ANNUAL REPORT 2023/24

LOLC FINANCE

Contents

LOLC FINANCE

ANNUAL REPORT

2023/24

Performance Highlights

		2024	2023
Key Highlights of the Year			
New Executions	Rs. Million	252,411	205,427
Net Interest Income	Rs. Million	37,987	32,915
Profit Before Tax	Rs. Million	21,547	15,393
Profit After Tax	Rs. Million	21,547	15,393
Net Assets	Rs. Million	122,345	100,808
Total Value Added	Rs. Million	33,086	26,209
Market Capitalisation	Rs. Million	181,936	198,475
Value Added Per Employee	Rs. Million	6.54	4.90
Per Share			
Market Value	Rs.	5.50	6.00
Net Asset Value	Rs.	3.70	3.05
Earnings	Rs.	0.65	0.72
Total Staff	Number	5,058	5,346
Total Training Investment	Rs. Million	14.20	5.61
Total Training Hours	Hours	46,700	39,854
Number of Female Employees	Number	1,035	880
New Recruits	Number	816	128

Rs. 37,987 Mn
Net Interest Income

Rs. 21,547 Mn
Profit Before Tax

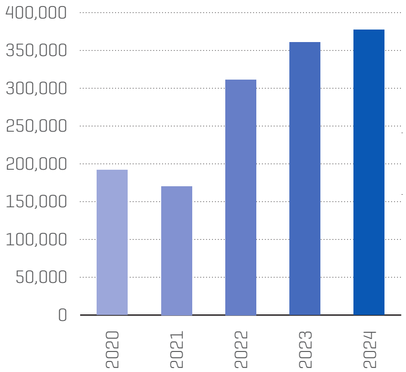
Rs. 122,345 Mn
Net Assets

Rs. 14.2 Mn
Training Investment

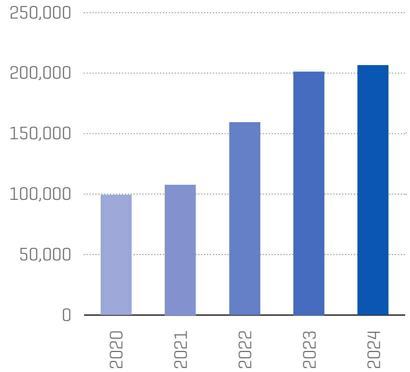
5,058
Total Staff

46,700
Total Training Hours

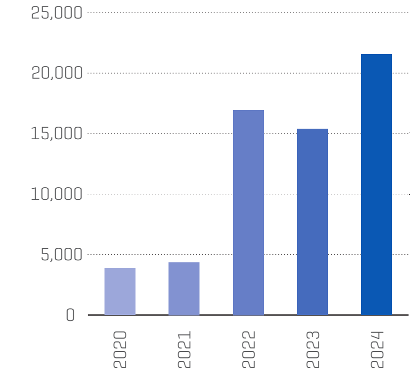
Total Assets
Rs. Million



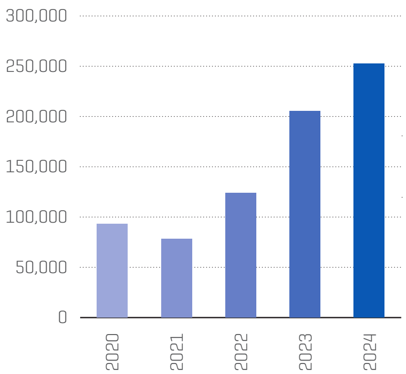
Customer Deposits
Rs. Million



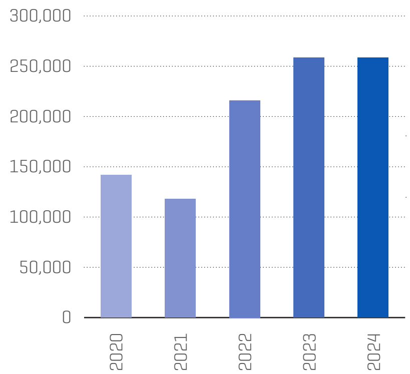
Profit After Tax
Rs. Million



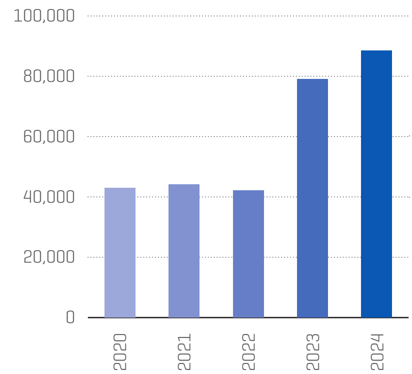
Executions
Rs. Million



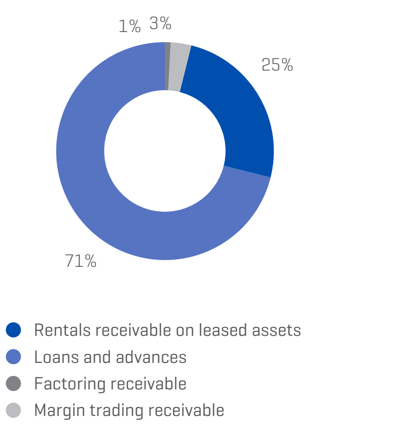
Portfolio
Rs. Million



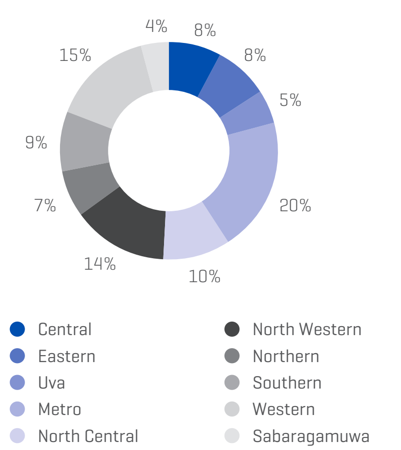
Revenue
Rs. Million



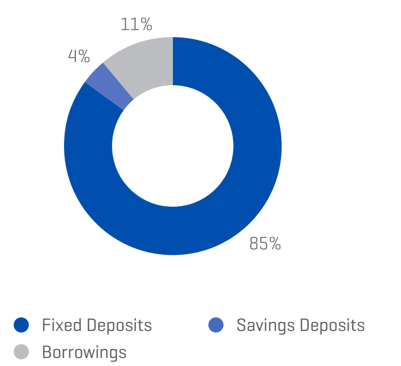
Portfolio Composition



Region Wise Portfolio



Funding Composition



LOLC FINANCE PLC SURPASSED NUMEROUS ENTITIES WITHIN THE BANKING SECTOR, SOLIDIFYING ITS CREDENTIALS AS THE LARGEST AND MOST PROFITABLE FINANCIAL SERVICES COMPANY WITHIN THE NBFI SECTOR. WE ARE ONE OF THE MOST CAPITALISED COMPANIES - RANKED AS THE FOURTH-LARGEST CAPITALISED ENTITY IN THE BANKING AND FINANCIAL SERVICES ARENA.

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of LOLC Finance PLC for the fiscal year 2023/24.

The macroeconomic environment of Sri Lanka exhibited notable economic stability coupled with a measure of political stability during the year under review. These factors played a crucial role in enabling LOLC Finance PLC to fortify its position, emerging successfully from the merger of four companies, thus establishing itself as the largest Non-Banking Financial Institution (NBFI) in the country.

I am delighted to report that the merger concluded seamlessly, resulting in the Company achieving the highest profitability in its history while significantly expanding its portfolio. LOLC Finance PLC surpassed numerous entities within the banking sector, solidifying its credentials as the largest and most profitable financial services Company within the NBFI sector. We are one of the most capitalised companies - ranked as the fourth-largest capitalised entity in the banking and financial services arena. The two principal drivers behind this exceptional financial performance were the efficiencies introduced and the digital transformation undertaken by the Company.

LOLC Finance PLC has once again made significant strides in the digital finance landscape by securing an impressive five gold awards at the prestigious Lankapay Technnovation Awards 2024. These accolades include the coveted titles of Gold Award for Non-bank Financial Institution of the Year in Financial Inclusivity, Gold Award for Best Mobile Application for Retail Payments via JustPay (Banks and Non-bank Financial Institutions), Gold Award for Non-bank Financial Institution of the Year for Excellence in Customer Convenience, Gold Award for Most Popular Digital Payment Product (Private Commercial Banks and Non-bank Financial Institutions Category – Internet and Mobile Banking), and Gold Award for Excellence in Digital Payments (Non-bank Financial Institutions). Winning the 'Financial Service Provider of the Year' for the seventh consecutive year at the SLIM-KANTAR People's Awards is a testament to the public's trust in our brand. Additionally, being ranked among the top 20 in the LMD Brands Annual Hall of Fame and being honoured as the 'Most Valuable Consumer Brand' and the 'Most Loved Brand in the Financial Services Sector for 2023' further cements LOLC Finance PLC's position as Sri Lanka's most trusted financial services brand.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INITIATIVES

LOLC Finance PLC remains steadfast in its commitment to sustainability, aligning with Group initiatives to strengthen its sustainability DNA. The Company continues its dedication to environmental stewardship with the ongoing Deniyaya Reforestation and Ecosystem Restoration project for the second consecutive year. The project involves planting 20,000 trees, including 12,000 fruit trees, medicinal herbs, and native species, across the 50-acre land parcel owned by Mathurata Plantations. The initiative generates valuable carbon credits through carbon capture and prevention, contributing to offsetting LOLC Finance's carbon footprint. The Deniyaya project exemplifies LOLC Finance's dedication to environmental sustainability, demonstrating the positive impact of corporate initiatives in mitigating climate change and fostering biodiversity.

LOLC Finance PLC also significantly contributes to the Group's Divi Saviya CSR project, aimed at distributing school supplies across all 25 districts of Sri Lanka, alleviating the financial burden on families and enabling students to focus wholeheartedly on their studies.

Additionally, LOLC Finance PLC is committed to sustainable financing. We are dedicated to funding projects that not only offer financial returns but also generate positive environmental and social impacts. By prioritising green investments and providing financing solutions that support renewable energy, energy efficiency, and other sustainable ventures, we aim to contribute to a more sustainable future. Our approach to sustainable financing ensures that we are not only achieving our financial goals but also fulfilling our responsibility to the environment and society.

During the year, LOLC Finance PLC adopted new guidelines issued by the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE) on governance, further strengthening the Company's best practices in governance.

FUTURE OUTLOOK

Looking ahead, our primary focus will be on enhancing organisational efficiency and advancing digital and Artificial Intelligence (AI)-driven transformation. One key initiative is the integration of generative AI technology to better serve our customers and enhance the efficiency of our teams. Internally, LOLC Finance GPT was introduced to continuously improve productivity and serve as a comprehensive information service hub. AI initiatives will be pivotal in driving productivity, enhancing risk management, process automation, and enhance digital capabilities.

In line with this vision, we are set to launch a digital loan offering in the coming year, following the launch of OYES Advanced for retail customers. We also re-launched the children's savings account, Champ, a product imbued with sustainability through its partnership with Study Buddy, a technology-driven education platform providing free digital educational resources to Champ account holders from Grade 5 to O Level. This endeavour underscores the organisation's commitment to the Sustainable Development Goals, particularly SDG 4, which aims to offer equal access to quality education for all.

Additionally, we introduced a chatbot to enhance customer service, enabling customers to interact with human-like agents at any time. iPay, the transformative fintech platform partnered by LOLC Finance PLC, continues to dominate the digital payments space and will be further strengthened with the launch of the merchant ecosystem in 2024, revolutionising the product offering for SMEs and micro-merchants by integrating digital and AI capabilities.

ACKNOWLEDGEMENT

I extend my heartfelt gratitude to our shareholders, customers, and all other stakeholders for their unwavering confidence in us through various challenges. I would particularly like to commend our Executive Director/CEO, executives and staff for their tireless contributions. We also appreciate the support extended by the Central Bank of Sri Lanka and other regulators in helping us navigate a challenging yet landmark year for the Company.

F K C P N Dias
Chairman

Net Assets

Rs. 122,345 Mn

Profit After Tax

Rs. 21,547 Mn

OUR PRIMARY FOCUS WILL BE ON ENHANCING ORGANISATIONAL EFFICIENCY AND ADVANCING DIGITAL AND ARTIFICIAL INTELLIGENCE (AI)-DRIVEN TRANSFORMATION. ONE KEY INITIATIVE IS THE INTEGRATION OF GENERATIVE AI TECHNOLOGY TO BETTER SERVE OUR CUSTOMERS AND ENHANCE THE EFFICIENCY OF OUR TEAMS.

Director/CEO's Review

THIS IS THE FIRST TIME THAT ANY NBFI HAS CROSSED RS. 20 BN IN PROFITS IN SRI LANKA. THE YEAR UNDER REVIEW WILL GO DOWN IN HISTORY AS ONE IN WHICH LOLC FINANCE PLC INCREASED PROFITABILITY BY AS MUCH AS 40% YEAR-ON-YEAR DESPITE THE CHALLENGING OPERATING CONDITIONS.

Dear Shareholder,

The 2023/24 financial year was extremely important and significant for LOLC Finance and the LOLC Group, as the most strategically important Company in the Group.

Having taken the decision to merge four companies to transform into the largest Non-Banking Financial Institution (NBFI) in the country, during 2022/23, we were faced with some challenging scenarios and questions during the year under review and the second year of the merger. The critical questions we reflected on were: "Will we be able to maintain the performance of the first year?', 'Were the initial strategies of the merger sustainable?' and, more importantly, 'What other strategies do we have in the tank?' Our introspection was inspired by a larger purpose beyond financial milestones. The quest for answers proved extremely satisfactory - as it was obvious that our initial strategies were on right on target. The merger managed to reduce the branch network down to 212 through a branch rationalisation programme while continuing centralisation and digitalisation of processes, along with enhancing and maximising staff efficiency levels through multi-tasking and creating a multi-disciplined workforce.

During the year, macroeconomic conditions remained unsteady, with very low demand for credit, interest rate volatility, and a continuation of both dull situation and depressed demand and supply in the economy. The entire banking industry witnessed balance sheets on both assets and liabilities sides stagnating, thus creating large excess liquidity and pressure on Non-Performing Loans (NPLs).

LOLC Finance PLC faced similar challenges - but we realised the critical importance of managing this situation mindfully as it resulted in a strong financial performance. Therefore, our priorities changed during the year to continuing new business through diversified business units to maintain a large lending portfolio by repricing of the liability base whilst retaining a majority of deposits; emphasis on recoveries and collections; and management of overheads through rationalisation of branches, businesses, staff and processes, simultaneously digitalising the same.

The end result was an increase in net interest margins by 174% (from 4.3% to 11.8%) and reduction of NPLs from 18.9% to 13.9% by the end of the financial year, which was capped off with a historically highest profit of Rs. 21.5 Bn. This is the first time that any NBFI has crossed Rs. 20 Bn in profits in Sri Lanka.

The year under review will go down in history as one in which LOLC Finance PLC increased profitability by as much as 40% year-on-year despite the challenging operating conditions. Our numbers speak for themselves and based on this performance, we can safely claim that most merger objectives were fully achieved; and now, the Company is forging ahead, armed with a clear vision for the way forward.

FUTURE FOCUS

Going ahead, digitalisation is our clear strategy to transform our products, processes and distribution. We will go beyond internal digitalisation into more complex external partnerships and links to optimise the value of internal and external data and the critically important conversion of customers to digital banking. We believe this will drive productivity, engagement and efficiency, thus developing an industry-best professional workforce, which is key to sustaining our record performance.

WE WILL GO BEYOND INTERNAL DIGITALISATION INTO MORE COMPLEX EXTERNAL PARTNERSHIPS AND LINKS TO OPTIMISE THE VALUE OF INTERNAL AND EXTERNAL DATA AND THE CRITICALLY IMPORTANT CONVERSION OF CUSTOMERS TO DIGITAL BANKING. WE BELIEVE THIS WILL DRIVE PRODUCTIVITY, ENGAGEMENT AND EFFICIENCY, THUS DEVELOPING AN INDUSTRY-BEST PROFESSIONAL WORKFORCE, WHICH IS KEY TO SUSTAINING OUR RECORD PERFORMANCE.

In tandem, as the NBFI and banking leader in the country, we will introduce world-class processes and products for the first time in Sri Lanka, thus creating pleasant and cost-efficient banking experiences for customers and all stakeholders which will be the ultimate endorsement of our strategic initiatives.

APPRECIATION

I would like to extend my appreciation to my committed staff, the Board of Directors, shareholders and stakeholders for the trust and confidence they have placed in us. LOLC Finance PLC is geared to fulfil needs of all stakeholders including regulators and clients in creating a world-class NBFI in Sri Lanka.

D M D K Thilakaratne
Director/CEO

Market Capitalisation

Rs. 181,936 Mn

Total Footprint

212 Branches

Board of Directors

F K C P N DIAS
Chairman/Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 01st March 2020. He holds master's in business administration (MBA) from University of Leicester UK, Fellow Member of Chartered Management Accountants UK (FCMA), Chartered Global Management Accountant (CGMA -USA). He is also a Fellow of Certified Management Accountant of Sri Lanka (FCMA) and Fellow Member of British Computer Society (FBCS).

His experience spans over close to 3 decades and as a visionary thought leader in business technology and his C-Level experience spans over 20+ years.

Fintech enthusiast who innovated many financial technology products and solution and he is the Founder of iPay a revolutionary platform beyond payments and Founder of OYES another fintech platform that making everyday a payday.

His thought leadership on technology and contribution in the field of ICT to the industry, society and in LOLC Group was recognised by many local and international awards including prestige's Computer Society of Sri Lanka CIO of the year 2016. He was also awarded Chartered Management Institute of Sri Lanka Professional Excellence Award 2017. Further he was inducted to Global CIO Hall of Fame 2020 of IDG (USA) CIO100 and only Sri Lankan to get this accolade.

D M D K THILAKARATNE
Executive Director/CEO

Mr. Krishan Thilakaratne is the Director/CEO of LOLC Finance PLC and a Member of the Senior Management Team of LOLC Holdings PLC. Mr. Thilakaratne was the former Director /CEO of Commercial Leasing and Finance PLC and appointed to LOLC Finance PLC pursuant to the merger.

Mr. Thilakaratne is a Board member of Seylan Bank PLC and further serves in the boards of LOLC Myanmar Micro Finance Company Ltd and Faso S Micro Deposit Organisation in Tajikistan.

He was a board member of Credit Information Bureau of Sri Lanka (CRIB), Prasac Micro Finance Institution Ltd Cambodia and the past Chairman of the Finance Houses Association of Sri Lanka (FHASL), the Apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

He is a member of Associateship of Institute of Bankers of Sri Lanka (AIB) and a passed finalist of Chartered institute of Management Accountants (CIMA) UK. He has followed Strategic Leadership training programme in Micro Finance at Harvard Business school USA and counts over 30 years of experience in Management, Credit, Channel Management, Marketing, Factoring, Portfolio Management and Islamic Finance. He conceptualised and Introduced Islamic Finance to LOLC Group in 2007 and is a Guest Speaker at International Islamic Finance Forums.

B C G DE ZYLVA
Non-Executive Director

Mr. Brindley De Zylva was appointed on 23rd April 2018 and serves as Non-Executive Director of LOLC Finance PLC. He is also the Chairman of LOLC (Cambodia) PLC, Serendib Microinsurance PLC and Managing Director of LOLC Myanmar Micro-Finance Company Limited. He joined the LOLC Group in 2003 and counts over 40 years' experience in the Non-Bank Financial Services Industry (NBFI) covering Licensed Finance Companies, Specialised Leasing, Micro Finance and Micro Insurance in South and South East Asia.

P A WIJERATNE
Senior Independent Director

Mr. P A Wijeratne was appointed as an Independent Director on 26th May 2017 and has over twenty years of experience in Accounting, Financial reporting, Investment of internal funds, Foreign loan disbursements and repayments, Auditing, Public debt management and Administration as an ex Officio of the Central Bank of Sri Lanka. He has joined CBSL in 1991 and has worked in the Finance, Public Debt Management and Internal Audit departments till his retirement in year 2016.

He holds a BA degree in Economics (Special Field – Commerce) from University of Kelaniya and a postgraduate Diploma in Accounting and Financial Economics and a MSc in Accounting and Financial Economics from the University of Essex, UK.

A J L PEIRIS
Independent Director

Mr. Luxman Peiris retired as Additional Director of the Central Bank of Sri Lanka ("CBSL") and was appointed as an Independent Director. pursuant to the merger with LOLC Development Finance PLC with effect from 31st January 2023. His career at the CBSL spanned 25 years, during which he worked in several departments, including Economic Research, Management Development Centre, Governor's Office (Chief Protocol Officer), Domestic Operations and Payments and Settlements.

Mr Peiris holds a BSc (Physical Science) with a First-Class Honours from the University of Kelaniya, Sri Lanka, a MSc and a Postgraduate Diploma in Agricultural Economics from the University of Reading, UK and a MSc and a Postgraduate Diploma in Quantitative Development Economics from the University of Warwick, UK.

Mr Peiris served as the Vice President of the Clearing Association of Bankers (CAB). He was also the coordinator - CBSL SEACEN Financial Statistics. He is a member of the Sri Lanka Economic Association. He served in the Sri Lanka Army Volunteer Force attached to the 2nd Sri Lanka Army Service Corps as a Commissioned Officer too. He was adjudged as the Best Officer Cadet in the Intake one in the Sri Lanka Army Volunteer Force in 1981. Presently he is an Exco member of the Sri Lanka Army Service Corps Ex-Servicemen's Association.

K SUNDARARAJ
Independent Director

Mr Kandiah Sundararaj counts over 29 years experience in Accounting, Auditing and Tax consulting. He started his career as a Chartered Accountant in 1998 and is currently serving as the Tax Partner in M/s Amerasekera and Company, Chartered Accountants.

Mr Sundararaj is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Master of Business Administration in Finance from the University of Colombo.

MR. S LANKATHILAKE

Independent Director

Mr. Sunil Lankathilake is a former Deputy Governor of the Central Bank Sri Lanka. He was appointed to the LOLC Finance Board, pursuant to the merger with LOLC Development Finance PLC with effect from 31st January 2023. He holds a MSc degree in Economics and a Postgraduate Diploma in Economics from the University of Manchester, United Kingdom and a B. Com degree with 1st Class honours from the University of Peradeniya.

Mr. Lankathilake has more than 32 years of experience in the CBSL in the areas of Economic and Price Stability, Financial System Stability and Agency Functions. Prior to joining the Central Bank in 1986, he has worked as an Assistant Lecturer at the University of Peradeniya.

During his 32 years career in the CBSL, Mr. Lankathilake has participated in large number of foreign training programmes conducted by reputed training providers such as IMF, World Bank, ADB, University of Cambridge etc. in the areas of Macroeconomic Management, Macroeconomic Modelling, Financial Programming, Trade Policies, Competitiveness, Project Management, Foreign Investment, Strategic Planning and Management, Human Resource Management and Communication Policy. Mr. Lankathilake has also served as a member of the Board of Directors of Sri Lanka Export Credit Insurance Corporation, Board of Management of the Title Insurance Fund of Registrar General's Department, National Labour Advisory Committee, Securities Exchange Commission and several other committees in the past. Mr. Lankathilake has authored many articles and published them in reputed international and local journals and CBSL, publications particularly in the areas of economic issues, small-scale industries, international trade, gem industry, apparel industry etc.

CREATING A COLLECTIVE IMPACT

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

OVERVIEW

During the financial year 2023/24, LOLC Finance PLC (LOFC) delivered an exceptional performance, recording a profit of Rs. 21.5 Bn, a 40% YoY growth. The Company's exceptional performance highlights its strategic excellence and strong market position, achieved through a series of strategic consolidations and unwavering commitment to cost efficiency, digital transformation and customer-centricity. As of 31st March 2024, the Company's gross loan portfolio stood at Rs. 258 Bn, with a total deposit base of Rs. 206 Bn and a total equity base of Rs. 122 Bn, securing its position as the largest entity in the NBFI sector. These results not only showcase the Company's dominance in the Non-Banking Financial Industry (NBFI), but also highlight its successful navigation of an evolving macroeconomic landscape and its ability to adapt and thrive amidst challenges.

Over the past three years, LOFC has successfully completed three major mergers, strengthening its market leadership and expanding its operational reach. These strategic consolidations have boosted the Company's capabilities, diversified its product offerings, and enlarged its customer base. Each merger was carefully planned and executed, ensuring smooth integration and substantial operational synergies in the years to come. Lanka Rating Agencies has assigned LOFC an A (positive) credit rating, underscoring the Company's financial stability, strength, and sound risk management practices. With an equity base of Rs. 122 Bn and a capital adequacy ratio of 23%, well above the minimum regulatory requirement of 14%, LOFC stands on a solid financial foundation.

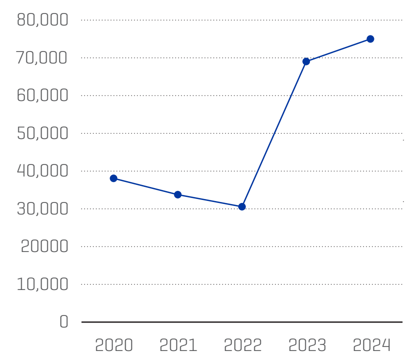
A comprehensive analysis of the financial performance is outlined within this financial review.

