387,365,249	20,475,847,835	28,386,553,614	20,390,703,071
Other financial liabilities	38	1,129,788,584	522,582,852	1,159,602,656	558,574,175
Other non financial liabilities	39	219,237,671	87,430,046	219,237,671	88,295,195
Derivative financial liabilities	40	5,379,033	36,175,016	5,379,033	36,175,016
Income tax liabilities	41	928,513,196	708,410,305	938,772,455	722,146,198
Retirement benefit obligations	42	52,103,008	48,489,232	56,338,393	50,962,873
Deferred tax liabilities	43	663,298,289	478,434,654	668,778,398	478,434,654
Lease Liability	35.2	349,669,731	361,416,001	349,669,731	361,416,001
Total Liabilities		52,045,540,152	45,289,788,641	52,094,517,342	45,257,709,883

As at 31st March	Notes	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Shareholders' Funds					
Stated capital	44	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	45	4,509,940,679	3,761,997,661	4,675,362,989	3,870,187,587
Reserves	46	3,005,109,307	2,582,160,519	3,005,109,307	2,582,160,519
Total Equity Attributable to Equity Holders of the Company		8,129,029,986	6,958,138,180	8,294,452,296	7,066,328,106
Non controlling interest		-	-	132,528,954	99,468,368
Total Equity		8,129,029,986	6,958,138,180	8,426,981,250	7,165,796,474
Total Liabilities and Shareholders' Funds		60,174,570,138	52,247,926,821	60,521,498,592	52,423,506,357
Contingent liabilities and commitments	47	820,666,741	857,880,137	820,666,741	857,880,137
Net assets value per share (LKR)	19	241	206	246	210

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

Certification

I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.

Dimuthu Tillekeratne
Chief Financial Officer

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

Kusal Jayawardana
Deputy Managing Director

Romani De Silva
Deputy Chairman & Managing Director

31 May 2024
Colombo

Statements of Changes in Equity

	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
Company	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balances as at 1st April 2022	613,980,000	977,236,040	1,223,390,151	388,258,055	(21,728,358)	-	3,500,238,368	6,681,374,256
Profit for the year	-	-	-	-	-	-	504,923,947	504,923,947
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	48,513,307	48,513,307
Equity investments at FVOCI - net change in fair value & Disposal profit	-	-	-	-	(7,105,330)	-	-	(7,105,330)
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(3,136,236)	-	3,136,236	-
Revaluation Surplus	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	25,246,197	-	-	-	-	(25,246,197)	-
Dividend paid	-	-	-	-	-	-	(269,568,000)	(269,568,000)
Balances as at 31st March 2023	613,980,000	1,002,482,237	1,223,390,151	388,258,055	(31,969,924)	-	3,761,997,661	6,958,138,180
Balances as at 1st April 2023	613,980,000	1,002,482,237	1,223,390,151	388,258,055	(31,969,924)	-	3,761,997,661	6,958,138,180
Profit for the year	-	-	-	-	-	-	916,879,352	916,879,352
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	10,863,466	10,863,466
Equity investments at FVOCI - net change in fair value	-	-	-	-	41,220,588	-	-	41,220,588
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(34,524,168)	-	34,524,168	-
Revaluation Surplus	-	-	370,408,400	-	-	-	-	370,408,400
Transfer to statutory reserve	-	45,843,968	-	-	-	-	(45,843,968)	-
Dividend paid	-	-	-	-	-	-	(168,480,000)	(168,480,000)
Balances as at 31st March 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	-	4,509,940,679	8,129,029,986

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
Group	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balances as at 1st April 2022	613,980,000	977,236,040	1,223,390,151	388,258,055	(21,728,358)	72,478,808	3,588,577,822	6,842,192,518
Profit for the year	-	-	-	-	-	26,653,741	532,796,238	559,449,979
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	335,819	49,507,888	49,843,707
Equity investments at FVOCI - net change in fair value & Disposal profit	-	-	-	-	(7,105,330)	-	-	(7,105,330)
Transfer of realized profit on equity instrument disposal to retained earning	-	-	-	-	(3,136,236)	-	3,136,236	-
Revaluation Surplus	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	25,246,197	-	-	-	-	(25,246,197)	-
Dividend paid	-	-	-	-	-	-	(278,584,400)	(278,584,400)
Balances as at 31st March 2023	613,980,000	1,002,482,237	1,223,390,151	388,258,055	(31,969,924)	99,468,368	3,870,187,587	7,165,796,474
Balances as at 1st April 2023	613,980,000	1,002,482,237	1,223,390,151	388,258,055	(31,969,924)	99,468,368	3,870,187,587	7,165,796,474
Profit for the year	-	-	-	-	-	33,060,586	975,500,926	1,008,561,512
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	9,474,276	9,474,276
Equity investments at FVOCI - net change in fair value	-	-	-	-	41,220,588	-	-	41,220,588
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(34,524,168)	-	34,524,168	-
Revaluation Surplus	-	-	370,408,400	-	-	-	-	370,408,400
Transfer to statutory reserve	-	45,843,968	-	-	-	-	(45,843,968)	-
Dividend paid	-	-	-	-	-	-	(168,480,000)	(168,480,000)
Balances as at 31st March 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	132,528,954	4,675,362,989	8,426,981,250

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

Statements of Cash Flows

For the year ended 31st March	Note	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense		1,697,866,760	950,725,829	1,821,849,545	1,042,190,644
Adjustments for;					
Depreciation of property, plant & equipment	14	158,683,135	150,711,053	159,178,329	151,201,931
Amortization of intangible assets	14	10,766,544	11,358,550	10,958,210	11,550,216
Amortization of right of use asset	35	128,590,164	127,702,817	128,590,164	127,702,817
Interest expense on lease liability		45,325,284	44,022,441	45,325,284	44,022,441
Impairment provision /(reversal)	11	106,846,334	40,334,682	106,846,334	40,334,682
Interest on fixed deposits, commercial paper & treasury bills		(405,447,590)	(243,766,340)	(421,109,825)	(256,767,567)
Fair value gain on investments (FVTPL)		(7,172,338)	-	(7,172,338)	-
Fair value gain on investment property	32	(24,480,000)	(3,609,900)	(42,480,000)	(7,949,484)
Bad debt written-off	11	228,861,963	234,303,354	228,861,963	234,303,354
Diminution/(appreciation) in value of treasury bonds		-	2,753,591	-	2,753,591
Loss/(profit) on disposal of property, plant & equipment		(78,391,610)	(12,652,649)	(78,391,610)	(12,652,649)
Loss/(profit)from sale of vehicle		(43,035,311)	3,122,258	(43,035,311)	3,122,258
Loss/(profit) on disposal of real estates		(4,503,313)	(9,105,101)	(4,503,313)	(9,105,101)
Provision for defined benefit plans	42	59,869,919	64,321,756	60,563,055	65,228,272
Dividend received		(12,264,186)	(29,789,738)	(19,219,784)	(20,174,158)
Share of (profit) from associates	30	(18,031,098)	(21,068,498)	(18,031,098)	(21,068,498)
Operating Profit before Working Capital Changes		1,843,484,657	1,309,364,105	1,928,229,605	1,394,692,749
(Increase)/decrease in trading stock		21,539,088	53,647,645	21,539,088	53,647,645
(Increase)/decrease in loans and advances	23	(6,123,554,884)	(2,602,720,732)	(6,123,554,884)	(2,602,720,732)
(Increase)/decrease in lease rentals receivable	24	(1,314,894,397)	3,627,297,790	(1,314,894,397)	3,627,297,790
(Increase)/decrease in hire purchase rentals receivable	25	974,249	10,858	974,249	10,858
(Increase)/decrease in fixed deposits & repurchase agreements		946,805,547	(4,617,840,183)	822,724,866	(4,631,304,650)
(Increase)/decrease in other financial assets		(43,177,413)	220,886,321	(32,219,621)	212,723,365
(Increase)/decrease in other non financial assets		65,518,509	133,102,711	58,354,394	89,060,073
(Increase)/decrease in derivative financial liabilities		(30,795,983)	119,098,210	(30,795,983)	119,098,210
Increase/(decrease) in amounts due to depositors	37	7,911,517,414	5,794,472,153	7,995,850,543	5,709,327,389
Increase/(decrease) in other financial liabilities		550,134,179	(830,273,099)	543,956,927	(784,818,486)
Increase/(decrease) in other non financial liabilities		131,807,625	(96,676,127)	130,942,477	(95,810,979)
Cash generated from/(used in) Operations		3,959,358,591	3,110,369,652	4,001,107,264	3,091,203,231
Retirement benefit liabilities paid	42	(40,736,908)	(27,744,250)	(40,736,908)	(27,744,250)
Investment in gratuity fund	42	-	(40,212,220)	-	(40,212,220)
Taxes paid	41	(504,332,568)	(655,567,767)	(535,339,343)	(676,481,543)
Net cash generated from/(used in) operating activities		3,414,289,115	2,386,845,415	3,425,031,013	2,346,765,218

		Company		Group	
For the year ended 31st March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	33	(305,167,340)	(249,592,489)	(305,336,572)	(249,592,489)
Acquisition of right of use assets	35.1	(119,590,927)	(17,326,000)	(119,590,927)	(17,326,000)
Acquisition of Intangible Assets	34	(18,665,996)	(23,831,523)	(18,665,996)	(23,831,523)
Investment in associates		(21,394,236)	-	(13,041,068)	-
Proceeds from sales of property, plant & equipment		146,828,000	18,411,350	146,828,000	18,411,350
Proceeds from sales of vehicles		-	262,252,000	-	262,252,000
Proceeds from sales of real estates		-	22,955,000	-	22,955,000
Net sales/ (purchases) of financial investments -FVTPL/FVOCI		(464,883,633)	(1,636,253,705)	(464,883,633)	(1,636,253,705)
Dividend received		12,264,186	29,789,738	19,219,784	20,174,158
Interest on fixed deposits, commercial paper & treasury bills		405,447,590	243,766,340	421,109,825	256,767,567
Net cash generated from / (used in) investing activities		(365,162,356)	(1,349,829,289)	(334,360,587)	(1,346,443,642)
Cash flows from / (used in) financing activities					
Settlement of operating Lease liabilities	35.2	(149,268,076)	(140,943,853)	(149,268,076)	(140,943,853)
Increase/(decrease) in borrowed funds		-	(867,759,553)	-	(867,759,553)
Net increase /(decrease) in other borrowings	36	(62,413,959)	(3,140,673,013)	(62,413,959)	(3,140,673,013)
Dividend paid		(168,480,000)	(269,568,000)	(168,480,000)	(278,584,400)
Net cash generated from/(used in) financing activities		(380,162,035)	(4,418,944,419)	(380,162,035)	(4,427,960,819)
Net increase/(decrease) in cash and cash equivalents		2,668,964,724	(3,381,928,293)	2,710,508,391	(3,427,639,242)
Cash and cash equivalents at the beginning of the year		(2,952,136,234)	429,792,059	(2,894,359,487)	533,279,755
Cash and cash equivalents at the end of the year	21	(283,171,510)	(2,952,136,234)	(183,851,096)	(2,894,359,487)
Movement in Cash and Cash Equivalent		2,668,964,724	(3,381,928,293)	2,710,508,391	(3,427,639,242)

Note : Reporting cash flows from operating activities

The Company reports cash flows from operating activities by using the indirect method. The indirect method – whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows is shown above.

Figures in brackets indicate deductions.

Accounting policies and notes to accounts on pages 214 to 292 form an integral part of these Financial Statements.

Significant Accounting Policies

GRI 2-2

1. Corporate Information

1.1 General

Alliance Finance Company PLC (the 'Company') is a public limited liability Company listed on the Colombo Stock Exchange and incorporated on July 18, 1956, under the Companies Ordinance No 51 of 1938 and domiciled in Sri Lanka. It is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The Company is re-registered under the new Companies Act No 7 of 2007. The registered office of the Company and the principal place of business are situated at No.84, "Alliance House", Ward Place, Colombo 07.

1.2 Consolidated Financial Statements

Consolidated Financial Statements of the Group for the year ended 31st March 2024 comprises the Company, and its Subsidiary (together referred to as the "Group").

All the Group entities are limited liability Companies, incorporated and domiciled in Sri Lanka.

1.3 Principal Activities and Nature of Operations of the Company and Group

1.3.1 The Company

The Company provides a comprehensive range of financial services encompassing accepting deposits, lease financing, hire purchase financing, mortgage loans, gold loan, term loans and other credit facilities, operating leases, vehicle hiring, micro financing activities and other value-added financial services.

1.3.2 Subsidiary

Details of the Subsidiary as at 31st March 2024 is given below.

Subsidiary	Principal Activities	Ownership %	Incorporation Date	Registered Address
Alfinco Insurance Brokers (Pvt.) Ltd.	Insurance Brokering	63.93%	26th February 2008	No. 84, "Alliance House", Ward Place, Colombo 07

1.3.3. Associate

Details of the Associate in operation as at 31st March 2024 is given below.

Associate	Principal Activities	Ownership % (Group)	Incorporation Date	Registered Address
Macbertan (Private) Limited.	Manufacturing and trading of Non - Crossed Polyethylene Form, Air Bubble Sheet, Thermal Insulation for Heat Controlling in Roof and Flexible tubes, PPGI roofing sheet, local and import trading.	22.39%	07th October 2007	No. 84, "Alliance House", Ward Place, Colombo 07
HeliosP2P (Pvt) Ltd	Providing Peer 2 Peer lending platform, connect borrowers with investors through our 'online' marketplace	25%	16th January 2018	33,1/1,Sri Damma Mawatha , Colombo 10

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), 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 the Financial Statements is also in compliance with the requirements of the Finance Business Act No. 42 of 2011 and amendments thereto, and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

The Financial Statements comprise of the Statements of Financial Position, Statements of Profit or Loss, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow, together with the accounting policies and notes.

These financial statements, except for information presented on cash flows have been prepared following accrual basis.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No. 7 of 2007.

2.3 Date of Authorization for Issue

The Financial Statements of the Group and Company for the year ended 31st March 2024 were approved and authorized for issue in accordance with a resolution of the Board of Directors on 31 May 2024.

2.4 Basis of Measurement

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

- Financial assets held at Fair Value Through Other Comprehensive Income (FVTOCI) (Note 26)
- Financial assets recognized Fair Value Through Profit or Loss (FVTPL) are measured at fair value (Note 22)
- Retirement benefit obligation measured at difference between present value of defined benefit plan asset and the present value of defined benefit plan liability (Note 42)
- Land and buildings which are measured at cost at the time of acquisition, subsequently measured at revalued amounts, which are the fair values at the date of revaluation (Note 33)
- Investment property measured at fair value (Note 32)

2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Group's functional and presentation currency of the primary economic environment in which Alliance Finance Company PLC operates. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 52.3.

2.7 Materiality & Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard- LKAS 01 (Presentation of Financial Statements), each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

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 Statement of Profit or Loss unless required or permitted by any accounting standard or interpretations, and as specifically disclosed in the accounting policies.

2.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 Statements of Cash Flows

Statement of Cash Flows has been prepared by using the 'Indirect Method', as stipulated in Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows', whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows,Cash and cash equivalents comprise 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. The Cash and cash equivalent include cash in hand, balances with banks, placements with banks money at call and short notice.

2.10 Changes in material accounting policy information

The group has consistently applied accounting policies as set out in Note 6 to Note 52 to all periods presented in the financial statements.

2.11 Use of Significant Accounting Judgments, Estimates and Assumptions

In preparing Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs and LKASs), requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

The group considered the impact of the current economic crisis of the country in preparing the financial statement in line with the circulars and guidelines issued by CBSL and CA Sri Lanka. While the specific areas, judgements may not change, the impact of economic crisis resulted in application of further judgement within those areas due to the limited recent experience of economic and financial impacts of such events.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements of the Group are as follows:

2.11.1 Going concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future and, do not foresee a need for liquidation or cessation of business, taking into account all available information about the future.

In assessing the appropriateness of the use of going concern assumption, Board of Directors have considered the effects of the ongoing economic crisis on the Company's operations including a possible domestic debt optimization. Having understood the effects of an economic downturn, the company has taken steps to remain focused on asset backed lending, applying strict credit guidelines to minimize credit risk and having adequate buffers on liquidity, continuous monitoring on the portfolio and cash flow positions of the Company and cost rationalizations where possible towards mitigating this risk. Based on these proactive analyses and the Company's operating model, the management is confident that the company has no impact on its business continuity and expects to manage the above challenges effectively.

2.11.2 Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities which 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 Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 50. Determination of the fair value of financial instruments of the Group was impacted by the current economic situation of the country.

2.11.3 Impairment losses on loans and receivables

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statements of Profit & Loss. In particular; the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under note 4.5.7 to the Financial Statements.

2.11.4 Impairment of non–financial assets

The Group assess 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 Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an assets or CGU's 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.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

2.11.5 Classification of financial assets and liabilities

The Group'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 20, 'Analysis of Financial Instruments by Measurement Basis'.

2.11.6 Leases

At inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

Under SLFRS 16, The Group determines 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate.

The lessee shall measure that lease liability at the present value of the lease payments, discounted using the Company's cost of fund rate at the date of initial application date.

The Group recognises as right-of-use asset at the date of initial application for leases. The Group selected to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

The Group used a number of practical expedients when applying SLFRS. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months.
- did not recognize right-of-use assets and liabilities for leases of low-value assets
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- applied a single discount rate to a portfolio of leases with similar characteristics
- used hindsight when determining the lease term if the contact contains option to extend or terminate the lease

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

The right of use asset is subsequently depreciated using straight line basis starting from the lease commencement date to the end of the use full life of the right of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability subsequently measured at amortized cost using the effective interest rate. Further the rent payment is subject to the changes when there is a termination of lease agreement, extension or exercise of a purchase. When the lease liability re-measured in this regards the corresponding adjustment made to the Right of use asset.

The Group demonstrate the Right of use Assets and Operating Lease liabilities under the Note 35.

2.11.7 Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes.

The Group recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made. Details relating to taxation is described the Note 16.

Company is liable to pay Crop Insurance Levy as per the section 14 of Finance Act No: 12 of 2013, 1% from the profit after tax.

2.11.8 Deferred tax assets and liabilities

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against such tax losses which can be set-off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies. Deferred tax asset and deferred tax liability details are present in the Note 43.

2.11.9 Defined benefit plans

The cost of defined benefit plans 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 etc.

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. 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 Group. Details of the assumptions used in the valuation are described in the Note 42.

2.11.10 Revaluation of property and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess the fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on “Fair Value Measurement” (SLFRS 13). The Group has revalued its freehold lands and buildings during this year for consolidated accounting purposes, the details relevant to the revaluation of freehold land and buildings, including valuation method are given in the Note 33.

2.11.11 Useful lifetime of the property and equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. This is further described in Note 4.6.2.

2.11.12 Classification and valuation of investment property

Management requires using its judgements to determine whether a property qualifies as an Investment Property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyor, who has recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 32.

2.11.13 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote. All discernible risks are accounted for in determining the amount of all known liabilities. Details of commitments and contingencies are given in Note 47.

2.12 Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 48 where necessary.

3. New and Amended SLFRS Accounting Standards That are Effective for the Current Year.

In the current year, a number of amendments to Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

01. SLFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to SLFRS 17)
02. Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies.
03. Amendments to LKAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
04. Amendments to LKAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules.
05. Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates.

4. Summary of Material Accounting Policy Information.

The material accounting policy information applied by the Group in preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group, unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures".

4.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company (the Parent) holds more than 50% of the voting rights and/or has the power, directly or indirectly, to govern the financial and operational policies of an enterprise to obtain benefits from its activities.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases.

Currently, the Financial Statements of the subsidiary in the Group have a common financial year which ends on March 31.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration, given on the date of transferring the title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognize the investments in Subsidiaries at cost.

The total assets and liabilities of the Subsidiaries as at the reporting date are included in the Group column of Statements of Financial Position. The total Profit or Loss for the year of the subsidiaries is included in the Group column of Statements of Profit or Loss.

The non-controlling interest is presented in the Group column of Statements of Financial Position within equity; separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the Profit or Loss of the Group is disclosed in the Group column of Statement of Comprehensive Income. Total Comprehensive Income is allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where subsidiaries have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal.

Upon the loss of control, the Group derecognized the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in the Statement of Changes in Equity. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, it is accounted for by an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.2 Associates and Jointly control entities

Associates

Associates are those entities which the Group has significant influence, but not control or power to govern the financial and operating policies of the entities so as to obtain benefits from their activities.

The Group Financial Statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases.

Accordingly, under the equity method, investment in associates is carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the share of current year's Profit or Loss of the Associates.

When the Group and Associate's share of losses exceed the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses are discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

4.1.3 Jointly controlled entities

Jointly controlled entities are those entities where the Group has entered into a contractual agreement to share the control over strategic, financial and operating decisions relating to economic activities of the entities through unanimous consent of other parties sharing control.

4.1.4 Loss of Control in Subsidiary and Associates

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

4.1.5 Non-Controlling Interest

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.2 Transactions eliminated on consolidation

Intra-group balances and any income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains (except that they are only eliminated to the extent that there is no evidence of impairment).

4.3 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currencies, which is Sri Lankan rupees, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange ruling at the date of the Statement of Financial Position while all non-monetary items are reported at the rate prevailing at the time transactions were affected. The financial currency gain or loss on monetary items is the difference between amortized cost in functional currency as at the beginning of the year adjusted for effective interest and payments during the year and amortized cost in foreign currency translated at exchange rates at reporting date.

Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into functional currency at the spot exchange rate at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transactions.

Foreign currency differences arising from translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Equity instruments measured at fair value through other comprehensive income
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and money at call & short notice.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

They are brought to Financial Statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

4.5 Financial Instruments – Initial recognition, classification and subsequent measurement

4.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

4.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through Profit or Loss are dealt through the Statement of Profit or Loss.

4.5.2.1 '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 Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' Profit or Loss) in 'Net trading income'.

4.5.3 Financial Assets and Liabilities

Group only measures loans and advances to customers and other financial assets 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.

The details of these conditions are outlined below.

4.5.3.1 (a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group'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 value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking into account "worse case" or "stress case" scenarios. 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.

4.5.3.1 (b) The SPPI Test

As a second step of its classification process the Group assesses the contractual terms of the financial assets to identify whether they meet the SPPI test. "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

4.5.3.2 Fair Value Measurement

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. A fair value measurement of a non-financial asset considers 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 Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

a) Financial Assets at Amortized Cost

Financial assets measured at amortised cost A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and advances to banks and other customers

Loans and advances to other customers include amounts due from banks, loans and advances and lease receivables of the Group. Details of "Loans and advances to banks and other customers" are given in Notes 23, 24, and 25.

Repurchase Agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid including accrued interest, is recorded in the Statement of Financial Position, under 'Other Financial Assets which reflects the transaction's economic substance as a loan by the Group.

Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 21.

b) Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. For financial assets measured at FVOCI refer Note 26.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and selling financial assets, where the asset's contractual cash flows represent payments that are solely payments of principal and interest on principal outstanding. Currently Company has no debt instruments which are measured at FVTOCI.

Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI.

c) Financial assets measured at FVTPL

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

Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rate, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income). Fair values may be obtained from quoted market prices in an active market, recent market transactions and valuation techniques, including discounted cash flow models and option pricing models as appropriate, where the initially recognised fair value of a derivative contract is based on a valuation model that uses the inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments such as the conversion option in a convertible bond holds, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through Profit or Loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives. The group did not have separate embedded derivatives as at 31st March 2024.

4.5.3.3 Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model). When the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets as at 31st March 2024.

4.5.4 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amounts of the asset and consideration received and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Profit or Loss. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 that the Group could be required to repay.

4.5.5 Financial Liabilities

4.5.5.1 Initial recognition and measurement

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
  - Held-for-trading; or
  - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

4.5.5.1.1 Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated as such upon initial recognition as at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in the Statement of Profit or Loss.

Upon initial recognition, transaction costs are directly attributable to the acquisition, are recognized in Statement of Profit or Loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

Changes in fair value are recorded in “Net fair value gains/ (losses) from financial instruments at fair value through profit or loss” with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Companies’ own credit risk. Interest paid/payable is accrued in “Interest expense”, using the EIR. The Group has not designated any financial liabilities as at fair value through profit or loss as at the end of the reporting period.

4.5.5.1.2 Financial liabilities at amortized cost

Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost under “Due to banks”, “Due to depositors” “Other borrowings” as appropriate, where the substance of the contractual arrangement results in the Group 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 shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in “Interest expense” in the Statement of Profit & Loss. Gains and losses too are recognised in the Statement of Profit & Loss when the liabilities are derecognised as well as through the EIR amortisation process.

4.5.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid are recognised in Statement of Profit or Loss.

4.5.5.3 Reclassification of financial liabilities

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.5.5.4 Modification of Financial Assets and Financial Liabilities.

Modification of Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

Modification of Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

4.5.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position only when the Group has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.5.7 Impairment of financial assets

Overview of the ECL principles

SLFRS 9 presents a "three-stage" model for estimating expected losses on the basis of changes in credit quality since initial recognition.