INTEREST INCOME

Interest income has increased from Rs. 69 Bn to Rs. 75 Bn (by 9%) in the financial year ended 31st March 2024 compared to the previous year.

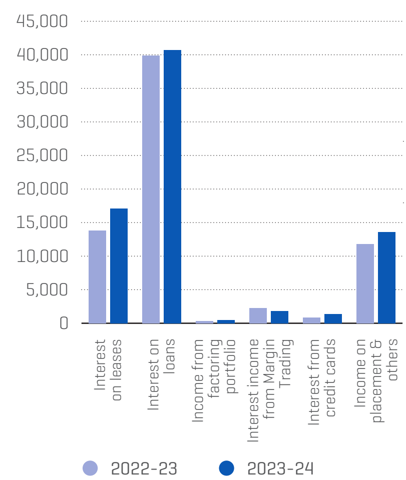
Movement of Interest Income in last Consecutive Five Years

Rs. Million



Interest Income Comparision 2023-2024 & 2022-2023

Rs. Million



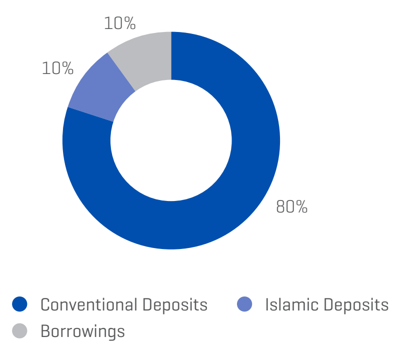
In the financial year ended 31st March 2024, interest income from leases, constituting 23% of the total interest income, has increased by 24% to Rs. 17 Bn compared to the previous financial year. Meanwhile, income from loans remained the key contributor to the interest income, comprising 54% of the total at Rs. 41 Bn, slightly higher than the preceding year.

Furthermore, there has been a significant increase in interest on overdue rentals and others, representing a 33% increase compared to the previous financial year. Interest income from Operating Leases has substantially increased by 102% compared to the amount reported for the previous financial year. Conversely, income from government securities and deposit placements has declined by 10%, primarily attributed to the decreasing trend in market interest rates.

INTEREST EXPENSES

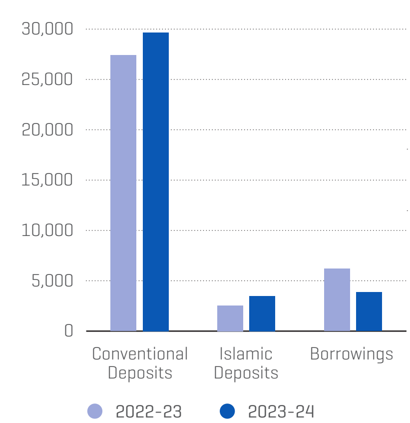
There has been a marginal decrease of 2% in total interest expenses compared to the previous financial year, consistent with market interest rate trends during the review period. The majority of the portfolio is funded through customer deposits, which account for 80% of the interest expenses. Interest on conventional deposits has increased by 8%, while interest on Islamic deposits or Alternate Finance deposits has seen a substantial rise of 38% compared to the previous year. Conversely, the cost of borrowings has drastically reduced by 38%, falling from Rs. 6.1 Bn in FY 2022/23 to Rs. 3.8 Bn in FY 2023/24, primarily due to the settlement of borrowings and the decreasing trend in market interest rates.

Interest Expense Composition 2023-24



Interest Expense Comparision (2023-2024 & 2022-2023)

Rs. Million



NET INTEREST INCOME, OTHER OPERATING INCOME AND EXPENSES

During the reporting period, LOFC achieved a 9% increase in interest income. Net interest income rose to Rs. 38 Bn in FY 2023/24, up from Rs. 33 Bn in the previous financial year. This growth was primarily driven by higher interest income and the maintenance of low-cost funds, which saw only a marginal increase of 2% compared to the previous year.

Net other operating income significantly increased by 35%, reaching Rs. 13 Bn compared to the previous year's Rs. 10 Bn, mainly due to increase in fair value gain on investment properties and investments in government securities amounting to Rs. 6.4 Bn compared to the previous financial year. Total exchange loss recognised in FY 2023/24 is 0.6 Bn compared to the exchange gain of Rs. 4.7 Bn recognised in the previous financial year.

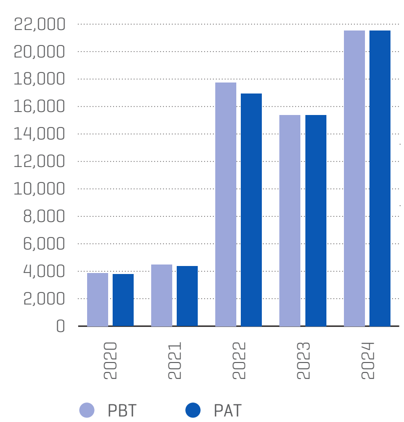
Total overheads of the Company increased by 15%, in comparison to the prior financial year. This increase was primarily attributed to the integration of expenses following the amalgamation with two sister companies, underscoring the Company's strategic expansion efforts.

PROFITABILITY

During the financial year 2023/24, LOFC recorded a profit after tax of Rs. 21.5 Bn, up from Rs. 15.4 Bn in the previous financial year. This represents a remarkable YoY growth of 40% and a return on equity (ROE) of 19%.

Profitability

Rs. Million



ASSET BASE

As of the financial year ending 31st March 2024, the Company's total asset base stood at Rs. 377.5 Bn, up from Rs. 360.8 Bn the previous year, marking a 5% increase. The net lending portfolio, valued at Rs. 249.6 Bn, represents 66% of the total asset base.

Investments in Government securities, deposits with financial institutions, investment securities and investment properties collectively amounted to Rs. 100 Bn, contributing to the Company's diverse asset base. Remarkably, the value of investment properties increased to Rs. 48.3 Bn, further strengthening the Company's balance sheet.

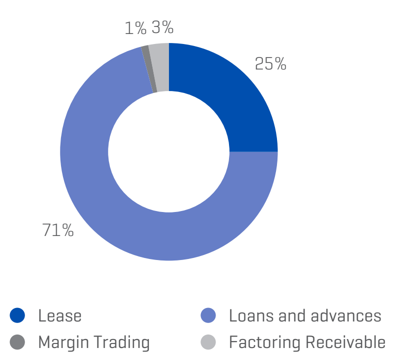
LENDING PORTFOLIO

As of 31st March 2024, the Company's gross loan portfolio remained steady at Rs. 258 Bn. This portfolio comprises Leases, Loans and Advances, Factoring Receivables, and Margin Trading. Representing the highest portion of the lending portfolio, loans account for 71%, while leases constitute 25%. The Loans and Advances portfolio includes Mortgage Loans, Sundry Loans, Gold Loans, and Credit Cards.

The credit card portfolio experienced a significant 33% growth compared to the previous year. Factoring receivables increased substantially, rising to Rs. 3.2 Bn as of 31st March 2024, from Rs. 2.5 Bn the previous year. Conversely, the gold loan portfolio decreased by 7%, declining to Rs. 28.6 Bn from Rs. 30.8 Bn the previous year.

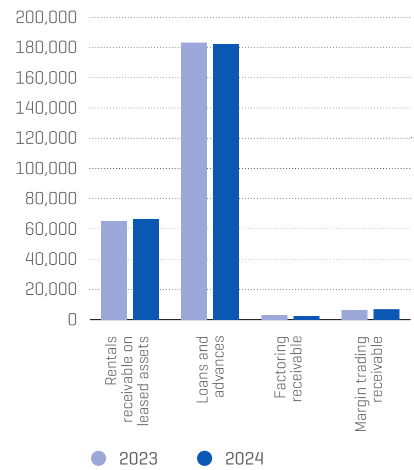
The Alternative Financial Services portfolio stood at Rs. 29.4 Bn, constituting 11% of the overall lending portfolio.

Lending Portfolio



Comparison of Main Component in Lending Portfolio (2023-2024 & 2022 - 2023)

Rs. Million



FUNDING – DEPOSITS AND BORROWINGS

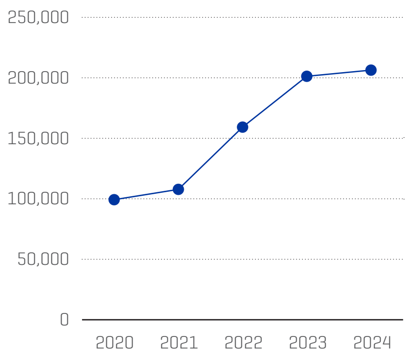
The deposit base increased from Rs. 201 Bn to Rs. 206 Bn during the review year, underscoring the continuous trust and confidence vested in the Company. The Company continues to hold its position as the largest deposit-taking institution in the NBFI sector.

Conventional deposits grew by 6%, rising from Rs. 160.5 Bn in the previous financial year to Rs. 170.2 Bn. Deposits from the alternative business remained stable at Rs. 22.3 Bn.

However, foreign currency deposits experienced a significant decline, falling by 47% to Rs. 4.4 Bn. To mitigate risks associated with exchange rate fluctuations, the Company effectively uses forward exchange rate contracts and back-to-back deposits, successfully neutralising its exposure to such risks.

Movement of Deposit Base in last Consecutive Five Years

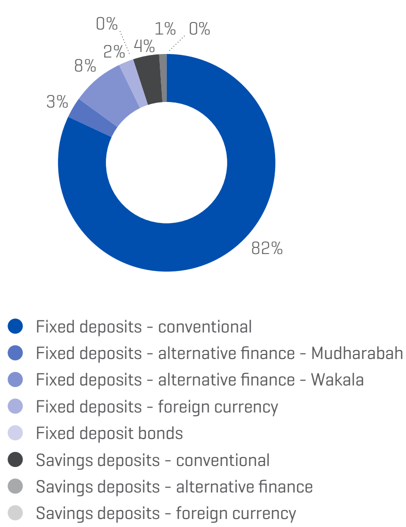
Rs. Million



Total borrowings, including bank overdrafts, have witnessed a 36% reduction when compared to the prior financial year. This decline is attributed to the Company's success in substituting high-cost borrowings with an expanded customer base, benefiting from rates that are comparatively lower than borrowing costs. The array of borrowings encompasses short-term loans, long-term loans, finance leases, and debentures.

Customer deposits have constituted a significant 89% (increase from 83% in 2023) of the total borrowings and the remaining 11% (down from 17% in 2023) stems from banks and other borrowing sources.

Deposit Composition 2023-2024



REGULATORY RATIOS

Capital Adequacy Ratio (CAR)

A key regulatory measure mandates Licensed Finance Companies to maintain a minimum core capital adequacy ratio (Tier I) of 10% and a total capital adequacy ratio (Tier II) of 14%, in accordance with the Finance Business Act Direction No. 3 of 2018. The Company's capital adequacy was fortified by retained profits. As of the reporting period, the Tier I/ Core Capital Adequacy Ratio reached 23.01% (compared to 21.20% in 2022/23), and the total Capital Adequacy Ratio (Tier II) stood at 23% (compared to 21.71% in 2022/23), exceeding the regulatory threshold.

Capital Funds to Deposit Ratio

On 31st March 2024, the capital funds to deposits ratio reached 55%, significantly surpassing the required minimum of 10% set by the Central Bank of Sri Lanka.

Liquid Assets

The mandated minimum liquid assets remain at 10% of time deposits, 15% of savings deposits and 10% of outstanding borrowings, excluding secured and unsecured foreign currency borrowings, as per the Finance Business Act Direction No. 07 of 2020. The Company's liquid assets amounted to Rs. 40.7 Bn, well exceeding the minimum requirement of Rs. 22.3 Bn. These liquid assets are prudently managed in government securities and deposits with banks and financial institutions, optimising returns.

Non-Performing Loans and Advances (NPL)

In contrast to the industry-wide Gross Non-Performing Loan (NPL) ratio of 17.76% at the financial year's end, the Company's Gross NPL ratio stood at a lower 13.86%, indicating an improved credit quality within its portfolio.

Strategy and Outlook

In its strategic focus, LOFC emphasises cost efficiency and digital transformation. By optimising operational processes and investing in cutting-edge technologies, the Company aims to lower its cost base and enhance customer service. This commitment to efficiency improvement and technological innovation positions LOFC at the forefront of the NBFI sector, ensuring sustainable growth and market leadership.

Looking ahead, LOFC is poised for continued success, leveraging its strong market position and customer-centric approach. With a diverse lending portfolio and personalised services, the Company aims to meet the evolving needs of individuals and enterprises across the economic spectrum. Additionally, LOLC Finance is committed to enhancing the resilience of micro, small, and medium-sized enterprises through support mechanisms and training programmes. As it navigates through a recovering economy, LOLC Finance is well-equipped to capitalise on opportunities and drive growth in the years to come.

Review of Operations

MACROECONOMIC ENVIRONMENT

In 2023, the Sri Lankan economy began its journey towards recovery, exhibiting a moderate contraction of 2.3% compared to the severe 7.3% contraction in 2022. This shift was marked by the return of macroeconomic stability, softened inflation and eased external sector pressures. After facing its most profound economic crisis in the previous year, Sri Lanka's economy showed signs of revitalisation. The groundwork for this recovery was laid by several factors. Rapid disinflation, stronger fiscal balances, and a stable financial system all played critical roles. Government and Central Bank policies, along with structural reforms supported by the International Monetary Fund's Extended Fund Facility (IMF-EFF), helped reinforce overall macroeconomic stability. This newfound stability allowed the economy to shift towards a growth trajectory. Inflation, which had soared to a historic peak in September 2022, fell back to single-digit levels within a year, remaining near the target by the end of 2023.

The Central Bank's accommodative monetary policy, adopted mid-2023, and the reduction in risk premiums following the Domestic Debt Optimisation (DDO) operation led to a notable decline in market interest rates, including Government securities yields. By mid-2023, credit to the private sector had shifted positively, ending a prolonged period of monthly contractions. The external current account recorded a surplus in 2023, buoyed by a significant reduction in the trade deficit, increased services exports, and improved workers' remittances. Despite occasional volatility, the Sri Lankan rupee appreciated overall in 2023, reflecting market behaviour and sentiments as the Central Bank adopted a market-based exchange rate policy.

FINANCIAL SECTOR PERFORMANCE

Throughout these challenges, the financial sector demonstrated resilience, thanks to proactive and prudent policies and enhanced crisis preparedness. The banking sector, a dominant player in the financial landscape, maintained stability by preserving capital adequacy levels and maintaining liquidity above regulatory minimums. Total assets of the banking sector improved alongside profitability, even though credit risk, as indicated by the Stage 3 loans ratio, increased in 2023.

Fiscal performance in 2023 was commendable, driven by rigorous consolidation measures aimed at revenue enhancement and expenditure rationalisation. The primary balance showed a surplus, and the overall budget deficit declined compared to the previous year. The Government primarily relied on domestic sources to finance the budget deficit due to constraints in accessing foreign sources. Consequently, the Central Government debt as a percentage of GDP declined by the end of 2023, thanks to the growth in nominal GDP and the impact of rupee appreciation on foreign debt.

Inflation, which had reached record levels in September 2022, rapidly decreased, achieving lower single-digit levels by the end of 2023. The subdued demand resulting from tight monetary conditions played a major role in preventing price pressures. Tight fiscal measures complemented this transition. Food prices and the transport sector, significant contributors to the high inflation in the previous year, experienced deflation during several months of 2023. This was due to the normalisation of supply bottlenecks, cost-reflective fuel price adjustments, stabilised global crude oil prices, and the appreciation of the exchange rate. Electricity tariff changes also influenced inflation dynamics in 2023. While the pace of disinflation slowed in early 2023 due to increased electricity tariffs, a subsequent tariff reduction in July 2023 helped curb inflation. However, since September 2023, inflation has been moving upwards towards the targeted level due to energy price hikes and weather-related disruptions to the agriculture sector.

The financial sector maintained overall stability throughout 2023 despite challenging conditions from the economic crisis. The banking sector preserved capital adequacy and liquidity, with total assets and profitability improving despite rising credit risk. The Licensed Finance Companies (LFCs) sector showed resilience, maintaining adequate capital and liquidity buffers. The sector recorded growth in assets, deposits, and profitability, although asset quality deteriorated as reflected by an increase in Stage 3 loans.

The financial markets also saw significant changes. Liquidity shortages in the domestic money market decreased, and liquidity conditions in the foreign exchange market improved. Government securities yields declined and the domestic equity market experienced mixed performance in terms of price indices, market capitalisation, and daily turnover, while foreign participation declined.

LICENSED FINANCE COMPANIES (LFCS) SECTOR

Despite facing considerable economic headwinds, the Licensed Finance Companies (LFCs) sector demonstrated remarkable resilience, maintaining robust capital and liquidity buffers. The year saw significant growth across several key metrics for LFCs. The sector's asset base expanded by 5.1%, amounting to an increase of Rs. 81.8 Bn, reaching Rs. 1,692.0 Bn by the end of the year. This growth, albeit slower than the 10.9% increase seen in 2022, was primarily fueled by substantial investments in Government securities within the investment portfolio.

Finance leases continued to dominate the sector's loan portfolio, constituting 41.5% of total loans and advances by the end of 2023, slightly down from 41.6% in 2022. Meanwhile, other secured loans, including vehicle loans, accounted for 32.5% of the portfolio, down from 33.8% the previous year. Loans against gold and deposits, however, saw contractions of 4.7% and 3.2%, respectively. The sector's other assets, primarily comprising cash and balances with banks and financial institutions, grew by 3.2% in 2023, a slowdown compared to the 23.2% growth recorded in 2022.

Despite these growth metrics, the LFCs sector faced challenges in asset quality. The gross Stage 3 loans ratio increased to 17.8% by the end of 2023, up from 17.4% in 2022. This deterioration prompted regulatory changes, including the tightening of Stage 3 loan classification criteria from 120 days past due to 90 days, effective April 2023. Nonetheless, the sector maintained an impairment coverage ratio of 32.5% for Stage 3 loans by the end of the year.

Financially, the sector reported a noteworthy 11.3% increase in Profit After Tax (PAT), rising from Rs. 42.8 Bn in 2022 to Rs. 47.7 Bn in 2023. This uptick was driven by improved net interest income and non-interest income streams. Despite these gains, regulatory restrictions such as deposit and lending caps were imposed on non-compliant LFCs, alongside freezes on new deposits and loans, underscoring ongoing challenges in meeting minimum core capital and adequacy requirements.

Overall, 2023 was a year of resilience and adaptation for Sri Lanka's Licensed Finance Companies. While navigating adverse economic conditions, the sector managed to expand its asset base and profitability. However, challenges persisted in maintaining asset quality, necessitating regulatory adjustments to mitigate risks. Looking ahead, the sector's ability to sustain liquidity and navigate regulatory demands will be crucial amidst evolving economic dynamics.

LENDING

Against a backdrop of continuing external pressures in the economy, the key focus of the Lending unit during the year was to sustain the existing portfolio rather than pursue a growth strategy, since operating conditions for its core customer base - MSMEs and SMEs – remained challenging. Despite the avowed focus, the Lending unit concluded the financial year by recording a growth in its loan book, especially in the realm of micro loans while maintaining the Non-Performing Loans (NPL) ratio well within industry norms. Vehicle and agricultural financing maintained their status as the two main avenues of growth during the year. LOLC Finance PLC is the largest financier to the agricultural sector, with its branch network making a notable contribution to expanding the customer base.

In order to sustain the portfolio, the Company entered into a several strategic partnerships with vehicle suppliers and dealers, and suppliers of agricultural equipment. As a result of these arrangements, the Lending unit was able to offer better deals to customers by way of smaller down payments and affordable rentals. The suppliers also contributed by extending warranties and service periods, and other such benefits. Spurred by the success of this endeavour in growing the loan book, the Company is seeking other opportunities for sustainable financing of electric and hybrid vehicles, and solar power generating equipment to help customers combat high energy costs and improve their cash flows. MOUs have been signed with four of the largest solar power equipment suppliers in the country, which contribute to fulfilling its green financing objectives.

Simultaneously, the Lending unit focused on increasing efficiency through digitalisation of its processes, which once complete will usher in multiple benefits for the Company as well as customers. Further digitalisation will enable the Company to offer self-service facility for loans and other digital products, while doing away with the need to visit the branch for a loan.

The Company's alternate finance unit, LOLC Al-Falaah, performed strongly during the year under review, with both lending and liability product portfolios experiencing expansion. By integrating advanced technology into its financing mechanisms, the Company demonstrates its efforts to pass on the benefit of lower interest rates to customers.

During the year, the Personnal Loans unit was renamed as the Personal Finance business unit with the aim of increasing outreach in terms of MSMES and SMEs, an area in which the Company is looking to expand aggressively during this year.

Digital inclusion played a key role in facilitating lending operations as customers were onboarded onto LOLC Finance's digital payment app, iPay, for customers to repay loans and advances without leaving their homes. Further automation of the call centre during the year could be directly linked to efficiency improvements for an enhanced user experience.

SAVINGS & DEPOSITS

The Savings & Deposits unit achieved formidable results against the backdrop of a low interest regime. One of the main strategies used to mitigate the impact was to drive cost of funds down. Notably, a growth in the deposit base was seen during the year despite the absence of a concerted deposit mobilisation push. Another factor which was be attributed to the deposit growth is the impeccable credentials of LOLC Finance PLC as the largest NBFI in the country, having the highest deposit base in the sector coupled with excellent customer care levels.

Although the industry conditions were not conducive for the uptake of new products, product innovation remains a key strength of the Company and during the year, the minor savings account was re-launched as a long term investment for consumers at a low interest rate to create customers for life. The product simultaneously promotes the savings habit.

The Operations unit of the Centre of Excellence continued to provide efficient back-office support to the Savings unit, achieving a significant retention rate for the year which helped curb costs as new deposits incur a higher marketing cost. Instead, the fixed deposits were renewed at significantly moderate rates.

LOLC Finance PLC's partnership with the popular fintech platform iPay, helped attract digital savings and boost online corporate customers. Going ahead, the Company has drawn up an impressive blueprint for further digitalisation to benefit internal and external stakeholders. Today, LOLC Finance stands at the forefront, boasting a highest portion of the entire deposit base within the NBFI sector.

LOLC Finance PLC has once again set a remarkable milestone in the digital finance landscape by clinching an outstanding five gold awards at the prestigious Lankapay Technnovation Awards 2024.These include the coveted titles of: Gold Award for Non-bank Financial Institution of the Year in Financial Inclusivity; Gold Award for Best Mobile Application for Retail Payments via JustPay (Banks and Non-bank Financial Institutions); Gold Award for Non-bank Financial Institution of the Year for Excellence in Customer Convenience; Gold Award for Most Popular Digital Payment Product (Private Commercial Banks and Non-bank Financial Institutions Category – Internet and Mobile Banking) and Gold Award for Excellence in Digital Payments (Non-bank Financial Institutions).

BRANCH NETWORK

During the year, an extensive branch rationalisation was undertaken in the aftermath of the merger of four companies with LOLC Finance PLC to optimise profitability. As a result of the merger, the branch network swelled to 265. However, by year-end the branches were reduced to 212, with a mere two new branches being opened in Chavakachcheri and Nanattan during the period under review. Further reduction and relocation of branches will be implemented to optimise the network and portfolios in a cost-effective manner.

The branch network makes a significant contribution to the Company's profitability and portfolio by implementing low-cost marketing strategies to reach a wider audience. In addition, LOLC Finance PLC also deploys a super dealer point, a model under which employees serve clients in areas where no branch is located. The Company's delivery channels are spread across 19 geographical areas of the country.

The branch network faced a challenging financial year as a major task was to manage the portfolio of LOLC Development Finance (LODF) post-merger with LOLC Finance PLC. LODF was predominantly engaged in the Personal Loan arena which was severely impacted by a series of calamities in the country. As a result of the negative impact on its Personal Loans business, the priority was to cleanse the LODF portfolio while closing a total of 54 branches. The beginning of the year witnessed rising Non Performing Loans (NPLs) on account of the portfolio cleansing. However, by year end, the NPL ratio was steady at 13.86% while executing Rs. 139 Bn in new business execution by the channel network. Even after NPL provisioning and write offs, the portfolio decreased by Rs. 88.9 Bn, supported strongly by an outstanding recoveries effort. Overall, the Company made a profit about Rs. 21.5 Bn.

In terms of the unit's operational performance, 125,000 new leasing facilities were executed in Personal Loan and SMEs. Even though Personal Loan remains stagnant due to the severe impact of the economic crisis and prior adverse events on the MSME customer base, the Branch Network channel held knowledge-sharing events amongst Personal Loan customers. Some valuable technical assistance programmes were conducted for rural women entrepreneurs in Moneragala and Polonnaruwa.

Training and development opportunities are provided for employees. During the year, some targeted middle management and other technical training sessions on credit appraisal and credit quality were conducted. Employee volunteerism is a key endeavour at LOLC Finance PLC and during the year a series of tree planting and social responsibility projects were conducted to engage with the community.

CREDIT CARDS

During the financial year under review, the Credit Cards unit significantly expanded its gross portfolio by Rs. 1.38 Bn and contributed approximately Rs. 738 million in net profit to the organisation, reflecting a growth rate of over 50% relative to the previous year. This exceptional performance was driven by the issuance of 20,000 new cards and increased usage of existing cards.

The attractiveness of our credit cards was further enhanced through strategic partnerships. Two major marketing campaigns were executed during the key seasonal periods in collaboration with over 450 merchants nationwide, offering customers substantial discounts on their purchases. Throughout the past year, the credit cards unit underwent process reengineering and introduced robotic automation to replicate certain manual activities, thereby enhancing operational efficiency.

The highest contribution during the year was from the Savi credit card portfolio, which added more than Rs. 720 million to the overall credit card portfolio growth. The Savi credit card, designed for government sector employees, continued to enhance the card users' lifestyles. Each year, selected scholarship-winning children of Savi cardholders are gifted school bags and stationery, with the event being held in 2023 too for the third consecutive year. The Swairee credit card also made a substantial contribution, recording Rs. 149 million, reflecting over 125% growth compared to the previous year. The Swairee card, primarily designed for career women, is experiencing significant uptake. The Company is currently negotiating with several maternity hospitals to establish partnerships offering additional competitive benefits to our female customer base.

Several new features have been incorporated into the credit cards, including a missed call option that allows customers to check their card balance, and a web portal enabling customers to easily check their current outstanding balance, review transaction details for the past three months, create their PIN, and block cards without contacting the call centre. Additionally, an online application platform has been introduced to reduce paper waste, with significance credit card applications received through this platform in 2023/24.

The future of the Credit Cards unit is closely aligned with advancements in information technology. The unit is collaborating with the internal IT team to develop a platform for onboarding customers seamlessly with zero paper usage by enabling digital signatures. An AI-generated chatbot will also be introduced, providing customers with an alternative to the call center.

IPAY

The year 2023/24 marked a significant period of growth for iPay, Sri Lanka's premier payment platform. During this financial year, iPay onboarded 246,000 users, achieving a remarkable 80% growth, and surpassed 500,000 total users. The number of transactions grew by 110% to 38 million, an increase of 20 million, with a transaction value reaching Rs.137 Bn. This represents a 115% growth, ending the year at Rs.256 Bn.

iPay holds a commanding 21% of downloads among 24 fintech apps, underscoring its status as the most popular fintech app in Sri Lanka. Additionally, iPay became the first fintech app to exceed one million transactions in a month on the JustPay platform.

The merchant network expanded to over 45,000 during the period. iPay empowers customers to open digital savings accounts, set up digital fixed deposits, and accept credit card payments without visiting LOLC Finance PLC branches. Extending its reach beyond Sri Lanka, iPay is now also available in Cambodia.

Throughout the year, iPay enhanced its acceptability and usage across diverse age groups and among non-LOLC Finance customers, who make up 80% of the users.

A significant overhaul of the user interface (UI) and user experience (UX) was completed during the year, simplifying the user journey with quicker download and registration processes. Users can now reset passwords and unblock their accounts without call centre assistance, leading to positive customer feedback. Moving forward, iPay will continue to be enhanced to further elevate the user experience.

iPay consistently attracts awards and accolades. During the year under review, it swept the following awards at the Technnovation Awards 2023:

- Overall Gold Award for Excellence in Digital Payments (Non-Bank Financial Institutions)
- Gold Award for Non-Bank Financial Institution of the Year for Financial Inclusivity
- Gold Award for Non-Bank Financial Institution of the Year for Excellence in Customer Convenience
- Gold Award for Best Mobile Application for Retail Payments via JustPay (Banks and Non-Bank Financial Institutions)
- Gold Award for Most Popular Digital Payment Product (Private Commercial Banks and Non-Bank Financial Institutions Category - Internet and Mobile Banking)

The exceptional performance and achievements of iPay in 2023/24 highlight its continuing leadership and innovation in the fintech sector.

OYES: EMPOWERING EMPLOYEES WITH SALARY ADVANCES

OYES (Own Your Earned Salary) is a revolutionary platform designed to enable organisations to provide employees with advances on their earned salaries. OYES streamlines the process of drawing salary advances by providing easy access through kiosks or the iPay mobile app.

Key Features and Benefits:

- Immediate Access to Earned Salary: Meets urgent cash needs of salaried workers by allowing them to access a percentage of their current month's salary instantly. This real-time fund transfer is available 24/7, ensuring employees can meet emergencies without delay via the iPay app.
- Hassle-Free Salary Settlement: Automates the deduction of the advanced amount from the employee's subsequent salary, ensuring a seamless settlement process. This reduces administrative burdens for employers and minimises paperwork and disbursement procedures.
- Integration with iPay: Employees can link OYES as a funding source to their iPay accounts, enjoying the full suite of functionalities offered by iPay. This integration enhances the overall user experience and provides additional financial flexibility.
- Enhanced Employer Management: OYES offers a 100% digital, paperless solution that simplifies management and monitoring for employers. It provides rapid access to reports and audit trails, making it easier to oversee salary advances and ensure compliance.

OYES ADVANCE

Launched to further empower individuals, OYES Advance allows employees to avail up to 50% of their salary as an advance, repayable in the next salary cycle. This is available to employees who open a salary saver account and remit their salary. This innovative product is unique in the country and provides significant financial empowerment to employees, with easy access through the iPay mobile app.

OYES is committed to continuously innovating and expanding its services to provide comprehensive financial solutions for both employees and employers, making financial management more efficient and accessible.

LOLC AL-FALAAH

As the largest Alternate Financial Services Provider in the Non-Bank Financial Institutions (NBFI) segment in Sri Lanka, LOLC Al-Falaah possesses a total asset base of over Rs. 31.6 Bn and serves almost 50,000 active clients in the Islamic finance industry space across 212 branches island wide. The Business Unit of LOLC Finance PLC has a strong brand identity and brand acceptance in the alternate financial services market space and enhanced its performance in 2023/24 over the preceding year despite prevailing macroeconomic challenges and the lingering effects of the economic crisis.

LOLC Al-Falaah succeeded in effective management of the asset and liability book while growing both the assets portfolio. Revenue earnings reached Rs. 6.6 Bn from Rs. 4.9 Bn in the previous year, marking a 35% increase. LOLC Al-Falaah achieved a 73% increase in Profit before Tax to LKR 1.3 Bn in 2023/24 from Rs. 754 million in the previous year. Non-Performing Loan (NPL) levels were maintained at a healthy 7.67% against a backdrop of volatile market conditions where the banking & finance industry averages exceeds 10%, which reflects LOLC Al-Falaah's strong process-driven operations and risk-mitigating action strategies. The Mudharabha and Wakalah FD & Savings products showed a strong uptake amongst its client base, also due to the strong investor confidence developed during the period under review.

In 2023/24, LOLC Al-Falaah distributed Profits to Depositors amounting to Rs. 3.5 Bn amidst the economic crisis. Return on Equity too indicated an upward trend. The Assets and Liability portfolios were managed masterfully to extend optimum returns to all stakeholders. At the close of the financial year-end, Retained Earnings were recorded as Rs. 6.7 Bn.

LOLC Al-Falaah is poised to leverage on powerful synergies post-merger to offer a 360-degree alternate finance product portfolio with a wider reach and footprint in the country for its valued clientele, along with advantages such as efficiencies, wide branch network and technology, to become a game-changer in the alternate finance industry. LOLC Al-Falaah had been on a digitalisation drive and successfully digitalised its Wakalah Investments and Mudharabah accounts with iPay, the lifestyle fin-tech app from LOLC Finance PLC, in addition to its access from real-time internet banking solution and visa enabled international debit cards.

LOLC Al-Falaah's Operations/Compliance Unit organised several educational programmes in conjunction with the Scholar Supervisory Board (SSB) members and in-house scholar advisors during the year. Greater adoption of Alternate Financial Services requires ongoing educational programmes to raise awareness amongst communities as well as regional schools' programmes providing educational assistance to Grade 5 Scholarship students to support in preparation for the exams and also to inculcate a savings habit from an early age.

Sustainable giving is at the heart of Alternate Financial Services and during 2023/24, the Company disbursed Rs. 16.95 million for charitable projects under the pillars of health, education and social upliftment projects.

LOLC Al-Falaah's industry leadership is evident in the awards and accolades bestowed on it year after year. In 2023, LOLC Al-Falaah won four prestigious awards at the 12th edition of the SLIBFI (Sri Lanka Islamic Banking and Financial Industry) awards - the Gold award for Islamic Finance Non-Banking Financial Institute (NBFI) Entity of the Year for the fourth consecutive year; Silver award for Islamic Finance Window/Unit of the Year; and the Bronze award for Islamic Finance Entity of the Year. The Business Unit clinched two distinguished Gold awards and two Silver awards at the Islamic Finance Forum for South Asia (IFFSA) Awards 2023, namely, the South Asia's Brand of the Year Gold award, followed by the South Asia's Islamic NBFI of the Year, for the third consecutive year. The Silverware was awarded for 'Islamic Entity of the Year' and 'Islamic Banking Window/Unit of the Year'. LOLC Al-Falaah was awarded the 1st Runner-up Islamic Leasing Provider (Global) at the IFN awards.

SME & PERSONAL LOANS

LOLC Finance PLC's SME & Personal Loan operation has earned a solid reputation among micro and SMEs, the agricultural community and women entrepreneurs, helping them achieve financial independence. As the largest financier in the Micro, Small, and Medium Enterprise (MSME) sector, it is a preferred partner for many customers. In 2023/24, the SME & Personal Loan operation achieved a portfolio growth of Rs 1.14 Bn, reflecting a 0.65% increase. Portfolio growth from small to medium scale businesses and individuals reached Rs 11.9 Bn. During this period, total facility disbursement reached Rs. 121 Bn, covering over 113,100 facilities for customers.

Despite external challenges, Non-Performing Loans (NPL) for the SME & Micro portfolio were brought down by 4% due to prudent portfolio management, effective recoveries and increased customer engagement. The unit's overall products achieved a profit-to-portfolio margin of 8.40%.

The SME & Personal Loan unit consistently enhances its value proposition, with product processes revamped during the year to improve efficiency and customer experience. LOLC Finance PLC's adaptation of tablet-based online micro loan processing was recognised at the 2024 annual CPM Best Management Awards, where it received the prestigious Top Ten Companies Award and was named Category Winner in the Finance and Leasing sector.

The Company entered into strategic partnerships with four leading agricultural implement suppliers, securing market leadership in this product category and offering better deals for the farming community. Additionally, a strategic partnership was forged with a leading supplier of commercial vehicles to finance locally assembled light trucks, enabling SMEs to acquire new vehicles for goods transportation and replace aging vehicle fleets . Future plans include launching affordable solar loans for individuals and SMEs to bring about sustainable change at the grassroots . Furthermore, the Business Unit will focus on increasing efficiency through digitalisation of its processes and products.

GOLD LOANS

Buoyed by the demand for its Gold Loan product, LOLC Finance PLC extended the product at 12 new locations during the year. As a result, customers in Wilgamuwa, Chavakachcheri, Kahatagasdigiliya, Rattota, Ruwanwella, Galnewa, Aluthgama, Ambalanthota, Wellawaya, Kamburupitiya, Welikanda and Nanattane can now access Gold Loans from their LOLC Finance branches.

The Gold Loans product offers several benefits to customers, providing a practical and accessible means of securing short-term financing, especially against the backdrop of economic challenges in the country. LOLC Finance PLC's Gold Loans product is an excellent solution for immediate financial needs, such as medical emergencies, educational expenses, or business cash flow issues. The quick disbursal process backed by digitisation ensures that customers can access funds without delay.

OPERATIONS

The Business Operations unit remains pivotal in the lending and liability operations processes. During the year under review, the centralisation and integration of operations - following the merger of four companies into the largest Non-Banking Financial Institution (NBFI) in the country - continued to progress at a rapid pace. Significant emphasis was placed on continuous reviewing of processes to achieve greater efficiency and productivity, while ensuring customer ease and enhanced delivery times. The state-of-the-art document management system has enabled the processes to reduce the dependency on physical documents , thereby aligning with the Company's objective of becoming more sustainable and digitised.

As the hub for all lending activities of LOLC Finance PLC, specific Service Level Agreements (SLAs) have been assigned to all lending and liability products, which are monitored for customer satisfaction to stay ahead of the competition. The primary focus during the period was on optimising the processes and improving SLAs. The revamped loan against fixed deposit module is an example where the SLA has been brought down to 15 minutes. Training of branch staff on the new processes was also a key initiative as common processes were introduced for the merged entity.

Currently operating from the Centre of Excellence, the Business Operations unit has consolidated all its functions in one location, with all the backend processing centralised. Consequently, every lending facility approved across the branch network is now processed through the Business Operations unit.
The centralisation of lending operations is significantly improving efficiency and service excellence.

RECOVERIES

During the period under review, the Recoveries unit sustained its stellar performance from the previous year despite ongoing economic challenges that posed difficulties for many clients. The strong performance of the Recoveries unit in 2023/24 is all the more creditable against the backdrop of the merger of four companies with LOLC Finance PLC.

The amalgamation gave rise to complexities in the recoveries process as teams from the merged entities were used to different operational systems. Therefore, the first priority was to unify and streamline the processes onto one platform and to train incoming staff from merged entities to update their knowledge and align with the objectives of the main Recoveries unit. This was achieved within record time by conducting training for the recoveries team, with the support of the in-house specialists with the LOLC IT team, who automated certain processes and trained the recoveries teams accordingly.

LOLC Finance PLC now dominates the market as the largest NBFI in the country. During the year, its branch network was rationalised to 205. The centralised back office operations have brought all the branches onto one platform, enabling the Recoveries team to analyse and evaluate branch wise collections with ease. In March 2024, the Recoveries unit went past its target by Rs. 1.6 Bn as in the previous year. The collection process at LOLC Finance PLC is a team effort by the Recoveries team, branches, marketing staff, and the back office and the call centre. Their combined efforts helped to ensure robust collections,

Meanwhile, certain challenges persisted during the year, for example, difficulty in repossessing assets due to the rule which forbids repossession. A positive sign on this front is a new act which is in the process of being drafted, which will eliminate this clause and provide relief for the NBFI industry. As a respected corporate citizen, LOLC Finance PLC is mindful that it is using public deposits for lending activities and thus needs to ensure all assets are recovered smoothly from defaulters.

Moreover, NBFIs are now liable to the 90 days past due rule as against 120 days past due in place earlier. This rule threatens to push up industry Non-Performing Loans (NPLs). Nevertheless, the Recoveries team managed to maintain NPL levels well under industry norms, which demonstrates the strong collections drive and commitment of staff to exceed targets. The Company's NPL ratios during the year settled to 13.86% by year end which an achievement in itself.

Committed to improve collections, regular town hall meetings proved highly useful in identifying operational gaps and finding solutions to plug them, subject to tight deadlines. The efficient functioning of the Recoveries team has contributed to enhancing customer convenience. The goal posts for the Recoveries team will keep shifting to reflect the external economic developments. Meanwhile, the team is well placed to respond with agility to ensure that the Recoveries unit maintains its stellar record.

FACTORING

In 2023/24, the Factoring business unit achieved a portfolio of Rs. 3.29 Bn and a profit of Rs. 222 million, reflecting improved performance due to rising customer demand as macroeconomic challenges eased. Key process improvements included streamlining the client onboarding process to enhance efficiency, reduce administrative burdens, and improve customer satisfaction. This involved collaboration between the Center of Excellence (CoE) and Credit Risk Management to provide innovative solutions and thorough risk assessments.

Technological integration was crucial, with clear communication channels established to address client queries and provide onboarding updates promptly. Process optimisation, especially through automating the Receipt of Delivery (ROD) process, significantly increased productivity. Customer Relationship Management (CRM) was also strengthened by realigning practices, expanding the team, and providing comprehensive training to handle more interactions and offer personalised service.

The factoring system was integrated with a Business Intelligence (BI) reporting system to gain insights into the portfolio, facilitating informed decision-making and improving branch performance. This integration ensured data accuracy and consistency, with real-time dashboards providing key performance indicators. Staff training on the BI system empowered data-driven decisions, enhancing reporting capabilities.

Overall, these improvements have boosted operational efficiency, strengthened customer relationships, and provided valuable insights through integrated systems.

MARCOM

The year under review was transformative for LOLC Finance PLC. The strategic merger of four leading financial institutions has not only solidified its position as the largest Non-Banking Financial Institution (NBFI) in Sri Lanka, but also placed the Company on par with the major banks. This consolidation has significantly bolstered LOLC Finance PLC's brand equity, making it a formidable player in the financial sector.

The Marketing Communications (MarCom) unit played a pivotal role in achieving these objectives. The unit demonstrated exceptional performance by executing a strategic communication mix that seamlessly integrated both traditional and digital channels. This approach ensured that all messaging was precise and effectively disseminated, achieving both long-term brand building and short-term goals.

One of the standout factors in the success of the MarCom unit was its agility in responding to market trends and customer needs. The team continuously monitored market conditions, adapting strategies to ensure relevance and impact. By skillfully crafting campaigns that resonated with the Company's diverse customer base, the MarCom unit enhanced brand visibility and fostered deeper connections with the audience.

Innovation was also at the heart of the MarCom unit's success. The team leveraged digital platforms to extend reach and engage with customers in a more personalised and interactive manner. Utilising data-driven insights, they tailored communications to specific audience segments, ensuring that messages were both targeted and effective.

Beyond its financial leadership, LOLC Finance PLC is deeply committed to engaging with the Sri Lankan community through various sustainability and philanthropic initiatives. The Company believes in not only articulating its purpose but also acting as a socially responsible Company. Its dedication to these values has been recognised through numerous prestigious awards. Winning the 'Financial Service Provider of the Year' for the seventh consecutive year at the SLIM-KANTAR People's Awards is a testament to the public's trust in the brand. Additionally, being ranked among the top 20 in the LMD Brands Annual Hall of Fame and being honored as the 'Most Valuable Consumer Brand' and the 'Most Loved Brand in the Financial Services Sector for 2023' further validated LOLC Finance PLC's position as Sri Lanka's most trusted financial services brand.

At LOLC Finance, the purpose is to create positive change for individuals and society. All products and services are designed to cater to diverse customer needs, reflecting the Company's unwavering commitment to delivering an exceptional experience for everyone who interacts with its brand. It strives for clear, regular and transparent communication to foster trust and build lasting relationships. As the MarCom unit moves forward, it remains dedicated to these principles, continuously working to enhance brand impact and serve the community better.

CUSTOMER RELATIONSHIP MANAGEMENT

In today's rapidly evolving financial landscape, the significance of Customer Relationship Management (CRM) cannot be overstated. As a financial services organisation, our success is inextricably linked to the strength of our customer relationships. CRM is the backbone of our efforts to understand, engage and retain customers and in the financial services industry, where trust and long-term loyalty are paramount, a robust CRM process is essential.

Over the past year, our CRM function has played a pivotal role in enhancing customer satisfaction, driving loyalty, and navigating the complexities of an ever-changing market. During the past two years, economic activity came to a standstill and it became more costly to carry on existing business operations and people's income sources dwindled. Challenges abounded during the year due to the economic crisis. The cost of utilities increased significantly as did transportation costs as a result of increased fuel prices.

As a result, customers were looking for cheaper ways of meeting their business requirements and were looking for self-service or online services. The concept of "cocooning," where customers preferred to manage their financial activities from the comfort of their homes, gained significant traction, especially in the wake of the pandemic. This shift has led to a growing demand for self-service options that offer convenience and flexibility.

LOLC Finance offered self-service options to customers by streamlining and digitalising processes wherever possible, to empower customers and increase convenience. The Company's digital payment app, iPay, increased its customer-base during the year under review, as more customers were seeking the convenience of remote services. iPay, offered unparalleled convenience to conduct transactions remotely, and its popularity was reflected in an upsurge in volume growth.

A greater emphasis was placed by the CRM team on reducing operating costs and improving productivity in order to provide better customer service. To this end, a Business Process Re-engineering project was launched, which streamlined processes and realigned teams. Talent retention became a challenge due to brain drain. Several productivity initiatives were undertaken to enhance customer service efficiency and effectiveness.

A key focus has been the integration of advanced technologies such as artificial intelligence (AI) and machine learning (ML). These technologies help automate routine tasks, allowing staff to focus on more complex and value-added activities. Investing in employees' skills and knowledge was another key initiative during the year. Ongoing training not only improves productivity but also enhances their ability to deliver exceptional customer service. This is expected to ensure consistency in customer communication and enable more efficient management of customer inquiries and issues.

Despite the challenges posed by changing customer expectations and economic uncertainties, the CRM function has driven significant improvements in customer satisfaction, operational efficiency and employee engagement. Going ahead, the CRM unit remains committed to leveraging advanced technologies, optimising processes and enhancing capabilities to build stronger, more enduring relationships with the Company's customer base.

HR REPORT

One of the cornerstone achievements in the historic merger of LOLC Finance PLC has been the successful integration of Human Resources (HR). With LOLC Finance's unique business model, the challenge lay in unifying employees from four diverse Company cultures onto a single platform. Now, nearly a year post-merger, our workforce is back on track, having navigated the complexities of the integration.

The HR team has been pivotal in this transition, employing a meticulous communication strategy. Continuous dialogue has been maintained to inform all parties about Company procedures, policies, and product knowledge. Systems, processes and roles have been mapped and centralised for smoother operations, with ongoing reviews of employee benefits to align expectations and achieve positive outcomes.

The senior management and the Board have supported the HR team in designing an optimal structure for the new entity. This includes placing the right talent in the right positions by identifying skills and competencies. Developing strong leadership as part of succession planning is crucial to manage our nearly 5,000 employees and diverse product and service portfolio.

Starting in November, recruitment was commenced. Initially, we had 6,200 employees, a number which has now been streamlined to 5,000 through natural attrition and voluntary resignations. Positions were not immediately replaced; instead, we strategically repurposed staff based on their skills and technical knowledge, ensuring a rationalised workforce. Any ambiguity in terms of the reporting structure was smoothened out and now all the business units work closely with the branch network in a streamlined manner.

To optimise branch back-office operations, we initiated a staff multitasking project, familiarising employees with selected roles to manage peak volumes effectively.

TRAINING & DEVELOPMENT

Training and development were crucial in the past year to educate incoming staff on product processes, leadership, and management development. LOLC Finance invests heavily in employee training, ensuring a full calendar of programmes. Merger-related trainings focused on upskilling, product and process knowledge, and team building. Branch managers also received soft skill training on customer service, sharing cross-industry practices.

With the staff integration post-merger completed, the focus will shift to training and development with emphasis on leadership training for top talent and senior management through the top talent development programme and the executive development programme. The senior management consists of the top tier of the Company and leadership training to prepare them to lead the Company in the future. Some technical areas have been identified as well, in which coaching will be conducted in the coming year. The top talent consists of the second and third tier staff who have performed exceptionally well during the past two years. A separate training programme will be conducted for them. The Company has a robust succession planning pipeline segregated into short, medium and long term successors. We have put forward a Board paper for the training which was approved and we will be conducting these activities in the coming financial year.

Employee Engagement

Managing employee well-being during the economic crisis was a significant challenge. Despite external adversities, we maintained staff engagement through recreational and cultural events. These included a quiz competition, a successful blood donation campaign and a Christmas party. On International Women’s Day, a special programme was arranged for female staff. Additionally, the LOLC Kiddies party and the annual Iftar at the head office showcased the cultural diversity within the Group and strengthened employee bonds.

Gender Balance

LOLC Finance enforces strict anti-discrimination policies to create a safe and respectful workplace for all employees, ensuring that gender-based discrimination and harassment are not tolerated. In particular, the Company is committed to promoting gender equality across all levels of the organisation. Leadership training and development programmes specifically designed to enhance skills of female staff and to prepare them for senior management roles, are being planned. The Company has implemented an equal pay policy to ensure that women are compensated fairly and equally for their work. Overall, the Company promotes an inclusive culture by celebrating diversity and encouraging open discussions about gender equality and related issues.

Further, LOLC Finance actively participates in community programmes aimed at empowering women, supporting women's education, and promoting gender equality in society.

HR Day

HR Day has become a vital tradition, highlighting staff contributions to the Company's success and providing an opportunity to express appreciation. The HR team conducted about 8 regional visits during the year, engaging with employees to understand challenges faced post-merger. Positive feedback inspired a new initiative, Multitasking, empowering back-office staff with enhanced skills through cross-functional activities. The bonus and remuneration system was also strengthened, with an exceptional bonus extended to all employees in light of the merger.

Future Plans for HR

Looking ahead, our focus will be on a comprehensive succession plan, optimising in-house talent to achieve corporate goals while allowing employees to thrive. This process has begun with a thorough competency mapping exercise, laying the groundwork for future success.

The HR unit is focused on digitalising most of its activities for greater efficiency and a better experience for employees. A strategic HR Digital strategy has been chalked out to automate and digitise most processes.

LOLC Finance PLC deeply values its employees, recognising them as the cornerstone of the Company's success. Through a comprehensive suite of initiatives aimed at fostering professional growth, promoting work-life balance, and ensuring a diverse and inclusive workplace, LOLC Finance is committed to creating an environment where every employee can thrive.

By prioritising gender equality, investing in leadership development, and maintaining equitable policies, the Company not only empowers its workforce but also drives innovation and excellence. At LOLC Finance, every employee's contribution is valued, and their well-being is paramount, reflecting the organisation's dedication to building a sustainable and prosperous future together.

Sustainability Report

As a leading financial services provider, LOLC Finance PLC is committed to promoting sustainable growth and responsible resource management. Our sustainability strategy is anchored in the principles of environmental responsibility, social engagement, and financial Inclusion, reflecting our dedication to creating long-term value for our stakeholders. This report details our comprehensive approach to sustainability across various key focus areas.