Stage 1: When loans are originated, the Group recognises an allowance based on 12 months ECL and performed assessment collectively. Stage 1 loans also contain the facilities which are reclassified from Stage 2 since the credit risk has improved.

Stage 2: When a loan credit risk increases significantly, the Group records an allowance for the Lifetime Expected Credit Loss (LTECL), which is performed collective basis. Stage 2 loans also include facilities, which are reclassified from stage 3 since the credit risk has improved.

Stage 3: When a loan is considered to be credit impaired, contain objective evidence of incurred loss, the Group records an allowance for the LTECL. Stage 3 assessment performed either individually or collectively.

Under SLFRS 9, loss allowances measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. Twelve months ECL measurement applies if it has not increased an entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Based on the computations:

- The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the SLFRS 9 impairment model.
- The estimated ECLs were calculated based on actual credit loss experience over the past five years.
- The Group performed the calculation of ECL rates separately for each product type.

Exposures within each group were segmented based on common credit risk characteristics such as product type, delinquency status, age of relationship and type of product purchased.

The Group to be performed an assessment, at the end of each reporting period to identify whether a financial instrument's credit risk has increased significantly since initial recognition.

Definition of default and cure

The Group considers a financial instrument as 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.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group 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.

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present and the borrower is no longer considered as nonperforming in accordance with the Directives of the Central Bank.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Group's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans.

Significant increase in credit risk

The Group 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 Group assesses whether there has been a significant increase in the credit risk since initial recognition. The Group considers an exposure to have a significantly increase in the credit risk when it is past due for more than 90 days.

Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- **Probability of default (PD)**

The probability of default is computed using a transition matrix for the last five years and computed average matrix from year 1 to 5. To minimize the sum of squired errors between average matrix and empirical matrix for that year computed a credit index. Regress macro-economic/other variables to forecast future indexes.

- **Exposure at default computation (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 drawdowns on committed facilities, and accrued interest from missed payments.

- **Loss Given Default (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.

Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors were based on GDP and unemployment rate forecasts and industry outlook.

Calculation of ECLs for Individually significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment of individually significant accounts is reviewed more regularly when circumstances require. This normally encompasses a reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The amount and timing of expected receipts and recoveries;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. The Group categories the collective impairment exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower

The PD estimation Process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Companies in the country at present.

Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 – 30 days past due
- 31 - 60 days past due
- 61 – 90 days past due
- Above 90 days past due

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instrument subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to be cured and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default

LGD values are assessed at least annually for each material collateral type. The Group segregates its customer loan book based on following major types of collaterals when calculating the LGD,

- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

Forward looking information

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

- GDP growth
- Unemployment rates
- Interest rates
- Treasury bill rate
- Inflation rate

The inputs and models used for calculating ECL 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. To ensure completeness and accuracy, the Group obtains the above data from third party sources (Central Bank, World Bank, IMF, ADB, UN and etc.).

To reflect these uncertainties in the calculation of expected credit losses, the Group also revisited the weightages assigned for multiple economic scenarios during the year.

Write-off of loan & advances, leases and hire purchases

Loans, advances, leases and hire purchases (the related impairment allowance was accounted) are normally written off, either partially or in full, when there are no realistic prospects of recovery. Where such balances are secured, these are generally after receipt of any proceeds from the realisation of security.

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 impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Collateral valuation

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

Non-financial collateral such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

Collateral repossessed

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

Material Judgments and uncertainties

Company has made significant judgment as at period end to determine which events and circumstances relate and which do not. Typically, the shorter the period of time between period end and the information becoming available (e.g., a borrower defaulting on a loan shortly after period end), the more likely it is that the information confirms events and conditions as at period end, and therefore, ought to be reflected in ECL calculations.

A movement from stage 1 to either stage 2 or 3 will typically result in a higher ECL, as the probability of default ('PD') over the lifetime of a financial asset will be at least equal to or higher than the PD over the next 12 months. However, the assessment of whether there has been a significant increase in credit risk (SICR) for a financial asset is carried out on the basis of the expected life of the financial asset.

Forward Looking and Probability of Default

SLFRS 9 recognizes that information relevance decreases as the forecast horizon increases and emphasizes the relevance of historical information. In this regard, the SLFRS 9 provisions lead to the conclusion that where there is no reliable evidence for specific forecasts, long-term macroeconomic outlooks will provide the most relevant basis for estimation. And further, scenario-based analysis has improved, and Worst case has been given 45% of weighting when determine the forward looking and probability of default.

4.6 Non – Financial Asset

4.6.1 Investment Property

Recognition and measurement

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, based in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured. Where the Group provides ancillary services to the occupants of a property it holds, the Group treats such a property as investment property if the services are insignificant to the arrangement as a whole.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply LKAS 16 “Property, plant and equipment” up to the date of change in use. When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and classified as Investment Property. The entity shall treat any difference at that date between the carrying amount of the property in accordance with LKAS 16 “Property, plant and equipment “and its fair value in the same way as a revaluation in accordance with LKAS 16 “Property, plant and equipment “. The land is non-depreciated. Accordingly, land and buildings classified as investment properties are stated at fair value.

De-recognition

Investment properties are de-recognised when disposed of, or permanently withdrawn from use since no future economic benefits are expected. Gains or losses arising from the de-recognition of an Investment Property are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss.

4.6.2 Property, plant and equipment

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, Plant & Equipment are measured at its cost.

Recognition and measurement

Cost Model

Property, Plant and Equipment is stated at cost except land and building, excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

Land and buildings are measured at fair value, less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed every 3 to 5 years to ensure that the fair value of revalued asset does not differ materially from it carrying amount.

Any revaluation surplus is credited to the Revaluation Reserve included in the Equity of the Statement of Financial Position except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss. In which case the increase is recognised in Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset Revaluation Reserve. For more details relating to the land and building valuation refer the Note 33.

Subsequent Cost

These are costs that are recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part of the cost will flow to the Group and it can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in Profit or Loss as incurred.

Depreciation

The company has reassessed useful lifetime and changed the depreciation policy from reducing balance to the straight-line method from 1st April 2016, further company has applied this changes accordance with LKAS 8- “Accounting Policies and Change in Accounting Estimates and Errors”.

The group provides depreciation from the date the assets are available for use and up to the date of disposal at the following rates on straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset’s future economic benefits are expected to be consumed by the Group.

Category of Asset	Expected useful lifetime (in years)
Building	20
Office Equipment	5
Plant & Machinery	5
Furniture & Fittings	8
Cutlery & Crockery	5
Motor Vehicles	5
Computers	3

Freehold lands are not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as Held for Sale or the date that the asset is derecognised.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

De-recognition

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other Operating Income' in the Statement of Profit or Loss in the year the asset is derecognised.

4.6.3 Intangible assets

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

Basis of recognition

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

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are stated in the Statement of Financial Position at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditure of internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can be reliably measured the costs to complete the development.

Subsequent expenditure

Subsequent expenditure on Intangible Assets is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortisation

Group owned intangible assets are amortised over the period of 10 years unless otherwise stated.

De-recognition of intangible assets

The carrying amount of an item of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset, is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets reported in note 34 only included computer software and cost of licences.

The Group is in the process of implementing new system to replace its core banking system. The development cost incurred up to 31st March 2024, was presented as an addition to the intangible assets (WIP).

4.7 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date after taking in to account the risks and uncertainties surrounding the obligation as at that date. The expense relating to any provision, is presented in the Statement of Profit or Loss net of any reimbursement.

4.7.1 Retirement Benefit Obligations

GRI 201-3

All the employees of the Group are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983. Employees who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of 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 Group operates an approved non-contributory Gratuity Fund to facilitate the Gratuity payments to the retiring employees of the Group. The Group determines the adequacy of gratuity liability in terms of Payment of Gratuity Act No.12 of 1983. In order to meet this liability, the Group carries forward a provision in the Statement of Financial Position based on:

- Half a month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have complete service 5 to 10 years,
- One month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who completed the service over 10 years but not exceeding 15 years,
- One and half month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 15 years but not exceeding 25 years.
- Two months' salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 25 years.

An actuarial valuation is carried out as every year end to ascertain the full liability under gratuity. The valuation was carried out as at 31st March 2024 by M/s Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries based on the Projected Unit Credit Method recommended by the actuarial present value of the defined benefit obligation (PV-DBO) under the PUC method.

Recognition of actuarial losses / gains

The Group recognized the total actuarial gain and losses that arose in calculating the Group's obligation in respect of gratuity in Other Comprehensive Income during the period which it occurred.

Recognition of past service cost (applicable only when a plan has been changed)

Past service cost is 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 instruction of, or changes to the plan, past service costs are recognized immediately.

Management of the fund's assets

The assets of the Gratuity Fund and the Employees' Provident Fund are held separately from those of the Group and are independently administered by a separate management team appointed by the Group. As at 31st March 2024 the fair value of plan assets is LKR 606,497,954/- (2023–LKR 512,554,455/-).

4.7.2 Taxation

As per the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes' tax expense (Tax income) is the aggregate amount included in determination of Profit or Loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI), in which case it is recognised in the Statement of Changes in Equity or in OCI.

4.7.2.1 Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for the taxation purpose in accordance with the provisions of the Inland Revenue Act No. 27 of 2017 and the amendments thereto.

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 purpose.

Deferred tax assets are recognised for all deductible differences carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of a deferred tax asset is reviewed at end of the reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that the future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.7.2.3 Value Added Tax on Financial Services (FVAT)

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto. The value base for the computation of Value Added Tax on Financial Services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable.

4.7.2.4 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 01, 2013, and is payable to the National Insurance Trust Fund. Currently CIL is payable at 1% of the profit after tax.

4.7.2.5 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the subsidiaries attracts WHT at source and is not available to set off against the tax liability of the Company. Thus, the WHT deducted at source, on the dividends distributed by the subsidiaries is charged to the Consolidated Statement of Profit or Loss as a consolidation adjustment.

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time of the liability is payable.

4.7.2.5 Social Security Contribution Levy (SSCL)

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

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

4.8 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

4.8.1 Net Interest income

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortized cost (AC) calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities is measured at amortized cost calculated using the EIR method.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs.

The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

4.8.2 Net Fee and Commission Income

Service Income

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

Fee and Commission Income

The Group earns fee and commission income from a diverse range of services, it provides to its customers. Fee and commission income relates mainly to transactions and services fees which are charged from customers to provide relevant financial services. It mainly includes CRIB verification charges, Yard fees, Loan processing fees and vehicles transfer fees, income account on cash basis.

4.8.3 Dividend Income

Dividend income is recognised when the right to receive the payment is established. Usually, this is the ex-dividend date for equity securities. Dividends are presented in the 'Other Operating Income' in Statement of Profit or Loss.

4.8.4 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 recognized through Profit or Loss other than interest income.

4.8.5 Other Operating Income

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

The Profit/(Loss) on Disposal of Property, Plant and Equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of Other Operating Income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

4.8.7 Personal Expenses

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

Defined Contributions Plans - Employees' provident fund (EPF) and Employees' trust fund (ETF)

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

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

The Parent company and employees contribute 20% and 10% respectively of the employee's monthly gross salary to the Employees' Provident Fund. The subsidiary company and employees contribute 12% and 8% respectively of the employee's monthly gross salary to the Employees' Provident Fund.

The Group operates an approved private fund to manage EPF and managed by the committee of management.

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

4.8.8 Other operating expenses

Other operating expenses are recognised in the Statement of Profit or Loss 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 of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year

4.9 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

4.10 Earnings per Share

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.11 Operating Segments

A business segment is a distinguishable component of the Group, engaged in providing products or services subject to risks and returns that are different from those of other business segments. Operating results of those segments are reviewed regularly by the Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The primary business format is based on the core business activities of the Group, namely, lease, loans, pawning, hiring of vehicles, investing in shares, investing in government securities, collaboration finance & others. The management uses its judgment in determining the compositions of these core business activities by taking into account the objective of reporting financial information by segment as set forth in Sri Lanka Accounting Standard, SLFRS 8 "Operating Segments", segment reporting and qualitative characteristics of financial statements as identified in the Framework for the Preparation and Presentation of Financial Statements.

The Group's business activities are carried out in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risk and returns that are significantly different on a geographical basis. Hence, disclosure by geographical region has not been provided. For the purpose of segment reporting disclosures, the information presented in respect of the Group's business segments is based on the Group's management and internal reporting structure.

Income recognized in segments is an income which is directly identified and reported in those segments and expenses directly identified to a particular segment are charged accordingly and expenses that cannot be directly identified to a particular segment are allocated on basis decided by the management and applied consistently throughout the period. Unallocated items mainly comprise of head office expenses. Measurement of segments assets, liabilities, segment revenue and results are based on the group accounting policies. Segments revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segments assets that are expected to be used for more than one accounting period.

5. New and Revised Sri Lanka Accounting Standards in issue But not yet Effective

At the date of authorization of these financial statements, the company has not applied the following new and revised Sri Lanka Accounting Standards that have been issued but are not yet effective.

Accounting Standards	Description
01. Amendments to SLFRS 10 and LKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
02. Amendments to LKAS 1	Classification of Liabilities as Current or Non-current / Non-current Liabilities with Covenants
03. Amendments to LKAS 7 and SLFRS 7	Supplier Finance Arrangements
04. Amendments to SLFRS 16	Lease Liability in a Sale and Leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

	Company		Group	
For the year ended 31st March	**2024 LKR**	**2023 LKR**	**2024 LKR**	**2023 LKR**
6 Gross Income				
Interest income (Note 7.1)	13,184,634,453	11,946,843,634	13,200,296,688	11,959,844,861
Fee & commission income (Note 8)	318,390,667	182,764,216	413,481,566	272,637,751
Net gains/(losses) from trading (Note 9)	(22,928,907)	16,315,769	(24,710,704)	13,779,786
Other operating income (Note 10)	445,998,037	274,644,504	474,807,918	278,834,045
	13,926,094,250	12,420,568,123	14,063,875,468	12,525,096,443
7 Net Interest Income				
7.1 Interest Income				
Financial assets- recognised through profit or loss	510,547,945	494,272,411	510,547,945	494,272,411
Loans and advances (Note 7.1.1)	5,519,164,910	4,543,166,668	5,519,164,910	4,543,166,668
Lease rentals receivable	6,780,133,013	6,667,295,277	6,780,133,013	6,667,295,277
Hire purchase & consumer durables	398,642	(17,482)	398,642	(17,482)
Repurchase agreements	21,900,079	56,397,818	21,900,079	56,397,818
Placements with banks & other financial institutions	352,489,864	185,728,942	368,152,099	198,730,169
Total interest income	13,184,634,453	11,946,843,634	13,200,296,688	11,959,844,861
7.1.1 Interest Income from Loans & Advances				
Interest income from loans	2,242,453,556	1,530,536,146	2,242,453,556	1,530,536,146
Interest income from pledge loan	3,815,282	(378,439)	3,815,282	(378,439)
Interest income from gold loan	3,162,106,705	2,935,829,560	3,162,106,705	2,935,829,560
Interest income from loans against deposit	98,686,094	64,400,065	98,686,094	64,400,065
Interest income from micro finance	12,103,273	12,779,336	12,103,273	12,779,336
Total Interest Income from Loans & Advances	5,519,164,910	4,543,166,668	5,519,164,910	4,543,166,668
7.2 Interest Expenses				
Securitization borrowings	1,460,028,404	2,001,362,978	1,460,028,404	2,001,362,978
Bank borrowings	1,229,178,989	2,016,084,916	1,229,238,389	2,016,084,916
Bank overdraft	473,937,261	116,262,608	473,937,261	116,262,608
Due to depositors	4,092,520,913	3,081,539,493	4,081,213,458	3,065,410,818
Other financial liabilities (Note 7.2.1)	42,022,993	196,092,700	42,022,993	196,092,700
Total interest expenses	7,297,688,560	7,411,342,695	7,286,440,505	7,395,214,020
Net interest income	5,886,945,893	4,535,500,939	5,913,856,183	4,564,630,841

7.2.1 The amount includes an amount of LKR 42,022,993/- incurred SWAP arrangement.

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
8 Fee and Commission Income				
Commission income	-	-	158,534,082	150,144,821
Service charges	159,489,398	66,329,737	159,489,398	66,329,737
Transfer fees	60,627,906	40,201,440	60,627,906	40,201,440
Other fees	98,273,363	76,233,039	34,830,180	15,961,753
Total fee and commission income	318,390,667	182,764,216	413,481,566	272,637,751
9 Net Gain/(Loss) From Trading				
Profit /(loss) on foreign currencies	(43,706,025)	5,232,566	(45,487,822)	2,696,583
Income from trust investment	20,777,118	11,083,203	20,777,118	11,083,203
	(22,928,907)	16,315,769	(24,710,704)	13,779,786
10 Other Operating Income				
Income from financial investment - Quoted shares	12,264,186	29,789,738	19,219,784	20,174,158
Fair value gain on financial investments - FVTPL	7,172,338	-	7,172,338	-
Profit on disposal of property, plant & equipment	78,391,610	12,652,649	78,391,610	12,652,649
Fair value gain on investment property	24,480,000	3,609,900	42,480,000	7,949,484
Profit/(loss) on sale of vehicles	43,035,311	(3,122,258)	43,035,311	(3,122,258)
Rental income from hiring vehicles	40,170,290	37,045,825	40,170,290	37,045,825
Income from sale of tiles & furniture	5,642,022	6,216,335	5,642,022	6,216,335
Bad debt recoveries	47,005,928	72,959,359	47,005,928	72,959,359
Recovery of charges on settlements	98,735,192	85,208,850	98,735,192	85,208,850
Others	89,101,160	30,284,106	92,955,443	39,749,643
Total Other Operating Income	445,998,037	274,644,504	474,807,918	278,834,045

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
11 Impairment Charges for Loans and Other Losses				
Impairment Charges / (Reversal)				
Lease rentals receivable	73,681,113	143,009,505	73,681,113	143,009,505
Hire purchase rentals receivable	(974,249)	(10,858)	(974,249)	(10,858)
Loans and advances (Note 11.1)	34,139,471	(102,663,966)	34,139,471	(102,663,966)
Impairment Charges / (Reversal) (Note 11.2)	106,846,334	40,334,682	106,846,334	40,334,682
Bad Debts Written off				
Lease rentals receivable	196,448,791	181,014,123	196,448,791	181,014,123
Loans and advances (Note 11.1)	32,413,172	53,289,231	32,413,172	53,289,231
	228,861,963	234,303,354	228,861,963	234,303,354
	335,708,297	274,638,036	335,708,297	274,638,036
11.1 Impairment Charge on Loans and advances				
Term Loans Receivable	(1,877,640)	(120,786,148)	(1,877,640)	(120,786,148)
Gold Loan Receivable	40,475,509	47,004,707	40,475,509	47,004,707
Micro finance Receivable	(7,358,836)	(7,864,720)	(7,358,836)	(7,864,720)
Pledged loan & Speed Cash Loan Receivable	2,900,438	(21,017,805)	2,900,438	(21,017,805)
	34,139,471	(102,663,966)	34,139,471	(102,663,966)
Bad Debts Written off charge on Loans & Advances				
Term Loans Receivable	32,413,172	49,612,141	32,413,172	49,612,141
Pledged loan & Speed Cash Loan Receivable	-	3,677,090	-	3,677,090
	32,413,172	53,289,231	32,413,172	53,289,231

11.2 Impairment Charge / (Reversal) to Income Statement

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2024					
		Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances	- Collective impairment	40,456,303	8,510,338	11,305,289	60,271,930
	- Individual impairment	-	-	(26,132,459)	(26,132,459)
Lease rentals receivable	- Collective impairment	(15,467,043)	(88,197,298)	(31,719,849)	(135,384,189)
	- Individual impairment	-	-	209,065,301	209,065,301
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(974,249)	(974,249)
		24,989,260	(79,686,960)	161,544,033	106,846,333

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2023

		Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances	- Collective impairment	(100,249,623)	55,606,850	9,076,647	(35,566,126)
	- Individual impairment	-	-	(67,097,839)	(67,097,839)
Lease rentals receivable	- Collective impairment	(153,591,637)	148,200,885	147,847,598	142,456,846
	- Individual impairment	-	-	552,658	552,658
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(10,858)	(10,858)
		(253,841,260)	203,807,735	90,368,207	40,334,682

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
12 Personnel Expenses				
Salaries and bonus	1,169,460,019	858,107,648	1,180,091,607	867,366,650
Gratuity charge for the year	59,869,919	64,321,756	60,563,055	65,228,272
Employer's contribution to EPF	176,827,693	148,629,612	178,044,177	149,574,859
Employer's contribution to ETF	26,524,299	22,294,442	26,828,420	22,530,754
Staff welfare	81,397,832	47,399,917	82,245,424	48,155,971
Other allowances & staff related expenses	90,555,181	78,364,482	90,693,643	78,364,482
	1,604,634,943	1,219,117,857	1,618,466,326	1,231,220,988
13 Other Operating Expenses				
Auditors' remuneration				
Audit fee	2,850,000	1,900,000	3,150,000	2,061,500
Non audit fees and expenses	1,050,000	550,160	1,050,000	627,660
Directors emoluments and other expenses (Note 13.1)	81,645,030	107,872,814	81,645,030	109,472,814
Professional fees	16,401,060	14,094,627	16,451,060	14,132,127
Office administration & establishment expenses	1,164,767,911	685,619,349	1,166,870,918	687,930,008
Advertising & business promotion expenses	191,169,366	127,247,367	191,257,733	127,459,608
Motor vehicle running & maintenance	350,365,572	709,435,215	356,720,424	715,156,848
Brokerage	146,203,086	169,943,099	146,203,086	169,943,099
Credit related fees	76,391,968	77,015,095	77,978,049	83,300,567
Others	139,329,511	110,631,989	139,375,449	110,631,989
	2,170,173,504	2,004,309,715	2,180,701,749	2,020,716,220

13.1 Directors emoluments and other expenses represent the fees, salaries, allowances and other expenses (except gratuity provision) of both Executive and Non-Executive Directors of the Company.

	Company		Group	
For the year ended 31st March	**2024 LKR**	**2023 LKR**	**2024 LKR**	**2023 LKR**
14 Depreciation And Amortization				
Depreciation of property, plant and equipment	158,683,135	150,711,053	159,178,329	151,201,931
Amortization of intangible assets	10,766,544	11,358,550	10,958,210	11,550,216
	169,449,679	162,069,603	170,136,539	162,752,147
15 Taxes on Financial Services				
Value added tax on financial services	587,821,305	395,584,625	587,821,305	395,584,625
Social security contribution levy	80,782,300	23,848,261	80,782,300	23,848,261
	668,603,605	419,432,886	668,603,605	419,432,886
16 PROVISION FOR INCOME TAXATION				
Income Tax expense for the year (Note 16.1)	667,821,856	349,201,882	700,249,216	386,140,665
Provision for contingent tax liabilites	113,165,552	96,600,000	113,165,552	96,600,000
Total Income Tax expense for the year	780,987,408	445,801,882	813,414,768	482,740,665
16.1 The Major Components of Income Tax Expense				
Current Income Tax Expenses				
Current tax on profit for the year (Note 16.2)	635,703,889	412,701,248	663,234,032	439,561,517
Under/ (over) provision of current taxes in respect of prior years	(24,433,981)	(10,476,969)	(24,433,981)	(7,071,623)
Share of income tax expenses for associates	-	-	-	6,748,960
	611,269,908	402,224,279	638,800,051	439,238,854
Deferred Tax Expenses				
Deferred taxation charge/ (reversal) (Note 16.4)	56,551,948	(53,022,397)	61,449,165	(53,098,189)
	667,821,856	349,201,882	700,249,216	386,140,665

Current year income tax expense of the subsidiary Company is LKR 32,300,626/-

16.2 A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate for the year ended 31 March is as follows;

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Accounting profit before income taxation	1,697,866,760	950,725,829	1,821,849,545	1,042,190,644
Total value of non deductible expenses	1,282,883,472	1,055,836,635	1,283,725,789	1,057,425,695
Total value of other allowable credits	(565,636,589)	(404,126,033)	(565,636,589)	(404,629,866)
Total value of exempt income	(432,564,613)	(120,623,765)	(479,033,620)	(156,589,284)
Total value of Tax losses claimable	136,463,932	33,350,359	136,463,932	33,350,359
	2,119,012,962	1,515,163,025	2,197,369,057	1,571,747,548
Income tax for the year @ 24%		181,819,563		192,666,716
Income tax for the year @ 30%	635,703,889	227,274,454	663,234,032	242,846,692
Tax on Dividend income @ 14%	-	3,607,231	-	4,048,109
Total Income Tax for the year	635,703,889	412,701,248	663,234,032	439,561,517
Effective tax rate (with defferd tax)	40.77%	37.83%	39.78%	40.65%
Effective tax rate (without defferd tax)	37.44%	43.41%	36.77%	42.18%

16.3 Applicable Income Tax Rates

Alfinco Insurance Brokers (Pvt) Ltd			30%	24% - 30%
Macbertan (Pvt) Ltd			30%	18% - 30%

16.4 Deferred Tax Expense/(Reversal)

The following table shows deferred tax expense recorded in the profit or loss due to changes in the deferred tax assets and liabilities.

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Deferred Tax Liabilities				
Lease rentals	(7,143,815)	44,074,166	(7,143,815)	44,074,166
Fair Value Gain on Investment Property	7,344,000	(11,780,390)	7,344,000	(11,780,390)
Accelerated depreciation - Own assets	25,916,993	-	26,043,727	-
	26,117,178	32,293,776	26,243,912	32,293,776
Deferred Tax Assets				
Accelerated depreciation - Own assets	27,803,793	(6,612,428)	27,803,793	(6,612,428)
Defined benefit obligation - Profit or Loss	(1,084,133)	14,570,311	3,686,350	14,494,519
Other temporary differences	3,715,110	(28,686,504)	3,715,110	(28,686,504)
	30,434,770	(20,728,621)	35,205,253	(20,804,413)
Total Deferred tax expense / (reversal)	56,551,948	(53,022,397)	61,449,165	(53,098,189)
Other Comprehensive Income				
Defined benefit obligation	4,655,771	20,791,418	4,655,771	20,791,418
Revaluation	158,746,457	-	158,746,457	-
Deferred tax expense adjusted through profit or loss / OCI	219,954,176	(32,230,979)	224,851,393	(32,306,771)

The deferred tax assets/liabilities of the Company as at 31st March 2024 were computed using the income tax rate of 30%.

17 Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Amounts Used as the Numerators:				
Net profit for the year attributable to equity shareholders for basic earnings per ordinary share	916,879,352	504,923,947	975,500,926	532,796,238
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares in issue	33,696,000	33,696,000	33,696,000	33,696,000
Basic earnings per ordinary share (LKR) (EPS)	27.21	14.98	28.95	15.81

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

18 Dividend Per Share

	Company		Group	
For the year ended 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
18.1 Declared and Paid During the Year				
Final dividend paid for 2023 LKR 5.00 (2022 LKR 8.00) per share	168,480,000	269,568,000	168,480,000	278,584,400
	168,480,000	269,568,000	168,480,000	278,584,400
18.2 Proposed for Approval at Annual General Meeting				
(Not Recognised as a Liability as at 31 March)				
Final Dividend for 2023/24 -LKR 8.40 per Share (Final Dividend for 2022/23 - LKR 5.00 per Share)	283,046,400	168,480,000	283,046,400	168,480,000
Dividend per share (LKR)	8.40	5.00	8.40	5.00

19 Net Assets Value Per Ordinary Share

Amount used as the numerator				
Total equity attributable to equity holders of the Company	8,129,029,986	6,958,138,180	8,294,452,296	7,066,328,106
Number of ordinary shares used as the denominator				
Total number of ordinary shares	33,696,000	33,696,000	33,696,000	33,696,000
Net assets value per ordinary share	241	206	246	210

20 Analysis of Financial Instruments By Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in SLFRS 9 on 'Financial Instrument Recognition & Measurement' under the headings of the Statement of Financial Position.

20.1 Company

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2024	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,037,507,757	-	1,037,507,757
Repurchase agreements	-	962,606,909	-	962,606,909
Placements with banks & financial institutions	-	3,246,352,935	-	3,246,352,935
Financial assets recognised through profit or loss - measured at fair value	3,508,968,758	-	-	3,508,968,758
Loans and advances - at amortised cost	-	23,506,870,064	-	23,506,870,064
Lease rentals receivable - at amortised cost	-	22,597,190,332	-	22,597,190,332
Financial assets - fair value through other comprehensive income	-	-	317,703,694	317,703,694
Other financial assets	-	458,631,541	-	458,631,541
Total Financial Assets	3,508,968,758	51,809,159,538	317,703,694	55,635,831,990

20.1 Company Contd.

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	20,310,185,391	20,310,185,391
Due to depositors	28,387,365,249	28,387,365,249
Derivative financial liabilities	5,379,033	5,379,033
Other financial liabilities	1,129,788,584	1,129,788,584
Total Financial Liabilities	49,832,718,257	49,832,718,257

20.2 Company

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2023	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	566,946,383	-	566,946,383
Repurchase agreements	-	250,154,110	-	250,154,110
Placements with banks & financial institutions	-	4,905,611,281	-	4,905,611,281
Financial assets recognised through profit or loss -measured at fair value	3,130,690,272	-	-	3,130,690,272
Loans and advances - at amortised cost	-	17,449,867,823	-	17,449,867,823
Lease rentals receivable - at amortised cost	-	21,552,425,839	-	21,552,425,839
Hire purchase rentals receivable - at amortised cost	-	-	-	-
Financial assets - fair value through other comprehensive income	-	-	182,705,621	182,705,621
Other financial assets	-	415,454,128	-	415,454,128
Total Financial Assets	3,130,690,272	45,140,459,564	182,705,621	48,453,855,457

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	22,571,002,700	22,571,002,700
Due to depositors	20,475,847,835	20,475,847,835
Derivative financial liabilities	36,175,016	36,175,016
Other financial liabilities	522,582,852	522,582,852
Total Financial Liabilities	43,605,608,403	43,605,608,403

20.3 Group

As at 31st March 2024	Fair Value Through Profit or Loss LKR	Amortised Cost LKR	Fair Value Through Other Comprehensive Income LKR	Total LKR
Financial Assets				
Cash and cash equivalents	-	1,136,828,171	-	1,136,828,171
Repurchase agreements	-	962,606,909	-	962,606,909
Placements with banks & financial institutions	-	3,383,898,083	-	3,383,898,083
Financial assets recognised through profit or loss - measured at fair value	3,508,968,758	-	-	3,508,968,758
Loans and advances - at amortised cost	-	23,506,870,064	-	23,506,870,064
Lease rentals receivable - at amortised cost	-	22,597,190,332	-	22,597,190,332
Hire purchase rentals receivable - at amortised cost	-	-	-	-
Financial assets - fair value through other comprehensive income	-	-	317,703,694	317,703,694
Other financial assets	-	450,152,846	-	450,152,846
Total Financial Assets	3,508,968,758	52,037,546,408	317,703,694	55,864,218,860

	Other Financial Liabilities at Amortised Cost LKR	Total LKR
Financial Liabilities		
Due to banks	20,310,185,391	20,310,185,391
Due to depositors	28,386,553,614	28,386,553,614
Derivative financial liabilities	5,379,033	5,379,033
Other financial liabilities	1,159,602,656	1,159,602,656
Total Financial Liabilities	49,861,720,694	49,861,720,694

20.4 Group

As at 31st March 2023	Fair Value Through Profit or Loss LKR	Amortised Cost LKR	Fair Value Through Other Comprehensive Income LKR	Total LKR
Financial Assets				
Cash and cash equivalents	-	624,723,130	-	624,723,130
Repurchase agreements	-	250,154,110	-	250,154,110
Placements with banks & financial institutions	-	4,919,075,748	-	4,919,075,748
Financial assets recognised through profit or loss - measured at fair value	3,130,690,272	-	-	3,130,690,272
Loans and advances - at amortised cost	-	17,449,867,823	-	17,449,867,823
Lease rentals receivable - at amortised cost	-	21,552,425,839	-	21,552,425,839
Hire purchase rentals receivable - at amortised cost	-	-	-	-
Financial assets - fair value through other comprehensive income	-	-	182,705,621	182,705,621
Other financial assets	-	417,933,228	-	417,933,228
Total Financial Assets	3,130,690,272	45,214,179,878	182,705,621	48,527,575,771

	Other Financial Liabilities at Amortised Cost LKR	Total LKR
Financial Liabilities		
Due to banks	22,571,002,700	22,571,002,700
Due to depositors	20,390,703,071	20,390,703,071
Derivative financial liabilities	36,175,016	36,175,016
Other financial liabilities	558,574,175	558,574,175
Total Financial Liabilities	43,556,454,962	43,556,454,962

As at 31st March	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR

21 Cash and Cash Equivalents

Cash in hand	222,110,440	150,732,462	222,114,636	150,732,462
Balances with banks	815,397,317	416,213,921	914,713,535	473,990,667
	1,037,507,757	566,946,383	1,136,828,171	624,723,130
Less: Bank Overdrafts (Note 36)	(1,320,679,267)	(3,519,082,617)	(1,320,679,267)	(3,519,082,617)
	(283,171,510)	(2,952,136,234)	(183,851,096)	(2,894,359,487)

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits as define above.

22 Financial Assets - Recognised Through Profit or Loss

Government of Sri Lanka treasury bills - at fair value	1,900,347,524	3,130,690,272	1,900,347,524	3,130,690,272
Government of Sri Lanka treasury bonds - at fair value	626,067,144	-	626,067,144	-
Quoted equity securities	127,629,421	-	127,629,421	-
Investment Of Unit Trust	854,924,669	-	854,924,669	-
	3,508,968,758	3,130,690,272	3,508,968,758	3,130,690,272

23 Loans and Advances at Amortised Cost

Term loan receivable	13,057,331,571	7,589,442,662	13,057,331,571	7,589,442,662
Gold loans	10,407,402,568	9,876,152,006	10,407,402,568	9,876,152,006
Pledge loans	171,100,735	173,806,315	171,100,735	173,806,315
Micro finance loans	20,209,778	43,121,216	20,209,778	43,121,216
Loans against fixed deposits	538,292,569	420,575,385	538,292,569	420,575,385
Gross loans and advances receivable	24,194,337,221	18,103,097,584	24,194,337,221	18,103,097,584
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 23.1 (a))	(82,559,732)	(82,461,807)	(82,559,732)	(82,461,807)
Outstanding loans and advances receivable	24,111,777,489	18,020,635,777	24,111,777,489	18,020,635,777
Less : Allowance for impairment losses (Note 23.1 (b), 23.2,23.3 & 23.4)	(604,907,425)	(570,767,954)	(604,907,425)	(570,767,954)
Net loans and advances	23,506,870,064	17,449,867,823	23,506,870,064	17,449,867,823

23.1 *a) Interest Adjustment on NPLs using credit adjusted EIR*

As at 01st April	82,461,807	79,005,464	82,461,807	79,005,464
Reversed /(credited) to interest income	97,925	3,456,343	97,925	3,456,343
As at 31 st March	82,559,732	82,461,807	82,559,732	82,461,807

23.1 b) Allowances for Impairment Losses

As at 01st April	570,767,954	673,431,921	570,767,954	673,431,921
Charge / (Reversal) for the year	34,139,471	(102,663,966)	34,139,471	(102,663,966)
As at 31 st March	604,907,425	570,767,954	604,907,425	570,767,954

As at 31st March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
23.2 Loan Category wise Allowances for Impairment Losses				
Term loan receivable	400,005,180	401,882,820	400,005,180	401,882,820
Gold loans	96,993,652	56,518,143	96,993,652	56,518,143
Pledge loans	105,560,766	102,660,328	105,560,766	102,660,328
Micro finance loans	2,347,827	9,706,663	2,347,827	9,706,663
	604,907,425	570,767,954	604,907,425	570,767,954

23.3 Analysis of the Impairment for Expected Credit Losses, Based on the Staging of the Underlying Loans is Given Below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding loans and advances 31st March 2024	18,754,640,878	4,011,190,223	1,345,946,388	24,111,777,489
Less: Provision for collective impairment	(92,631,300)	(87,442,298)	(78,320,593)	(258,394,191)
Less: Provision for individual impairment	-	-	(346,513,234)	(346,513,234)
	18,662,009,578	3,923,747,925	921,112,561	23,506,870,064
Outstanding loans and advances 31st March 2023	12,623,966,714	3,838,817,882	1,557,851,181	18,020,635,777
Less: Provision for collective impairment	(52,174,997)	(78,931,961)	(64,047,245)	(195,154,203)
Less: Provision for individual impairment	-	-	(375,613,751)	(375,613,751)
	12,571,791,717	3,759,885,921	1,118,190,184	17,449,867,823

Loans and advances receivables include receivables amounting to LKR 7,796,335,728/- (2022/2023 - Nil) .That have been assigned under a securitization funding arrangement.

As at 31st March 2024	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
23.4 Company & Group				
Outstanding rentals receivables				
- Loan rentals	19,283,342,693	4,283,321,443	755,945	23,567,420,081
- Amounts receivable from loans	626,917,140	-	-	626,917,140
	19,910,259,833	4,283,321,443	755,945	24,194,337,221
Less : Allowance for impairment losses				(604,907,425)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(82,559,732)
Total net rentals receivable				23,506,870,064

As at 31st March 2023	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
23.4.1 Company & Group				
Outstanding rentals receivables				
- Loan rentals	14,679,892,701	2,485,819,997	2,327,303	17,168,040,001
- Amounts receivable from loans	935,057,583	-	-	935,057,583
	15,614,950,284	2,485,819,997	2,327,303	18,103,097,584
Less : Allowance for impairment losses				(570,767,954)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(82,461,807)
Total net rentals receivable				17,449,867,823

	Company		Group	
As at 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
24 Lease Rentals Receivable & Stock Out on Hire at Amortized Cost				
Lease rentals	30,127,351,672	28,717,795,981	30,127,351,672	28,717,795,981
Amounts receivable from Lease	2,351,116,053	2,108,881,366	2,351,116,053	2,108,881,366
Gross rentals receivables	32,478,467,725	30,826,677,347	32,478,467,725	30,826,677,347
Less: Unearned income	(8,707,053,271)	(8,189,117,338)	(8,707,053,271)	(8,189,117,338)
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 24.1 (a))	(99,439,130)	(84,030,290)	(99,439,130)	(84,030,290)
Outstanding rentals receivables	23,671,975,325	22,553,529,719	23,671,975,325	22,553,529,719
Less : Allowance for impairment losses (Note 24.1 (b) & 24.3)	(1,074,784,993)	(1,001,103,880)	(1,074,784,993)	(1,001,103,880)
Total net rentals receivable (Note 24.2 & 24.3)	22,597,190,332	21,552,425,839	22,597,190,332	21,552,425,839
24.1 a) Interest Adjustment on NPLs using credit adjusted EIR				
As at 01st April	84,030,290	88,417,977	84,030,290	88,417,977
Reversed /(credited) to interest income	15,408,840	(4,387,687)	15,408,840	(4,387,687)
As at 31st March	99,439,130	84,030,290	99,439,130	84,030,290
b) Allowances for Impairment Losses				
As at 01st April	1,001,103,880	858,094,375	1,001,103,880	858,094,375
Charge / (Reversal) for the year	73,681,113	143,009,505	73,681,113	143,009,505
As at 31st March	1,074,784,993	1,001,103,880	1,074,784,993	1,001,103,880

24.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying leases is given below:

Company & Group	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding lease and receivables 31st March 2024	12,822,242,042	7,881,982,511	2,967,750,771	23,671,975,324
Less: Provision for collective impairment	(78,229,052)	(169,918,387)	(175,711,306)	(423,858,746)
Less: Provision for individual impairment	-	-	(650,926,247)	(650,926,247)
	12,744,012,990	7,712,064,124	2,141,113,218	22,597,190,331
Outstanding lease and receivables 31st March 2023	9,580,987,023	9,355,855,147	3,616,687,549	22,553,529,719
Less: Provision for collective impairment	(93,696,095)	(258,115,685)	(207,431,155)	(559,242,935)
Less: Provision for individual impairment	-	-	(441,860,945)	(441,860,945)
	9,487,290,928	9,097,739,462	2,967,395,449	21,552,425,839

As at 31st March 2024	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
24.3 Company & Group				
Lease rentals	13,329,611,368	16,851,319,998	252,469	30,181,183,835
Amounts receivable from Lease	2,297,283,890	-	-	2,297,283,890
Outstanding rentals receivables	15,626,895,258	16,851,319,998	252,469	32,478,467,725
Less: Unearned income	(4,790,425,278)	(3,916,603,821)	(24,172)	(8,707,053,271)
Net rentals receivables	10,836,469,980	12,934,716,177	228,297	23,771,414,454
Less : Allowance for impairment losses				(1,074,784,993)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(99,439,130)
Total net rentals receivable				22,597,190,333

As at 31st March 2023	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
24.3 Company & Group				
Lease rentals	11,567,699,363	17,149,940,873	155,746	28,717,795,982
Amounts receivable from Lease	2,108,881,366	-	-	2,108,881,366
Outstanding rentals receivables	13,676,580,729	17,149,940,873	155,746	30,826,677,347
Less: Unearned income	(4,004,478,651)	(4,184,605,334)	(33,353)	(8,189,117,338)
Net rentals receivables	9,672,102,078	12,965,335,539	122,393	22,637,560,009
Less : Allowance for impairment losses				(1,001,103,880)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(84,030,290)
Total net rentals receivable				21,552,425,839

Lease rental receivables include receivables amounting to LKR 17,862,833,760/- (2023/22 - LKR 21,628,479,365/-) that have been assigned under a securitization funding arrangement.

For the year ended 31st March	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
25 Hire Purchase Rentals Receivable & Stock Out on Hire				
Rentals Receivables	-	-	-	-
Amounts receivable from hirers	2,793,137	3,975,448	2,793,137	3,975,448
Gross rentals receivables	2,793,137	3,975,448	2,793,137	3,975,448
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 25.1 (a))	-	(208,062)	-	(208,062)
Outstanding rentals receivables	2,793,137	3,767,386	2,793,137	3,767,386
Less : Allowance for impairment losses (Note 25.1 (b))	(2,793,137)	(3,767,386)	(2,793,137)	(3,767,386)
Total net rentals receivable (Note 25.2 & 25.3)	-	-	-	-
25.1 a) Interest Adjustment on NPLs using credit adjusted EIR				
As at 01st April	208,062	190,579	208,062	190,579
Reversed /(credited) to interest income	(208,062)	17,483	(208,062)	17,483
As at 31 st March	-	208,062	-	208,062
25.1 b) Allowance for Impairment Losses				
As at 01st April	3,767,386	3,778,244	3,767,386	3,778,244
Charge / (Reversal) for the year	(974,249)	(10,858)	(974,249)	(10,858)
As at 31 st March	2,793,137	3,767,386	2,793,137	3,767,386

25.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying hire purchase is given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding rental receivable 31st March 2024	-	-	2,793,137	2,793,137
Less: Provision for individual impairment	-	-	(2,793,137)	(2,793,137)
	-	-	-	-
Outstanding rental receivable 31 March 2023	-	-	3,767,386	3,767,386
Less: Provision for individual impairment	-	-	(3,767,386)	(3,767,386)
	-	-	-	-

25.3 Company & Group

As at 31st March 2024	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Hire purchase rentals	-	-	-	-
Amounts receivable from hirers	2,793,137	-	-	2,793,137
Outstanding rentals receivables	2,793,137	-	-	2,793,137
Less: Unearned income	-	-	-	-
Net rentals receivables	2,793,137	-	-	2,793,137

As at 31st March 2023	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Hire purchase rentals	-	-	-	-
Amounts receivable from hirers	3,767,386	-	-	3,767,386
Outstanding rentals receivables	3,767,386	-	-	3,767,386
Less: Unearned income	-	-	-	-
Net rentals receivables	3,767,386	-	-	3,767,386

	Company		Group	
As at 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
26 Financial Assets - Fair Value Through Other Comprehensive Income				
Quoted equity securities (Note 26.1)	317,124,444	182,126,371	317,124,444	182,126,371
Unquoted equities (Note 26.2)	579,250	579,250	579,250	579,250
	317,703,694	182,705,621	317,703,694	182,705,621

	2024			2023		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment LKR	Fair Value LKR	No of Shares	Cost of Investment LKR	Fair Value LKR
26.1 Quoted Equities						
Banks, Finance & Insurance						
Sanasa Development Bank	3,516,310	182,085,425	114,280,075	3,516,310	182,085,425	88,259,381
Ceylinco Insurance	48,765	39,660,921	41,450,250	-	-	-
HNB Assurance PLC	274,513	15,404,186	16,306,072	-	-	-
Sampath Bank PLC	-	-	-	220,000	10,120,000	11,550,000
		237,150,532	172,036,397		192,205,425	99,809,381

	2024			2023		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment LKR	Fair Value LKR	No of Shares	Cost of Investment LKR	Fair Value LKR
Hotels & Travels						
Aitken Spence PLC	-	-	-	30,000	2,411,876	3,929,927
Ceylon Hotels Corporation PLC	-	-	-	32,247	1,293,867	725,558
Jetwing Symphony PLC	-	-	-	84,154	841,850	597,493
Mahaweli Reach Hotels PLC	-	-	-	-	-	-
Tal Lanka Hotels PLC	-	-	-	14,481	811,828	220,111
		-	-		5,359,420	5,473,089
Manufacturing						
Teejay Lanka PLC	-	-	-	855,000	38,795,565	27,360,000
					38,795,565	27,360,000
Diversified Holdings						
Hayleys PLC	-	-	-	298,403	33,962,784	21,485,087
Cargills (Ceylon) PLC	36,254	12,356,623	13,051,440	-	-	-
Chevron XD	426,970	40,945,333	46,006,018	-	-	-
Kelani Valley	234,817	17,487,274	17,376,458	-	-	-
Lanka Milk Foods (CWE) PLC	458,000	9,918,500	12,457,600	-	-	-
		80,707,730	88,891,516		33,962,784	21,485,087
Energy						
Lanka Indian Oil Company	-	-	-	105,748	23,536,565	18,135,782
		-	-		23,536,565	18,135,782
Construction & Engineering						
Access Engineering PLC	-	-	-	401,622	9,869,736	5,703,032
		-	-		9,869,736	5,703,032
Plantations						
Talawakelle Tea Estates PLC	154,765	17,410,251	17,604,519	-	-	-
Watawala Plantations PLC	256,165	20,045,625	22,721,836	-	-	-
		37,455,876	40,326,355		-	-
Poultry industry						
Three Acre Farms PLC	57,605	13,282,990	15,870,178	-	-	-
		13,282,990	15,870,178		-	-
Telecommunications						
Dialog Axiata PLC	-	-	-	400,000	5,077,540	4,160,000
		-	-		5,077,540	4,160,000
Total Investment		317,858,262	317,124,446		308,807,036	182,126,371

Company & Group	2024		2023	
	Cost of Investment LKR	Fair Value LKR	Cost of Investment LKR	Fair Value LKR
26.2 Unquoted Equities				
Comp trust Equity Fund	200,500	200,500	200,500	200,500
Commercial Fund Management	1,500	1,500	1,500	1,500
Shaw Wallace Ceylon Ltd	11,544	11,544	11,544	11,544
Alliance Agencies Ltd	75,300	75,300	75,300	75,300
Ceylon Japan Industries Ltd	1	1	1	1
Orient Food Processing (Lanka) Ltd	1	1	1	1
Trigem Knitwear Ltd	1	1	1	1
Credit Information Bureau of Sri Lanka	25,400	25,400	25,400	25,400
Finance House Consortium (Pvt) Ltd	200,000	200,000	200,000	200,000
Orient Hotels Ltd	1	1	1	1
Ranwelli Holiday Resorts Ltd	65,001	65,001	65,001	65,001
Nation Lanka Equities (Pvt) Ltd	8,785,740	1	8,785,740	1
Total	9,364,989	579,250	9,364,989	579,250

Directors of the Company assessed that fair value of the unquoted share investments held by the Company as at 31st March 2024 and concluded that the carrying value as at that date is a reasonable approximation of fair value.