Organisational Profile

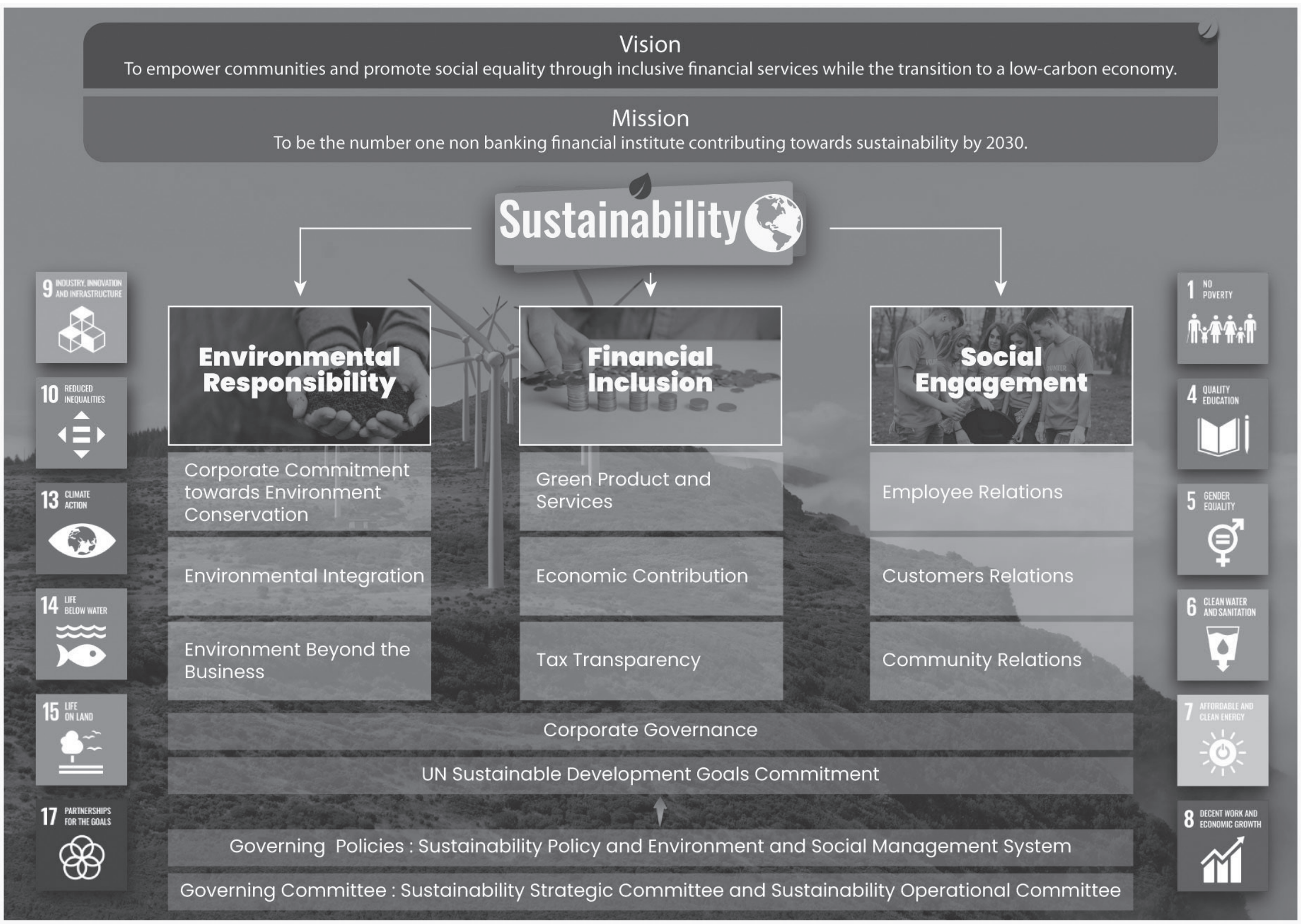
Company Overview

LOLC Finance PLC is the largest player in the non-banking financial services industry in Sri Lanka. With a network of 212 branches and a workforce of over 5000 employees, we provide a wide range of financial products and services aimed at fostering economic empowerment and growth.

Governance Structure

Our governance framework ensures robust oversight, transparency, and accountability. The Board of Directors, supported by specialised committees such as the Audit Committee, Sustainability Committee and Risk Management Committee, oversees the Company's strategic direction and ensures adherence to regulatory standards and best practices.

ESG Framework



SUSTAINABILITY STRATEGY

LOLC Finance PLC's sustainability strategy is integrated into our core business operations, reflecting our commitment to environmental protection, social equity, and economic prosperity. We aim to build a resilient and sustainable future for our Company and the communities we serve through responsible resource management and innovative solutions.

RESOURCE MANAGEMENT

LOLC Finance PLC recognises resource efficiency as a critical driver of sustainable growth. By optimising resource utilisation, we minimise our environmental impact, reduce operational costs, and contribute to mitigating climate change. Our multifaceted approach to resource management encompasses:

- » Energy Management: We focus on reducing energy consumption and promoting the use of renewable energy sources across our operations.
- » Waste Management: Our waste management strategy involves minimising waste generation through recycling, reusing, and responsible disposal practices.
- » Water Management: We are committed to optimising water usage and exploring innovative solutions to conserve this vital resource.
- » GHG Management: We actively monitor and reduce greenhouse gas emissions across our operations.
- » Biodiversity Conservation and Environmental Restoration: We support initiatives to protect and restore natural ecosystems.
- » Environmental Literacy: We raise awareness and promote environmental education among employees and stakeholders.
- » Strategic Stakeholder Partnership: We collaborate with partners to amplify our impact and drive collective action on environmental issues.

By integrating resource management into our core business strategy, we are committed to building a more resilient and sustainable future for our Company and the communities we serve.

ENVIRONMENTAL RESPONSIBILITY

ISO 14064-1:2018 Certification for GHG Emissions

LOLC Finance PLC has successfully tracked its carbon footprint for the 2023/2024 fiscal year, encompassing its head office and 212 branches. GHG emissions calculations were meticulously conducted by the sustainability unit in accordance with the ISO 14064-1:2018 standard, reaffirming the Company's unwavering commitment to achieving net-zero status.

Carbon Reporting: Enhancing Transparency and Operational Efficiency

Through comprehensive carbon reporting, LOLC Finance PLC analyses, assesses and manages all GHG emissions resulting from its business operations. This meticulous tracking enables the Company to gauge progress in GHG emission reduction initiatives and optimise branch operations for enhanced sustainability.

Applied Standards and Reporting Period

- » ISO 14064-1:2018 Certification: Ensures organisation-level quantification and reporting of GHG emissions, aligned with the Fifth Assessment Report (5AR) of the Intergovernmental Panel on Climate Change (IPCC), 2006.
- » The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) provides a framework for comprehensive GHG accounting and reporting.
- » Reporting Period: April 1, 2023, to March 31, 2024, with the base year set as 2023/2024.

Direct Emissions: Taking Ownership of Our Footprint

LOLC Finance PLC acknowledges and actively manages direct emissions from sources under its control. These include emissions from on-site diesel/petrol generators, and Company-owned vehicles. The total distribution of the Company's carbon footprint by direct sources for the 2023/2024 fiscal year is detailed below:

Emission Source	t CO2e
Onsite Diesel Generators	59.94
Onsite Petrol Generators	1.46
Company-owned Vehicles	65.81
Total Direct Emission	127.21

Indirect Emissions: Addressing Our Extended Footprint

Indirect emissions, though resulting from our operations, originate from sources outside our direct control. These emissions constitute a significant portion of our total GHG emissions, with grid-generated electricity being the most substantial contributor. Recognising the impact of indirect emissions, LOLC Finance PLC has implemented comprehensive energy-saving measures across the Company.

	Emission Source	t CO2 e
Category 2 : Indirect Emissions from imported Energy	Grid Connected Electricity	2935.85
Category 6: Indirect emissions from other sources	Refrigerant Leakage	100.899
	Fire Extinguishers	0.021
	Municipal Water	8.73
	T & D Loss	283.29
Category 3: Indirect GHG Emission from Transportation	Diesel Employee Commuting (Private)	607.39
	Petrol Employee Commuting (Private)	3183.76
	Employee Commuting - Public	50.45
Total Indirect Emissions		7170.39

Proactive Measures for Emission Reduction

We actively contribute to reducing our overall GHG emissions by optimising energy consumption in our offices and branches. Our focus on mitigating indirect emissions demonstrates our dedication to environmental responsibility.

ENVIRONMENTAL PROJECTS

Increased Environmental Literacy

ESMS training was conducted for the senior management in collaboration with IBIS Consulting Team and a Green Talk on Growing a Self-Sufficient Garden by Ms. Kanchana Weerakoon was organised to promote environmental awareness and education among our employees.

Deniyaya Reforestation and Ecosystem Restoration

For the second consecutive year, LOLC Finance PLC continued its commitment to environmental stewardship through the Deniyaya Reforestation and Ecosystem Restoration project. This initiative involves planting 20,000 trees, conducting a biodiversity study, and generating carbon credits through carbon capture.

Waste Management

In partnership with Zero Trash, we launched recyclable plastic collection points at four locations, contributing to reducing plastic pollution and supporting the Government's extended producer responsibility (ERP) measures.

Eco Office Audit

We conducted comprehensive Eco Office and Waste Audits at our Credit Card Centre in partnership with the National Cleaner Production Centre (NCPC). These audits help us identify waste generation sources and implement effective waste minimisation initiatives.

Eco Championship Competition

To encourage electricity and water conservation across our organisation, we launched the Eco Championship Competition, involving 203 branches. This initiative aims to reduce our carbon footprint and foster a culture of resource consciousness among employees.

Green Building Concept for Head Office

We are applying for the "Green SL® Rating System Institutional Sustainability" certification for our Head Office. This involves comprehensive renovation focusing on energy conservation, materials, resources & waste management, and indoor environmental quality.

Water Management

Our water usage is primarily for utility and sanitation purposes, sourced from the National Water Supply and Drainage Board. In a few locations, we use well water. The total water consumption for LOLC branches in the 2023/2024 fiscal year was 47,300 m^3.

Strategic and Operational Sustainability Committee

The Sustainability Committee at LOLC Finance PLC oversees the implementation of our sustainability strategy, monitoring progress, and ensuring alignment with our corporate objectives. The committee comprises members from various departments, ensuring a coordinated approach to sustainability across the organisation.

Environmental Partnerships and Awards

Strategic Partnership with BSL and Green Building Council of Sri Lanka

LOLC Finance PLC has secured Patron Membership from Biodiversity Sri Lanka and Gold Membership from the Green Building Council of Sri Lanka. These partnerships enhance our environmental initiatives and contribute to a greener future for Sri Lanka.

Sustainability Awards

We are proud to have received the Green Business Commitment of the Year award in the non-banking sector by the Green Building Council of Sri Lanka. This accolade recognises our dedication to sustainable business practices and our significant contribution to Sri Lanka's sustainable development goals.

Through such initiatives, LOLC Finance PLC reaffirms its commitment to sustainability and environmental responsibility. We will continue to integrate sustainable practices into our operations, striving to create a positive impact on the environment and the communities we serve.

Information Technology and Security

LOLC Technologies Limited (LOLCTECH) is LOLC Group's centralised shared IT Service Provider, supporting the Group in almost all aspects pertaining to Information Technology and Security related services locally and over 25 countries in multiple regions such as Middle East/South Asia (MESA), African region, Central Asia and Oceania. Four key next generation products developed by LOLCTECH, for which LOLC holds the Intellectual Property (IP) rights, are being used internally by the Group, while some of these solutions have been implemented externally as well as internationally.

RESILIENCE-READY TECHNOLOGIES

WORLDWIDE DATACENTRES

The strategic move to relocate the Group's secondary data centre to Sri Lanka's first-ever 'TIA-942 Rated -3 Constructed Facility' certified, carrier-neutral, high-density data centre, hosted at a third-party location, marks a significant transformation in our digital roadmap, enhancing our computing capabilities and information availability taking to the highest edge of resiliency from a purpose-built data centre facility. This data centre complies with the highest international standards available in the country, equipped with state-of-the-art technologies, including top-tier enterprise storage devices. It ensures superior performance, availability, and resilience, thereby facilitating the Group's future digital growth and strategic objectives.

Including the two data centres located in Sri Lanka, 15+ LOLC's Data Centres are spread across the globe, some of which are managed by LOLCTECH staff, while a few are managed by IT specialists from LOLCTECH seconded to those countries in which the Group operates. LOLCTECH recently completed the consultation, implementation and management of a data centre in Tanzania, which is also being managed by a team from LOLCTECH. The Tanzania data centre is also strategically hosted at a third-party location which also a 'TIA-942 Rate – 3' Data Centre.

GROUP CSOC (GROUP CYBER SECURITY OPERATIONS CENTRE)

While INFOSEC has taken strong measures for the prevention of potential cyber threats, it has also elevated its capabilities by establishing another cloud-native latest technology that powered the LOLC Group's next generation Cyber Security Operations Centre (CSOC) that operates with Artificial Intelligence and Machine Learning, enabling resilience and raising the bar above and beyond the norm in the country.

The organisation's security infrastructure has been strengthened with these technologies, which are industry-first, and adopted much later by other banking and financial institutions. Some of the technologies in use at the Cyber Security Operations Centre is the 8th such deployment across the world and one of the most advanced technological solutions available.

INFORMATION TECHNOLOGY

LOLCTECH is the only organisation in the country that has enrolled with all five-leading cloud service providers, namely, OCI (Oracle Cloud Infrastructure, AWS (Amazon Web Services, Microsoft Azure, GCP (Google Cloud Platform) and Huawei Cloud. From the security point of view, cloud workloads and cloud infrastructure are integrated with highest levels of security solutions, which are assured by these global technology providers.

LOLCTECH for LOLC Finance PLC: LOLCTECH played a pivotal role in the mergers of Sinhaputhra Finance PLC, Commercial Leasing and Finance PLC with LOLC Finance PLC., providing uninterrupted and seamless service to end customers during the technology mergers. LOLCTECH's home-grown core banking application has been powering LOLC Finance PLC for the last 22 years whilst many other commercial and specialised 'banks' have changed their core banking applications at least once or twice during the past 20 years.

LOLC Finance PLC was once again energised by replacing the off-the-shelf ATM switch and CEFT with internally developed ATM and CEFT Switches. Alternatively, the internal developments supported the business operations of LOLC Finance PLC largely by the deployment of Robotic Process Automation of over 70 processes that elevated process efficiency and accuracy. This automation of 70 processes is with 22 hours of automated hours which is equivalent 224+ man hours.

Other technological enhancements and new technological initiatives facilitated business needs while increasing the efficiency, accuracy and customer experience. Such initiatives include BI Platform for cross-selling, Mobile savings collection app and the LOFC SmartME mobile application, which facilitated local business operations, while international business operations were supported with the implementation of Lending Modules and collection app, BI Implementation, O365 migration based on mergers and acquisitions, and deployment of information and cyber security solutions across the globe.

NEW DEVELOPMENTS

iPay

iPay is the leading payment platform in terms of both transaction volume and customer acquisitions. It consistently holds the top position for monthly transactions, with over 1.8 million transactions amounting to more than Rs.13 Bn in value each month. Additionally, iPay is the first and only mobile banking app that exceed 1.0 million JustPay transactions every month.

With an architecture that allows easy integration with any system, iPay is a simple, easy-to-use real-time FinTech platform beyond payments. With LOLC Finance operating as its merchant acquiring partner, iPay is acclaimed internationally as a mobile app that has been developed on advanced software architecture. The app includes a host of features designed to securely integrate the customer and merchant ecosystem, making it a true Fintech application. iPay was conceptualised as an ecosystem rather than a mere payment platform.

GOOGLE CLOUD PLATFORM

Further enhancements were made to the migration of Group companies to Google Cloud Platform on which iPay is hosted. iPay is deployed with highest level of resilience and redundancy on the Cloud Data Centre and in the disaster recovery data centre in three different countries while also keeping another instance of the database locally, facilitating the highest level of redundancy and resilience.

ARTIFICIAL INTELLIGENCE

Adaptation of Artificial Intelligence (AI) powered by LOLCTECH has increased the end-user experience with the LOLC GPT which facilitates users with self-serving options on their day-to-day queries becoming the 'The place for everything at LOLC Group' for any end-user requirement.

As another Artificial Intelligent initiative LOLCTECH launched LOLC GPT, which is another self-serving solution for all internal staff wherein any user can query any product or service employees may need taking the end-user experience to the highest level.

Alternatively, the 1st ever 'True AI – Chat Bot' was launched by the LOLC Finance PLC increasing its 'Customer Experience', allowing the end customer to communicate with and obtain personalised service inquiries by the end-customer himself/herself without any interaction with LOLC Finance PLC staff.

INFORMATION SECURITY & COMPLIANCE (INFOSEC)

With the implementation of solutions for cloud security posture management, cloud workload protection, Next-generation and cloud-native private access, and latest cloud-native security technologies available in the globe for Extended Detection and Response (XDR), with next generation Cyber Security Operations Centre, INFOSEC is moving forward demonstrating the highest level of capabilities with widely accepted industry standards and certifications strengthening resilience in the cyber security domain.

LOLCTECH proudly highlights the achievement in securing ISO 9001:2015, ISO 27001:2022, and ISO 20000-1:2018 certifications from Quality Austria Central Asia. These certifications affirm the commitment to excellence in software development, information security and IT and Security consulting for a diverse clientele, including LOLC Group companies. LOLCTECH continue to expand capabilities in maintaining and supporting software applications, managing secure information systems, and delivering comprehensive IT solutions through strategic partnerships with third-party data centres and cloud providers. This milestone reflects the dedication to operational excellence and client satisfaction, reinforcing its position as a "Trusted Advisor" in the service provider category in technology industry in the last fiscal year.

LOLCTECH certifying with the latest version of Information Security Management System (ISMS) ISO 27001:2022, Information Technology Service Management (ITSM) ISO 20000 – 2018 and Quality Management System (QMS) ISO 9001: 2015 together, while expanding its scope covering the entire LOLCTECH for the 1st time in its history has been a remarkable achievement. Further, the LOLC Group is on the road to re-validate its payment related applications and its operations against the Payment Card Industry Data Security Standards (PCIDSS) v 4.0.1, which is the highest international standard available on securing payment card data. PCI-DSS offers the most rigid security and controls protecting cardholder data.

The Group has shifted to a cloud-centric approach while adopting the highest level of security, controls and industry best practices personalised for the Group. This includes but is not limited to Vulnerability Management, Extended Detection and Response (XDR), Secure Access Service Edge (SASE), Privileges Access Management (PAM), Prisma Access, etc. The prime objective is to ensure that the 'highest level of security' and protection in data and information' is available across the Group, including its global business operations. Further, LOLCTECH has changed its dimensions towards prioritising the resilience in all technologies while maintaining protection and by enabling the end-users with highest level of mobility. Such an initiative includes the next generation CSOC and next – generation remote working capability - Secure Access Service Edge (SASE) increasing the capability of Business Continuity and Resilience to its highest levels.

AWARDS & CERTIFICATIONS – LOLCTECH

1. Inaugural ISACA (Information Systems Audit and Control Association) Digital Trust Awards 2024 organised by the ISACA Sri Lanka Chapter.

» LOLCTECH has received the Merit Award for "Most Outstanding Cybersecurity Solutions Provider of the Year".

» LOLC Holdings PLC's CISO has been recognised as the "CISO (Chief Information Security Officer) of the Year" in the Diversified sector.

» LOLC Holdings PLC has been honoured and recognised for its exceptional participation in the Digital Trust Awards.

ISACA, the Information Systems Audit and Control Association, is a globally respected leader in IT governance, risk management, and cybersecurity. With chapters in over 180 countries, ISACA sets the standards for information systems and digital trust. The Digital Trust Awards, organised by the ISACA Sri Lanka Chapter, celebrate, and acknowledge the highest standards of excellence and innovation in cybersecurity and information systems management. Receiving these accolades from ISACA highlights the outstanding contributions of LOLCTECH to the cybersecurity landscape. It is an endorsement of their expertise in maintaining the highest standards of digital trust and security.

2. LankaPay Technnovation Awards 2024

» Gold Award for Non-bank Financial Institution of the Year in Financial Inclusivity

» Gold Award for Best Mobile Application for Retail Payments via JustPay (Banks and Non-bank Financial Institutions)

» Gold Award for Non-bank Financial Institution of the Year for Excellence in Customer Convenience

» Gold Award for Most Popular Digital Payment Product (Private Commercial Banks and Non-bank Financial Institutions Category – Internet and Mobile Banking)

» Gold Award for Excellence in Digital Payments (Non-bank Financial Institutions)

3. NBQSA 2023

» ICT Services Solutions in Business Services Category Winner - LOLCTECH - OASYS^ Service Management Platform

LOLCTECH was the winner of the prestigious ICT Services Solutions in Business Services category at the NBQSA in 2023. With the win at NBQSA, OASYS^ was selected for Global APICTA Awards held in Hongkong in 2024.

OASYS^ Service Management Platform was the standout winner, acknowledged for its innovation and impact in improving operational efficiencies and customer service delivery. This recognition emphasises our dedication to the development of innovative technology solutions that promote excellence in business services. OASYS^ remains committed to advancing client success by providing leading-edge solutions and solidifying our position as a leader in the ICT services sector by enabling organisations to manage services seamlessly.

4. FusionX' Wins Gold for Best Managed Innovative Project

FusionX, the next generation core banking solution by LOLCTECH, has been honoured with the prestigious Gold Award for Best Managed Innovative Project at the National Project Management Excellence Awards 2024, organised by The Project Management Institute Sri Lanka.

FusionX represents a significant leap forward in banking technology, setting a new standard in core banking modules. It addresses the growing irrelevance of legacy banking systems by embracing digital innovations and offering financial institutions the agility needed to stay competitive. At the heart of FusionX's design is the principle of "Simplification to all stakeholders", ensuring that customer experience is central to our operations.

A VISIONARY DRIVE WITH UNWAVERING COMMITMENT

STEWARDSHIP

Corporate Governance Framework of LOLC Finance PLC

CORPORATE GOVERNANCE FRAMEWORK

Your Board of Directors is responsible and accountable for establishing and maintaining an adequate and effective governance framework and corporate culture, ensuring compliance with regulatory requirements.

The infrastructure used by the Board to translate the elements of the corporate governance culture and values as an operating model are its sub committees, management level committees with chartered responsibilities, delegated authority, connected policies, practices, procedures, and clear reporting lines within the organisation.

INSTRUMENTS OF GOVERNANCE

The external instruments of governance at LOLC Finance include the Companies Act, No. 7 of 2007, the Finance Business Act, No. 42 of 2011, the Finance Leasing Act, No. 56 of 2000, the Foreign Exchange Act, No. 12 of 2017, the Payment and Settlement Systems Act, No. 28 of 2005, the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021 including rules and directions issued to Finance Companies from time to time by the Monetary Board of the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

The internal instruments of governance include the Articles of Association, Board approved policies, procedures and processes for risk management, internal control and anti- money laundering, ethical business conduct and fair treatment for all stakeholders. Policies and procedures have been established taking into consideration governance principles that define the structure and responsibility of the Board to ensure legal and regulatory compliance, to protect stakeholder interests, to manage risk and enhance the integrity of financial reporting. A whistle- blowing policy has been introduced and the number of the related 'hotline' has been shared with all employees. This was done to enhance accountability, so that deliberate deviations from controls and/ or processes and procedures could be highlighted by any employee and thus addressed promptly.

BOARD OF DIRECTORS

The members of the Board consist of persons with multiple industrial/ professional backgrounds in which they have achieved eminence, who contribute effectively to decisions made by the Board to guide LOLC Finance towards achieving its objectives.

The appointment of Directors is subject to Central Bank approval with subsequent approval taken from the shareholders (for re-election) at an Annual General Meeting (AGM). At these meetings, an opportunity is given to all shareholders (public and nonpublic) to approve or to reject such appointments / resolutions on new appointments/ re-appointment.

The Board of Directors is responsible for ensuring that the Company enriches shareholder value and meets all its stakeholder obligations, while ensuring that business is conducted with a consciousness of the need to meet high standards of integrity, ethics and social and environmental responsibility. The role of the Board provide leadership and guidance while facilitating performance by delegating appropriate levels of authority under clearly defined roles, responsibilities and lines of accountability. The matters assigned for the Board include, but not limited to, the following:

- » Formulating the Company's strategy and direction for the long, medium and short term (retaining sufficient flexibility to consider the dynamism of the environment);
- » Establishing values and standards and ensuring that these are communicated. The Board ensures that deviations are detected and dealt with justly and transparently.
- » Identifying and designating key responsible persons who are in a position to significantly influence policy/ direct activities/exercise control over business activities/operations and risk management and defining their areas of authority and ensuring succession.
- » Ensuring that systems and procedures are in place to monitor and report compliance with regulatory and statutory requirements and practice of good corporate governance principles. The Board calls for monthly compliance reports.
- » Ensuring that all necessary financial and human resources required to achieve the objectives set out in the strategies are obtained.
- » Approving the annual budget, tax plan and other corporate plans and detailing the ratios that are expected.
- » Monitoring performance against budgets, regularly reviewing operational performance and updated forecasts for the current year.
- » Having appropriate accounting policies and practices implemented and approving (delegating to the audit committee's it recommendation) annual and interim financial statements for release to the public.
- » Approving the operating policies and procedures for the control of Treasury activities and receiving regular reports on these activities.
- » Reviewing periodically the effectiveness of the Company's system of internal control and identified risks and their management.
- » Approving equity investments, acquisitions, divestments and other major capital expenditure contracts or financing arrangements.
- » Reviewing periodically the Company's insurance.
- » Reviewing at least annually the environmental, health and safety performance of the Company's operations.
- » Ensuring that communication between the shareholders and the Company is facilitated, and approving all shareholder documentation.
- » Approving any issues relating to the capital structure of the Company.