As at 31st March	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
27 Other Trading Stocks				
Real estates	-	8,422,473	-	8,422,473
Provision For Real Estate	-	(8,422,473)	-	(8,422,473)
Vehicles stock	85,653,478	59,653,942	85,653,478	59,653,942
	85,653,478	59,653,942	85,653,478	59,653,942
28 Other Financial Assets				
Collaboration debtors	45,942,884	65,024,225	45,942,884	65,024,225
Deferred expenses	287,361,756	268,838,163	287,361,756	268,838,163
Other receivables	125,326,901	81,591,740	116,848,209	84,070,840
	458,631,541	415,454,128	450,152,849	417,933,228
29 Other Non Financial Assets				
Pre-paid expenses	236,601,512	155,292,493	236,667,670	155,358,650
Stationery stock account	20,935,842	18,495,293	20,935,842	18,495,293
VAT recoverable	-	-	7,593,475	429,362
	257,537,354	173,787,786	265,196,987	174,283,305

30 Investment in Associates

a) Equity Method

	% Holding	Carrying Value 01.04.2023 LKR	Share of profit/ (Loss) LKR	Addition LKR	Other movements LKR	Carrying Value 31.03.2024 LKR
Company						
Macbertan (Pvt) Ltd	22.39%	70,906,846	20,200,145	-	(3,604,260)	87,502,731
Helios P2P (Pvt) Ltd	25.00%	-	(2,170,552)	25,000,000	-	22,829,449
		70,906,846	18,029,593	25,000,000	(3,604,260)	110,332,180
Group						
Macbertan (Pvt) Ltd	22.39%	97,412,381	20,200,145	-	(11,957,428)	105,655,098
Helios P2P (Pvt) Ltd	25.00%	-	(2,170,552)	25,000,000	-	22,829,449
		97,412,381	18,029,593	25,000,000	(11,957,428)	128,484,547

Company shareholding of Macbertan (Pvt) Ltd is 9.02%.However Company have a significant influence over the associate and recognised its holding based on the group effective rate of 22.39%

	No. of| Ordinary Shares	2024 Cost of Investment LKR	2023 Cost of Investment LKR
b) Cost Method- Holding by Company			
Macbertan (Pvt) Ltd	1,720,000	17,200,000	17,200,000
Helios P2P (Pvt) Ltd	40,314	25,000,000	-
		42,200,000	17,200,000
Cost Method- Holding by Group			
Macbertan (Pvt) Ltd	5,706,241	66,962,410	66,007,470
		66,962,410	66,007,470

Summarized Financial Information of Associate Company

As at 31st March	2024 LKR	2023 LKR
Macbertan (Pvt) Ltd		
Revenue	975,579,152	957,854,805
Profit / (Loss) for the period	90,226,214	94,097,804
Current Assets	452,745,485	450,863,414
Non Current Assets	355,337,754	361,406,605
Current Liabilities	101,077,257	358,155,734
Non Current Liabilities	234,992,994	41,217,678
Helios P2P (Pvt) Ltd		
Revenue	1,052,650	602,761
Profit for the period	(8,682,206)	(1,907,633)
Assets	15,468,925	623,427
Liabilities	344,620	1,816,916
Equity	15,124,306	(1,193,488)

c) Alliance Tech Trading (Pvt) Ltd is an Associate Company (40% holding) and the Company has been dormant and no significant assets or liabilities were carried in its books as at 31st March 2024 and 31st March 2023. Investment in Alliance Tech Trading Pvt Ltd Amount LKR 200,000/-.

31 Investment in Subsidiaries

	Principal Activity	% Holding	Cost of Investment
Alfinco Insurance Brokers (Pvt) Ltd	Insurance Brokering	63.93%	16,924,038

Alfinco Insurance Brokers (Pvt) Ltd is not quoted in Colombo Stock Exchange.

Summarized Financial Information of Subsidiary

As at 31st March	2024 LKR	2023 LKR
Alfinco Insurance Brokers (Pvt) Ltd		
Net operating income	232,544,089	227,132,801
Less: Finance expenses	(4,819,387)	(2,535,983)
Less: operating expenses	(90,330,867)	(89,463,466)
Profit before taxes	137,393,835	135,133,352
Less: Taxes	(32,300,626)	(33,533,437)
Profit after tax	105,093,209	101,599,915
Assets	476,455,118	367,180,130
Liabilities	76,518,222	70,947,255
Equity	399,936,895	296,232,875

32 Investment Property

	Balance As at 01.04.2023 LKR	Fair value gain LKR	Addition LKR	Disposals LKR	Balance As at 31.03.2024 LKR
Company					
Gross Carrying Amounts					
Land	163,200,000	24,480,000	-	-	187,680,000
	163,200,000	24,480,000	-	-	187,680,000
Group					
Gross Carrying Amounts					
Land	163,200,000	24,480,000	-	-	187,680,000
Building	90,000,000	18,000,000	-	-	108,000,000
	253,200,000	42,480,000	-	-	295,680,000

32.1 Fair Valuation of Investment property

The Company revalued its investment properties as at 31st March 2024, adopting an open market comparable basis of valuation by Mr. M.T.H Farook, an independent, professional valuer with recent experience in the location category of the property being valued.

Details of investment properties Stated at Valuation

Company and Group

Location	Date of valuation	Net book Value at valuation LKR	Fair Value LKR	Company Fair Value Recognised in P & L LKR	Group Fair Value Recognised in P & L LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2024	71,200,000	81,880,000	10,680,000	10,680,000
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2024	92,000,000	105,800,000	13,800,000	13,800,000
No.137,Sir James Pieris Mw, Colombo 02	31.03.2024	90,000,000	108,000,000	-	18,000,000
		253,200,000	295,680,000	24,480,000	42,480,000

32.2 Details of investment properties as at 31st March 2024

Company and Group Location	Land extent (perches)	No of Buildings	Extent of the Building	Value LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	19.25	-	-	81,880,000
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	23	-	-	105,800,000
No.137,Sir James Pieris Mw, Colombo 02		-	1654 Sqare feet	108,000,000

Fair Value

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

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

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

32.3 Title restriction on Investment properties

There were no restriction on the title of land classified as investment properties as at 31st March 2024.

32.4 Rental income earned and expenses incurred on Investment Property

There were no rental income earned and direct expenses incurred in relation to the investment property during the financial year.

33 Property, Plant and Equipment

33.1 Company

Gross Carrying Amounts	Balance As at 01.04.2023 LKR	Additions LKR	Disposals LKR	Transfers / Adjustments LKR	Revaluation LKR	Balance As at 31.03.2024 LKR
Cost / Valuation						
Freehold Assets						
Land	1,833,160,461	-	-	-	300,899,539	2,134,060,000
Buildings	261,543,630	829,149	-	(37,824,098)	228,255,318	452,803,999
Furniture & fittings	116,373,509	12,002,744	-	175,500	-	128,551,753
Equipment	510,608,328	71,821,578	(4,435,931)	(175,500)	-	577,818,475
Motor vehicles & accessories	440,429,348	140,121,688	(109,202,216)	-	-	471,348,820
Computers	197,512,403	63,604,467	-	-	-	261,116,870
Antiques	25,580	-	-	-	-	25,580
	3,359,653,259	288,379,626	(113,638,147)	(37,824,098)	529,154,857	4,025,725,497
Depreciation						
Freehold Assets						
Land	-	-	-	-	-	-
Buildings	24,720,458	13,103,639	-	(37,824,098)	-	-
Furniture & fittings	66,311,943	15,137,383	-	-	-	81,449,326
Equipment	294,042,399	70,024,364	(4,361,425)	-	-	359,705,338
Motor vehicles & accessories	219,197,705	33,734,943	(57,628,216)	-	-	195,304,432
Computers	159,933,774	26,682,975	-	-	-	186,616,749
Antiques	-	-	-	-	-	-
	764,206,279	158,683,304	(61,989,641)	(37,824,098)	-	823,075,845
Net book value						
Land	1,833,160,461					2,134,060,000
Buildings	236,823,172					452,803,999
Furniture & fittings	50,061,566					47,102,427
Equipment	216,565,929					218,113,137
Motor vehicles & accessories	221,231,643					276,044,388
Computers	37,578,629					74,500,121
Antiques	25,580					25,580
	2,595,446,980					3,202,649,652

33.2 Group

Gross Carrying Amounts	Balance As at 01.04.2023 LKR	Additions LKR	Disposals LKR	Transfers / Adjustments LKR	Revaluation LKR	Balance As at 31.03.2024 LKR
Cost / Valuation						
Freehold Assets						
Land	1,833,160,461	-	-	-	300,899,539	2,134,060,000
Buildings	261,543,631	829,149	-	(37,824,098)	228,255,318	452,804,000
Furniture & fittings	117,618,563	12,002,744	-	175,500	-	129,796,807
Equipment	512,968,301	71,990,807	(4,435,931)	(175,500)	-	580,347,677
Motor vehicles & accessories	440,429,348	140,121,688	(109,202,216)	-	-	471,348,820
Computers	199,894,572	63,604,467	-	-	-	263,499,039
Antiques	25,580	-	-	-	-	25,580
	3,365,640,456	288,548,855	(113,638,147)	(37,824,098)	529,154,857	4,031,881,923
Depreciation						
Freehold Assets						
Land	-	-	-	-	-	-
Buildings	24,720,458	13,103,639	-	(37,824,098)	-	-
Furniture & fittings	67,301,098	15,137,383	-	-	-	82,438,481
Equipment	296,439,473	70,029,275	(4,361,425)	-	-	362,107,323
Motor vehicles & accessories	219,197,704	33,734,943	(57,628,216)	-	-	195,304,431
Computers	161,907,508	27,173,255	-	-	-	189,080,763
Antiques	-	-	-	-	-	-
	769,566,241	159,178,495	(61,989,641)	(37,824,098)	-	828,930,998
Net book value						
Land	1,833,160,461					2,134,060,000
Buildings	236,823,173					452,804,000
Furniture & fittings	50,317,465					47,358,326
Equipment	216,528,828					218,240,354
Motor vehicles & accessories	221,231,644					276,044,389
Computers	37,987,064					74,418,276
Antiques	25,580					25,580
	2,596,074,215					3,202,950,925

33.3 Revaluation of Land and Buildings

The Company revalued its land and buildings as at 31st March 2024, adopting an open market comparable basis of valuation by Mr.M.T.Hilmy Farook being Independent, professional Valuer with recent experience in the location category of the Property being valued.

33.3.1 Details of Company's Land Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation LKR	Revaluation amount LKR	Revaluation Gain/(Loss) Recognised in OCI LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	1,072,981,930	1,232,700,000	159,718,070
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	308,046,420	359,160,000	51,113,580
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	212,389,850	248,600,000	36,210,150
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	158,144,740	186,080,000	27,935,260
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	41,840,000	60,000,000	18,160,000
No.152,150/1 Batapadura Watta Road, Siyambalagoda	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	24,500,000	29,400,000	4,900,000
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	15,257,521	18,120,000	2,862,479
				1,833,160,461	2,134,060,000	300,899,539

33.3.2 Details of Company's Buildings Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation LKR	Revaluation amount LKR	Revaluation Gain/(Loss) Recognised in OCI LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	28,687,500	33,750,000	5,062,500
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	39,430,396	46,580,000	7,149,604
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	21,250,000	25,000,000	3,750,000
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	115,641,225	325,584,000	209,942,775
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	6,915,600	8,136,000	1,220,400
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	12,623,961	13,754,000	1,130,039
				224,548,682	452,804,000	228,255,318

33.3.3 Valuation Technique and Significant Unobservable Inputs

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

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher (Lower)

33.3.4 Revaluation of land and buildings

33.3.4.1 Carrying value at cost

The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

As at 31st March 2024	Cost LKR	Accumulated Depreciation LKR	Net Book Value LKR
Freehold lands	353,350,808	-	353,350,808
Freehold buildings	217,231,521	70,644,566	146,586,955
	570,582,329	70,644,566	499,937,763

33.3.4.2 Carrying value at revaluation

The carrying amount of Company's revalued freehold land and buildings, if they were carried at revalued amount less accumulated depreciation, would be as follows:

As at 31st March 2024	Revalued Amount LKR	Accumulated Depreciation LKR	Net Book Value LKR
Land	2,134,060,001	-	2,134,060,001
Building	452,803,999	-	452,803,999
	2,586,864,000	-	2,586,864,000

33.4 Details of Freehold Land and Buildings as at 31st March 2024

Location	Land extent (Perches)	Per perch price LKR	Cost or Revaluation of Land LKR	No. of Buildings	Buildings (Square Feet)	Cost or Revaluation of Building LKR	Total Value LKR
No 84 Ward Place Colombo - 7	65 P	18,964,615	1,232,700,000	2	6,967	33,750,000	1,266,450,000
No.98, Ward Place, Colombo - 7	19.41 P	18,503,864	359,160,000	1	8,460	46,580,000	405,740,000
No.152,150/1 Batapadura Watta Road, Siyambalagoda	49 P	600,000	29,400,000		-	-	29,400,000
No.720, Kotte Road, Rajagiriya	33.85 P	7,344,165	248,600,000	1	858	25,000,000	273,600,000
No.722, Kotte Road, Rajagiriya	23.26 P	8,000,000	186,080,000	1	16,660	325,584,000	511,664,000
No.383, Kotugoda Road, Seeduwa	80 P	750,000	60,000,000	1	2,712	8,136,000	68,136,000
No.107/2, Ratnapura Road,Avissawella	7.55 P	2,400,000	18,120,000	1	2,737	13,754,000	31,874,000
Freehold Land and Building			2,134,060,000			452,804,000	2,586,864,000

33.5 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 288,379,464 (2022/23 - LKR 249,597,011) and payment made by cash.

33.6 The cost of the fully depreciated / amortised property, plant and equipment and intangible assets of the Company which are still in use as at the end of the reporting date is as follows:

	Company		Group	
As at 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Motor vehicles	79,190,463	96,087,643	79,190,463	97,217,773
Office Equipment	212,284,561	172,468,867	214,681,635	174,865,941
Furniture & Fittings	52,159,682	179,194	53,140,835	1,160,347
Computers	141,486,490	130,259,436	142,616,620	130,259,436
Software - Intangible assets	11,012,413	15,074,059	12,565,413	16,627,059
	496,133,609	414,069,198	502,194,966	420,130,555

33.7 Title restriction on Property Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2024.

33.8 Property Plant and Equipment pledged as security for liabilities

Property	Mortgaged with	Value
No.722, Kotte Road, Rajagiriya	Public Bank	550 Mn
No.720, Kotte Road, Rajagiriya		

33.9 Measurement of fair values

The fair value measurement for freehold lands have been categorized as a Level 3 fair value based on the input to the valuation technique used.

33.10 The Group does not foresee indications of Impairment of Fixed assets as at the reporting date due to the current macro economic situation and each business unit functions under the respective business continuity plans.

34 Intangible Assets

Gross Carrying Value	Balance As at 01.04.2023 LKR	Additions LKR	Transfers / Disposals LKR	Balance As at 31.03.2024 LKR
34.1 Company				
Cost / Valuation				
Computer software - Freehold	125,307,520	2,455,989	-	127,763,509
Computer Software - WIP	91,851,950	16,210,006	-	108,061,956
	217,159,470	18,665,995	-	235,825,465
Amortization				
Computer software - Freehold	77,971,066	10,766,543	-	88,737,609
Computer Software - WIP	-	-	-	-
	77,971,066	10,766,543	-	88,737,609
Net book value				
Computer software - Freehold	47,336,454			39,025,900
Computer Software - WIP	91,851,950			108,061,956
	139,188,404			147,087,856

Gross Carrying Value	Balance As at 01.04.2023 LKR	Additions LKR	Transfers / Disposals LKR	Balance As at 31.03.2024 LKR
34.2 Group				
Cost / Valuation				
Computer software - Freehold	127,435,517	2,455,989	-	129,891,506
Computer Software - WIP	91,851,950	16,210,006	-	108,061,956
	219,287,467	18,665,995	-	237,953,462
Amortization				
Computer software - Freehold	79,825,663	10,958,209	-	90,783,872
Computer Software - WIP	-	-	-	-
	79,825,663	10,958,209	-	90,783,872
Net book value				
Computer software - Freehold	47,609,854			39,107,634
Computer Software - WIP	91,851,950			108,061,956
	139,461,804			147,169,590

35 Right of Use Assets

	Company LKR	Group LKR
35.1 Cost of Right of Use Asset		
Balance as at 01st April 2023	746,803,495	746,803,495
Additions and improvements	119,590,927	119,590,927
Balance as at 31st March 2024	866,394,422	866,394,422
Accumulated Amortisation		
Balance as at 01st April 2023	381,456,805	381,456,805
Charge for the Year	128,590,164	128,590,164
Balance as at 31st March 2024	510,046,969	510,046,969
Net book value as at 31st March 2024	356,347,453	356,347,453
Net book value as at 31st March 2023	365,346,690	365,346,690

	Company LKR	Group LKR
35.2 Operating Lease Liability		
Balance as at 01st April 2023	361,416,001	361,416,001
Additions and improvements	99,851,332	99,851,332
Accretion of Interest	45,325,284	45,325,284
Disposal	(7,654,810)	(7,654,810)
Payments made during the year	(149,268,076)	(149,268,076)
Balance as at 31st March 2024	349,669,731	349,669,731
Balance as at 31st March 2023	361,416,001	361,416,001

	Company		Group	
As at 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
36 Due to Banks				
Bank overdrafts	1,320,679,267	3,519,082,617	1,320,679,267	3,519,082,617
Securitized borrowings and other facilities (Note 36.1)	18,989,506,124	19,051,920,083	18,989,506,124	19,051,920,083
	20,310,185,391	22,571,002,700	20,310,185,391	22,571,002,700

36.1 Securitized Borrowings

Company and Group	As at 01.04.2023 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2024 LKR	Period	Security
Securitization 06 - 01	535,825,055	-	32,455,183	196,099,815	372,180,423	48 months	Lease receivables
Securitization 06 - 02	167,599,160	-	12,113,335	179,712,495	-	30 months	Lease receivables
Securitization 07	187,186,189	-	14,433,101	201,619,290	-	24 months	Lease receivables
Securitization 07 -02	209,390,366	-	2,411,049	211,801,415	-	24 months	Lease receivables
Securitization 09	500,398,980	-	64,200,222	564,599,202	-	15 months	Lease receivables
Securitization 10	-	425,000,000	89,057,877	-	514,057,877	17 months	Lease receivables
Securitization 11	-	12,500,000,000	105,102,740	11,250,000,000	1,355,102,740	60 months	Gold loan
NDB Trust 01	-	750,000,000	34,380,041	-	784,380,041	24 months	Lease receivables
NDB Trust 02	-	758,261,966	35,482,505	-	793,744,471	24 months	Gold loan & Lease receivables
NDB Trust 03	-	578,000,000	10,364,332	-	588,364,332	24 months	Gold loan
	1,600,399,750	15,011,261,966	400,000,385	12,603,832,217	4,407,829,885		
Direct Bank Borrowings							
Term Loans							
DFCC bank - PCI loan	9,036,171	-	615,253	9,651,424	-	70 Months	Unsecured
Hatton national bank	749,500,000	-	122,784,471	323,184,471	549,100,000	60 months	Lease receivables
Sampath bank	2,475,000,000	-	395,771,113	1,145,771,113	1,725,000,000	60 months	Lease receivables
Public bank	222,990,626	-	42,728,298	141,396,701	124,322,223	60 months	Land & Building
Union bank	900,952,110	9,700,000,000	139,738,018	9,438,643,866	1,302,046,262	60 months	Lease receivables
Commercial bank	-	750,776,810	43,626,130	568,828,912	225,574,028	36 months	Lease receivables
DFCC bank	387,499,987	1,000,000,000	97,296,814	354,986,944	1,129,809,858	48 months	Lease receivables
National Development Bank	2,974,637,843	5,175,000,000	504,059,354	6,229,563,977	2,424,133,220	60 Months	Lease receivables
Seylan Bank	1,433,958,521	3,600,000,000	273,658,429	3,683,119,690	1,624,497,260	36 Months	Lease receivables
BOC Bank	308,333,328	-	41,069,862	349,403,190	-	12 Months	Lease receivables
Cargills Bank	637,500,000	-	103,352,655	290,852,655	450,000,000	48 months	Lease receivables
Nations Trust Bank	162,500,000	500,000,000	25,194,453	171,048,699	516,645,753	36 Months	Lease receivables & Land and Building
Syndication 02-Sub Debt	1,000,000,000	-	202,902,034	159,035,986	1,043,866,047	60 Months	Unsecured
	11,261,908,586	20,725,776,810	1,992,796,884	22,865,487,628	11,114,994,651		
Foreign Currency Borrowings							
IFC	98,887,500	-	6,638,880	105,526,380	-	60 Months	Lease receivables
FMO	4,461,331,246	-	190,152,572	2,327,372,369	2,324,111,449	60 Months	Lease receivables
Enabling Qapital Ltd	1,629,393,000	-	99,056,121	585,878,983	1,142,570,139	36 Months	Lease receivables
	6,189,611,746	-	295,847,573	3,018,777,731	3,466,681,588		
	19,051,920,082	**35,737,038,776**	**2,688,644,842**	**38,488,097,576**	**18,989,506,124**		

	Company		Group	
As at 31st March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
37 Due to Depositors at Amortized Cost				
Fixed deposits	28,054,391,125	20,184,830,962	28,054,391,125	20,100,463,835
Savings deposits	332,974,124	291,016,873	332,162,489	290,239,235
	28,387,365,249	20,475,847,835	28,386,553,614	20,390,703,071
38 Other Financial Liabilities				
Accrued expenses	305,389,655	160,058,681	307,050,836	160,058,682
Trade creditors	195,702,038	37,694,156	195,702,038	37,694,156
Others	628,696,891	324,830,015	656,849,782	360,821,337
	1,129,788,584	522,582,852	1,159,602,656	558,574,175
39 Other Non Financial Liabilities				
FVAT and VAT payable	164,307,841	57,372,438	164,307,841	58,237,588
Other taxes payables	54,929,830	30,057,607	54,929,830	30,057,607
	219,237,671	87,430,046	219,237,671	88,295,195
40 Derivative Financial Liabilities				
Foreign currency SWAPS	5,379,033	36,175,016	5,379,033	36,175,016
	5,379,033	36,175,016	5,379,033	36,175,016
41 Income Tax Liability				
Tax refunds and self assessment payments	(327,539,904)	(343,125,066)	(345,081,522)	(356,249,442)
Current tax liability	635,703,889	412,701,248	663,234,032	439,561,517
Provision for contingent tax liabilities	620,349,210	638,834,123	620,349,210	638,834,123
	928,513,195	708,410,305	938,501,720	722,146,198
41.1 Movement of Income Tax Liability				
Balance as at 01st April	708,410,304	865,153,792	722,146,197	869,537,847
Current tax based on profit for the year	635,703,889	412,701,248	663,234,032	439,561,517
(Over)/under provision in respect of previous years	(24,433,982)	(10,476,969)	(24,433,982)	(7,071,623)
Provision for contingent tax liabilities	113,165,553	96,600,000	113,165,552	96,600,000
Payment of tax	(504,332,568)	(655,567,767)	(535,339,343)	(676,481,543)
Balance as at 31st March	928,513,196	708,410,304	938,772,456	722,146,197

	Company		Group	
As at 31st March	**2024 LKR**	**2023 LKR**	**2024 LKR**	**2023 LKR**
42 Retirement Benefit Obligations GRI 201-3				
Gratuity Liability				
42.1 Liability Recognized in the Statement of Financial Position				
Balance as at 01st April	48,489,232	121,428,671	50,962,873	124,326,196
Amount charged/(reversed) for the year (Note - 42.2)	44,350,684	(4,982,969)	46,112,428	(5,406,853)
Transfer to gratuity trust fund	-	(40,212,220)	-	(40,212,220)
Payments made during the year	(40,736,908)	(27,744,250)	(40,736,908)	(27,744,250)
Balance as at 31st March (Note 42.2 & 42.3)	52,103,008	48,489,232	56,338,393	50,962,873
42.2 Amount charged/(reversed) for the year				
Current service cost for the year	51,141,859	46,231,083	51,448,343	46,441,904
Interest cost for the year	100,987,864	71,580,388	101,374,516	72,276,083
Expected return on plan assets	(92,259,802)	(53,489,715)	(92,259,802)	(53,489,715)
	59,869,921	64,321,756	60,563,057	65,228,272
Amount Recognised in Other Comprehensive Income				
Net actuarial (gains)/ losses	(15,519,237)	(69,304,725)	(14,450,629)	(70,635,125)
Amount Charged for the year	44,350,684	(4,982,969)	46,112,428	(5,406,853)
42.3 Changes in the Present Value of Obligation				
Present value obligation as at 01st April	561,043,687	478,026,768	562,348,793	479,755,758
Interest cost	100,987,864	71,580,388	101,374,516	72,276,083
Current service cost	51,141,859	46,231,083	51,448,343	46,441,904
Benefits paid / payable	(40,736,908)	(27,744,250)	(40,736,908)	(27,744,250)
Actuarial (gains)/ losses	(13,835,540)	(7,050,302)	(12,766,932)	(8,380,702)
Present value obligation as at 31st March	658,600,962	561,043,687	661,667,812	562,348,793
42.4 Movement in the Present Value of Plan Assets				
Value of plan assets as at 01st April	512,554,455	356,598,097	511,385,920	355,429,562
Expected return on the plan assets for the period	92,259,802	53,489,715	92,259,802	53,489,715
Contribution paid to the plan	-	40,212,220	-	40,212,220
Actuarial gain/(loss) on plan assets	1,683,697	62,254,423	1,683,697	62,254,423
Value of plan assets as at 31st March	606,497,954	512,554,455	605,329,419	511,385,920
Retirement Benefit Liability	52,103,008	48,489,232	56,338,393	50,962,873
42.5 Assumptions				
Discount rate	12%	18%	12%	18%
Salary scale	11%	16%	10%	16%
Mortality table	A 67/70	A 67/70	A 67/70	A 67/70
Staff turnover	30%	17%	13%	17%
Retirement age	Normal retirement age, or age on valuation date, if greater.			

An actuarial valuation of the gratuity was carried out as at 31st March 2024 by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the “Projected Unit Credit Method”, recommended by LKAS 19.

	2024 LKR	2023 LKR
Sensitivity Analysis of Present Value of Defined Benefit Obligation		
A one percentage point increase (+1%) in the discount rate	622,359,122	533,732,079
A one percentage point decrease (-1%) in the discount rate	699,470,290	591,507,733
A one percentage point increase (+1%) in the salary/wage increment rate	702,141,552	593,783,892
A one percentage point decrease (-1%) in the salary/wage increment rate	619,376,218	531,280,521

43 Deferred Tax Assets and Liabilities

	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Deferred tax liability				
Balance as at 01st April	478,434,654	510,728,430	478,434,654	510,728,430
Recognised in profit & loss	26,117,178	(32,293,776)	26,117,178	(32,293,776)
Recognised in other comprehensive income	158,746,457	-	162,955,951	-
Balance as at 31st March	663,298,289	478,434,654	667,507,783	478,434,654
Deferred tax asset				
Balance as at 01st April	209,616,678	209,679,475	210,498,249	210,485,254
Recognised in profit & loss	(30,434,770)	20,728,621	(30,434,770)	20,804,413
Recognised in other comprehensive income	(4,655,771)	(20,791,418)	(5,537,342)	(20,791,418)
Balance as at 31st March	174,526,137	209,616,678	174,526,137	210,498,249
Net Deferred tax liability / (asset)	488,772,152	268,817,976	492,981,646	267,936,405

43.1 Composition of Deferred Tax Assets and Liabilities

	Company 2024	Company 2023	Group 2024	Group 2023
Liabilities				
Fair Value Gain on Investment Property	24,473,100	17,129,100	29,826,475	17,129,100
Lease rentals	25,394,732	32,538,547	25,394,732	32,538,547
Recognised in revalaution surplus	587,513,464	428,767,007	587,513,464	428,767,007
Accelerated depreciation - Own assets	25,916,993	-	26,043,727	-
	663,298,289	478,434,654	668,778,398	478,434,654
Assets				
Accelerated depreciation - Own assets	-	27,803,793	-	27,803,793
Defined benefit obligation	15,630,903	14,546,770	15,630,903	15,428,341
Provisions	150,926,311	154,641,421	150,926,311	154,641,421
Recognised in other comprehensive income	7,968,923	12,624,694	7,968,923	12,624,694
	174,526,137	209,616,678	175,796,752	210,498,249

The deferred tax assets/liabilities of the Company as at 31st March 2024 were computed using income tax rate of 30%.

	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
44 Stated Capital				
44.1 Issued and Fully Paid-Ordinary shares				
Ordinary shares	613,980,000	613,980,000	613,980,000	613,980,000
	613,980,000	613,980,000	613,980,000	613,980,000
44.2 Number of Shares				
Balance as at 01 April	33,696,000	33,696,000	33,696,000	33,696,000
	33,696,000	33,696,000	33,696,000	33,696,000

44.3 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

Shares in the Company quoted in the Colombo Stock Exchange.

	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
45 Retained Earnings				
As at 01st April	3,761,997,661	3,500,238,368	3,870,187,587	3,588,577,822
Dividend paid	(168,480,000)	(269,568,000)	(168,480,000)	(278,584,400)
Profit for the year	916,879,352	504,923,947	975,500,926	532,796,238
Transfer of realised share disposal profit from FVTOCI	34,524,168	3,136,236	34,524,168	3,136,236
Adjustment on actuarial gain / (losses) on defined benefit plan	10,863,466	48,513,307	9,474,276	49,507,888
Transfers to statutory reserve fund	(45,843,968)	(25,246,197)	(45,843,968)	(25,246,197)
As at 31st March	4,509,940,679	3,761,997,661	4,675,362,989	3,870,187,587

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.

	Company			Group		
	2023 LKR	Transfers LKR	2024 LKR	2023 LKR	Transfers LKR	2024 LKR
46 Reserves						
Fair value through OCI (Note 46.1)	(31,969,924)	6,696,420	(25,273,504)	(31,969,924)	6,696,420	(25,273,504)
Capital reserve - revaluation reserve (Note 46.2)	1,223,390,151	370,408,400	1,593,798,551	1,223,390,151	370,408,400	1,593,798,551
General reserve	388,258,055	-	388,258,055	388,258,055	-	388,258,055
Statutory reserve fund (Note 46.3)	1,002,482,237	45,843,968	1,048,326,205	1,002,482,237	45,843,968	1,048,326,205
	2,582,160,519	422,948,788	3,005,109,307	2,582,160,519	422,948,788	3,005,109,307

46.1 Fair Value Through OCI

The Fair Value through other Comprehensive income reserve represents the market to market change in the market values of the quoted share investments.

46.2 Capital Reserve - Revaluation Reserve

The Capital Reserves represents the increase in the fair value of the land & buildings at the date of revaluation. The Company revalues its freehold lands and buildings in every three to five years, unless significant changes in fair values indicate it may be necessary to revalue freehold lands and buildings on an earlier date, to ensure that the carrying amounts do not differ materially from the fair values at the end of the reporting date.

The Company treats 50% of the revaluation surplus as supplementary capital in the Total Capital Base in the computation of the Risk Weighted Capital Adequacy Ratio in accordance with the Central Bank of Sri Lanka, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.03 of 2018 on Capital Adequacy Requirements.

46.3 Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. 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 is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

47 Contingent Liabilities and Commitments

In the normal course of the business, the Company makes various commitments and incurs certain contingent liabilities. The company has made a provision against contingent liabilities.

		Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Financial guarantees					
Tax Appeal Commission		-	66,135,950	-	66,135,950
Hotel Developers (Lanka) Ltd		-	5,100,000	-	5,100,000
Central Engineering Services (Private) Limited		350,000	-	350,000	-
Sri Lankan Air Lines		-	826,200	-	826,200
		350,000	72,062,150	350,000	72,062,150
Tax Assessments	Tax Type				
2014/15	Income Tax	124,479,988	124,479,988	124,479,988	124,479,988
2017/18	Income Tax	241,419,583	241,419,583	241,419,583	241,419,583
2018/19	Income Tax	751,590,614	751,590,614	751,590,614	751,590,614
2018/19	NBT on FS	9,430,210	9,982,687	9,430,210	9,982,687
2019/20	NBT on FS	3,136,246	-	3,136,246	-
Less: Provisions as at 31st March		(309,739,900)	(341,654,885)	(309,739,900)	(341,654,885)
		820,316,741	785,817,987	820,316,741	785,817,987
Total		820,666,741	857,880,137	820,666,741	857,880,137

The Company has received tax assessments for the following years of assessments as mentioned below

Tax Assessments	Tax Type	Tax	Penalty	Total
2014/15	Income Tax	88,501,080	35,978,908	124,479,988
2017/18	Income Tax	160,946,389	80,473,194	241,419,583
2018/19	Income Tax	492,175,005	259,415,609	751,590,614
2018/19	NBT on FS	6,655,125	3,327,562	9,430,210
2019/20	NBT on FS	2,119,085	1,017,161	3,136,246
Total		750,396,684	380,212,434	1,130,056,641

The company has formally objected to these tax assessments and clearly believes that these assessments are arbitrary and excessive. Company is also actively engaged with the Department of Inland Revenue to conclude these pending assessments. Based on the outcome of the discussions and agreement reached or likely to reach with the Department of Inland Revenue, management has made a provision of LKR 309,739,900/- as stated above.

47.1 Litigations Against the Company

Litigation is a common occurrence in the Finance Industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of there transactions.

As of the date of the Statement of Financial Position, twenty one (21) clients have filed cases against the company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

48 Events After the Reporting Period

Events after the reporting period are those events, both 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 that would require adjustments or disclosure in the financial statements, except for the dividend declaration by the board of directors, as disclosed below.

The Board of Directors of the Company on 28th May 2024 declared a final cash dividend of LKR 8.40 per share for the financial year ended 31st March 2024 subject to the approval of the shareholders at the Annual general meeting. Further company received the central bank approval for the above proposed dividends.

49 Segment Report

Group	Leasing and Hire Purchase		Loans	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
For the year ended 31st March				
Revenue	7,151,570,342	6,968,772,645	2,436,067,831	1,644,775,406
Segment results	5,500,903,363	6,419,165,693	1,825,176,714	1,473,948,487
Unallocated company expenses				
Operating profit				
Interest expenses	(2,978,400,246)	(3,303,652,396)	(1,740,484,937)	(1,155,374,597)
Share of profits of associates before tax				
Taxes on financial services				
Income tax expenses				
Profit for the year				
As at 31st March				
Segment assets	22,597,806,537	21,552,425,901	13,205,458,850	7,537,453,218
Investment in associates				
Other assets				
Total assets				
Segment liabilities	20,179,606,515	19,223,812,270	10,950,638,005	6,345,030,902
Other liabilities				
Total liabilities				

Gold Loans		Other		Total	
2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
3,164,393,210	2,935,829,560	1,311,844,084	975,718,831	**14,063,875,468**	**12,525,096,443**
2,671,965,250	2,846,292,108	1,240,928,760	975,718,831	11,238,974,087	11,715,125,119
				(1,480,111,530)	(2,870,188,106)
				9,758,862,557	8,844,937,013
(1,357,730,268)	(1,511,778,948)	(1,209,825,054)	(1,424,408,080)	(7,286,440,505)	(7,395,214,020)
				18,031,098	21,068,498
				(668,603,605)	(419,432,886)
				(813,288,033)	(482,740,665)
				1,008,561,512	**568,617,940**
10,301,411,294	9,862,570,224	9,179,220,554	9,292,578,662	55,283,897,235	48,245,028,005
				128,484,547	97,412,381
				5,109,116,810	4,081,065,969
				60,521,498,592	**52,423,506,357**
8,542,454,094	8,302,315,256	7,611,876,415	7,822,496,098	47,284,575,029	41,693,654,526
				4,809,942,312	3,564,055,358
				52,094,517,342	**45,257,709,883**

50 Fair Value of Financial Instruments

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 instruments. The amounts are based on the values recognised in the Statement of Financial Position.

50.1 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.

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31st March 2024 Company	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills/bonds	22	-	2,526,414,668	-	2,526,414,668
Investments in Unit Trusts		854,924,669	-	-	854,924,669
Quoted equities	26	127,629,421	-	-	127,629,421
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	317,124,444	-	-	317,124,444
Total Financial Assets		1,299,678,534	2,526,414,668	579,250	3,826,672,452

As at 31st March 2023 Company	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills/bonds	22	-	3,130,690,272	-	3,130,690,272
Investments in Unit Trusts	22	-	-	-	-
Quoted equities	26	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	182,126,371	-	-	182,126,371
Total Financial Assets		182,126,371	3,130,690,272	579,250	3,313,395,893

As at 31st March 2024 Group	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills /bonds	22	-	2,526,414,668	-	2,526,414,668
Investments in Unit Trusts	22	854,924,669	-	-	854,924,669
Quoted equities	26	127,629,421	-	-	127,629,421
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	317,124,444	-	-	317,124,444
Total Financial Assets		1,299,678,534	2,526,414,668	579,250	3,826,672,452

As at 31st March 2023 Group	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills	22	-	3,130,690,272	-	3,130,690,272
Investments in Unit Trusts	22	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	182,126,371	-	-	182,126,371
Total Financial Assets		182,126,371	3,130,690,272	579,250	3,313,395,893

50.2 Determination of Fair Value and Fair Value Hierarchy

Set out below is the comparison by classes 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	
As at 31st March Company	**Carrying Amount LKR**	**Fair Value LKR**	**Carrying Amount LKR**	**Fair Value LKR**
Financial Assets				
Cash and cash equivalents	1,037,507,757	1,037,507,757	566,946,383	566,946,383
Repurchase agreement	962,606,909	962,606,909	250,154,110	250,154,110
Placement with banks & other financial institutions	3,246,352,935	3,246,352,935	4,905,611,281	4,905,611,281
Loans and advances	23,506,870,064	24,236,478,606	17,449,867,823	17,501,084,281
Lease rentals receivables	22,597,190,332	25,386,292,519	21,552,425,838	20,181,734,863
Hire purchase receivables	-	-	-	-
Other financial assets	458,631,541	458,631,541	415,454,128	415,454,128
Total Financial Assets	51,809,159,538	55,327,870,267	45,140,459,563	43,820,985,046
Financial Liabilities				
Due to banks	20,310,185,391	20,310,185,391	22,571,002,700	22,571,002,700
Due to customers	28,387,365,249	28,323,775,977	20,475,847,835	20,415,262,846
Financial liabilities	1,129,208,584	1,129,208,584	883,998,853	883,998,853
Total Financial Liabilities	49,827,339,224	49,763,749,952	43,930,849,388	43,870,264,399

	2024		2023	
As at 31st March Group	**Carrying Amount LKR**	**Fair Value LKR**	**Carrying Amount LKR**	**Fair Value LKR**
Financial Assets				
Cash and cash equivalents	1,136,828,171	1,136,828,171	624,723,130	624,723,130
Repurchase agreement	962,606,909	962,606,909	250,154,110	250,154,110
Placement with banks & other financial institutions	3,383,898,083	3,383,898,083	4,919,075,748	4,919,075,748
Loans and advances	23,506,870,064	24,236,478,606	17,449,867,823	17,501,084,281
Lease rentals receivables	22,597,190,332	25,386,292,519	21,552,425,838	20,181,734,863
Hire purchase receivables	-	-	-	-
Other financial assets	450,152,849	450,152,849	417,933,228	417,933,228
Total Financial Assets	52,037,546,408	55,556,257,137	45,214,179,877	43,894,705,360
Financial Liabilities				
Due to banks	20,310,185,391	20,310,185,391	22,571,002,700	22,571,002,700
Due to customers	28,386,553,614	28,322,964,342	20,390,703,071	20,330,118,082
Financial liabilities	1,159,602,656	1,159,602,656	919,990,176	919,990,176
Total Financial Liabilities	49,856,341,661	49,792,752,389	43,881,695,947	43,821,110,958

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amount of an approximate to their fair value. This assumption is also applied to fixed deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed rate financial instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. For quoted debt issued the fair value are determined based on quoted market prices.

51 Related Party Transactions

The Company carried out transactions in the ordinary course of business on terms equivalent to those that prevail in arms length transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of related party transactions which the Company had during the year are as follows,

51.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company (include executive and non executive directors), executives who directly report to Board sub committees and other key executives who meet the criteria described above.

51.2 Compensation to Key Management Personnel GRI 2-19

	2024 LKR	2023 LKR
KMP's Emoluments (other than Directors)		
Short term	81,529,499	157,677,998
Long term	31,374,656	32,041,331
	112,904,155	189,719,330

	2024 LKR	2023 LKR
Remuneration and other expenses of Directors		
Short term	71,141,943	103,119,863
Long term & post employment benefits	32,125,547	27,523,194
	103,267,490	130,643,057

51.3 Transactions, Arrangements and Agreements Involving KMPs, and their Close Family Members (CFMs)

Close Family Members (CFMs) of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity. They may include KMPs domestic partner and children of the KMP, the children of KMP's domestic partner and dependents of KMP and KMPs domestic partner.

51.4 Transactions involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Statement of Financial Position - Company and Group

	2024 LKR	2023 LKR
Liabilities		
Financial Liabilities measured at amortised cost - due to depositors		
Fixed deposits	171,672,965	488,797,254
Savings Deposits	5,768,389	5,596,061
Assets - Company and Group		
Financial assets measured at amortised cost - Loans and advances	11,346,070	36,499,151
Financial assets measured at amortised cost - Lease rentals receivable & stock out of hire	-	100,773
Statement of Profit or Loss - Company & Group		
Interest income	1,027,762	2,540,309
Interest expenses	58,291,072	97,616,374
No of Shares held by KMPs		
Ordinary shares	11,928,286	11,692,893
Other Transactions		
Deposits accepted during the year	776,854,440	760,530,471

51.5 Transaction, arrangements and agreements involving with Entities which are controlled, and /or jointly controlled by the KMP's and their CFMs.

	Nature of the Relationship	Nature of Transaction / Facility	2024 LKR	2023 LKR
51.5.1 Transactions with Subsidiaries				
Income Statement - transactions during the year				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Dividend income	-	15,983,600
		Shared service fee income	63,443,183	60,271,286
		Interest expense	9,117,985	12,797,511
Statement of Financial Position - outstanding as at reporting date				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Saving deposits	811,635	777,638
		Fixed deposits	-	81,033,125
		Insurance fee receivables	29,221,318	17,881,249
Other transactions during the year				
New deposits accepted during the year			-	317,433,125
51.5.2 Transactions with Associates and Other related parties				
Income Statement - transactions during the year				
Macbertan (Pvt) Ltd	Associate	Dividend income	3,604,260	2,747,700
Helios P2P (Pvt) Ltd	Associate	Interest expense	68,055	-

	Nature of the Relationship	Nature of Transaction / Facility	2024 LKR	2023 LKR
Alliance Management Services (Pvt) Ltd	Other related parties	Secretarial fees	945,165	1,065,084
		Interest expense	375,149	361,717
Alliance Travel Services Ltd	Other related parties	Interest expense	755,953	608,189
Alliance Ventures (Pvt) Ltd	Other related parties	Interest expense	165,274	170,438
Alliance Agencies Ltd	Other related parties	Dividend income	66,470	86,020
		Interest expense	27,873,904	13,717,608
Alliance Graphic Services (Pvt) Ltd	Other related parties	Interest expense	1,846,897	960,120
Heshia Shipping (Pvt) Ltd	Other related parties	Interest expense	940,368	839,942
Sanasa Development Bank PLC	Other related parties	Dividend income	-	5,274,465
Drive One (Pvt) Ltd	Other related parties	Vehicles maintenance	1,800,830	359,801
Statement of Financial Position - outstanding as at reporting date				
Helios P2P (Pvt) Ltd	Associate	Fixed deposits	4,500,000	-
Alliance Management Services (Pvt) Ltd	Other related parties	Fixed deposits	2,186,648	2,432,088
		Saving deposits	27,455	26,305
Alliance Travel Services Ltd	Other related parties	Fixed deposits	5,105,252	4,705,252
		Saving deposits	342,169	213,566
Alliance Tech Trading (Pvt) Ltd.	Other related parties	Investment	200,000	200,000
Alliance Ventures (Pvt) Ltd	Other related parties	Fixed deposits	989,720	960,623
		Saving deposits	84,338	37,777
Alliance Agencies Ltd	Other related parties	Fixed deposits	145,000,000	110,000,000
		Saving deposits	10,507,772	6,538,728
		Share investment	75,300	75,300
Alliance Graphic Services (Pvt) Ltd	Other related parties	Fixed deposits	9,242,990	8,590,578
Heshia Shipping (Pvt) Ltd	Other related parties	Fixed deposits	4,696,979	4,550,194
Sanasa Development Bank PLC	Other related parties	Share investment	114,280,075	88,259,381
Other Transactions				
New deposits accepted during the year			993,510,845	661,563,822

51.6 Parent and Ultimate Controlling Party

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

51.7 There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the company which require additional disclosures under the Colombo Stock Exchange Listing Rule 9.14.7.

51.8 There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue in the financial statements ending March 31, 2024, which require additional disclosures in the 2023/24 annual report under the Colombo Stock Exchange Listing Rule 9.14.8.

51.9 There are no related parties or related party transactions other than those disclosed in Note 51 to the Financial Statements.

52 Financial Risk Management

52.1 Introduction

Constantly assessing and being cognizant of the concept of risk is fundamental to the managerial philosophy of Alliance Finance Company PLC.

Consequent to the global, economic and financial crises, companies are placing greater emphasis on risk management by adopting comprehensive risk management framework to increasingly safeguard stakeholder interest. Due to diversified and geographic spread of the portfolio of businesses, Alliance Finance maintains a holistic risk management system that continuously monitors primary risk factors. Risk mitigation actions are also built in to the day - to day operations of the Company. The Company's business divisions are closely monitored through a comprehensive computerized information system and employees, ranging from managerial credit and other officers, have been apprised and trained to adopt risk management practices as an integral part of their decision making.

Risk Coverage

The Company's Comprehensive risk management framework covers three major areas that comprise credit risk, liquidity risk, and market risk management.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, analysis, measurement and continuous monitoring, subject to the risk limits and their controls.

52.2 Credit Risk

Credit risk is the risk that the company will incur a loss because its customers or counter-parties fail to discharge their contractual obligations and arises principally from the loans and advances to the customers. A comprehensive Credit Risk Management Policy serves as the backbone to manage both credit counter-party and credit concentration risks.

The Credit risk management Policy and the Credit Operations Manual which together provide clear direction to enable risk owners (first line of defence) to focus on prudent lending that will ultimately minimise credit risk. These efforts are further supported by a well established set of internal procedures and directives, outlining detailed procedures and segregation of duties for each step of the lending process from loan origination, pre-credit evaluation and credit administration to post-credit monitoring.

Similarly post-credit monitoring too is viewed as a key facilitator in mitigating credit risk, prompting the AFC to adopt a range of strategies to closely monitor credit risk, post disbursement.

52.2.1 Credit quality analysis

The Company has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counter parties, including regular collateral revisions, products, assets, sectors and demographic location. Actual credit limits are compared as against the limits set out in appetite.

Impairment assessment

For accounting purposes, the Company uses an expected loss model for the recognition of losses on impaired financial assets. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including hire purchases, lease receivables, other loans and advances and consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Company include macroeconomic factors within its expected credit loss assessments. The Company relies on a broad range of forward looking information as economic inputs, such as GDP growth, unemployment rates, interest rates, inflation rate and etc. (Note 4.5.7)

Analysis of Credit Risk Exposure

The following tables shows the maximum exposure to credit risk by class of financial asset.

		Maximum Exposure to Credit Risk			
		Company		Group	
As at 31st March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash and cash equivalents	21	1,037,507,757	566,946,383	1,136,828,171	624,723,130
Repurchase agreements		962,606,909	250,154,110	962,606,909	250,154,110
Placements with banks & financial institutions		3,246,352,935	4,905,611,281	3,383,898,083	4,919,075,748
Financial assets recognised through profit or loss	22	3,508,968,758	3,130,690,272	3,508,968,758	3,130,690,272
Loans and advances (Gross)	23	24,111,777,489	18,020,635,777	24,111,777,489	18,020,635,777
Lease rentals receivable & stock out on hire (Gross)	24	23,671,975,325	22,553,529,718	23,671,975,325	22,553,529,718
Hire purchase rentals receivable & stock out on hire	25	2,793,137	3,767,386	2,793,137	3,767,386
Financial assets- fair value through other comprehensive income	26	317,703,694	182,705,621	317,703,694	182,705,621
		56,859,686,004	49,614,040,548	57,096,551,565	49,685,281,761

The following table shows the classification of Financial Assets based on the three stage approach.

		As at 31st March 2024				
Company	Note	12 Month Expected Credit Losses LKR	Life Time Expected Credit Losses - Not Credit Impaired LKR	Life Time Expected Credit Losses - Credit Impaired LKR	Unclassified LKR	Total LKR
Cash and cash equivalents	21	1,037,507,757	-	-	-	1,037,507,757
Repurchase agreements		962,606,909	-	-	-	962,606,909
Placements with banks & financial institutions		3,246,352,935	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	22	3,508,968,758	-	-	-	3,508,968,758
Loans and advances (Gross)	23	18,754,640,878	4,011,190,223	1,345,946,388	-	24,111,777,489
Less :ECL Allowance	23	(92,631,300)	(87,442,298)	(424,833,826)	-	(604,907,425)
Lease rentals receivable & stock out on hire (Gross)	24	12,822,242,042	7,881,982,511	2,967,750,771	-	23,671,975,323
Less :ECL Allowance	24	(78,229,052)	(169,918,387)	(826,637,553)	-	(1,074,784,993)
Hire purchase rentals receivable & stock out on hire	25	-	-	2,793,137	-	2,793,137
Less :ECL Allowance	25	-	-	(2,793,137)	-	(2,793,137)
Financial assets- fair value through other comprehensive income	26	317,124,444	-	-	579,250	317,703,694
		40,478,583,370	11,635,812,048	3,062,225,779	579,250	55,177,200,446

		As at 31st March 2023				
Company	Note	12 Month Expected Credit Losses LKR	Life Time Expected Credit Losses - Not Credit Impaired LKR	Life Time Expected Credit Losses - Credit Impaired LKR	Unclassified LKR	Total LKR
Cash and cash equivalents	21	566,946,383	-	-	-	566,946,383
Repurchase agreements		250,154,110	-	-	-	250,154,110
Placements with banks & financial institutions		4,905,611,281	-	-	-	4,905,611,281
Financial assets recognised through profit or loss	22	3,130,690,272	-	-	-	3,130,690,272
Loans and advances (Gross)	23	12,623,966,714	3,838,817,882	1,557,851,181	-	18,020,635,777
Less :ECL Allowance	23	(52,174,997)	(78,931,961)	(439,660,996)	-	(570,767,954)
Lease rentals receivable & stock out on hire (Gross)	24	9,580,987,023	9,355,855,147	3,616,687,549	-	22,553,529,719
Less :ECL Allowance	24	(93,696,095)	(258,115,685)	(649,292,100)	-	(1,001,103,880)
Hire purchase rentals receivable & stock out on hire	25	-	-	3,767,386	-	3,767,386
Less :ECL Allowance	25	-	-	(3,767,386)	-	(3,767,386)
Financial assets- fair value through other comprehensive income	26	182,126,371	-	-	579,250	182,705,621
		31,094,611,062	12,857,625,383	4,085,585,633	579,250	48,038,401,328

ECL allowance

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of Loan portfolio.