- Ensuring enhancement of shareholder value.
- Subject to CBSL clearance, approving appointments of Directors and Key Responsible Persons including the CEO.
- Setting up Sub Committees of the Board and approving their terms of reference membership and powers
- Approving the organisational structure and reviewing management plans and succession planning for key positions.
- Approving all material contracts and agreements and especially those not in the ordinary course of business, prior to the commitment of the Company;
- Approving all facilities beyond delegated amounts (periodically reviewed and revised by the Board);
- In appropriate circumstances, the Board, or any Director may seek independent professional advice, at the finance company's expense, and with the approval of the Board.
- Periodically assess the effectiveness of the Board Members' governance practices including: the selection, nomination and election of directors; the management of conflict of interests; and the determination of weaknesses and implementation of changes where necessary.
- Director shall not hold office as a Director or any other equivalent position in more than 20 companies/societies/bodies, including subsidiaries and associates of the Company.
- Managing Conflicts of Interest of the Board Members - On identifying conflicts of interest, they are resolved with the concurrence of the entire Board and appropriate action taken to a avoid such conflicts. A director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her relative or a concern with a material interest. Such director/s will not be counted in the quorum for the relevant agenda item of the board meeting.
- The Board shall forthwith inform the Director – Department of Supervision of Non-Bank Financial Institutions the situation of the Company prior to taking any decision or action if it is likely that it will be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.
- Establishing policies, standards and procedures for protection of the customers of the Company.
- Approving the setting up of new legal entities to meet its medium to long term strategic objectives, subject to applicable regulatory or statutory approvals.

DELEGATION OF AUTHORITY

- It is the policy of the Company that employees who are heading core functions be classified as Key Responsible Personnel (KRP) with delegated authority in compliance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021 of the CBSL.
- However, the Board has not delegated matters to a Board Sub-Committee, CEO, or KRP, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions. Authority is delegated by the Board to the Key Responsible Personnel as follows, which is subject to review on a periodic basis to ensure that they remain relevant to the needs of the Company:
- Interviewing of Management level personnel has been delegated to the Executive Director/CEO (appointments are subject to CBSL approval if they are KRPs). The job description of such officers, and the terms of remuneration are also reviewed by this Director. The Board ensures appropriate selections by adopting this process.
- The Board approves secondments of employees for various operations of the Company from time to time.
- Delegated Authority Limits for facilities are reviewed, revised and approved by the Board periodically.
- Signing powers for various agreements including facility agreements are also reviewed, revised and approved by the Board.
- The Board approves authorised signatories for Banks.
- The Board delegates to the Executive Director / CEO the overseeing of the work of the KRPs and the functioning of routine operational affairs. To facilitate such oversight, the CEO meets with all the KRPs at Management level meetings and project committee meetings. Management meetings are also held frequently to discuss processes and controls. Recommendations arising from such meetings are escalated to the Board through Board subcommittee meetings.
- The Board delegates that all contracts entered into, may be entered into on behalf of the Company in writing and signed under the name of the Company by: two Directors of the Company, as authorised by a resolution of the Board and placing the Company Seal / any one Director and Secretary of the Company as authorised by a resolution of the Board and placing the Company Seal / Any other person as authorised by a resolution of the Board / one or more Attorneys appointed by the Board authorising them to enter into such obligation

COMPOSITION OF THE BOARD AND INDEPENDENCE

The Board's composition ensure a balance of skills and experience deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.

- The number of directors on the Board as at 31st March 2024 comprised seven (07) members of whom one (01) is an Executive Director.
- The total period of service of the directors (other than a director who held the position of executive director) has not exceeded nine years.
- Non - Executive Directors on the Board possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.

- The Corporate Governance Direction No. 5 of 2021 requires the number of Independent Directors of the Board to be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher. Of the seven (07) Non Executive Directors on the Board, four (04) are Independent Directors.
- Based on criteria specified by regulators, the Nomination and Governance Committee and Board have determined that four (04) members on the Board are in fact independent.
- Independent directors are aware of their obligations and shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.
- The Board does not comprise any Alternate Directors as of date. Representation through an Alternate Director will be effected as and when necessary, with prior approval of the Department of Supervision of Non-Bank Financial Institutions.

NOMINATION, ELECTION AND APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

The Nominations & Governance Committee proposes the nomination of a new director. If such nomination is approved and a Board decision is made to appoint the nominated individual as a Director, the Company Secretary submits the required documentation under Finance Business Act (Assessment of Fitness & Propriety of Key Responsible Persons) Direction No. 6 of 2021 to the Department of Supervision of Non-Bank Financial Institutions. Upon receiving the said approval, the nominee shall be appointed to the Board.

- The Chairman will send a formal letter of invitation to the new director.
- The Company Secretary will communicate with the incoming director:

a) To obtain the information required by statutory and regulatory authorities including his/her signature on the document indicating his/her consent to be appointed director

b) To provide the new director with copies of documents/ information which will facilitate the performance of his/her duties as a director. This will include (but not be limited to):

- The Articles of Association
- Relevant Acts governing the operations of the company

c) Directions/ Rules of regulatory bodies governing the operations of the Company.

Immediately upon appointment, the director will be subject to re-election by the Shareholders at its annual meeting.

In the case of Directors retiring on the completion of 9 years, 90 days prior to such retirement the Board on the recommendation of the Nomination and Governance Committee shall finalise the nomination of the candidate/ successor proposed to fill such vacancy and submit such nomination for CBSL approval.

Accordingly, executive, non executive and independent directors' appointments are subject to all relevant regulatory approvals, the provisions of the Companies Act and the Articles of Association including those relating to election/ re – election by the shareholders at Annual General Meetings and the removal of Directors.

BALANCE OF POWER

In accordance with best practices, the offices of Chairman and Chief Executive Officer are separate. This ensures a balance of power and enhances accountability. As the Chairman is a Non-Executive Director, to bring in a greater element of independence the Board has appointed Mr P A Wijeratne as the Senior Independent Director .

ROLE AND RESPONSIBILITIES OF THE CHAIRPERSON AND THE CEO

The separation of the role of the Chairman of the Board from that of the CEO has been established to avoid concentration of power in one individual, and to ensure a degree of checks and balances.

The overall role of the Chairman is to lead and ensure the effectiveness of the Board. This includes:

- Promoting a culture of openness and debate at the Board.
- Maintaining / ensuring a balance of power between executive and nonexecutive directors.
- Facilitating the effective contribution of all directors.
- Promoting high standards of corporate governance.
- Ensure the Board works effectively and discharges its responsibilities.
- Ensure the Board discusses all key issues in a timely manner.
- Implement decisions/directions of the regulator.
- 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.
- Not engage in activities involving direct supervision of senior management or any other day-to-day operations.
- Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
- Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.

Non - Executive Directors including Senior Director assess the Chairman's performance annually.

The overall role of the CEO is to function as the apex executive-in-charge of the day-to-day management of the Company.

The CEO will report directly to, and is ultimately accountable to the Board of Directors.

His responsibilities includes:

- Implementing business and risk strategies to achieve the Company's strategic objectives.
- Establishing a management structure that promotes accountability and transparency throughout the Company's operations and preserves the effectiveness and independence of control functions.
- Together with the Board, promote a sound corporate culture within the organisation to reinforce ethical, prudent and professional behaviour.
- Ensuring implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.
- Strengthening the regulatory and supervisory compliance framework
- Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.
- Devote professional time to the service of the organisation (not carry on any other business, except as a non-executive director of another company).

The Chairman assess the CEO's performance annually.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR (SID)

The Senior Independent Director with all Non-Executive Directors, has the same general legal responsibilities to the Company as any other Director. The Board as a whole is collectively responsible for promoting the success of the Company by directing the Company affairs.

KEY RESPONSIBILITIES OF SID INCLUDES:

- Be the focal point for Board Members for any concerns regarding the Chairman, or the relationship between the Chairman and the Chief Executive Director.
- Act as a trusted intermediary for Non-Executive Directors where this is required to help challenge and contribute effectively.
- Take the initiative in discussion with the Chairman or other Board Members if it should seem that the Board is not functioning effectively.
- Led by the SID, the Independent Directors are required to convene annually, or as deemed necessary a meeting to exclusively discuss entity related matters and the operation of the Board. The SID is tasked with conveying feedback and suggestions from these sessions to the Chairperson and the other Board members.
- The SID shall preside over an annual meeting of the Non-Executive Directors, without the presence of the Chairperson, to assess the Chairperson's performance, as well as on other occasions deemed necessary.
- The SID shall be entitled to a casting vote at the meetings.

ROLE OF THE COMPANY SECRETARY

The primary function of the Company Secretary is to handle the secretarial services to the Board and other functions specified under statutes and regulations. The Company Secretary maintains confidentiality of the affairs of the Company at all times. All Directors have access to the advice and services of the Company Secretary with a view to ensuring compliance with all applicable laws, directions, rules and regulations.

The Chairman has delegated to the Company Secretary the function of preparing the agenda for board meetings subject to periodic review and amendment. The Board or Board sub committees, agree on items in future agendas on a regular or periodic basis. Any director may request the Company Secretary to include matters/proposals in the agenda where such matters/proposals relate to the promotion of business and the management of risks of the Company.

The Company Secretary maintains minutes of all Board and Board subcommittee meetings with sufficient details of submissions/decisions. Any Director may at any reasonable time, on reasonable notice inspect the Minutes of the Board and/or shareholder meetings.

BOARD SUB COMMITTEES AND THEIR ROLES

In compliance with regulatory guidelines and with best practices, the Board has formed the following sub committees:

i. Audit Committee

ii. Integrated Risk Management Committee

iii. Related Party Transaction Review Committee

iv. HR & Remuneration Committee

v. Nominations & Governance Committee

vi. Board Credit Committee

These Committees assist the Board with its role of oversight of the Company's performance and conformance. Minutes of the meetings of these Committees are tabled at the next Board meeting, enabling the Board to benefit from the focused review of these Committees on the areas and issues within their purview. These subcommittees meet quarterly or as and when necessary.

MONITORING AND EVALUATION BY THE BOARD

On behalf of the Board its Sub-Committees fulfil regulatory requirements on monitoring and evaluation. These committees meet periodically to deliberate on matters falling within their respective charters/terms of reference and their recommendations are duly communicated to the main Board.

The following mechanisms are in place for the Board to oversee the accomplishment of the targets in the business plan: review the performance of LOLC Finance at monthly

Board meetings; seeking recommendations through Board appointed Sub-Committees on governance, including compliance with internal controls, human resources, risk management, credit and IT; review of statutory and other compliances through a monthly paper on compliance submitted to the Board covering the operations of LOLC Finance.

CODE OF ETHICS

The corporate governance philosophy of LOLC Finance is within a framework of compliance and conformance, which has been established at all levels through a strong set of corporate values and a written Code of Ethics on Business Conduct.

The Board sets the tone from the top to instil the right behaviours among directors, officers and staff based on the said Code of Conduct and offer guidance to ensure duties are carried out in accordance with the highest standards of integrity and manage the impact of the Company's actions with equitable treatment. Regular trainings are conducted to raise awareness among employees regarding the corporate culture, values and conduct and impress upon them, the importance of adhering to these covenants.

ACCESS TO INFORMATION AND OBTAINING INDEPENDENT ADVICE

The Board has adopted a procedure for seeking independent professional advice. Directors are able to seek independent professional advice, at the Company's expense, if he/she is reasonably of the view that the Company needs independent professional advice either: to express the views or to agree with/disagree with the views of any other Director; or to cast the vote or would be in a better and comfortable position to make contribution when such independent professional advice is made available on any matter relating to the Company and/or any one or more of its stakeholders.

CAPACITY BUILDING OF BOARD MEMBERS

The Board members are provided with orientation of their roles and responsibilities as a Board member and how to gain further information and advice. The orientation and awareness sessions are provided by the Head of HR & Company Secretary for all elected Board members.

All Board members are provided with information about LOLC Finance PLC on:

- » Board members position description
- » Governance Policy
- » Risk Management Policy
- » Communication Policy
- » Human Resources Policy and Grievance Management Procedures
- » Work Health and Safety Policy
- » Strategic Plan
- » Annual Reports
- » Board Meeting Minutes

Furthermore, the updating of the skills and knowledge of all Directors is achieved by updates on proposed/new regulations, industry best practices, market trends and changes in the macro environment. It is also facilitated by participation in regulatory industry forums, providing them access to external and internal auditors, access to other external professional advisory services and the Company Secretary, keeping them fully briefed on important developments in the business activities of the Group and by periodic reports on performance, and opportunities to meet Senior Management.

EVALUATING THE EFFECTIVENESS OF THE BOARD OF DIRECTORS

As required by the Finance Companies Corporate Governance Direction of 2021, the Company has enhanced the scope of its annual Board performance assessment framework. Apart from the self evaluation undertaken by each director, evaluation of performance of board members including the CEO by the Chairman, Chairman's performance by non-executive directors and board sub committee evaluation by respective committee members have been established commencing March 2022. These evaluations are subsequently tabled at a Board meeting for review and to address areas that require improvement. Related records are maintained by the Company Secretary.

ENGAGEMENT WITH SHAREHOLDERS

The shareholders of LOLC Finance have multiple ways of engaging with the Board: the Annual General Meetings which are the main forum at which the Board maintains effective communication with its shareholders on matters which are relevant and of concern to the general membership such as the performance and their return on investment of LOLC Finance; access to the Board and the Company Secretary; written correspondence from the Company Secretary to inform shareholders of relevant matters; the website of LOLC Finance which is accessible by all stakeholders and the general public; and disclosures disseminated through the Colombo Stock Exchange including interim reporting.

ENGAGEMENT WITH EMPLOYEES

LOLC Finance recognises that employee involvement is a critical pre-requisite towards ensuring the effectiveness of the corporate governance system and therefore attaches great importance to employee communications and employee awareness of key events and significant developments. The necessity of sincere and regular communication in gaining employee commitment to organisational goals and values are stressed extensively and intensively through various communiques issued periodically by the Directors' Office. LOLC Finance follows an open-door policy for its employees at all levels. Regular dialogue is also maintained on work related issues as well as on matters pertaining to general interest that affect employees and their families.

In terms of engaging with the employees, the key channels used by the Board include the Executive Director/CEO who is an employee director and the main link between the Board and the rest of the employees; and the Board members and Board sub committees who conduct effective dialogue with the members of the Management on matters of strategic direction.

POLICY ON CONFLICTS OF INTEREST

The Governance framework at LOLC Finance ensures that the Directors take all necessary steps to avoid conflicts of interest in their activities with, and commitments to other organisations' or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed at Board meetings, where Independent Directors who have no material interest in the transaction are present.

Conflicts of Interest at core operational level, which are not within the purview of the Board, are actioned by the Human Resources Department in accordance with Code of Ethics signed and accepted by Staff Members.

RELATED PARTY TRANSACTIONS

Related party transactions include transactions between the Institution and any director, executives, stakeholders or companies owned or controlled by a director. Related party Transactions are also sources of conflicts of interests.

Upon appointment, each director makes a full, written disclosure of interest, which is handed over to the Secretary of the Board who will be responsible for maintaining a register. Each director is responsible to ensure that any interest is reported to the Secretary of the Board, for the latter to record same in the conflicts of interest register. Full and timely disclosure of any conflict or perceived conflict, must be made to the Board.

Directors becoming aware of the fact that he is in a situation of conflict in any item of the agenda, disclose it to the Board / sub-Committees of Board and cause same to be recorded in the interests register. If any question arises before the Board / sub-Committees of Board as to the existence of a real or perceived conflict, the Board / Sub Committees should by majority, determine if a Conflict or Related Party Transactions exists. Director(s) potentially in the conflict of interest situation or related party transaction does not participate in any discussion/ decision of the issue.

Disclosure by a Director of a real, potential or perceived conflict of interest or related party transaction is recorded in the minutes of proceedings of the said meeting.

INTERNAL CONTROL

The external auditor's certification on the effectiveness of the Internal Control Mechanisms in respect of the audited financial statements released has been published in this Annual Report.

The Directors confirm that no significant deviations have been observed by the External Auditors and that the Company has not engaged in any activity that contravenes any applicable law or regulation. To the best of the knowledge of the Directors, the Company has been in compliance with all prudential requirements, regulations and laws except for the minimum float rules specified by the Colombo Stock Exchange.

Corporate Governance Framework of LOLC Finance PLC

The extent of compliance as required by the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules of the Colombo Stock Exchange and subsequent amendments thereto:

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
1	**Board's overall responsibilities**	
1.2	**Business strategy and Governance Framework**	
a)	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least next three years and update annually in light of the current developments.	The Board assumes overall responsibility and accountability for the operations of the Company by setting up the strategic direction, Governance Framework, establishing corporate culture and ensuring compliance with all regulatory requirements to drive the organisation into a sustainable future. The Board has approved a three-year Strategic Business Plan on 29th July 2024 up to 2027, which is subject to regular review.
b)	Approving and implementing FCs governance framework in the light of the FCs size, complexity, business strategy and regulatory requirements.	The Board has approved its Governance Framework on 26th August 2024 in line with its business model and regulatory framework. Please refer to the page 30 for details. This will be subject to periodic review to maintain its relevance to the organisation.
c)	Assessing the effectiveness of its governance framework periodically	The Company ensures the effectiveness and adequacy of its Governance Framework through regular monitoring of applicable revisions to statutes and regulations and updating its framework accordingly.
d)	Appointing the chairman and the chief executive officer and define the roles and responsibilities.	The Board has appointed the Chairman and CEO. Functions and responsibilities of the Chairman and the CEO have been defined and approved by the Board on 29th July 2024.
1.3	**Corporate Culture and Values**	
a)	Ensuring that there is a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior	The Company has a sound corporate culture which encourage ethical, prudent and professional behavior of employees of the Company. The corporate values are communicated throughout the Company. A Code of Business Conduct and Ethics has been established and communicated to all directors and officers of the Company to reinforce ethical, prudent and professional conduct.
b)	Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board believes that the establishment of a strong corporate culture, built on core values, is facilitated through the implementation of a comprehensive code of conduct. A Board approved Conflict of Interest Policy has been established by the Company
c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The Board ensures that ESG factors are integrated into the Company's overall strategy, decision-making processes, and risk management. A Sustainability Policy has been approved by the Board on 29/07/2024 to establish ESG considerations in to the Company's business plan.
d)	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Company has established a Stakeholder Communication & Corporate Disclosure Policy approved by the Board on 25/03/2024 and a Stakeholder Engagement Policy approved by the Board on 24/04/2023
1.4	**Risk Appetite, Risk Management and Internal Controls**	
a)	Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	The revised Risk Management Policy was approved by the Board on 27/06/2024 which includes the Company's Risk Appetite Statement in line with the Company's business model and governance framework.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board has delegated this function to its sub-committee, the Integrated Risk Management Committee (IRMC). The Board has approved an annual plan submitted by the Head of Risk Management through the IRMC which covers risk management. In line with the Risk Policy, reports are submitted to the IRMC which then reviews the risk and agrees on appropriate mitigation methods. Key Risk Indicators approved by the Board & new risks identified by business/service units are monitored and reported monthly by the Head of Risk Management to enable the Company to action mitigative measures for imminent risk identified under specified areas. Reports on Liquidity and Maturity of Deposits are submitted to the Board by the Treasurer on a monthly basis Furthermore, minutes of the quarterly IRMC meetings are tabled at Board Meetings for review and guidance.
c)	Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The key processes that have been established by the Board to review the adequacy and effectiveness of the Company's Internal Controls and Management Information Systems, include the following: The Board Audit Committee and the Board Integrated Risk Management Committee ensures that the Company's controls and risks are being appropriately managed and actions proposed for mitigation of risks. These two committees facilitate an ongoing process for identifying, evaluating and managing significant risks faced by the Company, including enhancing the system to cater to changes in the business and regulatory environment. The CEO through the Heads of Departments ensure that approved business strategies are implemented and that agreed policies and procedures on risk/internal control are implemented and adhered to. The Heads of Departments are therefore accountable and responsible for their respective areas of operation, including the accuracy of information presented to the Management/ Board, and managing risk in their day- to-day activities through established processes and controls. In addition the Internal Audit ensures that staff adheres to such processes and controls. Where there is a breach of authority, such issues are escalated by the Head of Risk Management or the Head of Internal Audit with including recommendations for rectification to the Board through the Board Audit Committee/IRMC. The Internal Audit performs a comprehensive exercise that entails reviewing of all aspects of Management Information Systems including operational and regulatory risks. Application and product wise MIS reviews have been periodically carried out by the Internal Audit. The Internal Audit also provides an independent assurance that the Company's risk management, governance and internal control processes are operating effectively and fit for purpose. The Board is of the view that the system of internal controls and management information systems in place are sound and adequate to provide reasonable assurance regarding the reliability of management information and financial reporting.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
d)	Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Board has approved a Business Continuity Policy in May 2023. In terms of IT operations a disaster recovery plan is periodically tested by the IT Dept.
1.5	**Board Commitment and Competency**	
a)	All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the company	The Board Members devote their time/expertise to take part in meetings / contribute to the deliberations of the board and committees. Member participation at meetings can be found on pages 76 to 78.
b)	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	The expertise and experience of Board Members are included in their profiles found on pages 8 to 9.
c)	The Board shall regularly review and agree the training and development needs of all the members.	No specific areas have been identified by any board member during the last 2 years. Forums which are held for directors are communicated and nominations called. Policy and procedure were established and approved by the Board on 25.03.2024 to enable directors to seek training and development desired at the cost of the Company.
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.	For the FYE 31.03.2024, the Company carried out the following assessments: self evaluations by each board member, committee evaluations by each subcommittee member, evaluation of all other directors by the chairman, and chairman's evaluation by the non-executive directors.
e)	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The Board has approved a policy that permits members to obtain independent professional advice when necessary.
1.6	**Oversight of Senior Management**	
a)	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	Senior management identified as key responsible persons (KRPs) of the Company have been approved by the Board .
b)	Defining the areas of authority and key responsibilities for the senior management.	Areas of authority and responsibilities defined in the job descriptions of the KRPs have been approved by the Board.
c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	KRPs are appointed based on established HR policies and the skills, qualifications, & experience required to fulfil the job role.
d)	Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Company has a policy on oversight of the affairs of the Company by KRPs. Delegated authority given to KRPs is reviewed periodically by the Board to ensure that they remain relevant to the needs of the company. Performance of the KRPs are evaluated bi annually
e)	Ensuring the FC has an appropriate succession plan for senior management.	The succession plan was reviewed and approved by the Board on 26th August 2024 to reflect changes to staff /KRP structures consequent to the mergers between the company and two other finance companies in the Group.
f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Board members meet the KRPs regularly during most subcommittee meetings (Audit & IRMC in particular) which enable communication and monitoring of different functions/responsibilities held by the KRPs.
1.7	**Adherence to the Existing Legal Framework**	
a)	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.	The Board has approved and adopted a Compliance Plan comprising the laws of the land and in particular those which are applicable to licensed finance companies. This is subject to annual review and approval.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	Compliance with applicable laws, directions and regulations are monitored by the Compliance Team with monthly confirmations obtained from each business/service unit on adherence to applicable and related policies and procedures laid down in line with such laws, directions and regulations. The said level of adherence is independently monitored via internal controls by Internal Audit
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	Employees are made aware of work ethics during orientation in terms of the Code of Ethics governed by the Company. Periodic training sessions carried out by Compliance/HR on changes in regulations ensures that staff are regularly briefed of the level of conduct expected when performing their duties. Breaches if detected will be dealt based on the circumstances/level of damage or consequences in line with established HR policies and procedures.
2	**Governance Framework**	
2.1	Board shall develop and implement a governance framework with these directions and including but not limited to the following; a. Policy on matters relating to the Board - role and responsibilities of the Board b. matters reserved for the Board; c. delegation of authority; d. composition of the Board e. the Board's independence; f. the policy on nomination, election and appointment of directors and appointment of senior management. g. the management of conflicts of interests h. access to information and independent advice i. capacity building of Board members; j. the Board's performance evaluation; k. role and responsibilities of the chairman and the chief executive officer l. Role of the Senior independent Director (SID) m. role of company secretary; n. policy on Board sub committees and their role o. limits on related party transactions p. Policy on Directors Remuneration q. Policy on Internal Code of Business Conduct & Ethics for all Directors & Employees including policies on Trading in the Listed Securities of the Company r. Policy on Relations with Shareholders & Investors; s. Policy on Stakeholder Communication & Corporate Disclosures	As approved by the Board corporate governance practices adopted by the Company since its inception and fine-tuned over the years, including the criteria listed in this section have been brought under a comprehensive Governance Framework . This will be subject to periodic review and revision to maintain its relevance.
3	**Composition of the Board**	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	The Directors are eminent persons with necessary qualifications, adequate skills and knowledge, expertise and experience to bring an independent judgment and their profiles are on pages 8 to 9.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
3.2	The number of directors on the Board shall not be less than 7 and not more than 13	As at 31st March 2024 the Board comprised seven (07) members. Please refer the Report of the Board of Directors for details.
3.3	The total period of service of a director other than a director who holds the position of chief executive officer/executive director shall not exceed nine years , subject to direction 3.4.	As at 31st March 2024, none of the non executive directors on Board exceeded 9 years.
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board.	Not applicable
3.5	**Executive Directors**	
a)	Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, 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 31st March 2024 there was one Executive Director on the Board: Mr D M D K Thilakaratne - Director/CEO
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 reappoint as a non-executive director subject to provisions contained in direction 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 reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	N/A
c)	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	Mr D M D K Thilakaratne has been appointed as Executive Director/CEO
d)	All Executive directors shall have a functional reporting line in the organisational structure of the FC.	The Director/CEO has a functional reporting line in the Board approved Organisational Structure .
e)	The executive directors are required to report to the Board through CEO.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
f)	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	N/A
3.6	**Non-executive Directors**	
a)	Non-executive directors (NED) shall possess credible track records, have necessary skills and experience to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	Profiles of the directors are found on pages 8 and 9 With the recommendation of the Nominations & Governance Committee and the Board, fitness and propriety of all directors are subject to CBSL review annually.
b)	A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	N/A
3.7	**Independent Directors**	
a)	The number of independent directors of the Board shall be at least three or one third of the total numbers of directors, whichever is higher.	As at 31st March 2024 of the 7 directors who are Board Members, 4 are independent directors.
b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	The said 4 directors have been assessed and approved by CBSL to be fit and proper independent directors
c)	A non-executive director shall not be considered independent if such: I. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. II. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. III. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. IV. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. V. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. VI. director represents a shareholder, debtor, or such other similar stakeholder of the FC;	Directors designated as Independent Non Executive Directors do not fall into the categories mentioned in (i) to (viii).