Movement in Allowance for Expected Credit Losses (Stage Transition)

		As at 31st March 2024			
	Note	Stage 1: 12Months ECL LKR	Stage 2: Life time ECL not Credit Impaired LKR	Stage 3: Life time ECL Credit Impaired LKR	Total ECL LKR
Balance as at the beginning of the year	23,24 & 25	145,871,093	337,047,646	1,259,420,641	1,742,339,380
Transferred from 12 month ECL		(101,533,194)	49,140,943	52,392,250	-
Transferred from life time ECL not-credit impaired		7,629,326	(204,688,553)	197,059,227	-
Transferred from life time ECL credit impaired		941,334	9,531,031	(10,472,365)	-
Interest accrued / (reversals) on impaired loans and advances		-	-	10,881,934	10,881,934
Net remeasurement of loss allowance		117,951,794	66,329,619	(73,018,310)	111,263,103
Balance as at the end of the year	23,24 & 25	170,860,353	257,360,686	1,436,263,378	1,864,484,417

		As at 31st March 2023			
	Note	Stage 1: 12Months ECL LKR	Stage 2: Life time ECL not Credit Impaired LKR	Stage 3: Life time ECL Credit Impaired LKR	Total ECL LKR
Balance as at the beginning of the year		441,905,849	133,239,911	1,128,103,272	1,703,249,032
Transferred from 12 month ECL		(366,621,707)	218,536,856	148,084,851	-
Transferred from life time ECL not-credit impaired		619,711	(166,677,721)	166,058,009	-
Transferred from life time ECL credit impaired		628,125	482,402	(1,110,527)	-
Interest accrued / (reversals) on impaired loans and advances		-	-	(1,244,334)	(1,244,334)
Net remeasurement of loss allowance		69,339,114	151,466,197	(180,470,630)	40,334,682
Balance as at the end of the year	23,24 & 25	145,871,093	337,047,646	1,259,420,641	1,742,339,380

Stage Transition on Lending Portfolio

The following tables show reconciliation from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

		As at 31st March 2024			
	Note	Stage 1: 12Months ECL LKR	Stage 2: Life time ECL not Credit Impaired LKR	Stage 3: Life time ECL Credit Impaired LKR	Total Portfolio (Gross) LKR
Balance as at the beginning of the year		22,204,953,737	13,194,673,029	5,174,538,730	40,574,165,496
Transferred from 12 month ECL		(2,588,214,210)	2,239,948,399	348,265,811	-
Transferred from Life time ECL not-credit impaired		1,056,897,040	(2,325,778,649)	1,268,881,609	-
Transferred from life time ECL credit impaired		122,929,443	426,126,486	(549,055,929)	-
Financial Assets that have been derecognised		-	-	-	-
Other Changes in the portfolio		10,780,316,234	(1,681,251,783)	(1,744,140,387)	7,394,379,316
Balance as at the end of the year	23,24 & 25	31,576,882,244	11,853,717,482	4,498,489,834	47,968,544,812

		As at 31st March 2023			
	Note	Stage 1: 12Months ECL LKR	Stage 2: Life time ECL not Credit Impaired LKR	Stage 3: Life time ECL Credit Impaired LKR	Total Portfolio (Gross) LKR
Balance as at the beginning of the year		37,117,888,059	2,803,876,192	2,082,673,921	42,004,438,172
Transferred from 12 month ECL		(10,445,445,720)	8,285,453,985	2,159,991,735	-
Transferred from life time ECL not-credit impaired		179,067,318	(1,051,889,988)	872,822,670	-
Transferred from life time ECL credit impaired		18,309,981	16,833,624	(35,143,604)	-
Financial Assets that have been derecognised		-	-	-	-
Other Changes in the portfolio		(4,664,865,900)	3,140,399,216	94,194,008	(1,430,272,677)
Balance as at the end of the year	23,24 & 25	22,204,953,737	13,194,673,029	5,174,538,730	40,574,165,496

Overview of rescheduled/restructured loans & advances

An analysis of rescheduled/restructured loans and advances of the Company which are in stage1, 2 and stage 3 is given below along with the impairment for ECL.

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
As at 31st March 2024				
Rescheduled/ Restructured facilities (Gross)	2,368,990,127	1,223,726,603	1,240,574,248	4,833,290,978
Expected Credit Loss	(9,247,630)	(13,697,430)	(97,605,068)	(120,550,128)
Net Carrying Value	2,359,742,497	1,210,029,173	1,142,969,180	4,712,740,850
As at 31st March 2023				
Rescheduled/ Restructured facilities (Gross)	438,546,761	211,234,379	95,196,848	744,977,989
Expected Credit Loss	(2,149,840)	(2,667,232)	(21,463,581)	(26,280,654)
Net Carrying Value	436,396,921	208,567,147	73,733,267	718,697,335

52.2.2 Concentrations of Credit Risk

The Company monitors concentration of credit risk by sector exposures.

Industry wise concentration

The following table shows the risk of concentration by industry for the financial assets measured at amortised cost.

Sector wise Breakdown	Cash and Bank Balances LKR	Financial assets - fair value through profit or loss LKR	Financial assets - fair value through OCI LKR	Other financial assets LKR	Total Financial Assets LKR
Financial services	1,037,507,757	-	-	3,246,352,935	4,283,860,692
Government	-	2,526,414,668	-	962,606,909	3,489,021,577
Services	-	-	-	458,631,541	458,631,541
Other	-	-	317,703,694	-	317,703,694
Total	1,037,507,757	2,526,414,668	317,703,694	4,667,591,385	8,549,217,504

Segment Concentration

Concentration of net loans and advances by segment is given below as at 31st March

Segment	Net Portfolio	
	2024	2023
Equipment	4,896,713	24,386,644
Heavy Vehicles and Motor Lorry	1,860,691,598	1,683,870,375
Agricultural Equipments	234,630	3,727,311
Tractor	232,555,569	167,976,171
Two - Wheelers -2W	1,849,230,848	1,172,593,020
Three Wheelers -3W	11,699,110,727	11,593,891,858
Transport Vehicles: W-4<=1Mn	2,023,452,556	1,956,534,103
Transport Vehicles: W-4>1Mn	4,956,311,464	5,029,013,959
Mortgage Loans<=2.5Mn	88,180,115	77,953,956
Mortgage Loans>2.5Mn	181,769,465	321,885,873
Personal Loans (Guarantees & Other)	6,210,786,266	3,730,297,991
Speed Cash	6,091,347,423	3,072,664,818
Gold loans	10,301,411,294	9,665,918,979
Pledge loans	47,999,687	49,897,567
Micro finance loans	17,789,472	31,105,652
Loans against fixed deposits	538,292,569	420,575,385
	46,104,060,396	39,002,293,661

Geographical concentration

Concentration of loans and advances by location is given below.

Province	2024	%	2023	%
Western	14,728,279,397	32%	12,493,806,673	32%
Central	6,048,568,112	12%	4,727,058,059	12%
North Western	5,361,614,991	12%	3,930,496,295	10%
Sabaragamuwa	2,722,625,106	6%	3,105,703,549	8%
Southern	3,560,494,513	8%	2,929,427,383	8%
Northern	5,415,449,126	12%	4,629,198,762	12%
Uva	3,237,755,247	7%	2,889,601,285	7%
Eastern	2,753,966,567	6%	2,473,773,634	6%
North Central	2,275,307,335	5%	1,823,228,020	5%
	46,104,060,396	100%	39,002,293,661	100%

Concentration by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower.

Products Concentration of Gross Portfolio

As at 31st March	2024		2023	
	Amount	%	Amount	%
Lease	23,771,414,454	49.56%	22,637,560,009	55.56%
Loan	13,248,642,084	27.62%	7,806,370,193	19.16%
Hire Purchase	2,793,137	0.01%	3,975,448	0.01%
Gold Loan	10,407,402,568	21.70%	9,876,152,006	24.24%
Fixed Deposit Against Loan	538,292,569	1.12%	420,575,385	1.03%
	47,968,544,812	100.00%	40,744,633,041	100.00%

Collateral held as security and other credit enhancements

The Company holds collateral and other credit enhancements against its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of exposure that is subject to collateral requirements		Principal type of Collateral Held
	2024	2023	
Loans and Receivables to Other Customers			
Loans & Other Advances	100	100	Vehicles,Property and equipment
Loans against Fixed Deposits	100	100	Fixed Deposits
Pledged Loans	100	100	Mortgages
Micro Finance Loans	100	100	Personal Guarantees
Gold Loans	100	100	Gold articles
Lease Rental and Hire Purchase Receivables			
Lease Rental Receivables	100	100	Vehicles,Property and equipment
Hire Purchase Receivables	100	100	Vehicles,Property and equipment

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by deposits held within the Company. Further, no allowance for ECL has been recognised for government securities, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost.

52.2.3 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified; in particular, to individual counter-parties and groups, and to industries and geographical locations.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to quarterly or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Credit Committee.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default. The Company doesn't have significant financial guaranteed contract as of the year ended 31st March 2024 & 31st March 2023.

Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of a security for funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The amount and type of collateral required depends on an assessment of the credit risk of the counter-party. Guidelines are in place covering the acceptability and valuation of each type of collateral. The general creditworthiness of customer tends to be the most relevant indicator of the credit quality of a loan.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlining agreement. The company pursue timely realisation of the collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding claim.

Credit quality analysis of Placements with Banks and other Listed Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on credit ratings.

As at Placements with Banks	2024 LKR	2023 LKR
Rated AA- to AA+	1,706,296,945	3,015,917,148
Rated A- to A+	1,415,757,413	1,772,782,098
Rated BBB + and below	124,298,578	116,912,036
	3,246,352,935	4,905,611,282

52.3 Liquidity Risk

Liquidity risk refers to the unavailability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments, debt obligations associated with its financial liabilities due to lack of funds or having to meet these obligations at excessive cost. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counter-parties 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.

Management of Liquidity Risk

The objective of the Company liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Company's liquidity management process is monitored by a separate team and includes;

- Maintaining 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.
- Maintaining lines of credit that it can access to meet liquidity needs.
- Maintaining the liquidity ratio prescribed by Central Bank of Sri Lanka.
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow
- Monitoring the liquidity ratios of the Statement of Financial Position against internal and regulatory requirements and reviewing the gaps by Assets and Liability Committee.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting daily, weekly and monthly cash flow requirements respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
- Monitoring unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

52.3.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets, not less than the total of,

(i) Ten per cent of,

  (a) the outstanding value of the time deposits received by the finance company at the close of the business on such day,

  (b) the face value of certificate of deposits issued by the finance company; as appearing on the books of the finance company at the close of the business of such day and

(ii) Fifteen per cent of the outstanding value of savings deposits accepted by such company, at the close of the business on such day.

As at 31st March 2024, the Company maintained Statutory Liquid Asset ratio at 13.82% (2023 : 19.12 %).

52.3.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at 31 March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31st March 2024	On Demand LKR	Less than 03 Months LKR	3-12 Months LKR	1 to 3 Years LKR	3 to 5 Years LKR	Over 5 Years LKR	Total LKR
Financial Assets							
Cash and cash equivalents	1,037,507,757	-	-	-	-	-	1,037,507,757
Repurchase agreements	-	962,606,909	-	-	-	-	962,606,909
Placements with banks & financial institutions	44,610,214	105,658,624	3,096,084,097	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	-	2,701,365,049	698,911,496	-	108,692,212	-	3,508,968,757
Loans and advances - at amortised cost	-	11,443,421,354	7,778,623,604	3,147,981,842	1,136,087,319	755,945	23,506,870,064
Lease rentals receivable & stock out on hire - at amortised cost	-	3,333,766,770	6,328,250,791	11,120,480,340	1,814,464,134	228,297	22,597,190,332
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-	-
Financial assets- fair value through other comprehensive income	-	-	317,703,694	-	-	-	317,703,694
Other financial assets	-	165,502,220	146,615,247	133,575,691	12,938,382	-	458,631,541
Total Financial Assets	1,082,117,971	18,712,320,926	18,366,188,929	14,402,037,873	3,072,182,048	984,242	55,635,831,989
Financial Liabilities							
Due to banks & other borrowings	1,287,186,817	1,596,738,414	2,468,238,303	5,261,983,608	9,458,538,248	237,500,000	20,310,185,391
Due to depositors - at amortised cost	805,070,789	10,300,322,745	11,563,678,264	3,553,956,962	2,164,336,489	-	28,387,365,249
Other financial liabilities	45,501,902	825,873,379	31,761,508	102,478,265	83,673,632	40,499,897	1,129,788,582
Lease Liability	-	-	18,303,039	145,447,468	117,621,900	68,297,325	349,669,731
Derivative financial liabilities	-	5,379,033	-	-	-	-	5,379,033
Total Financial Liabilities	2,137,759,508	12,728,313,570	14,081,981,114	9,063,866,302	11,824,170,270	346,297,221	50,182,387,986
Total Net Financial Assets/ (Liabilities)	(1,055,641,537)	5,984,007,355	4,284,207,816	5,338,171,571	(8,751,988,222)	(345,312,979)	5,453,444,003

As at 31st March 2023	On Demand LKR	Less than 03 Months LKR	3-12 Months LKR	1 to 3 Years LKR	3 to 5 Years LKR	Over 5 Years LKR	Total LKR
Financial Assets							
Cash and cash equivalents	566,946,383	-	-	-	-	-	566,946,383
Repurchase agreements	-	250,154,110	-	-	-	-	250,154,110
Placements with banks & financial institutions	-	201,850,341	4,703,760,940	-	-	-	4,905,611,281
Financial assets recognised through profit or loss	-	3,130,690,272	-	-	-	-	3,130,690,272
Loans and advances - at amortised cost	-	10,374,138,278	4,587,582,245	1,863,178,646	622,641,350	2,327,303	17,449,867,823
Lease rentals receivable & stock out on hire - at amortised cost	-	2,945,024,298	5,641,943,609	10,625,286,571	2,340,048,968	122,393	21,552,425,838
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-	-
Financial assets- fair value through other comprehensive income	-	-	94,446,240	-	-	88,259,381	182,705,621
Other financial assets	-	136,020,184	130,134,841	134,946,303	14,352,799	-	415,454,128
Total Financial Assets	566,946,383	17,037,877,483	15,157,867,875	12,623,411,521	2,977,043,117	90,709,077	48,453,855,456
Financial Liabilities							
Due to banks & other borrowings	250,602,249	2,139,006,489	8,917,457,383	7,780,399,240	3,483,537,339	-	22,571,002,700
Due to depositors - at amortised cost	800,509,044	7,795,942,089	7,552,159,621	2,590,611,936	1,736,625,145	-	20,475,847,835
Other financial liabilities	-	432,280,383	98,302,232	97,234,267	201,478,191	54,703,780	883,998,853
Derivative financial liabilities	-	36,175,016	-	-	-	-	36,175,016
Total Financial Liabilities	1,051,111,293	10,403,403,978	16,567,919,236	10,468,245,443	5,421,640,675	54,703,780	43,967,024,404
Total Net Financial Assets/ (Liabilities)	(484,164,910)	6,634,473,505	(1,410,051,360)	2,155,166,078	(2,444,597,558)	36,005,297	4,486,831,052

Assets held for managing liquidity risk

The Company holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

Cash and balances with central banks

Government bonds and other securities that are readily acceptable in repurchase agreements with central banks, and secondary sources of liquidity in the form of highly liquid instruments in the Company's trading portfolios.

52.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Trading portfolio includes financial assets and liabilities that are managed on a fair value basis. Non trading portfolio is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on fair value basis.

52.5 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

To manage the interest rate risk, company has established limits on the non–trading interest rate gaps for stipulated periods. The Company's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits which is supplemented by monitoring the sensitivity of the company's financial assets and liabilities to various rate scenarios. Net interest yields are also calculated for each product to ensure adequate margins are kept.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity. Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on the rate sensitive assets and liabilities is shown below.

Currency of Borrowings/ Advance	Increase (Decrease) in 100 basis points	Sensitivity of Net Interest Income			
		2024		2023	
		LKR ('000)	LKR ('000)	LKR ('000)	LKR ('000)
Borrowing at floating Rate	+100/ (-100)	(107,153)	107,153	(110,234)	110,234

52.5.1 *Interest rate risk exposure on financial assets & liabilities*

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31st March 2024	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total LKR
Assets						
Cash and cash equivalents	815,397,317	-	-	-	222,110,440	1,037,507,757
Repurchase agreements	962,606,909	-	-	-	-	962,606,909
Placements with banks & financial institutions	150,268,838	3,096,084,097	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	2,701,365,049	698,911,496	108,692,212	-	-	3,508,968,757
Loans and advances - at amortised cost	11,443,421,354	7,778,623,604	4,284,069,161	755,945	-	23,506,870,064
Lease rentals receivable & stock out on hire - at amortised cost	3,333,766,770	6,328,250,791	12,934,944,474	228,297	-	22,597,190,332
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-
Financial assets- fair value through other comprehensive income	-	-	-	-	317,703,694	317,703,694
Other financial assets	165,502,220	146,615,247	146,514,074	-	-	458,631,541
Total Financial Assets	19,572,328,457	18,048,485,235	17,474,219,921	984,242	539,814,134	55,635,831,989
Financial Liabilities						
Due to banks	2,883,925,231	2,468,238,303	14,720,521,856	237,500,000	-	20,310,185,391
Due to depositors - at amortised cost	11,105,393,534	11,563,678,264	5,718,293,451	-	-	28,387,365,249
Other financial liabilities	871,375,280	31,761,508	186,151,897	40,499,897	-	1,129,788,582
Derivative financial liabilities	5,379,033	-	-	-	-	5,379,033
Total Financial Liabilities	14,866,073,079	14,063,678,075	20,624,967,204	277,999,897	-	49,832,718,255
Interest Sensitivity Gap	4,706,255,378	3,984,807,160	(3,150,747,283)	(277,015,655)	539,814,134	5,803,113,734

As at 31st March 2023	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total LKR
Assets						
Cash and cash equivalents	416,208,184	-	-	-	150,738,199	566,946,383
Repurchase agreements	250,154,110	-	-	-	-	250,154,110
Placements with banks & financial institutions	201,850,341	4,703,760,940	-	-	-	4,905,611,281
Financial assets recognised through profit or loss	3,130,690,272	-	-	-	-	3,130,690,272
Loans and advances - at amortised cost	10,374,138,278	4,587,582,245	2,485,819,997	2,327,303	-	17,449,867,823
Lease rentals receivable & stock out on hire - at amortised cost	2,945,024,298	5,641,943,609	12,965,335,539	122,393	-	21,552,425,838
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-
Financial assets- fair value through other comprehensive income	-	-	-	-	182,705,621	182,705,621
Other financial assets	136,020,184	130,134,841	149,299,102		-	415,454,128
Total Financial Assets	17,454,085,667	15,063,421,635	15,600,454,638	2,449,696	333,443,820	48,453,855,456
Financial Liabilities						
Due to banks	2,389,608,738	8,917,457,383	11,263,936,579	-	-	22,571,002,700
Due to depositors - at amortised cost	8,596,451,133	7,552,159,621	4,327,237,081	-	-	20,475,847,835
Other financial liabilities	432,280,383	98,302,232	298,712,458	54,703,780	-	883,998,853
Derivative financial liabilities	36,175,016	-	-	-	-	36,175,016
Total Financial Liabilities	11,454,515,271	16,567,919,236	15,889,886,118	54,703,780	-	43,967,024,404
Interest Sensitivity Gap	5,999,570,396	(1,504,497,600)	(289,431,480)	(52,254,084)	333,443,820	4,486,831,052

52.5.2 Exchange rate risk

Exchange rate risk is the risk of loss as a result of unpledged exposure to volatility in the local exchange rate with other major currencies
The following significant exchange rates were applied during the year

	Average Rate	Reporting date spot rate	
	2024	2024	2023
USD/ LKR	318.04	300.44	358.17

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2024

	LKR	USD / LKR	Total (USD)
Cash & Cash Equivalents/Placements with banks	2,949,136,952	300.44	9,816,060
Borrowings	3,414,120,804	303.48	11,250,000
	6,363,257,756		21,066,060

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2024.

	Effect on profit or loss (LKR)	Effect on equity (LKR)
USD depreciated against LKR by 5%	318,162,888	318,162,888
USD appreciated against LKR by 5%	(318,162,888)	(318,162,888)

52.5.3 Commodity price risk

Commodity price risk refers to the uncertainties of future market values and of the size of future income , caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans business to the Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk is the primary source of credit risk associated with this product. The company manage gold commodity risk bys concentrating short term products and revise LTV at routine intervals.

52.5.4 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

52.6 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

Business were stress tested with multiple operating scenarios to ascertain the impact on the ability to sustain its operations with liquidity reserves in place. With the assumptions and different levels of operations the company satisfied of the ability of the business manage its operations even an extreme tested scenarios.

52.7 Capital

The Company maintains an activity managed capital base 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 are 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.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financing markets where the entities within the Company operate;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Central Bank of Sri Lanka, for supervisory purposes. The required returns are filed on a monthly basis.

The Company maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the Authority which takes into account the risk profile of the Company.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital is managed by each month by the Board of Directors and comprises two tiers:

Capital Management

For a financial institution capital is a buffer against insolvency. It is available to absorb unforeseen losses which asserts the Company's ability to continue operations in to the foreseeable future. The more capital the company has relative to the risks it takes, the more confident the stakeholders are that it will meet its obligations to them. Company's capital management process is steered with the aim of holding sufficient capital to support the Company's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements.

Tire 1 Capital is capital which is permanently and freely available to absorb losses without a finance company being obliged to cease trading. Tier 1 Capital consists of paid up ordinary share capital, free reserves, statutory reserve fund and audited retained earnings. Tier 1 Capital is important because it safeguards both the survival of a finance company and stability of the financial system.

Tier 2 Capital is capital which generally absorbs losses only in the event of a winding up of a finance company, and so provides a lower level of protection for depositors and other creditors. Tier - 2 Capital includes revaluation reserve, general provisions and hybrid capital instruments and approved subordinated term debts.

The primary objective of Company's capital management policy are 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.

Measures taken to consider capital adequacy requirements of the Company

1 The Company prepares the Corporate Plan and Budget on a rolling basis covering a period of 5 years which includes the computation of Capital Adequacy ratios (CARs).

2 The Company carefully analyses the CARs against increases in risk-weighted assets underlying the budgeted expansion of business volumes.

3 The Company has set up an internal guideline on minimum CARs and ensures that appropriate measures are employed to improve the CARs are also built into the budget. Budgeting process of the Company encapsulates all future capital requirements and this process invariably captures estimated capital expenditure and the business growth in determining the optimum level of capital to be maintained.

4 The Company has addressed all material risk exposures when formulating strategic plan and has a well-diversified assets portfolio which is neither overly exposed to any counterparty nor to any sector. Ways and means of improving the CARs are being monitored on an ongoing basis.

5 The Company always strives to achieve a reasonable growth in profit and is also mindful to pay a consistent stream of dividends to the shareholders. Part of the profit generated is retained for future business expansion. Given the size of the Company, capital generated through retained profits over the years could be considered as one of the primary sources of internal capital to the Company.

Capital management objectives

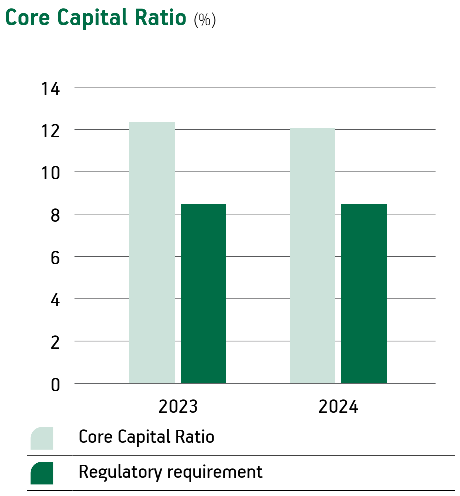
The objectives of the Company's Capital Management efforts include:

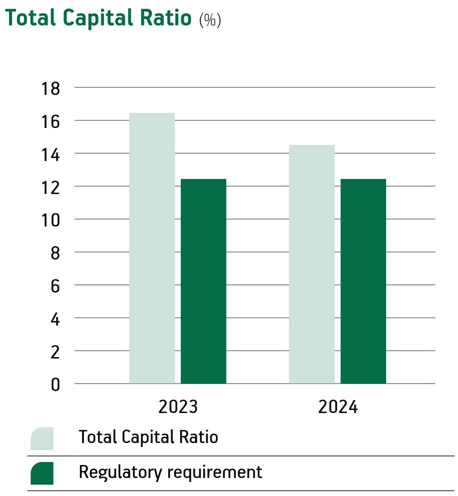
- Compliance with the regulatory requirements
- Maintaining internal capital targets which are more stringent than the regulatory requirements
- Optimum capital usage for maximum profitability (which meets investor expectations)
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 March 2024 and 2023. During those two years, the Company has complied with all of the externally imposed capital requirements to which they are subjected.

Capital Adequacy Ratios

As at 31st March	2024 LKR 000	2023 LKR 000
Core Capital	6,202,545	5,454,762
Total Capital	7,387,730	7,271,010
Total Risk Weighted Amount	51,368,378	43,933,821
Risk Weighted Amount for Credit Risk	44,659,738	37,838,331
Risk Weighted Amount for Operational Risk	6,708,639	6,095,490
Core Capital Ratio, %	12.07	12.42
Regulatory requirement, %	8.50	8.50
Total Capital Ratio, %	14.38	16.55
Regulatory requirement, %	12.50	12.50



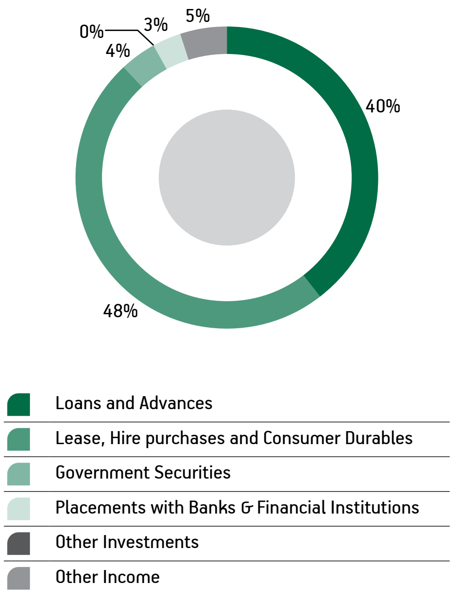


Contribution to National Economy

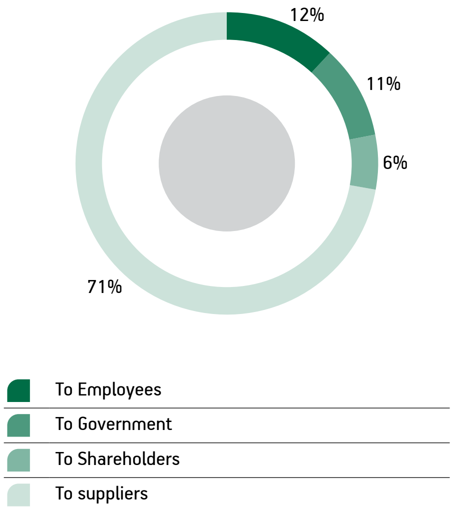
Sources and Utilisation of Income - Company

For the year ended 31st March	2024 LKR	%	2023 LKR	%
Sources of Income				
Loans and Advances	5,519,164,910	40%	4,543,166,668	37%
Lease, Hire purchases and Consumer Durables	6,780,531,655	48%	6,667,277,795	53%
Government Securities	510,547,945	4%	494,272,411	4%
Placements with Banks & Financial Institutions	352,489,864	3%	185,728,942	2%
Other Investments	21,900,079	0%	56,397,818	0%
Other Income	741,459,797	5%	473,724,489	4%
Total Income	**13,926,094,250**	**100%**	**12,420,568,123**	**100%**
To Employees				
Personnel Expenses	1,604,634,943	12%	1,219,117,857	10%
To suppliers				
Interest paid	7,297,688,560	52%	7,411,342,695	60%
Other Expenses	2,170,173,504	16%	2,004,309,715	16%
Depreciation	169,449,679	1%	162,069,603	1%
Impairment for loans and other losses	335,708,298	2%	274,638,036	2%
	9,973,020,041	71%	9,852,360,049	79%
To Government				
Value added Tax & Other Taxes	668,603,605	5%	419,432,886	3%
Income Tax	780,987,459	6%	445,801,882	4%
	1,449,591,064	11%	865,234,768	7%
To Shareholders				
Dividends	168,480,000	1%	269,568,000	2%
Invested in the business	730,368,202	5%	214,287,449	2%
	898,848,202	6%	483,855,449	4%
	13,926,094,250	**100%**	**12,420,568,123**	**100%**

Sources of Income 2023/24 (%)



Value Distribution 2023/24 (%)



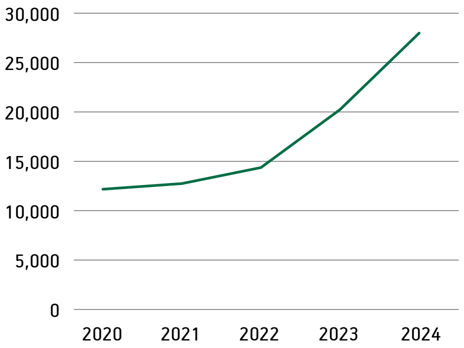
Depositors Information

Analysis of Deposit Base

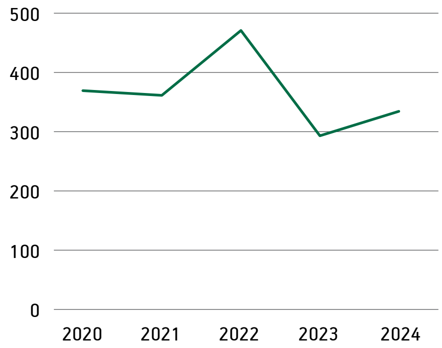
a) Value of Deposit Base

Value of Deposits	2019 LKR Mn	2020 LKR Mn	2021 LKR Mn	2022 LKR Mn	2023 LKR Mn	2024 LKR Mn
Value of Term Deposits	11,955	11,979	12,558	14,209	20,185	28,054
Value of Savings Deposits	539	369	360	472	291	333
	12,494	12,347	12,919	14,681	20,476	28,387

Value of Term Deposits (LKR Mn.)



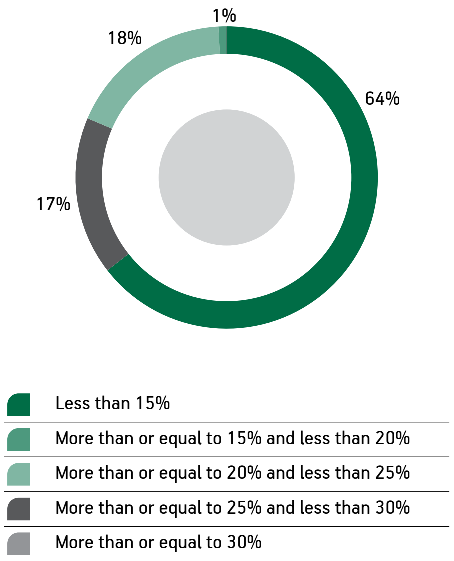
Value of Savings Deposits (LKR Mn.)



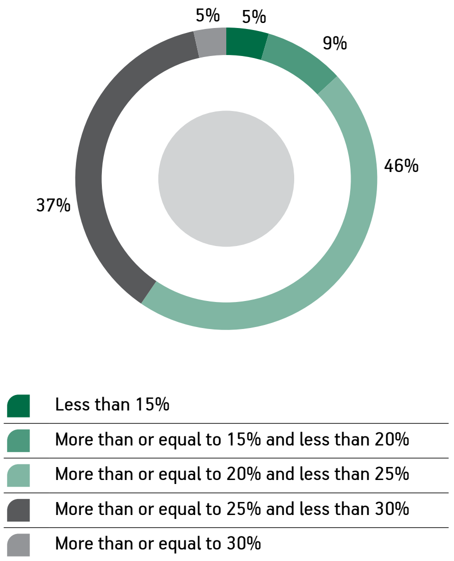
b) Rate of Interest Basis on Term Deposits

	As at 31st March 2024			As at 31st March 2023		
	No.of Deposits	Value LKR Mn	% of Total	No.of Deposits	Value LKR Mn	% of Total
Less than 15%	11,097	18,106	64%	914	916	5%
More than or equal to 15% and less than 20%	2,287	4,757	17%	961	1,736	9%
More than or equal to 20% and less than 25%	2,329	4,979	18%	6586	9,366	46%
More than or equal to 25% and less than 30%	141	245	1%	5,227	7,462	37%
More than or equal to 30%	-	-	0%	382	705	3%
Total	15,854	28,087	100%	14,070	20,185	100%

Rate of interest on Term Deposit 2023/24



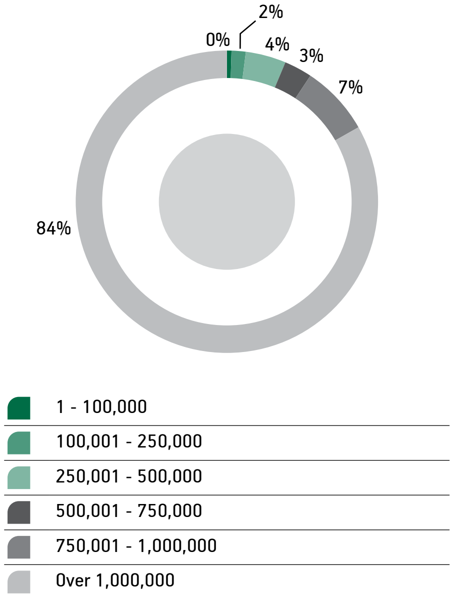
Rate of interest on Term Deposit 2022/23



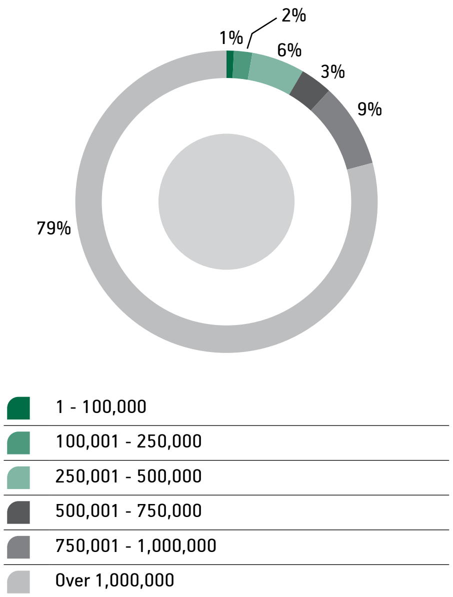
c) Capital Range on Term Deposits

	As at 31st March 2024			As at 31st March 2023		
	No. of Deposits	Value LKR Mn	%	No. of Deposits	Value LKR Mn	%
1 - 100,000	2,217	137	0%	2,539	158	1%
100,001 - 250,000	2,251	427	2%	2,076	396	2%
250,001 - 500,000	2,834	1,213	4%	2,654	1,146	6%
500,001 - 750,000	1,269	839	3%	1,063	696	3%
750,001 - 1,000,000	2,118	2,104	7%	1,804	1,813	9%
Over 1,000,000	5,165	23,368	84%	3,934	15,975	79%
	15,854	28,087	100%	14,070	20,185	100%

Capital Range on Term Deposits 2023/24



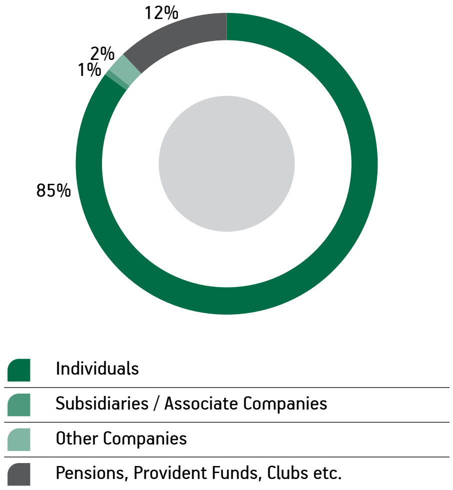
Capital Range on Term Deposits 2022/23



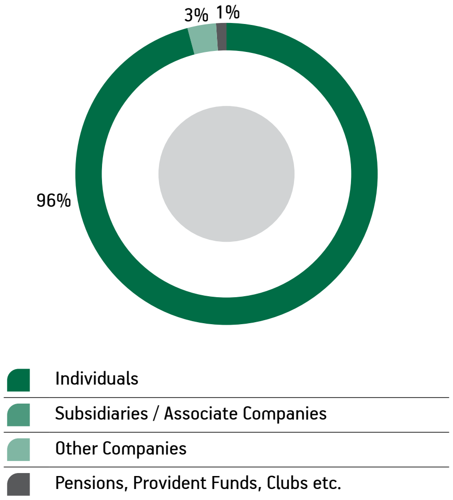
d) Deposits Term Analysis

	As at 31st March 2024		As at 31st March 2023	
	LKR Mn	%	LKR Mn	%
Individuals	23,903	85%	19,446	95%
Subsidiaries / Associate Companies	178	1%	44	0%
Other Companies	620	2%	506	2%
Pensions, Provident Funds, Clubs etc.	3,386	12%	189	1%
	28,087	100%	20,476	100%

Deposit Holders' Analysis 2023/24



Deposit Holders' Analysis 2022/23



Ten-Year Summary - Company

For the Year ended 31 March *(In LKR Mn)*	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Results										
Income	4,175.93	4,473.44	5,331.34	6,730.65	7,029.00	7,501.16	7,527.12	8,442.31	12,420.57	13,926.09
Profit Before Tax	277.45	530.31	834.13	810.10	600.27	531.63	1,295.95	2,363.93	950.73	1,697.87
Income Tax	74.54	111.12	184.67	81.60	294.10	323.00	735.06	900.83	445.80	780.99
Profit After Tax	202.91	419.19	649.46	728.50	306.17	208.63	560.89	1,463.10	504.92	916.88
Balance Sheet										
Assets										
Cash,Cash Equivalent & Deposits	1,111.75	2,713.93	1,644.84	1,625.70	1,223.80	2,252.56	1,781.17	1,333.19	5,722.71	5,246.47
Receivables	1,101.92	595.04	1,306.76	1,435.38	3,278.64	4,137.95	2,585.67	3,176.13	2,567.41	2,580.71
Stocks	14,440.63	19,293.67	22,866.23	25,019.13	24,862.57	24,789.84	26,249.06	40,265.90	37,382.48	44,544.50
Investments	2,122.07	1,795.53	2,081.21	2,018.71	1,020.24	1,070.92	1,128.55	862.69	3,979.88	4,600.24
Property,Plant & Equipment	1,133.33	1,446.54	2,122.91	1,681.95	1,746.40	1,694.02	2,377.68	2,502.32	2,595.45	3,202.65
Total Assets	19,909.70	25,844.70	30,021.95	31,780.87	32,131.65	33,945.29	34,122.13	48,140.24	52,247.93	60,174.57
Liabilities										
Term Deposit	10,344.07	10,464.15	10,087.82	13,256.95	12,493.68	12,347.30	12,918.79	14,681.38	20,475.85	28,387.37
Bank Overdraft/Loans	6,833.37	12,275.60	15,154.16	13,144.17	14,190.47	16,216.51	14,098.12	25,096.07	23,455.00	21,439.97
Provisions & Other Liabilities	282.91	382.89	715.18	1,080.67	937.26	768.52	1,288.82	1,681.42	1,358.94	2,218.20
Total Liabilities	17,460.35	23,122.64	25,957.16	27,481.79	27,621.41	29,332.33	28,305.72	41,458.86	45,289.79	52,045.54
Shareholders' Funds	2,449.34	2,722.05	4,064.80	4,299.08	4,510.26	4,612.97	5,816.41	6,681.37	6,958.14	8,129.03
Changes in Financial Position										
Sources of Funds										
Operations	541.03	876.95	795.93	1,534.11	37.99	782.21	1,973.22	2,324.56	(468.32)	1,722.70
Sale of Fixed Assets	8.06	47.62	25.23	39.95	6.99	7.73	(23.66)	1,379.56	284.98	20.90
Term Deposits	(857.52)	120.08	(376.33)	3,169.13	(763.27)	(146.39)	571.49	1,762.59	5,794.47	7,911.52
Bank Overdraft/Loans	1,547.46	5,258.86	2,890.35	(1,571.60)	727.87	1,935.22	(2,123.45)	9,848.15	(4,149.38)	(211.68)
Others	(108.48)	(153.38)	(101.67)	(119.67)	(105.93)	(118.95)	(123.30)	(67.06)	(199.74)	(381.52)
Grand Total	1,130.55	6,150.13	3,233.52	3,051.92	(96.35)	2,459.83	274.30	15,247.80	1,262.01	9,061.92
Application of Funds										
Capital Expenditure	106.74	450.67	70.49	208.09	207.31	98.61	122.63	378.99	290.75	443.42
Portfolio Disbursements	1,071.33	5,952.84	2,848.00	2,179.29	191.25	704.94	418.41	14,761.30	(1,352.02)	7,111.88
Deposits	400.92	(73.28)	37.27	(334.01)	(94.58)	477.54	(243.83)	(357.49)	4,020.08	(1,374.59)
Income Tax	0.93	19.57	180.12	125.60	147.74	412.75	254.89	793.07	683.31	545.07
Dividends	48.60	126.36	183.00	213.97	75.82	33.70	-	404.35	269.57	168.48
Other	(479.01)	(351.44)	(191.58)	398.81	(395.11)	27.32	(43.75)	(683.96)	732.24	(501.31)
Changes in Available Resources	(18.96)	25.41	106.21	260.17	(228.78)	704.97	(234.04)	(48.47)	(3,381.93)	2,668.96
Grand Total	1,130.55	6,150.13	3,233.52	3,051.92	(96.35)	2,459.83	274.30	15,247.80	1,262.01	9,061.92
No. of Shares	2,430,000	2,430,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000

For the Year ended 31 March ***(In LKR Mn)***	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Indicators of Performance										
Return on Shareholders Funds % (After Tax)	8.38	16.21	19.14	17.42	6.95	4.57	10.76	23.41	7.40	12.15
Return on Total Assets % (After Tax)	1.05	1.83	2.33	2.36	0.96	0.63	1.65	3.56	1.01	1.63
Earnings per Share (LKR)	83.50	172.51	19.85	21.62	9.09	6.19	16.65	43.42	14.98	27.21
Market Value per Share (LKR)	770.00	740.00	55.00	65.70	53.60	34.40	49.50	70.40	66.80	90.40
Price Earning Ratio %	9.22	4.29	2.77	3.04	5.90	5.56	2.97	1.62	4.46	3.32
Rate of Dividend %	230.00	530.00	32.38	35.12	5.49	-	30.18	65.86	27.44	46.10
Dividend per Share (LKR)	23.00	53.00	5.90	6.40	1.00	-	5.50	14.50	5.00	8.40
Gross Dividend LKR Mn	55.89	128.79	198.81	215.65	33.70	-	185.33	488.59	168.48	283.05
Dividend Cover (times)	3.63	3.25	3.36	3.38	9.09	-	3.03	2.99	3.00	3.24
Dividend Payout %	27.55	30.72	29.73	29.60	11.01	-	33.04	33.39	33.38	30.87
Net Assets per Share (LKR)	1,007.96	1,120.19	120.63	127.58	133.85	136.90	172.61	198.28	206.50	241.25
Market Value Per Share During The Year										
Highest Value Recorded During the Year (LKR)	929.00	1,000.00	1,300.00	79.40	72.50	54.50	59.00	116.50	92.00	120.00
Lowest Value Recorded During the Year (LKR)	810.00	732.00	52.30	53.00	50.00	30.00	30.00	59.10	42.00	67.60
Market Value as at 31st March (LKR)	770.00	740.00	55.00	65.70	53.60	34.40	49.50	70.40	66.80	90.40

Financial Highlights

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assets LKR Mn	19,910	25,845	30,022	31,781	32,132	33,945	34,122	48,140	52,248	60,175
Liabilities LKR Mn	17,460	23,123	25,957	27,482	27,621	29,332	28,306	41,459	45,290	52,046
Shareholders Funds LKR Mn	2,449	2,722	4,065	4,299	4,510	4,613	5,816	6,681	6,958	8,129

Shareholder Information

Distribution of Shares

	31st March 2024			31st March 2023		
Holdings	No. of Shareholders	Total	%	No. of Shareholders	Total	%
1 - 1,000	1,300	296,000	1	1,240	321,710	1
1,001 - 10,000	528	1,823,970	5	571	1,871,004	6
10,001 - 100,000	143	3,998,752	12	146	4,032,053	12
100,001 - 1,000,000	25	5,693,697	17	26	6,018,087	18
Over 1,000,000	5	21,883,581	65	5	21,453,146	64
	2,001	33,696,000	100	1,988	33,696,000	100

The shares in the hands of the public 31.3.2024 were 17,164,339 representing 50.94% of the Issued Share Capital of the Company and as at 31.3.2023 were 17,399,792 representing 51.64% of the Issued Share Capital of the Company.

Float adjusted Market Capitalization

The float adjusted market capitalization as at 31st March 2024 was LKR 1,551,661,669/-, 31st March 2023 - LKR 1,162,306,106/- and the Company falls under the Option 5 Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

No. of Public Shareholders as at 31st March 2024 were 2001.

20 Major Shareholders

	31.03.2024			31.03.2023		
No.	Name of Shareholder	No. of Shares	%	Name of Shareholder	No. of Shares	%
1	Mr.R.K.E.P. de Silva	11,881,184	35.26	Mr.R.K.E.P. de Silva	11,635,291	34.53
2	Motor Service Station (Pvt) Ltd.,	4,636,107	13.76	Motor Service Station (Pvt) Ltd.,	4,576,553	13.58
3	Mrs D.M.E.P. Perera	2,544,909	7.55	Mrs D.M.E.P. Perera	2,501,443	7.42
4	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera	1,463,057	4.34	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera	1,381,536	4.10
5	Orient Hotels Ltd.,	1,358,323	4.03	Orient Hotels Ltd.,	1,358,323	4.03
6	Mrs.S.E. Canekeratne	612,268	1.82	Mrs.S.E. Canekeratne	612,268	1.82
7	Mr.D.L.S.R. Perera	553,556	1.64	Mr.D.L.S.R. Perera	553,556	1.64
8	Mrs.C.R. de Silva	374,400	1.11	Mrs.P.N. Weththasinghe	401,051	1.19
9	Mr. D.F.W. Perera	343,089	1.02	Peoples Leasing Finance PLC/ Mr.K.R.E.M.D.M.B. Jayasundara	390,993	1.16
10	Ms.D.C.M.A. Perera	343,004	1.02	Mrs.C.R. de Silva	374,400	1.11
11	Hatton National Bank PLC/ Mr.K.K. Shujeevan	334,434	0.99	Hatton National Bank PLC/ Mr.K.K. Shujeevan	335,204	0.99
12	Ms.D.D.P.T. Perera	319,384	0.95	Mr. D.F.W. Perera	310,560	0.92
13	Mrs.P.N. Weththasinghe	299,975	0.89	Ms.D.D.P.T. Perera	309,384	0.92
14	Mrs.A.S. Wijewardena	259,200	0.77	Ms.D.C.M.A. Perera	303,634	0.90
15	J B Cocoshell (Pvt) Ltd.	258,698	0.77	Mrs.A.S. Wijewardena	259,200	0.77
16	Mr.G.P. Kapilasena	201,180	0.60	Mr.G.P. Kapilasena	201,180	0.60
17	Mrs.K.G.G.S.L. Perera	201,066	0.60	Mrs.K.G.G.S.L. Perera	201,066	0.60
18	Mrs.N.U. Silva	172,105	0.51	Mrs.N.U. Silva	172,105	0.51
19	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46
20	Mr.K. Krishnasamy	138,240	0.41	Est. of the late Mr.S.B.O. Illangakoon	145,560	0.43
		26,450,099	78.50		26,179,227	77.69

	31.03.2024			31.03.2023		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Institution	33	6,704,927	19.90	34	6,330,496	18.79
Individuals	1,968	26,991,073	80.10	1,215	27,365,504	81.21
	2,001	33,696,000	100.00	1,249	33,696,000	100.00

GRI Index Table

Statement of use	Alliance Finance has reported the information cited in this GRI content index for the period 1st April 2023 to 31st March 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	6, Inner back cover	About Alliance Finance, Corporate Information
	2-2 Entities included in the organization's sustainability reporting	214	Significant Accounting Policies
	2-3 Reporting period, frequency and contact point	2, 5	About our Integrated Report
	2-4 Restatements of information	5	About our Integrated Report
	2-5 External assurance	5, 171	About our Integrated Report, Annual Report of The Board of Directors on The Affairs of the Company
	2-6 Activities, value chain and other business relationships	32, 33, 50	Business Model, Business Line Reviews
	2-7 Employees	74 - 78	Human Capital
	2-9 Governance structure and composition	114, 118, 120	Corporate Governance Report
	2-10 Nomination and selection of the highest governance body	142, 151-154	Corporate Governance Report
	2-11 Chair of the highest governance body	8 - 10, 22	Board of Directors, Chairperson's Statement
	2-12 Role of the highest governance body in overseeing the management of impacts	114, 116	Corporate Governance Report
	2-13 Delegation of responsibility for managing impacts	114, 116	Corporate Governance Report
	2-14 Role of the highest governance body in sustainability reporting	112, 113, 114	Corporate Governance Report
	2-15 Conflicts of interest	139	Corporate Governance Report
	2-16 Communication of critical concerns	139	Corporate Governance Report
	2-17 Collective knowledge of the highest governance body	115, 123,125	Corporate Governance Report
	2-18 Evaluation of the performance of the highest governance body	141	Corporate Governance Report
	2-19 Remuneration policies	77,178, 273	Remuneration Committee Report, Compensation to Key Management Personnel
	2-20 Process to determine remuneration	77	Remuneration and Benefits
	2-22 Statement on sustainable development strategy	6	About Alliance Finance
	2-23 Policy commitments	72, 94, 112, 190	Human Capital, Intellectual Capital, Corporate Governance Report, Risk Management Report