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	VII. director is an employee or a director or has direct or indirect shareholding of 10% or more of the stated capital in a company or business organisation, in which any of the other directors of the FC is employed or a director; VIII. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	
3.8	**Alternate Directors**	N/A
a)	Representation through an alternate director is allowed only if, i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	N/A
b)	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	N/A
c)	A person appointed as an alternate director to one of the directors cannot extend his role by acting as an alternate director to another director in the same Board	N/A
d)	An alternate director cannot be appointed to represent an executive director	N/A
e)	In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to the independent director	N/A
3.9	**Cooling off Periods**	
a)	There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
b]	A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	N/A
3.10	Director or a KMP of a FC including CEO shall not be appointed, elected or nominated as a director of another FC except where such FC is a parent company, subsidiary company or an associate company of the first mentioned FC subject to conditions stipulated in Direction 3.5[f].	N/A
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position [shall include alternate directors] in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	The Board complies with the regulatory limit of 20. A separate parameter has not been set by the Board
4	Assessment of Fit and Proper Criteria	
4.1	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act [Assessment of Fitness and Propriety of Key Responsible Persons] Direction or as amended.	Directors nominated to the Board have been appointed with the approval of the Central Bank in terms of the requirements of this direction. Additionally, Directors so appointed were subject to an annual assessments under the same direction.
4.2	A person over the age of 70 years shall not serve as a director of a FC.	Was not applicable during the year under review.
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 maximum of 75 years of age subject to the following, a] Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act [Assessment of Fitness and Propriety of Key Responsible Persons] Direction.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	
5	**Appointment and resignation of directors and senior management**	
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	N/A
6	**The Chair and The Chief Executive Officer**	
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The role and responsibilities of the Chairman and the CEO have been defined and segregated as approved by the BOD and reflected in their respective JDs. A policy on Functions & Responsibilities of the Chairman and the CEO was approved by the Board on 31.03.2024.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman, Mr. F K C P N Dias is a Non- Independent, Non- Executive Director.
6.3	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	The Board has appointed Mr. P A Wijeratne as Senior Independent Director on 23.06.2021 which was approved by CBSL on 23.08.2021.
6.4	Responsibilities of the Chairperson	

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	The responsibilities of the chairperson shall at least include the following: a. provide leadership to the Board; b. maintain and ensure a balance of power between executive and non- executive directors; c. secure effective participation of both executive and non-executive directors; d. ensure that the Board works effectively and discharges its responsibilities; e. ensure that all key issues are discussed by the Board in a timely manner; f. Implement decisions/directions of the regulator; g. Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary; h. Not engage in activities involving direct supervision of senior management or any other day to day operational activities; i. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board; j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	The role and responsibilities of the Chairman has been defined and approved by the BOD and reflected in the JD. The Chairman is responsible to provide leadership, guidance, and oversight to the Board, ensuring that it operates effectively, fulfils its responsibilities, and acts in the best interests of the organisation and its stakeholders. Board approved Governance Framework includes the Responsibilities of the Chairman.
6.5.5	Responsibilities of the CEO	
	The CEO shall function as the apex executive-in-charge of the day-to-day- management of the FCs operations and business. The responsibilities of the CEO shall include: a. implementing business and risk strategies in order to achieve the FCs strategic objectives; b. establishing a management structure that promotes accountability, and transparency throughout the FCs operations, and preserves the effectiveness and independence of control functions; c. promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior	The role and responsibilities of the CEO has been defined and approved by the BOD and reflected in the JD. The CEO is the apex executive who is responsible for day-to-day operations of the Company with the assistance of members of the senior management and is accountable to the Board to recommend the Company's strategy implementation and ensure appropriate internal controls are in place to assess and manage risks.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	d. Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator e. Strengthening the regulatory and supervisory compliance framework. f. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.	
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 shall be avoided as far as possible.	Complied The Board formally met 14 times during the year 2023/24. There were 62 instances during the year under review where the Board's consent was obtained through the circulation resolutions. These were also ratified at a following board meeting.
7.2	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for scheduled Board Meetings	The Board has approved the policy on Board's relationship with the Company Secretary under its revised Governance Framework on 26.08.2024 that makes it possible for all directors to add matters and proposals to the Board meeting agenda.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Annual calendar of Board/Sub Committee meetings is shared at the beginning of the year. Monthly calendar is shared before/at the beginning of each month. Specific meeting requests are then sent approx.. 7 days prior to each meeting with the exception of additional meetings convened for specific/special matters.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Directors prepare for meetings in advance as meeting packs are shared with the Board three days prior to the meeting. Directors having reviewed the content contribute effectively and constructively when necessary to the deliberations of the Board on matters relating to the Company.
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.	The Company has fulfilled this requirement. Details of meeting attendance / participation is provided on page 76 to 78.
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.	Two such meetings were held during the year under review (26.10.2023 and 25.03.2024)
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 substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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 the immediately preceding 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. However, continuous attendance (more than 6 meetings) through an alternate director will result in discontinuation of the directorship of the original director.	The directors have participated in more than two thirds of the board meetings held. Refer details on page 76.
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 director cannot attend on a short notice, participation through electronic means is acceptable.	Scheduled meetings are also held on line. Directors who are unable to be physically present join via MS Teams (overseas).
8	**Company Secretary**	
8.1	a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	A dedicated Company Secretary employed by the Company has been appointed on 19.02.2024.
	b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	Complied.
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	The Board approved policy on Board's relationship with the Company Secretary provides that all Directors shall have access to the advice/services of the Company Secretary.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The Chairman has delegated this responsibility to the Company Secretary .
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 Company Secretary maintains records of submissions and minutes of proceedings of the Board and its Sub Committee meetings . Voice/video recordings are not maintained.
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Minutes are maintained by the Company Secretary as specified by the Articles of Association.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
8.6	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: a summary of data and information used by the Board in its deliberations; the matters considered by the Board; the fact-finding discussions and the issues of contention or dissent including contribution of each individual director. the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; the decisions and Board resolutions.	Proceedings of meetings are recorded in minutes covering the given criteria.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Available for inspection upon request.
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.	Delegated authority limits are approved by the Board for different sectors/senior management periodically with limits applicable at Board level.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Subcommittees specified in Section 10 have been established by the Company.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	The following management level committees have been established with specific TORs including DA limits: - Asset & Liability Committee - Credit Committee - IT Steering Committee Board approved on 25.03.2024 to dissolve the Legal Settlement Committee as there was no such requirement for such committee.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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 Corporate Governance Framework approved by the Board specifies areas assigned to the Board. Article 77 of the Company's Articles of Association empowers the Board to delegate its powers to a Committee of Directors or to a Director or employee upon such terms and conditions and with such restrictions as the Board may think fit. The Board has established a procedure under which powers have been delegated to the Director/CEO as sanctioned by the Company's Articles of Association.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Company. A process to review the delegation process has been approved by the Board. Based on the requirements of the Business/Service units and market conditions DA limits were reviewed by the Board periodically during the year under review.
10	**Board Sub-Committees**	
10.1	For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on asset base as per the latest audited SoFP. FCs with asset base of more than 20 bn considered as category A and FCs with asset base of less than 20 bn to be considered as category B.	The Company falls under Category A
	FCs with asset base of more than Rs. 20 bn	
a)	(i) Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination & Governance Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	The Company has established the stated Committees governed by Board approved TORs.
	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	BAC met quarterly and additional meetings were held as and when a need arises. BIRMC also met quarterly. The Company will comply with the requirements of this direction going forward Details of meetings held are on pages 76 to 78.
b)	Each sub-committee shall have a written term of reference specifying clearly its authority and duties.	The following Committee TORs have been approved by the Board and revised periodically to maintain relevance: TOR for BAC – 14.08.2023 TOR for IRMC – 24.04.2023 TOR for BCC – 31.03.2023 TOR for RPTRC – 24.02.2020 TOR for HR & Remuneration – 25.03.2024 TOR for Nomination & Governance – 25.03.2024
c)	The Board shall present a report on the performance of duties and functions of each committee, at the annual general meeting of the company.	The Company has reported the performance, duties and functions of each Committee in the Annual report for the financial year 2023/2024. Please refer respective Board Sub-Committee reports for more details on pages 90 to 95.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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 Secretary functions as secretary to the below mentioned committees under supervision of the Committee Chairman Related Party Transaction Review Committee HR & Remuneration Committee Nomination & Governance Committee. With effect from 2024 the Head of Internal Audit is the Secretary to the Board Audit Committee and the Head of Risk is the Secretary to the Board Integrated Risk Management Committee.
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 board sub-committees.	Committee compositions comply with the requirements of this direction and are disclosed in the Committee Reports found on pages 90 to 95. Relevant experience and expertise of each member is found under profiles on pages 8 to 9.
f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	As recommended by the Nomination & Governance Committee, membership of most subcommittees were rotated last in March 2023, based on expertise and experience required for specified areas at the end of the year under review.
10.2	**Audit Committee**	
a)	The chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit	Mr. K Sundararaj (Independent, Non- Executive Director) has been appointed on 28.05.2020 as the Chairman of the Audit Committee. His profile can be found on page 8.
b)	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	All three members appointed to the BAC are independent non executive directors with related experience and expertise. Please refer Committee Report on page 90.
c)	The secretary to the audit committee shall preferably be the chief internal auditor (CIA)	The Head of Internal Audit functions as the Secretary to the BAC
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, audit fee and any resignation or dismissal of the auditor.	The Auditors of the Company, Messer's Ernst and Young, Chartered Accountants were appointed in July 2008. In accordance with applicable regulations, the BAC proposes the rotation of the external Auditors and recommends that Messrs. Deloitte Partners, Chartered Accountants take over as Auditors of the Company for the ensuing financial year 2024/25, subject to approval of the shareholders
ii.	Engagement of an audit partner shall not exceed five years, and that 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.	Partner rotation has been practiced as prescribed by this direction. The most recent rotation was in April 2024. Auditor rotation will be subject to transitional provisions permitted by the CBSL.
iii.	Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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.	Last review was at the Meeting held on 03.04.2024. The External Auditors are independent as they report directly to the Audit Committee of the Board. Further, the Auditors' Engagement Letter is evidence of the External Auditors' independence, and that the audit is carried out in accordance with SLAuS.
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.	N/A. Requirement of the direction is covered by the Audit Charter approved by the Board on 14.08.2023.
vi.	The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	This requirement was fulfilled at the Meeting held on 03.04.2024
vii.	The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	The Committee has a process to review financial information of the Company when the quarterly and annual audited Financial Statements and the reports including accounting policies and changes to policies, significant assumptions/judgements prepared for disclosure are presented to the Committee.
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 key management personnel, if necessary.	Of the 06 BAC meetings held the during the year, the Committee met the external auditors at 02 meetings and on 02 such occasion the auditors met the Committee in the absence of the executive management.
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.	ML for the year ended 31.3.2023 was reviewed by the BAC on 27.09.2023
e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Internal Control review was carried out at the Meeting held on 24.07.2024

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
f)	The BAC shall ensure that the KMPs are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of a FC.	Internal control weaknesses and non compliances reported to the BAC are also monitored by the BAC/ Internal Audit for rectification with a subsequent follow up process to ensure compliance .
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 FC's internal control, risk management, governance systems and processes	The Company has established the Internal Audit function within the Company with a dedicated Head of Internal Audit. to provide independent assurance to the BAC on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.
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 FC to carry out their assignments effectively and objectively.	The Internal Audit Charter was approved by the Board on 27.07.2024. The Internal Auditor reports to the BAC Chairman and has a clear mandate to carry out its functions.
iii.	The BAC shall take the following steps with regard to the internal audit function of the FC: Review the adequacy of the scope, functions and skills and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; Review the internal audit process and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit; Assess the performance of the head and senior staff members of the internal audit department; Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care; Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies. Examine the major findings of internal investigations and management's responses thereto. ;	Annually reviewed by the BAC. Last review was at the Meeting held on 03.04.2024 Internal Audit Plan approved by the BOD by 03.04.2024 and progress reviewed quarterly Annually assessed by the Committee. The Committee is satisfied that the IA function is independent. Periodically audited by the Internal Audit Escalated to the Board Audit Committee by the Internal Audit.
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.	Examination Reports of the CBSL and rectification plans have been reviewed and monitored by the Board in the past. The Company will take measures to delegate such review to the BAC.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
i)	**Meetings of the Committee**	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	As defined by this direction the BAC meets quarterly or as and when necessary to fulfil its responsibilities pre notified to members by the meeting agenda.
	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.	The CEO and other Board members including the Chairman are invited to be present . KRPs who are relevant for matters being discussed are also invited as advised by the Committee Chairman.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/employees being present.	The BAC met the external auditors on three occasions without the presence of the other directors and invitees from the management.
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
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.	All three members appointed to the IRMC are independent non executive directors with related experience and expertise. Please refer Committee Report on pages 8 and 9.
b)	The secretary to the committee may preferably be the CRO	The Head of Risk serves as the secretary to the Committee
c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, Compliance and technology to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee fulfils the requirements specified in the direction through quarterly meetings; and as delegated by the Committee monthly risk reporting made by the Head of Risk Management to the Board. The ERM Department has established risk indicators under different risk categories which are monitored by a QPR system Transition provisions applicable until July 2024 in terms of frequency of meetings
d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	The RAS was reviewed and approved by the Board as part of the Risk Management Policy of the Company. On 29.07.2024 revised KRIs were approved by the BOD and IRMC.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
e)	The BIRMC shall review the FC's risk policies including RAS, at least annually.	The Committee reviewed the Risk Management Policy and RAS on 27.06.2024
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.	Carriedout Annually. The Committee evaluated the adequacy and effectiveness of the ALCO and Credit Committee for the year 2023/24
g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Risks are monitored and reported based on Board approved predefined Key Risk Indicators where monthly risk assessments are reported to the Board by the HOR; and quarterly reviewed /actioned by the BIRMC. The BCP policy has been approved by the BOD while the Disaster Recovery is tested by IT Dept periodically
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Carried out annually.
i.	**Compliance function**	
	BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The Company has established an independent compliance function reporting to the Chairman IRMC.
ii.	For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	The Company has a dedicated Compliance Head/Team with adequate resources to fulfil the obligations required by this direction.
iii.	For FCs with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not Applicable

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following I. develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; II. ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; III. ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; IV. understand and apply all new legal and regulatory developments relevant to the business of FC; V. secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance and ethical standards VI. highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and VII. maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity	The Board has approved the responsibilities of the Compliance Officer in terms of his job description. Additionally, the Board annually approves a Compliance Plan encompassing related responsibilities of the Company which will be performed/ overseen by the Compliance Team.
J.	**Risk management function**	
i.	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	The Board has appointed an Integrated Risk Management Committee comprising three independent directors with sufficient finance, banking and regulatory experience.
ii.	For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	The BIRMC has appointed an Independent Enterprise Risk Management Function on behalf of Company headed by a Head of Risk Management reporting directly to the IRMC. The Head of Risk Management report directly to the Chairman of the BIRMC
iii.	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Responsibilities of the function have been approved by the Board an covered under the job description as well as TOR of the IRMC .

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: I. various potential risks and frauds II. possible sources of such risks and frauds; III. mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing IV. effective measures to control and mitigate risks at prudent levels; and V. relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The Committee has a Board approved Risk Management Policy in addition to policies on Key Risk Indicators with pre-approved risk appetite parameters for credit risk management, liquidity risk management, operational risk management and overall enterprise risk management which provide the framework for management and assessment of risk. Accordingly, monthly reports on quantitative as well as qualitative risks are presented to the Board through BIRMC incorporating appropriate risk indicators, management information and make recommendations on risk strategies and risk appetites. Please refer the BIRMC report on page 91 for more details.
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	The Head of Risk Management participates in decision making relating to adoption of policies/procedures, new product development and the Asset and Liability Committee. The scope of the function will be reviewed and further strengthened going forward.
vi.	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The Risk Register is submitted to the BIRMC quarterly by the Head of Risk Management. The Risk Register was reviewed and revised taking into consideration prevalent economic emergencies of the country with the approval of the Board after the year under review on January 2024.
vii.	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Monthly reports on quantitative as well as qualitative risks are presented to the Board through BIRMC incorporating appropriate risk indicators, management information and make recommendations on risk strategies and risk appetites.
10.4	**Nomination & Governance Committee**	
a)	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Committee comprises non-executive directors with a majority of them being independent directors. Please refer committee report on page 94.
b)	Secretary to the nomination committee may preferably be the company secretary.	The Company Secretary serves as the Secretary to the Committee
c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	The requirements of the directions and the listing rules of the CSE have been taken into consideration when adopting the Committee TOR by the Board on 25.03.2024. Related procedures will be reviewed and strengthened going forward by the Head of HR.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and propriety of Key Responsible Persons)	Fit and proper assessment requirements specified by the CBSL are carried out annually for Board Members and on appointment/promotion/extensions/lateral movements for officers of the Company as and when applicable.
e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	Requirements set out in this direction are taken into consideration at the point of nomination/recommendation as included in the Committee TOR.
f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	Requirements specified in the direction have been mandated in the Committee TOR and will be established subject to transitional provisions.
g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	Requirements specified in the direction have been mandated in the Committee TOR and will be established subject to transitional provisions.
h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The areas specified by the direction on new appointments are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE) as well as in the Annual Report by the Company Secretary, after obtaining approval from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.
i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Requirements included in the Committee TOR. The Committee recommends re-election of directors based on the strategic requirements of the Company
j)	The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	Requirements included in the Committee TOR. A Board approved succession plan is available for the CEO and the Senior management which was approved on 26.08.2024.
k)	A member of the Nomination Committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Requirements specified in the direction have been mandated in the Committee TOR

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
10.5	**Human Resources and Remuneration Committee:**	
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 comprises non executive directors of whom a majority are independent directors. Please refer Committee Report on page 92.
b)	The secretary to the human resource and remuneration committee may preferably be the company secretary.	The Company Secretary serves as the secretary to the Committee.
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 approved a Remuneration Policy for the Company in 29th July 2024 and periodically reviews the staff salary structures/grading and fees paid to non executive directors.
d)	There shall be a formal and transparent procedure in developing the remuneration policy.	Requirement built in to the TOR adopted on 25.03.2024. The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines. The policy was recommended by the Committee and approved by the Board of Directors.
e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Requirement built in to the TOR adopted on 25.03.2024 The Committee periodically reviews the salary structures of staff members as and when required and/or when there are material changes.
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 incentivise employees to take excessive risk or to act in self-interest.	Requirements specified in the direction have been mandated in the Committee TOR
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.	Requirements specified in the direction have been mandated in the Committee TOR. An effective annual evaluation process is in place to determine the basis for revising remuneration and other performance-based benefits for the Senior Management. This will be reviewed subject to transitional provisions.
h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Requirements specified in the direction have been mandated in the Committee TOR
11	**Internal Controls**	
11.1	FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	The Company has established a sound internal control system supported by the organisation structure, segregated duties and reporting lines for management, and operational procedures and policies for all the required areas of the Company to mitigate the operational risks. The Internal Controls are reviewed annually.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
11.2	A proper internal control system shall: promote effective and efficient operation; provide reliable financial information; safeguard assets; minimise the operating risk of loss from irregularities, fraud and errors; ensure effective risk management systems; and ensure compliance with relevant laws, regulations and internal policies.	The effectiveness and compliance of the internal control mechanism is reported under the Directors' Statement on Internal Controls on page 88 and the External Auditor independent assurance on the Directors' Statement on Internal Control over Financial Reporting on page 89 in the Annual Report.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives	All employees are accountable and responsible for internal controls in terms of the functions performed in their respective areas while abiding with related policies/ procedures of the Company. These are in turn monitored by the Board through the BAC and the Internal Audit Dept.
12	**Related Party Transactions**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following	A Board approved RPTs Policy has been established by the Committee for the Company which is periodically reviewed.
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 Board has appointed a RPT Review Committee comprising of Independent Directors and a TOR conforming with the requirements of this direction with transitional provisions.
b]	All related party transactions shall be prior reviewed and recommended by the RPTRC.	The RPT Policy approved by the Board governs all RPTs of the Company. Transactions which are within the purview of the Committee are reviewed and recommend for Board approval. Routine transactions which are in the normal course of business are reviewed quarterly.
c]	The business transactions with a related party that are covered in this Direction shall be the following: a. Granting accommodation; b. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; c. Providing financial or non-financial services to the FC or obtaining those services from the FC; or d. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Types of transactions with Related Parties have been defined in the Board approved RPT Policy.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
12. 2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/ institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Committee has identified individuals and entities considered as related parties. This list is periodically reviewed and updated. A Board approved process is in place to ensure that the Company does not engage in related party transactions as stipulated in this direction and to enable Directors to take measures to avoid a conflict of interest. Further, Directors are individually requested to declare their transactions with the company at each Board meeting and in the annual declaration.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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 e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions	The Company has implemented a system that enables the Company to capture and retrieve data on RPTs. This system generates comprehensive reports for management review and for quarterly review of the Committee reflecting all related party transactions including expenses, income, lending and amounts outstanding. Through this system the Company ensures that no favourable transaction has been entered in to with such parties. The system is subject to continuous development. The Committee further ensures that the transactions with Related Parties are on normal commercial terms offered to the public in line with the RPT Policy established. The RPT Policy stipulates that no Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party to, other than to provide information on the transaction to the committee. Transactions carried out with Related Parties in the ordinary course of business (Recurrent transactions) are disclosed in the Financial Statements on 'Related Party Disclosures' under Note 33 on page 174 in Financial Statements.
13	**Group Governance**	
13.1	**Responsibilities of the FC as a Holding Company**	
a)	The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	The Company does not have subsidiaries. It has associate investments which are listed out in page 85 in the Report of the Board of Directors.
b)	The Board of the FC shall	
i.	Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.	The Group Governance framework approved by the Board, defines its oversight powers.
ii.	Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.	Board representation in associate investments ensure understanding their operating environments including legal/regulatory and economic conditions.
iii.	Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.	Performance of the associate entities are reported & reviewed at monthly board meetings.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and	The internal controls of the Company have limited access to being extended to the associate investments as LOFC has limited opportunity to influence policy/decision making
v.	Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.	Performance of the associate entities are reported & reviewed at monthly board meetings. Board presence in associate investments ensure understanding their operating environments including legal/regulatory requirements.
c.	The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls	Board representation in associate investments ensure understanding their operating environments including legal/regulatory and economic conditions. The creation of new legal entities under its management is a matter set aside for the Board subject to regulatory approval as defined in the Company's Corporate Governance Framework.
d.	The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.	The Company has limited opportunity to influence policy/decision making of the associate investments. However, their activities and obligations are monitored through the nominees appointed to such boards.
e.	The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	Not applicable
13.2	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company is not a subsidiary of another financial institution.
14	**Corporate culture**	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	The Board has approved and adopted a Codes of Ethic for Directors, Officers and Staff Members.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Breaches detected during the year under review have been dealt with in accordance with the HR /Disciplinary Policy of the Company. Records of such breaches are maintained by the HR Department.
14.3	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	The Company has a Board-approved Whistleblowing Policy whereby employees of the Company could raise concerns in confidence about the malpractices in the Company. As recommended by the BAC the Board has revised its Whistleblowing policy on 29th July 2024. The related revised process ensures that a fair and independent investigation and appropriate follow-up action is taken on related matters.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
15	**Conflicts of interest**	
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 substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	In compliance with the requirements of this direction the Board has approved the adoption of the policy on managing Conflicts of Interest.
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 policy for managing conflicts of interest shall, I. Identify circumstances which constitute or may give rise to conflicts of interests II. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. III. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. IV. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. V. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and VI. Articulate how any non-compliance with the policy to be addressed	The Conflicts of Interest Policy covers the requirements specified in this section with guidelines to deal with any conflict that arises. In addition Article 79 of the Company's Articles of Association requires an interested Director to disclose his/her interest at Board meetings. Article 83 requires such a Director to abstain from voting on any Board resolution. He/she will not to be counted in the quorum.
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 has complied with the requirements of this section in publishing the Company's financial statements.
	The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
i.	Financial statements-In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, » A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. » A statement of responsibility of the Board in preparation and presentation of financial statements.	Please refer the Report of the Board of Directors on pages 82 to 87. and the Statement of Directors' Responsibility for Financial Reporting on page 97.
ii.	Chairperson, CEO and Board related disclosures-· Name, qualification and a brief profile. » Whether executive, non-executive and/or independent director. » Details of the director who is serving as the senior director, if any. » The nature of expertise in relevant functional areas. » Relatives and/or any business transaction relationships with other directors of the company. » Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. » Number/percentage of board meetings of the FC attended during the year; and » Names of board committees in which the director serves as the Chairperson or a member.	Please refer the following reports: Names of other companies in which the directors serve can be found in the Report of the Board of Directors on pages 86 and 87. Details of the Directors are given in the profiles of the Board of Directors on pages 8 to 9 including that of the Senior Independent Director. Attendance at Board Meetings and Sub-Committee meetings including Committee Compositions are given on pages 76 to 78.
iii.	**Appraisal of board performance** » An overview of how the performance evaluations of the Board and its committees have been conducted	The performance evaluations of the Board and the Sub-Committees for FYE 31.03.2024 have been completed based on criteria recommended by the regulations. These evaluations were tabled at Board/Committee meetings after the year under review for noting and necessary action where relevant.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	**Remuneration**	
	A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)	A statement on the remuneration policy has been disclosed in Report of the Board of Directors on page 82 of the Annual report.
	The aggregate values of remuneration paid by the FC to its directors and senior management.	Aggregate remuneration paid to Directors and Senior Management **2023/24 Rs.** Directors: 20,653,647 Senior Management: 179,419,432 Total: 200,073,079
v.	**Related party transactions-**	
	The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.	There is no financial, business, family or other relationship between the Chairman and the Director/CEO. There is no financial, business, family or other material relationship between any other members of the Board. A process has been developed for Directors to disclose any relationships between the Chairman and the CEO and or between any other Board members.
	Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Net accommodations granted to each category of related parties as a percentage of capital funds of the Company at the year end is disclosed on pages 166 to 168 (note 33). Remuneration: Rs 200,073,079 Accommodations -Capital Outstanding: Rs 7,774,272,551 Deposits: Rs 2,268,337,926 Interest for the year - Interest Expense: Rs 502,316,020 Interest for the year - Interest Income: Rs 7,474,470,130
vii.	**Board appointed committees-**	
	The details of the chairperson and members of the board committees and attendance at such meetings.	The Board has established the following Committees required by this direction. Details of membership, activities of each Committee are found on pages 90 to 95. Board Audit Committee Report – Board Integrated Risk Management Committee Report Board Nomination & Governance Committee Report Board Human Resources and Remuneration Committee Report Board Related Party Transaction Review Committee Report Board Credit Committee
	Group Structure-	
	» The group structure of the FC within which it operates. » The group governance framework.	The Group Structure of the Company is on page 85. The Company has one associate investment which is listed out in the Report of the Board of Directors on page 82. A Group Governance Framework has been approved by the Board detailing the Company's oversight responsibilities and methods of monitoring of subsidiaries or associates if any.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
viii.	**Director's report-** » A report, which shall contain the following declarations by the Board » The FC has not engaged in any activity, which contravenes laws and regulations. » The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. » The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. » The business is a going concern with supporting assumptions; and » The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Refer Report of the Board of Directors on pages 82 to 87. for the following disclosures: declaration on not engaging in any activity, which contravenes laws and regulations, director's declaration on RPTs and abstaining from voting , fair treatment of all stakeholders including depositors, going concern, review of internal controls covering material risks and assurance of their effectiveness.
ix.	**Statement on Internal Control-** A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.	Please refer the Directors' Statement on Internal Controls Over Financial Reporting on page 88. The Company has obtained a certification from M/s Ernst & Young, Chartered Accountants on the effectiveness of the internal controls over financial reporting. Please refer page 88 of the report. There were no significant supervisory concerns/lapses in the Company's risk management and compliance with this direction to be directed by the Monetary Board to be disclosed to the public.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
x.	**Corporate governance report-** Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	This report serves the said purpose stipulated in this direction. The external auditors confirmation is found on page 89 of this report. The Company has engaged the services of the External Auditors to assess the Company's level of compliance with the Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board and has obtained a report on factual findings. However its publication has not been permitted by the Auditors as there is no clear guideline issued by the CBSL.
xi.	**Code of Conduct –** » FC's code of business conduct and ethics for directors, senior management and employees. » The Chairperson shall certify that the company has no violations of any of the provisions of this code.	The Board has approved and adopted a Codes of Ethics and a Policy for managing Conflicts of Interest for Directors, Officers and Staff Members. Please refer the Chairman's statement on pages 4 to 5 relating to violations of the provisions of the Code.
xii.	**Management report –** » Industry structure and developments » Opportunities and threats » Risks and concerns » Sustainable finance activities carried out by the company » Prospects for the future	Refer pages 12 to 28 on the Management Discussion and Analysis provided in this Annual Report
xiii.	**Communication with shareholders –** » The policy and methodology for communication with shareholders. » The contact person for such communication.	A Board approved Stakeholder Communication and Corporate Disclosure Policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication. The contact person for such communication is the Head of Finance, Chief Manager – Marketing Communication and the Company Secretary.

Given below is the level of compliance against the respective governance requirements:

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange.
7.10.1	**Non-executive Directors** The Board of Directors of a listed entity shall include at least : two non-executive directors; or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	As of 31st March 2024, Board comprised of Seven Directors, of whom six Directors are Non-Executive Directors. The names of the non-executive directors are set out in the Report of the Directors on page 82.
7.10.2	**Independent Directors** a. Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	As of 31st March 2024 the Board comprised four Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	The four Non-Executive Directors have submitted their declarations of independence/non independence for the financial year ended 31/3/2024.
7.10.3	**Directors disclosures** a. Names of the Independent Directors should be disclosed in the Annual Report. b. The Board shall make a determination annually as to the independence or non-independence of each director. c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas. d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	P A Wijeratne, K Sundararaj, S Lankathilake and A J L Peiris have declared their status as independent directors. The Board has determined that by virtue of their professionalism, skill and expertise, these four directors are independent. Please refer Directors' Profiles on pages 8 to 9. The Company complies with this requirement, in the event a new director is appointed to the Board.
7.10.4	**Criteria for defining independence** Requirements for meeting the criteria to be an independent director.	The Board has reviewed and satisfied itself as to the Independent/Non-Independent status of the Non-Executive Directors.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.5	**HR and Remuneration Committee**	
	a. Composition The remuneration committee shall comprise; » of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or » of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The HR and Remuneration Committee comprises three non-executive directors, a majority of whom are independent, and one of whom serves as the Committee Chairman.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee periodically reviews Board remuneration and makes recommendations to the Board. The Committee report is on page 92.
	c. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The Committee comprises Independent Directors P A Wijeratne (Senior Independent Director/Committee Chairman), K Sundararaj and F K C P N Dias. The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to executive and non-executive directors is disclosed in the notes to the financials.
7.10.6	**Audit Committee** **Composition** The audit committee shall comprise; » of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or » of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee comprises three Non-Executive directors, a majority of whom are Independent. The Committee is chaired by an Independent Director. Non-executive Director, K Sundararaj is a Member of a recognised professional accounting body.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	Functions	
	Shall include,	
	(i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing 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. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions of those listed here.
	Disclosure in the Annual Report	
	The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report.	The Committee comprises the Independent Directors K Sundararaj (Committee Chairman) P A Wijeratne and A J L Peiris
	The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.	Please refer the Committee report on page 90.
	The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9	**Section 9 of the Listing Rules**	**Effective date of applicability and Level of Compliance**
9.1.3	Listed entities shall publish a statement confirming the extent of compliance with the Rules set out herein	As detailed below, the Company is in compliance with the Listing Rules of the Colombo Stock Exchange, subject to applicable transitional provisions.
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: » Nomination & Governance Committee* » Remuneration Committee » Audit Committee » Related Party Transactions Review Committee	The required Committees have been established and are functioning effectively. Further, Board established a Board Credit Committee (volunteer committee)
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in the Rules	Refer sections 9.11, 9.12, 9.13, and 9.14 below for details on compliance.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	The Chairman is not the chairperson of any of the board sub committees.
9.4 9.4.1	**Adherence to principles of democracy in the adoption of Meeting Procedures and the conduct of all General Meetings with shareholders** Listed entity shall maintain records of all resolutions and the following information upon a resolution being considered at any general meeting of the entity. The entity shall provide copies of the same at the request of the Exchange and or the SEC: the no. of shares in respect of which proxy appointments have been validly made; the no. of votes in favour of the resolution; the no. of votes against the resolution; and the no. of shares in respect of which the vote was directed to be abstained.	The stipulated records of all shareholder meetings have been maintained by the Company.
9.4.2	Communication and relations with shareholders and investors	The Company has adopted a policy on Stakeholder Communication & Corporate Disclosure Policy

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
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 with specific requirements prescribed by the Exchange (a) to (j)	The Company has adopted a policy on Board of Directors
9.6	**Chairperson & CEO**	
9.6.1	The Chairperson of every listed entity shall be a Non-Executive Director and the position of Chairperson and CEO shall not be held by the same individual.	The Chairman of the Company is a Non- Executive Director. The positions of Chairman and CEO are held by two individuals.
9.6.2	A listed entity that is unable to comply with Rule 9.6.1 shall make a market announcement within a period of 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)	The positions of Chairman and CEO are held by two individuals
9.6.3	**The Requirement for a SID** a) The listed entity shall appoint an independent director as the SID in the following instances: » The Chairperson and the CEO are the same person » The Chairperson and the CEO are close family members or related parties	The criteria described in Rule 9.6.3 do not apply to the Company. However, the Company has appointed an Independent Director as the SID
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such entities shall explain the reasons for non compliance in the Annual Report	Complied, as disclosed in 9.6.1 above
9.7	**Fitness of Directors and CEO**	
9.7.1	The listed entity shall ensure that its directors and CEO are at all times fit and proper in terms of criteria set out by these Rules in 9.7.3	The Board members meet the criteria set out in these Rules
9.7.2	Listed entity shall ensure that persons recommended by the Nominations & Governance Committee as directors are fit and proper before such nominations are placed before the shareholders meetings	The Committee has recommended the re election of directors retiring by rotation placed before the AGM taking into consideration their knowledge, expertise and strategic contribution to the deliberations of the Board
9.7.3	The directors and the CEO of the entity shall not be considered fit and proper if they do not meet the criteria specified in sections a) honesty, integrity and reputation b) competence and capability and c) financial soundness respectively	The Board members meet the criteria set out in these Rules
9.7.4	Listed entity shall obtain declarations from its directors and CEO on an annual basis confirming that each of them have continually satisfied the fit and proper assessment criteria set out in these Rules during the financial year concerned and as at the date of such confirmation	Duly signed declarations have been made by each Board member confirming the criteria set out in 9.7.4
9.7.5	**Disclosures in the Annual Report** Listed entity shall include the following disclosures in the Annual Report: a) A statement that the directors and the CEO of the entity satisfy the fit and proper criteria stipulated in the Listing Rules b) Any non compliance/s by a director or CEO of the listed entity of the fit and proper assessment criteria during the financial taken by the entity to rectify such non compliance/s	Refer page 83 of the Report of the Board of Directors for the statement of compliance. Profiles of the directors are on pages 8 to 9.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.8	**Board Composition**	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors	The Board consists of seven (07) directors
9.8.2	**Minimum Number of Independent Directors**	
	a) The listed entity shall include at least two (02) independent directors or such number equivalent to one third 1/3 of the total number of directors at any give time, which ever is higher. b) any change occurring to this ratio shall be rectified within 90 days from the date of change	The Board consist of four (04) independent directors
9.8.3	**Criteria for determining independence**	
9.8.4	A director shall not be considered independent if he/she does not fulfil the criteria defining independence under sections 9.8.3 and 9.8.4 of the Rules.	The Board has determined that P A Wijeratne, K Sundararaj, S Lankathilake and A J L Peiris are independent
9.8.5	The listed entity shall ensure a) Each independent director submits a declaration with criteria specified by the Exchange b) The Board shall make an annual determination as to independence / non independence and set out the names of directors determined to be independent in the Annual Report c) If the Board determines that the independence of and independent director has been impaired against any criteria set out in 9.8.3 it shall make an immediate market announcement thereof	The Company has established a process for determination of independence based on the requirements of this Rule.
9.9	**Alternate Directors**	
	Listed entities that provides for the appointment of Alternate Directors, it must comply with the requirements set out by this Rule and such requirements shall be incorporated into the Articles of Association of the Entity	No alternate Directors have been appointed to the Board during the year under review.
9.10	**Disclosures Relating to Directors**	
9.10.1	Policy on the maximum number of directorships its board members shall be permitted to hold	Company complies with the regulations stipulated by the Central Bank Of Sri Lanka for Finance Companies. A director may hold office as director of maximum of 20 directorships in companies/ societies/bodies including subsidiaries and associates of the Company,
9.10.2	Immediate market announcement upon appointment of new director setting out resume, capacity of directorship, statement indicating if such appointment has been reviewed by the Nominations & Governance Committee	There were no new appointments to the Board during the period under review.
9.10.3	Immediate market announcement regarding any changes to the composition of the Board Committees specified in Rule 9.3	There was no changes made to the compositions of the Board sub committees during the year under review.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.10.4	Listed entities shall disclose the following in relation to Directors in the Annual Report: a) name qualifications, brief profile, b) nature of expertise in relevant functional area c) whether either the director or close family member/s has any material business relationship with the directors of the listed entity, d) whether executive, non executive and or independent. e) Total number of names of companies in which the director concerned serves as a director/KMP indicating if these are listed f) Capacity of the position held whether executive or non executive g) Number of board meetings of the listed entity attended during the year h) Names of board committees in which the director serves as chairperson or member i) Details of attendance of committee	Refer pages 8 to 9 for directors profiles; pages 86 to 87 for directors interests in contracts pages 76 to 78 for details of Board and Committee membership / meeting attendance details
9.11	**Nominations & Governance Committee**	
9.11.1	The listed entity shall have a Nominations & Governance Committee conforming with the requirements set out in Rule 9.11	Please refer the Nominations & and Governance Committee Report on page 94.
9.12	**HR and Remuneration Committee**	
9.12.1 9.12.2 9.12.3 9.12.4 9.12.5 9.12.6	For the purposes of Rule 9.12 the term remuneration shall make reference to cash and non-cash benefits whatsoever received The listed entity shall have a Remuneration Committee conforming with the requirements set out in Rule 9.12 The listed entity shall establish a formal transparent procedure for developing policy on executive director remuneration and for fixing packages of individual directors. No director shall be involved in fixing his or her own remuneration 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. The Committee shall have a written terms of reference defining scope, authority, duties and quorum for meetings 1) Should comprise minimum of 3 directors of the listed entity of whom a minimum of 2 shall be independent directors; and shall not comprise of any executive directors of the listed entity; 2) If both parent company and subsidiary are listed entities the Committee of the Parent may function as the Audit Committee of the Subsidiary 3) an independent director shall be appointed as chairperson of the committee	Refer the HR & Remuneration Committee Report on page 92 for details The aggregate remuneration paid to executive and non executive directors is disclosed on page 65 of the report

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.13	**Audit Committee**	
9.13.1	The listed entity shall have an Audit Committee conforming with the requirements set out in Rule 9.13	Refer page 90 for the Report of the Audit committee
9.13.2	The Committee shall have written Terms of Reference clearing defining scope, authority and duties	
9.13.3	Should comprise minimum of 3 directors of the listed entity of whom a minimum of 2 or a majority which ever is higher shall be independent directors; and shall not comprise of any executive directors of the listed entity;	The Committee composition meets the criteria specified in 9.13.3.1 Refer page 76 for Committee attendance details
9.13.4	The quorum for a meeting of the Audit Committee shall require the majority in attendance to be independent	
9.13.5	The Committee may meet as often as required provided that it compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market	The Committee met quarterly for this purpose
	If both parent company and subsidiary are listed entities the Audit Committee of the Parent may function as the Audit Committee of the Subsidiary	Not applicable
	An independent director shall be appointed as chairperson of the committee	Director, K Sundararaj Chairs the Audit Committee
	Unless otherwise determined by the Audit Committee, the CEO and the CFO of the listed entity shall attend meetings by invitation.	The CEO and the HOF are invited to attend committee meetings
	The Chairperson of the Audit Committee shall be a member of a recognised professional accounting body	
	Functions of the Audit Committee	Complied
	Disclosures in the Annual Report	Refer the Audit Committee Report on page 90.
9.14	**Related Party Transactions Review Committee**	
9.14.1	The listed entity shall have a Committee that conforms to the requirements set out in Rule 9.14	The Committee established by the Company conforms to the requirements set out herein.
9.14.2-4	The Committee shall comprise of a minimum of three (03) of whom two (02) members shall be Independent Directors . 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 three (03) Independent directors
9.14.3-9.14.4	Functions and general requirements	Refer pages 93 for the Report of the Related Party Transactions Review Committee for details
9.14.5-10	Review of RPTs by the Relates Party Transactions Review Committee as specified by these Rules	During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 33.
9.16	**Additional Disclosures**	
	The following additional disclosures by the BOD to be included in the Annual Report. i) Declared all material interests in contracts involving the entity and whether they have refrained from voting on matters in which they were materially interested; ii) 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 why it is unable to do so. iii) 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) Relevant areas of any material non compliance.	Refer Report of the Board of Directors on pages 82 to 87.

MEMBER ATTENDANCE AT MEETINGS

Board Meetings

Name of the Director	Independent	Non-Independent	Executive	Non-Executive	Date of Appointment	24.04.2023	29.05.2023	29.06.2023	26.07.2023	14.08.2023	25.09.2023	26.10.2023	06.11.2023	13.11.2023	27.11.2023	15.12.2023	9.01.2024	26.02.2024	25.03.2024	Total 14
F K C P N Dias		✓		✓	01/03/2020	✓	✓	✓*	✓	✓	✓	✓	✓	✓	✓	✓	✓*	✓*	✓*	14
D M D K Thilakaratne			✓		31/03/2022	✓	✓	✓*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mrs. K U Amarasinghe (resigned with effect from 29.05.2023)			✓		05/03/2003	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	02
B C G de Zylva		✓		✓	23/04/2018	✓*	✓*	✓*	✓*	-	✓*	✓*	✓*	✓*	✓*	-	✓*	-	✓*	11
P A Wijeratne	✓				26/05/2017	✓*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓*	✓	✓	✓	14
K Sundararaj	✓				23/07/2019	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
A J L Pieris (appointed on 31.01.2023)	✓				31/01/2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
S Lankathilake (appointed on 31.01.2023)	✓				31/01/2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14

*Participated online via Microsoft Teams

- Absent with apologies

Audit Committee Meetings

Name of the Committee Member	Meeting Dates						Total 05
	29.05.2023	14.08.2023	27.09.2023	06.11.2023	06.11.2023	26.02.2024	
K Sundararaj (Committee Chairman)	✓	✓	✓	✓	✓	✓	07
P A Wijeratne	✓	✓	✓	✓	✓	✓	07
A J L Pieris (appointed to the committee w.e.f 31.01.2023)	✓	✓	✓	✓	✓	✓	05
By Invitation							
Head of Finance	✓	✓	✓	✓	✓	✓*	07
Head of Internal Audit	✓	✓	✓	✓	✓	✓	06
Chief Operating Officer	✓	✓	✓	✓	✓	✓	07
F K C P N Dias	✓	✓	✓	✓	✓	✓	06
D M D K Thilakaratne	✓	✓	✓	✓	✓	✓	06
Mrs K U Amarasinghe	✓	-	-	-	-	-	02
B C G de Zylva	-	-	✓	✓	✓*	✓*	02
S Lankathilake	✓	✓	✓	✓	✓	✓	02

*Participated online via Microsoft Teams

Met with external auditors – 29/05/2023, 27/09/2023.

Met auditors without Management – 29/05/2023, 27/09/2023.

Integrated Risk Management Committee Meetings

Name of Committee Member	Meeting Dates				Total 04
	29.05.2023	14.08.2023	06.11.2023	26.02.2024	
S Lankathilake (appointed to the committee w.e.f 31.03.2023) (Committee Chairman)	✓	✓	✓	✓	04
P A Wijeratne	✓	✓	✓	✓	04
K Sundararaj	✓	✓	✓	✓*	03
By Invitation					
Head of Risk Management	✓	✓	✓	✓	04
Compliance Officer	✓	✓	✓	✓	04
Chief Operating Officer	✓	✓	✓*	✓	04
Head of Treasury	✓	✓	✓	✓	04
F K C P N Dias	-	✓	✓	✓	03
D M D K Thilakaratne	✓	✓	✓	✓	04
B C G de Zylva	-	✓*	✓*	✓*	03
A J L Pieris	✓	✓	✓	✓	04

*Participated online via Microsoft Teams

Related Party Transactions Review Committee Meetings

Name of Committee Member	Meeting Dates				Total 04
	29.05.2023	14.08.2023	06.11.2023	26.02.2024	
A J L Pieris (appointed to the Committee w.e.f 31.03.2023) Committee Chairman	✓	✓	✓	✓	04
K Sundararaj	✓	✓	✓	✓	04
S Lankathilake (appointed to the Committee w.e.f 31.03.2023)	✓	✓	✓	✓	04
By Invitation					
Head of Finance	✓	✓	✓	✓	04
Head of Compliance	✓	✓*	✓	✓	04
Chief Operating Officer	✓	✓	✓	✓	04
Head of Treasury	✓	✓*	✓*	✓	04
F K C P N Dias	✓	✓	✓	✓	04
D M D K Thilakaratne	✓	✓	✓	✓	04
B C G de Zylva	✓*	✓*	✓*	✓*	04
Mrs K U Amarasinghe	✓	-	-	✓	01
P A Wijeratne	✓	✓	✓	✓	04

*Participated online via Microsoft Teams

HR & Remuneration Committee Meetings

Name of Committee Member	Meeting Dates 25.03.2024	Total 01
P A Wijeratne (Committee Chairman)	✓	01
K Sundararaj	✓	01
F K C P N Dias	✓	01
By Invitation		
D M D K Thilakaratne	✓	01
B C G de Zylva	✓*	01
A J L Pieris	✓	01
S Lankathilake	✓	01

*Participated online via Microsoft Teams

Nomination Committee Meetings

Name of Committee Member	Meeting Dates 25.03.2024	Total 01
S Lankathilake (appointed to the Committee w.e.f 31.03.2023) Committee Chairman	✓	01
A J L Pieris	✓	01
F K C P N Dias	✓	01
By Invitation		
D M D K Thilakaratne	✓	01
B C G de Zylva	✓*	01
K Sundararaj	✓	01
P A Wijeratne	✓	01

*Participated online via Microsoft Teams

Enterprise Risk Management

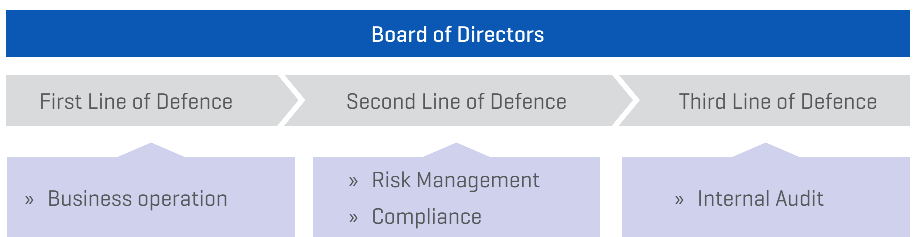
Sri Lanka's economy continues to face significant challenges, including a lengthy recovery from the impact of the economic crisis and a delayed debt restructuring procedure. The current economic outlook remains sluggish, however with a positive trend towards recovery, helped by higher foreign exchange inflows, lower inflation and a stable balance of payments compared to the previous year. The company's strategies are developed accordingly to navigate potential fluctuations in the external environment. It is also positioned to adapt quickly to changes in the external environment and maintain its competitive edge by identifying potential risks and creating contingency plans. We believe that risk resilience is critical in achieving business goals. Proactive risk management can help mitigate the impact of unforeseen challenges.

Informed decision-making is the foundation of strong risk resilience and necessitates a comprehensive lifecycle of risk identification, assessment, control and monitoring. Therefore, risk management plays a pivotal role in providing business leaders with useful insights into emerging risks and trends, allowing them to make better management decisions. Risk management aims to optimise the risk-reward trade-off, rather than simply eliminating risk. The company has established a risk governance framework including ownership structure that ensures oversight and accountability for the effective management of risk. The risk management framework captures and manages all potential risks, which aligns with its strategic plan in order to achieve its goals.

The Board of Directors oversees risk management framework within acceptable standards to ensure the company's long-term success and sustainability. Risk levels are monitored by sub-committees to guarantee compliance with defined limits. The company's internal risk team provides impartial and objective challenges to guarantee effective control structure and alignment with the risk appetite. The Risk Management department manages risk identification, measurement, monitoring, management, and mitigation. The risk management helps business owners to take proactive actions by communicating current and emerging risks.