GRI Standard	Disclosure	Page	Location
GRI 2: General Disclosures 2021	2-24 Embedding policy commitments	190	Risk management Report
	2-25 Processes to remediate negative impacts	44, 89, 90, 104, 121	ESG Integration, Social and Relationship Capital, Natural Capital, Corporate Governance Report
	2-26 Mechanisms for seeking advice and raising concerns	190	Risk management Report
	2-27 Compliance with laws and regulations	170	Annual Report of the Board of Directors on the affairs of the Company
	2-28 Membership associations	99	Intellectual Capital
	2-29 Approach to stakeholder engagement	34	Stakeholder Engagement
GRI 3: Material Topics 2021	3-1 Process to determine material topics	38	Material Topics
	3-2 List of material topics	38	Material Topics
	3-3 Management of material topics	38	Material Topics
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	18	Socio Economic Impact
	201-2 Financial implications and other risks and opportunities due to climate change	50, 100-105	Business Line Reviews, Natural Capital
	201-3 Defined benefit plan obligations and other retirement plans	206, 229, 264	Statements of Financial Position, Significant Accounting Policies, Notes to the Financial Statements
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	77	Human Capital
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	90-93	Social and Relationship Capital
	203-2 Significant indirect economic impacts	90-93	Social and Relationship Capital
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	88	Social and Relationship Capital
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	97, 119	Intellectual Capital, Corporate Governance Report
	205-2 Communication and training about anti-corruption policies and procedures	97	Intellectual Capital
	205-3 Confirmed incidents of corruption and actions taken	119	Corporate Governance Report
GRI 302: Energy 2016	302-1 Energy consumption within the organization	102,103	Natural Capital
	302-3 Energy intensity	103	Natural Capital
	302-4 Reduction of energy consumption	103	Natural Capital
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	103	Natural Capital
	303-5 Water consumption	103	Natural Capital

GRI Standard	Disclosure	Page	Location
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	108	Natural Capital
	304-2 Significant impacts of activities, products and services on biodiversity	108	Natural Capital
	304-3 Habitats protected or restored	108	Natural Capital
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	108	Natural Capital
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	102, 109	Natural Capital
	305-2 Energy indirect (Scope 2) GHG emissions	102, 109	Natural Capital
	305-3 Other indirect (Scope 3) GHG emissions	102, 109	Natural Capital
	305-4 GHG emissions intensity	102	Natural Capital
	305-5 Reduction of GHG emissions	102	Natural Capital
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	104, 105, 109	Natural capital
	306-2 Management of significant waste-related impacts	104, 105	Natural capital
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	89	Social and Relationship Capital
	308-2 Negative environmental impacts in the supply chain and actions taken	89	Social and Relationship Capital
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	74	Human capital
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	77	Human capital
	401-3 Parental leave	77	Human capital
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	80	Human capital
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	80	Human capital
	403-3 Occupational health services	80	Human capital
	403-4 Worker participation, consultation, and communication on occupational health and safety	80	Human capital
	403-5 Worker training on occupational health and safety	80	Human capital
	403-6 Promotion of worker health	80	Human capital

GRI Standard	Disclosure	Page	Location
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	79	Human capital
	404-2 Programs for upgrading employee skills and transition assistance programs	79	Human capital
	404-3 Percentage of employees receiving regular performance and career development reviews	78	Human capital
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	76	Human capital
	405-2 Ratio of basic salary and remuneration of women to men	77	Human capital
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	34, 90-93	Stakeholder Engagement, Social and Relationship Capital
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	87	Social and Relationship Capital
	414-2 Negative social impacts in the supply chain and actions taken	87	Social and Relationship Capital
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	87	Social and Relationship Capital
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	84, 85	Social and Relationship Capital
	417-2 Incidents of non-compliance concerning product and service information and labeling	85	Social and Relationship Capital
	417-3 Incidents of non-compliance concerning marketing communications	87	Social and Relationship Capital

Alignment to SLFRS Standards (S1 and S2)

SLFRS S1 (CORE CONTENT)		
SLFRS No.	**SLFRS S1 CORE CONTENT (CLAUSES 25 to 53 OF SLFRS S1)**	**Location**
Core Content		
25	a, b, c, d	4-46,190-199
Governance		
26		9,12,46,190-199
27	a-i, a-ii, a-iii, a-iv, a-v, b-i, b-ii	
Strategy		
28		16,17,32,33,42-43
29	a, b, c, d, e	
Sustainability-Related Risks and Opportunities		
30	a, b, c	44,45,46
31		
Business Code and Value Chain		
32	a, b	32,33,58-109
Strategy and Decision-Making		
33	a, b, c	42-46
Financial Position, Financial Performance and Cash Flows		
34	a, b	9,12,16,17,46
35	a, b, c-i, c-ii, d	
36		
37	a, b	
38	a, b	
39		
40	a, b, c	
Resilience		
41		Incomplete
42		

SLFRS S2 (CORE CONTENT)		
SLFRS No.	**SLFRS S2 CORE CONTENT (CLAUSES 05 to 37 OF SLFRS S2)**	**Location**
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5		9,46,81
6	a-i, a-ii,a-iii,a-iv, a-v, b-i, b-ii	
7		
Strategy		
8		17,27,43,44,71,89, 102,104,105,190-199
9	a, b, c, d, e	
Climate-Related Risks and Opportunities		
10	a, b, c, d	102-105
11		9,12,46
12		Incomplete
Business Model and Value Chain		
13	a, b	34,35,101,102,104-106
Strategy and Decision-Making		
14	a-i, a-ii, a-iii, a-iv, a-v, b, c	3,32,33
Financial Position, Financial Performance and Cash Flows		
15	a, b	3,4,44,45,46,48,71, 102,103,106
16	a,b, c-i, c-ii, d	
17		
18	a, b	
19	a, b	
20		
21	a, b, c	
Climate Resilience		
22	a-i, a-ii,a-iii,b-i, b-ii , b-iii	93,101,103,106
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Alignment to SLFRS Standards (S1 and S2)

SLFRS S1 (CORE CONTENT)		
SLFRS No.	SLFRS S1 CORE CONTENT (CLAUSES 25 to 53 OF SLFRS S1)	Location
Risk Management		
43	a,b	190-199
44	a-i, a-ii, a-iii,a-iv, a-v, a-vi, b, c	
Metrics and Targets		
45		04,16,17,30-109,190
46	a,b-i, b-ii	
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50	a, b, c, d	
51	a, b, c, d, e, f, g, h	
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SLFRS S2 (CORE CONTENT)		
SLFRS No.	SLFRS S2 CORE CONTENT (CLAUSES 05 to 37 OF SLFRS S2)	Location
Risk Management		
24		23,38,190-199
25	a-i,a-ii,a-iii,a-iv,a-v,a-vi,b,c	
26		
Metrics and Targets		
27	a, b, c	36, 37, 43
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Climate-Related Metrics		
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Climate-Related Targets		
33	a, b, c, d, e, f, g, h	102,103
34	a, b, c, d	
35		
36	a,b, c, d, e-i, e-ii, e-iii, e-iv	
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Disclosure on CA Sri Lanka Gender Parity Reporting

Main section	Strategies and Goals for Gender Parity	Page number	Remarks
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	Diversity & inclusion policies	76	
	Gender pay equity policy	77	
	Specific policies on sexual harassment in the workplace	77	
	Systems and Processes	76, 77	
	Process to handle grievance mechanisms for sexual harassment at workplace	77	
	Workplace practices to promote gender parity	77	
Composition	Composition	8	
	Board of Directors/ Governing Body	8,46,113	
	Senior Leadership	113	
	Middle Management	113	
	The Major Employment Categories	75-78	
	Composition of Male/Female under:	75-78	
	Recruitment	76	
	Promotions	76	
	Key departments	76	
	Major geographic locations	75	
	Exists	76	
Gender Gap Indicators	Gender Analysis in Each Pay Quartile	77	
	Raw Mean Gender Pay Gap	78	
	Raw Median Gender Pay Gap	77	
	Proportion of Women Who Received Training	79	
	Training Hours Analysed by Gender	79	
	Retention of Women at Work 12 Months After Maternity Leave	77	
	Proportion of Females who Received a Performance Bonus	77,78	
	Proportion of Women in IT, Engineering and Production Related Activities	(-)	We have two female employee in the IT department. Engineering and production related activities are not applicable to our company.
Responsible Brand	Evaluation of gender bias in advertising and communications -	(-)	We do not undertake gender bias advertising.
	Activities that Support Gender Parity in the Supply Chain -	(-)	There are no specific activities carried out during the year addressing gender parity. However, at the screening, selection or in any part of the engagement process, we do not discriminate based on gender.

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF ALLIANCE FINANCE COMPANY PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI STANDARDS IN THE INTERGRATED ANNUAL REPORT -2023/24.

Scope

We have been engaged by the management of Alliance Finance Company PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative) Standards ("Information") in its Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Management's Responsibility

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

Our Independence And Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), 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 Responsibility

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI Standards. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.

Deloitte.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Comparing of the content of the Report against the GRI Standards.
- Inquiring relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- Cross checking the non-financial data /information presented in the Report with the supporting documents and schedules maintained by the Company.
- Checking the calculations performed by the organization on a sample basis through recalculation.
- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2024.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2024, is not presented, in all material respects, with reference to the GRI Standards.

Other Matter

Our assurance is not extending to the prospective/comparative information, or any other information presented in the Report other than based on the GRI Standards. Further, we do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo

31 May 2024

Abbreviations

AADFI	Association of African Development Finance Institutions
ACCA	Association of Chartered Certified Accountants
ADFIAF	Association of Development Finance Institutions in Asian and the Pacific
AFC	Alliance Finance Company
AGM	Assistant General Manager
BCMS	Business Continuity Management System
CA	Charted Accountants
CBSL	Central Bank of Sri Lanka
CCA	Customer Care Agents
CCPI	Colombo Consumer Price Index
CMA	Charted Management Accountants
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
CXO	Chief Executive Officer
DF	Development Finance
DR	Disaster Recovery Site
DWM	Developing World Markets
EA	Enterprise Asia
EDS	Entrepreneur Development Services
EOSD	European Organisation for Sustainable Development
EPS	Earnings Per Share
ESMS	Environmental and Social Management System
ESG	Environmental, Social, and Governance
EVP	Employee Value Proposition
FHASL	Finance Houses Association of Sri Lanka
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
H/Os	Head Office
HP	Hire Purchase
HR	Human Resource
HRIS	Human Resource Information System
ICASL	Institute of Chartered Accountants of Sri Lanka
IFC	International Finance Corporation
IIRC	International Integrated Reporting council
IUCN	International Union for Conservation of Nature
KMP	Key Management Personnel
KPI	Key Performance Indicator
LINN	Lanka Impact Investing Network
LKAS	Sri Lanka Accounting Standard
MSME	Micro, Small and Medium Enterprises
NBFI	Non Banking Financial Institutions
NPL	Non Performing Loan
PCB	Polychlorinated biphenyl
RAC	Risk-Acceptance-Criteria
RFS	Regional Financial Services
SDG	Sustainable Development Goals
SLICM	Sri Lanka Institute of Credit Management
SLFRS	Sri Lanka Financial Reporting Standard
SME	Small and Medium Enterprises
SSCI	Sustainability Standards and certification Initiative
RDA	Road Development Authority
ROE	Return on Investment
USP	Unique Selling Proposition
COVID-19	Corona Virus Disease 2019

Glossary

A

Accounting Policies

The specific principles, bases,conventions, rules and practices adopted by a company in preparing and presenting Financial tatements

Accounting

The profit or loss for a period before deducting tax expense

Accrual Basis of Accounting

The effects of transactions and other events are recognised when they are occurred (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the Financial Statements of the periods to which they relate.

Amortisation (Depreciation)

The systematic allocation of the depreciable amount of an asset over its useful life

Allowance for Impairment

A provision held on the Statement of Financial Position as a result of a raising of a charge against profit for the incurred loss.

C

Carrying Amount

The amount at which an asset is recognized in balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses

Cash Equivalents

Short-term, highly-liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

Contingencies

Conditions or situation at the balance sheet date and the financial effects of which are to be determined by the future events that may or may not occur

Collective Impairment

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at a reporting 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 of owners and others.

Cost to Income Ratio

Personal and Other Non-Interest Expenses divided by the sum of Net Interest Income & Non-Interest Income

Current Tax

The amount of tax payable in respect of taxable income for the period

D

Dealing Securities

Marketable securities that are acquired and held with the intention of reselling them in the short-term

Deferred Tax Liabilities

The amounts of income tax payable in future periods in respect of taxable temporary differences

Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and completed years of service

Disbursements

Another term for investments

Discretionary Provision

This includes provision for bonuses and incentives

Dividends

Distribution of profits to holders of equity investments, in proportion to their holdings of a particular class of capital

Dividend Cover

Profit after tax divided by gross dividend. The ratio measures the number of times dividend is covered by current years' distributable profits

Dividend Per Share (DPS)

Gross dividend divided by the number of shares in issues

E

Earnings Per Share (EPS)

Profit for the period attributable to ordinary shareholders(the numerator) divided by the weighted average number of ordinary shares in issue during the period (the denominator)

G

General Reserves

Reserves set aside for future

Gross NPA (NPL) Ratio

Total non-performing accommodations (loans) after deducting for initial rentals received and unearned income, divided by gross accommodations (loans) after deducting for initial rentals received and unearned income.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld

I

Impairment

This occurs when recoverable amount of asset declines below its carrying amount

Individual Impairment

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

Investments
Value of facilities granted during a specific period

Investments Securities
Securities acquired and held for yield or capital growth purposes; usually held to maturity

L

Liquidity
The availability of sufficient funds to meet deposit withdrawals and other financial commitments as they fall due

Liquid Assets
Cash and cash equivalents, repurchase agreements,placements in banks and other financial institutions and treasury bills

Liquid Assets Ratio
Liquid assets as a percentage of total deposits

M

Materiality
Information is material if its non-disclosure could influence the economic decisions of users taken on the Financial Statements

Market Value Per Share
Market capitalization divided by the number of ordinary shares in issue

N

Non - Banking Financial Institutions (NBFI)
An institution that does not have the full banking license and undertakes banking services permitted by the license.

Non - Performing Loans (NPL)
Loans and advances which are 180 days or more in arrears of due principal and/or interest payments

Net Assets Value Per Share
Shareholders' funds excluding preference shares if any,divided by the weighted average number of ordinary shares in issue

Net NPA (NPL) Ratio
Total non-performing accommodations excluding initial rentals received, unearned income and provision for loan losses, divided by gross loans after deducting for initial rentals received, unearned income and provision for loan losses

Net Interest Income
The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets

Net Interest Margin
Net interest income divided by total average assets

O

Off Balance Sheet Transactions
Transactions that are not recognized as assets or liabilities in the balance sheet but which may give rise to contingencies and commitments

P

Portfolio
Total rentals and other receivables on loans and advances after deducting for unearned interest in suspense and initial rentals paid

Price Earning (P/E) Ratio
The market price of an ordinary share divided by the Earnings per Share

Provision for Loan Losses
Amounts set aside against possible losses on net receivable of facilities granted to customer as a result of them becoming party or wholly uncollectible

R

Return on Assets (ROA)
Profit before tax expressed as a percentage of average total assets; used along with ROE as a measure of profitability and as a basis of intra-industry performance comparison

Return on Shareholders' Fund/ Equity (ROE)
Profit before tax expressed as a percentage of average total assets; used as a measure of profitability and as a basis of intra- industry performance comparison

Revaluation
Restatement of assets and liabilities

Rate of Dividend
Gross dividend as a percentage of total par value of shares

S

SBU
Strategic Business Unit

Segment Revenue
Revenue reported in the Company's income statement that is directly attributable to a segment and the relevant portion of the Company's revenue that can be allocated on a reasonable basis to a segment

Shareholders' Funds
Shareholders' Funds consist of issued and fully-paid ordinary share capital plus capital and revenue reserves

Social Performance Management System (SPMS)
SPMS is a set of policies, procedures, tools and internal capacity to identify and manage the institution's exposure to the environmental and social risks of its clients/ investees and the impact of the institution on society and environment.

Sustainability Development Goals
A collection of 17 global goals set by the United Nations that covers a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

T

Taxable Profit/ (Tax Loss)

The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which the income tax is payable/ (recoverable)

'Tier 1' Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriation of retained earnings or other surplus

'Tier 2' Capital

Supplementary capital representing revaluation reserve,general provisions and other capital instruments which combine certain characteristics of equity debt such as hybrid capital instruments and subordinated term debts

V

Value Added

Value Added is the wealth created by providing services less cost of providing such services. The value added is allocated amongst the employees, the providers of capital and to the Government by way of taxes and retained for expansion and growth

Notice of Meeting

Notice is hereby given that the Sixty Eighth Annual General Meeting of Alliance Finance Company PLC, will be held on Friday, 28th June 2024 at 9.30 a.m., at No. 722, Kotta Road, Rajagiriya.

The business to be brought before the Meeting will be:-

1. To receive and consider the Annual Report and the Financial Statements for the Financial year ended 31st March 2024, with the Report of the Auditors thereon.
2. To declare a Dividend
3. To re-elect a Director Mr. M J Benedict retires under Articles numbered 135
4. To elect a Director Mrs. P de Silva retires under Articles numbered 130 & 131.
5. To appoint Auditors to hold office until the next Annual General Meeting and to fix their remuneration.
6. To authorize the Directors to determine and make donations.

By Order of the Board of Directors
Alliance Finance CO.PLC

Sgd.
Alliance Management Services (Private) Limited
Secretaries

04th June 2024

Note:

(i) A member is entitled to appoint a proxy to attend and vote in his/her place.

(ii) A proxy need not be a member of the Company.

(iii) A member wishing to vote by proxy at the meeting may use the Form of Proxy enclosed and interpolate the words “right to speak”.

(iv) To be valid, the completed Form of Proxy must be lodged at Alliance Management Services (Pvt) Ltd No.84, Ward Place, Colombo 7, not less than 48 hours before the meeting.

(v) Shareholders/Proxy holders are requested when attending the Annual General Meeting to bring with them their National Identity Cards or any other form of valid identification.

(vi) Shareholders appointing proxies (other than Directors) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holders on the Form of Proxy. Only registered proxy holders will be permitted to attend the Annual General Meeting.

Form of Proxy

I/We ....(in block letters)

of ....

being a member/members of the above-named Company hereby appoint Gopa Sarojini Tamara Dharmakirti-Herath or failing her, Romani Kumar Eardley Patrick de Silva or failing him, Wickramasinghe Pathiranage Kusal Jayawardana or failing him, Michael Joseph Benedict or failing him,

Priyanthi de Silva or failing her, Lloyd John Hiran de Silva or failing him, Don Lasantha Ivers Hettiarachchi or..

....of...

....NIC No. .... as my/our proxy to represent me/us and to *vote for me/us on my/our behalf at the Sixty Eighth Annual General Meeting of the Company to be held on 28th June 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	Resolution No.1 The Ordinary Resolution No.1 set out in the Notice convening the aforesaid Meeting.	☐	☐
2.	Resolution No.2 The Ordinary Resolution No.2 set out in the Notice convening the aforesaid Meeting.	☐	☐
3.	Resolution No.3 The Ordinary Resolution No.3 set out in the Notice convening the aforesaid Meeting.	☐	☐
4.	Resolution No.4 The Ordinary Resolution No.4 set out in the Notice convening the aforesaid Meeting.	☐	☐
5.	Resolution No.5 The Ordinary Resolution No.5 set out in the Notice convening the aforesaid Meeting.	☐	☐
6.	Resolution No.6 The Ordinary Resolution No.6 set out in the Notice convening the aforesaid Meeting.	☐	☐

Signed this .... day of ....2024.

....	....
Shareholder N.I.C. No./Co. Reg. No./P.P. No.	Signature

Instructions as to completion of Form of Proxy given overleaf

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. A Proxy holder need not be a member of the Company.
2. The Full Name and the Address of the Proxy holder and of the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy. Please perfect the Form of Proxy, by signing in the space provided and filling in the date.
3. To be valid, the completed Form of Proxy should be deposited at the Office of the Company Secretaries, No.84, Ward Place, Colombo 7, 48 hours before the time appointed for the holding of the meeting.
4. In the case of a Company or a Corporate Body, the Form of Proxy should be executed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Form of Proxy has been signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If there is any doubt as to how the vote is to be exercised by reason of the manner in which the Form of Proxy has been completed, the Proxy holder will vote as thought fit.

Note: If you wish your proxy to speak and vote at the Meeting you should interpolate the words “to speak and” in the space indicated with an asterisk and initial such interpolation.

Corporate Informations

GRI 2-1

Name of the Company

Alliance Finance Company PLC

Statutory Status

Quoted Public Limited Liability Company, incorporated under the Companies Ordinance No.51 of 1938 Reregistered under the Companies Act No.7 of 2007

Approved and registered under the

- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- An approved Credit Agency under the Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of 1947

Date of Incorporation

18th July 1956

Company Registration Number

PQ 93

Principal Activities

Providing finance lease, gold loans, Vehicle Trade-In, acceptance of fixed deposits, savings mobilization, other credit facilities and services.

Registered Office

Alliance House
No.84, Ward Place, Colombo 07,
Sri Lanka.
Tel: (+94) 11 2673673
Fax: (+94) 11 2697205
E-mail: info@alliancefinance.lk

Website

www.alliancefinance.lk

Credit Rating

[SL]BBB- with a Stable outlook rating, assigned by Lanka Rating Agency Limited (LRA)

Board of Directors

Mrs. G. S. Tamara Dharmakirti-Herath - *Chairperson*

Mr. Romani de Silva - Deputy Chairman & *Managing Director*

Mr. W. P. K. Jayawardana - *Deputy Managing Director*

Mr. J.M. Gunasekera - *Executive Director Sustainability*
(Retired on 15th July 2023)

Mr. R. E. Rambukwelle - *Executive Director Credit Marketing and Operations*
(Retired on 06th April 2023)

Mr. Michael Joseph Benedict - *Executive Director Recoveries*
(Appointed w.e.f 01st September 2023)

Mrs. Priyanthi de Silva - *Independent Non Executive Director*

Mr. L. J. H de Silva - *Independent Non Executive Director*

Mr. D. L. I. Hettiarachchi - *Independent Non-Executive Director*

Board Audit Committee

Mrs. Priyanthi de Silva - *Chairperson*

Mrs. G. S.Tamara Dharmakirti-Herath - *Member*

Mr. L. J. H. de Silva - *Member*

Board Integrated Risk Management Committee

Mrs. Priyanthi de Silva - *Chairperson*

Mrs. G. S. Tamara Dharmakirti-Herath -*Member*

Mr. L. J. H. de Silva - *Member*

Related Party Transactions Review Committee

Mr. D. L. I. Hettiarachchi - *Chairman*

Mrs. G. S. Tamara Dharmakirti-Herath - *Member*

Mr. L. J. H. de Silva - *Member*

Remuneration Committee

Mr. D. L. I. Hettiarachchi - *Chairman*

Mr. L. J. H. de Silva - *Member*

Mrs. G. S. Tamara Dharmakirti-Herath - *Member*

Subsidiaries

Alfinco Insurance Brokers (Pvt) Ltd.

Auditors

Deloitte Associates
Chartered Accountants
No. 11, Castle Lane,
Colombo 04,
Sri Lanka

Advisory Council

Mr. B. Ponnambalam
Mrs. K. S. K. de Silva
Mr. K. Kanag Isvaran LLB (London)
Inn Barrister - (President's Counsel)

Legal Consultants

Gunawardena & Ranasinghe Associates

Secretaries

Alliance Management Services (Pvt) Ltd
No. 84 Ward Place, Colombo 07.

Bankers

Sampath Bank PLC
Seylan Bank PLC
Public Bank Berhad
People's Bank
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
Nations Trust Bank PLC
NDB Bank PLC
Cargills Bank
DFCC Bank PLC
National Savings Bank
Pan Asia Bank
Union Bank

Corporate memberships and associations

- The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman-Sri Lanka
- Biodiversity Sri Lanka (Patron Member) {Business and Bio diversity platform}
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP), The Philippines

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

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Since 1956

Alliance Finance Co. PLC

Make the world a better place through sustainable finance