RISK GOVERNANCE STRUCTURE

Effective risk management requires clearly defined roles and duties that are widely communicated and understood. The company's risk governance structure follows the "Three Lines of Defence" concept to manage business risks and ensure proper oversight.



The business operation serves as the first line of defence and is responsible for accomplishing objectives, including identifying and managing risk. The responsibilities of the second line of defence include the guidelines, policies, frameworks, tools, procedures and assistance provided to manage risk and compliance. The third line of defence ensures effectiveness and efficiency of the first two lines and advises on how they should be improved.

RISK CULTURE

Cultivating a strong risk management culture is crucial for effectively implementing the Risk Management Framework and making informed risk-based decisions inside the company. The risk culture has been developed through policies, procedures, effective communication, staff training and clear responsibilities. The staff is fully aware of responsibilities for managing the risk in line with the strategic objectives, risk appetite and risk policies & procedures of the company. The company inherits an effective risk management culture where every staff member understands the organisation's approach to risk and accepts personal responsibility for managing risk.

APPROACH TO RISK MANAGEMENT

The integrated risk management committee (IRMC) is a board appointed subcommittee empowered to carry out its oversight duties for risk management. Responsibilities include evaluating overall risks and determining the appropriate level of risk for the company's best interests. IRMC creates and maintains a framework that helps management to identify, measure, monitor, and limit risk exposures in line with the board approved risk appetite. The committee assess material risks, including strategy, credit, market, operational, legal, cyber, and other emerging risks. The risk related policies & procedures established by the board provide all operations departments with clear guidance in carrying out their responsibilities. The improvements are also made to risk-related policies and procedures taking into consideration the changes in the regulatory guidelines and foreseeable developments in the operating environment.

MANAGING RISKS

Credit Risk

The company's strategy is to always maintain a high-quality loan portfolio. The portfolio is managed with robust risk management practices which comprises of policies, procedures, collateral management, post-disbursement monitoring, sharing of credit-related knowledge and portfolio analysis. This approach ensures that the company minimises credit risk and maximises its returns. By continuously monitoring and analysing the loan portfolio, the company can make informed decisions to maintain its high-quality standards.

Market Risk

Market risk is managed through laid-down policies and procedures, ensuring the company operates within its risk appetite. Interest rate risk and exchange rate risk are monitored with related limits, and necessary actions are promptly recommended to minimise the risk exposure. Regular stress testing is also conducted to assess the potential impact of extreme market conditions on the company's financial position and performance.

Strategic Risk

Managing strategic risk has become a high priority. The right technology, predictive analysis, and mitigation actions for risks associated with the strategy have helped manage the strategic risk of the company. By identifying potential threats and opportunities, companies can proactively address risks before they escalate. This proactive approach allows for more effective decision-making and resource allocation to protect the company's strategic objectives.

Technological/Cyber Risk

The company is posing new challenges with increasingly reliance on new technology and digital platforms. The use of cybersecurity solutions, security standards, data compliance management, encryption tools, AI fraud detection, and anti-hacking software secure the financial environment. Additionally, regular training and awareness programs for the staff help to prevent security breaches and ensure a safe digital environment. By staying proactive and vigilant in the face of evolving cyber risks, the company can continue to adapt and thrive in a digital landscape

Legal Risk

A good legal risk culture is established within the company including stringent internal controls. The company aims to reduce legal risk by adhering to all relevant regulatory obligations across its operations. This includes ensuring that contracts and agreements are reviewed by the legal to minimise the potential for disputes or legal issues. Additionally, the company regularly conducts training sessions for the staff to ensure they are aware of and adhere to all legal requirements

Operational Risk

Operational risk arises due to inadequate or failed people, processes, systems, and external events inherent in financial operations. Operational risk tools such as KRIs, loss databases, and scenario analysis are used to minimise the risk with the aim of strengthening the controls in the operating environment. Regular monitoring and evaluation of these tools are essential to ensure their effectiveness in mitigating operational risk.

Concentration Risk

Concentration risk limits are defined in the risk appetite statement and a diversification strategy is adopted to manage the risk. This strategy involves diversifying exposure across different asset classes, industries, and geographic regions to reduce the impact of any one investment or sector underperforming. Additionally, regular monitoring and assessment of concentration risk levels are conducted to ensure they remain within acceptable limits.

Liquidity Risk

The company's strategy is to maintain liquid assets at optimum levels to increase profitability through optimal usage of liquid assets. The liquidity risk policies and procedures are reviewed to keep them current with the changing operating environment. Stress tests are conducted to determine the funding availability to meet obligations under normal and stressed conditions. This ensures that the company can effectively manage liquidity risk and respond to potential challenges in the market. Additionally, regular monitoring of liquidity ratios and cash flow projections helps identify any potential issues before they become significant problems.

Compliance Risk

Regulatory and other new legal laws are timely communicated to relevant business units and provide the required guidance for implementation and compliance by embedding the compliance culture in order to mitigate the risk. This proactive approach helps to minimise potential legal issues and maintain a strong reputation within the industry.

Reputational Risk

Reputational risk is managed through laid-down policies, procedures, systems, and training programs. A customer complaint handling process is in place to ensure appropriate actions are taken for the identified risks. Additionally, regular monitoring and assessment of customer feedback and satisfaction levels are conducted to proactively address any potential reputational risks. Continuous review and updates to the complaint handling process are also implemented to adapt to changing circumstances and ensure effectiveness in managing reputational risk.

KEY RISK INDICATORS

KRIs are indicators used to quantify risks and provide critical information for making decisions based on them. The board-approved KRIs for credit, market, operational, and other significant risks are established with risk limits, which are benchmarked against the industry and monitored by the risk management department. KRIs enable firms to match their risk appetite and tolerance levels, resulting in timely and ongoing risk monitoring. The KRI dash board and loss distribution are examined and presented at the IRMC to determine the significance of material hazards. The findings are communicated to key stakeholders, along with recommendations for necessary action as needed. The committee consistently advises corrective efforts to reduce the impact of such hazards.

RISK APPETITE STATEMENT

The risk appetite statement plays an essential role in implementing risk management strategies throughout the company. The company's risk appetite is defined to maintain financial stability and ensure that the company operates at an appropriate risk profile given the resources available. The capital required to operate in accordance with the risk tolerance was preserved at reasonable levels. The risk appetite statement is reviewed annually and approved by the board to ensure it is aligned with the company's strategic objectives. It covers metrics and indicators pertaining to different types of major risks.

STRESS TESTING

The objective of stress testing is to identify events or factors that may result in a loss, or have a negative impact on a company's capital position. The company has a board approved policy on stress testing that articulates the stress testing procedure. The stress testing scenarios are selected to fit the size, complexity, strategy and variety of business activities of the company. The periodic stress testing is conducted on identified scenarios and results are reviewed and reported to the management and relevant board committees in order to formulate possible mitigation actions. The stress testing results are used in capital adequacy management to have a forward view on the adequacy of the capital.

MANAGEMENT OF CAPITAL RISK

The company carries out an assessment of its capital to see whether it meets the regulatory requirements, business needs and adequacy of its capital under stressful conditions preventing insolvency and protecting customers. The process assures appropriate resources to cover unexpected losses arising from risks like credit risk, market risk, operational risk and other significant risks. The company's risk appetite, capital and risk management frameworks, and stress testing are key components of its management of capital. The company manages to maintain capital requirements at satisfactory levels and stress testing results indicate that capital adequacy is above the overall risk appetite of the company.

THE BUSINESS CONTINUITY PLAN (BCP) & DISASTER RECOVERY (DR)

The Company has DR and BCPs in place to ensure the business can operate as going concerns and limit damages in the event of significant business disruption. The BCPs and DRs are tested on an annual basis to guarantee that functions continue in the case of a disaster such as data transfer outages, natural disasters, terrorist attacks, or pandemics maintaining operational resilience. The business continuity management steering committee oversees the management of BCPs to mitigate the effects of business disruption. The effectiveness of the BCP is assessed in a variety of scenarios to identify areas that still require improvement and the BCP is updated with the appropriate adjustments to maintain customer confidence in the organisation and mitigate the effects of service disruptions.

Report of the Board of Directors

The Board of Directors of LOLC Finance PLC takes pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2024.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The Company is a Licensed Finance Company in terms of the Finance Business Act No. 42 of 2011. The Company is also a registered finance leasing establishment in terms of the Finance Leasing Act No. 56 of 2000.

During the year the principal activities of the Company comprised Finance Business, Finance leasing, Islamic Finance, issue of Payment Cards, Micro Finance Loans, Gold Loans and provision of Advances for Margin Trading in the Colombo Stock Exchange.

MARKETS SERVED

The Company operates in all provinces of Sri Lanka with the largest concentration of branches being in Western and North Central Provinces.

DIRECTORATE

The Board of Directors of the Company for the year under review comprise the following:

1.	F K C P N Dias	Chairman, Non-Executive Director
2.	D M D K Thilakaratne	Executive Director/CEO
3.	B C G De Zylva	Non-Executive Director
4.	P A Wijeratne	Senior Independent Director
5.	K Sundararaj	Independent Director
6.	S Lankathilake	Independent Director
7.	A J L Peiris	Independent Director

The profiles of the above directors can be found on pages 8 to 9.

RECOMMENDATIONS FOR RE-ELECTION OF DIRECTORS

In terms of Article 75 of the Articles of Association of the Company, Mr. K Sundararaj and Mr B C G De Zylva will retire and being eligible seek re-election as directors.

THE BOARD RECOMMENDS THEIR RE-ELECTION

The approval of the Department of Supervision of Non-Bank Financial Institutions of the Central bank of Sri Lanka has been obtained by the Company for the continuation of all its existing in terms of Sec. 7.2 (a) of the Finance Companies Fitness & Propriety of Directors and Officers Direction No. 6 of 2021.

DIRECTORS INTERESTS IN CONTRACTS

The Company maintains an Interests Register in terms of the Companies Act No. 7 of 2007 and is available for inspection upon request. The disclosures made by Directors have been noted by the Board, recorded in the minutes and entered into the Interest Register.

The Directors confirm that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director is materially interested in a contract or proposed contract with the Company, they would refrain from voting on such contracts. During the year under review, the Company did not enter into any contracts in which any Director was materially interested.

The declarations made by the directors confirm that there are no financial, business, family or other material/relevant relationship(s) between members of the Board.

Directorships held by the Directors are disclosed on pages 86 and 87.

FIT AND PROPER ASSESSMENT OF DIRECTORS

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors who confirmed that they have continuously satisfied the fit and proper assessment criteria of the Listing Rules during the financial year under review and as at the date of such declaration.

DIRECTORS' REMUNERATION

The Company paid Rs. 20,653,647/- as Directors' remuneration for the financial year ended 31st March 2024 (Rs. 38,364,559/- for 31st March 2023).

The Company has a Board approved Remuneration Policy. This policy stipulates that remuneration should be linked to competence and contribution, while serving to incentivise and motivate. This policy has been taken into account when determining remuneration for both staff and directors.

The report of the HR and Remuneration Committee is on page 92.

DIRECTORS' SHAREHOLDING

	Director's Name	As at 31.03.2024	As at 31.03.2023
1	F K C P N Dias	Nil	Nil
2	D M D K Thilakaratne	Nil	Nil
3	Mrs. K U Amarasinghe (Resigned with effect from 29.05.2023)	N/A	Nil
4	B C G De Zylva	Nil	Nil
5	P A Wijeratne	334,533	455,998
6	K Sundararaj	Nil	Nil
7	S Lankathilake	Nil	Nil
8	A J L Peiris	Nil	Nil

CAPITAL STRUCTURE

As at 31st March 2024 , the stated capital of the Company is Rs. 306,993,805,501/- divided into 33,079,212,299 shares.

The debt capital of the company comprises rated unsecured senior redeemable debentures fifty million (50,000,000) issued in September 2020. These debentures are listed in the Colombo Stock Exchange and Lanka Rating Agency rated Rs.5 Bn debentures as A (Positive).

The details of the Debentures in issue as at 31st March 2024 are set out in Note 14.3 to the Financial Statements on page 161 and further elaborated in other disclosures on page 202 of the Annual Report.

MEETINGS OF THE BOARD OF DIRECTORS

Fourteen scheduled monthly meetings were held during the year. A schedule of Directors Attendance at Board Meetings and Sub Committee Meetings is on pages 76 to 78.

CORPORATE GOVERNANCE

The Company is governed by the requirements of the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules of the Colombo Stock Exchange.

The manner in which the Company has complied with the Finance Companies (Corporate Governance) Directions and the Listing Rules of the Colombo Stock Exchange (CSE) is disclosed on pages 30 to 78.

Report of the Corporate Governance can be found on pages 30 to 78. Your Board of Directors is committed towards maintaining an effective corporate governance framework by effectively implementing systems and structures required to ensuring best practices in corporate governance.

BOARD SUB COMMITTEES

In compliance with regulatory guidelines and best practices, the Board has formed the following sub committees:

- Audit Committee
- Integrated Risk Management Committee
- HR & Remuneration Committee
- Related Party Transaction Review Committee
- Nomination and Governance Committee
- Board Credit Committee (Voluntary Committee)

The mandate of each of these sub committees is provided by their regulatory guideline or Board approved Terms of Reference. The composition of these committees is as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee. The reports of the respective Committees are included in this Report on pages 90 to 95.

The Board sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also clearly communicated to the senior management.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees.

MANAGEMENT COMMITTEES

The Company has the following management level Committees to manage matters relating to credit, and liquidity.

- Credit Committee
- Asset Liability Committee

Additionally, Management Meetings are held monthly to discuss collections and operational level planning and risk management.

The Legal Settlement Committee was dissolved as recommended by the Nomination & Governance Committee as there is no current requirement for such committee.

COMPLIANCE WITH LAWS AND REGULATIONS

Through participation in various workshops / forums and updates from the Company Secretary and the Management, the Board of Directors keeps abreast of laws, rules, regulations and changes thereto, particularly to the Finance Companies (Corporate Governance) Directions and to the Listing Rules and applicable capital market provisions.

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws. Furthermore, the directors confirm that there were no fines which are material imposed on the Company by any governmental or regulatory authority in the country.

The Company is compliant with the Corporate Governance requirements of the Listing Rules of the Colombo Stock Exchange (CSE) with the exception of the requirements relating to the Minimum Public Float under rule 7.13.1.i.b. Consequently, the Company has been transferred to the Second Board of the CSE. Please refer page 201 for further details.

INDUSTRIAL RELATIONS

Human Capital Strategies of the Company are based on respected HR practices to attract and retain right people. Policies are in place to develop and motivate the workforce for current and future business needs of the Company.

Disciplinary matters are dealt according to the board approved policies in compliance with labour regulations. There was no occurrence of any issue detrimental to the harmonious industrial relations of the Company during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules of the CSE.

SCHOLAR SUPERVISORY BOARD

As the Company offers Alternate Financial Services, from its dedicated Strategic Business Unit (SBU) under product brand Al-Falaah, the Board has installed a dedicated Scholar Supervisory Board (SSB) for monitoring of the business's conceptual and operational compliance. The SSB reviews all Alternate Finance products offered, and periodically audits the processes, thereby providing comfort to customers of the product standards, and further strengthening the Board's control.

Two of the three member SSB are based in Sri Lanka and the remaining member is an internationally renowned scholar based in South Africa. Members of the panel are acclaimed experts in the Islamic Banking & Finance industry. Whilst being academically and professionally qualified in respective standards, two of the members are conferred with the 'Certified Shari'ah Advisor & Auditor' accreditation by the Accounting & Auditing Organisation for Islamic Financial Institutes (AAOIFI) of Bahrain, which is the accepted body for standards of Alternate Financial Services practitioners globally.

Currently Alternate Financial Services are offered through all standard locations of the LOFC Channel network which also include dedicated Al-Falaah service desks within.

FINANCIAL STATEMENTS & AUDITOR'S REPORT AND DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements and the Auditors report are found on pages 101 to 178.

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the financials have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and all relevant directions of the Central Bank of Sri Lanka.

SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the financial statements and any changes thereof where applicable have been included in the Notes to the financial statements on pages 111 to 178.

TRANSACTIONS WITH RELATED PARTIES

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note 33 on pages 174 to 176.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party more favourable treatment than that offered to other clients of the Company.

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 and that such transactions with the Company if any, have been disclosed while abstaining from voting on any matters of material interest.

GOING CONCERN

During the year, the Directors reviewed the interim financials and the year-end financials. They have also regularly reviewed operations, and the environment within which the Company operated, including the macro environment, potential risks and resource allocation.

Having reviewed the outlook for each sector and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

STATUTORY PAYMENTS

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts.

AUDITORS

The Auditors of the Company, Messrs Ernst and Young, Chartered Accountants were appointed in July 2008.

The Auditor's were also engaged to seek an assessment of the Company's compliance with the requirements of the Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board and the Company's level of adherence to the internal controls on financial reporting.

As far as the Directors are aware, the Auditors do not have any other relationship (other than that of an auditor) with the Company and the Group.

The fees paid to the auditors for the year under review are disclosed in the notes to the Accounts on page 168.

The Report of the Auditors is given on page 90.

As recommended by the Audit Committee in accordance with applicable regulations, the Board of Directors propose the rotation of the external Auditors

As such, your Board of Directors recommends that Messrs. Deloitte Partners, Chartered Accountants take over as Auditors of the Company for the ensuing financial year 2024/25, subject to approval of the shareholders to be obtained at the forthcoming Annual General Meeting to be held on 26th September 2024

THE CODE OF ETHICS

The Board sets the tone from the top to instil the right behaviours across all levels, from directors to staff, based on the Company's Code of Business Conduct and Ethics, which provides guidance to ensure duties are carried out with the highest standards of integrity. This also enable the Company to manage any potential impact with fair treatment. The Board confirms that there has not been any material breach of the Code during the year under review.

RISK MANAGEMENT INTERNAL CONTROLS

Delegated by the Board, the Board Audit Committee and the Integrated Risk Management Committee regularly reviews all aspects of operations, internal controls, risk management and compliance, against established policies and procedures .

Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Directors declare that a reasonable assurance of their effectiveness and successful adherence has been obtained for the year under review.

The Board could also seek the support of the external auditors to review and advise on any improvements needed to existing controls.

ASSOCIATE COMPANIES

The Company holds the following associate investments:

Commercial Insurance Brokers (Private) Limited

The Company holds 40% of the equity of Commercial Insurance Brokers (Private) Limited (CIB). Mr D M D K Thilakaratne and Mr N Weerapana have been nominated to its Board by the Company. During the past 34 years CIB has been engaged in the business of life and general insurance. It is one of the premier insurance broking firms in the country.

EVENTS AFTER THE REPORTING DATE

Capital Reduction

In terms of the consolidation program of the Central Bank of Sri Lanka, the Company amalgamated with Commercial Leasing & Finance PLC and LOLC Development Finance PLC issuing new shares to CLC and LODF shareholders based on the then prevailing market prices. Consequently, the stated capital of the Company increased from Rs. 12,762,500,000 to Rs. 306,993,805,501 and the excess consideration of Rs. 262,914,889,649/- was recorded as a Merger Reserve in compliance with accounting standards.

This increase in the stated capital and the recognition of the excess on the amalgamation as a negative reserve; was considered as a serious loss of capital in terms of the Companies Act, as the net assets of the Company were less than half of the stated capital. Although this situation does not stem from operational losses; the situation requires compliance with statutory obligations.

The Director, Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka, had no objection to the proposed adjustment in the stated capital of the Company, subject to ensuring compliance with relevant regulatory and statutory requirements.

Therefore, having obtained a no objection from the Director, Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka, the Company gave public notice on 17th May 2024, in terms of Section 59(2) of the Companies Act No. 7 of 2007;to hold an Extra Ordinary General Meeting on 29th July 2023, to obtain approval from shareholders to restructure the stated capital of the Company by the Reduction of the existing Stated Capital of Rs. 306,993,805,501/- represented by 33,079,212,299 shares; to Rs. 44,078,915,852/- represented by 33,079,212,299 shares; by offsetting the Merger Reserve amounting to Rs. 262,914,889,649/- against the existing Stated Capital of Rs. 306,993,805,501/- as reflected in the unaudited financial statements for the period ended 31st March 2024.

Upon such approval the Stated Capital of the Company will be Rs. 44,078,915,852/- represented by 33,079,212,299 shares

FAIR TREATMENT FOR STAKEHOLDERS

The Board of Directors declare that the Company has taken necessary measures to ensure the fair and equitable treatment of all stakeholders, including its shareholders and depositors.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26th September 2024 at 10.00 a.m. as a virtual meeting and the Notice of Meeting is on page 211.

For and on behalf of the Board of Directors of
LOLC Finance PLC

D M D K Thilakaratne
Director/CEOF K C P N Dias
Chairman

M V S C Rodrigo
Company Secretary

28th June 2024
Rajagiriya

DIRECTORS' DECLARATIONS

Name of the Director	Directorates as at 31.03.2024	Nature of appointment
Mr F K C P N Dias	LOLC Holdings PLC	Non-Executive
	LOLC Finance PLC	Non-Executive
	Sanasa Development Bank PLC	Non-Executive
	LOLC Technologies Ltd (Amalgamated: LOLC Technology Services Limited)	Non-Executive
	Digital Mobility Solutions Lanka (Pvt) Ltd	Non-Executive
	Fusion X Global FZC	Non-Executive
	I Pay Ceylon (Pvt) Ltd	Non-Executive
	I Pay Global FZC	Non-Executive
	LOLC Asia Private Ltd	Non-Executive
	LOLC Cambodia PLC	Non-Executive
	LOLC Finance Philippines Inc	Non-Executive
	LOLC Myanmar Microfinance Company Limited	Non-Executive
	oDoc (Private) Limited	Non-Executive
	Pak Oman Micro Finance Bank Ltd	Non-Executive
	PT LOLC Management Indonesia	Non-Executive
	Serendib Micro - Insurance PLC	Non-Executive
	Oxygen House (Pvt) Limited	Non-Executive
	LOLC India Finance (Pvt) Limited	Non-Executive

Name of the Director	Directorates as at 31.03.2024	Nature of appointment
Mr D M D K Thilakaratne	LOLC Finance PLC	Executive
	Seylan Bank PLC	Non-Executive
	OJSC Micro Finance Company "ABN"	Non-Executive
	Commercial Factors (Private) Limited	Non-Executive
	Commercial Insurance Brokers (Pvt) Ltd	Non-Executive
	LOLC Myanmar Micro Finance Company Limited	Non-Executive
	Fazos LLC – Tajikistan	Non-Executive
	LOLC Bank - Philippines	Non-Executive
	LOLC Micro Finance Bank - Pakistan	Non-Executive
Mr B C G De Zylva	LOLC Finance PLC	Non-Executive
	LOLC Myanmar Micro-Finance Company Limited	Non-Executive
	LOLC (Cambodia) PLC	Non-Executive
	Serendib Microinsurance Plc	Non-Executive
Mr P A Wijeratne	LOLC Finance PLC	Non-Executive
Mr K Sundararaj	LOLC Finance PLC	Non-Executive
	Tax Partner at M/S Amerasekera and Company, Chartered Accountants	Partner
Mr S Lankathilake	LOLC Finance PLC	Non-Executive
Mr A J L Peiris	LOLC Finance PLC	Non-Executive
	LOLC Life Assurance Limited	Non-Executive

Directors' Statement on Internal Control over Financial Reporting

REPORTING RESPONSIBILITY

The Board of Directors ("the Board) of LOLC Finance PLC {'the company} hereby issues this report on adherence to prudential requirements, regulations, and laws, as mandated by Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka

The Board is responsible for ensuring the adequacy and effectiveness of the internal control over financial reporting of the company. In this regard, the Board has established an ongoing process for identifying, evaluating, and managing significant risks faced by the Company, which includes enhancing the system of internal control over financial reporting as and when there are changes to the business environment or regulatory guidelines. This process is regularly reviewed by the Board to maintain its effectiveness.

The Board is of the view that the system of internal control over financial reporting in place, is adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. In assessing the internal control system over Financial Reporting, identified officers of the Company is continuously improving the processes and procedures in line with the industry best practices and regulatory reporting requirements. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis. Progressive improvements on the control framework covering processes relating to expected credit loss (ECL) model, investment balance and reconciliations related to asset balances are being made. The matters addressed by the External Auditor's in this respect, will be taken into consideration and appropriate steps will be taken to incorporate same, where applicable.

The Company adopts Sri Lanka Accounting Standard comprising LKAS and SLFRS and progressive improvements on processes to comply with requirements of recognition, measurement, classification and discourse are being made whilst further strengthening of process will take in its financial reporting and management information.

CONFIRMATION

Based on the above processes, 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 has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditor, Messrs. Ernst & Young, has reviewed the Director's Statement on Internal Control Over Financial Reporting included in the Company's Annual Report for the year ended 31 March 2024. They have reported that based on the procedures they performed, nothing has come to their attention that causes them to believe the statement included in the annual report is inconsistent with their understanding of the process adopted by the Board of Directors in reviewing the design and effectiveness of the Company's internal control over financial reporting. The assurance report by the external auditors on the Directors' Statement on Internal Control Over Financial Reporting is given on page 89 of this annual report.

DECLARATION ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

The Board provides this report detailing compliance with prudential standards, regulations, and legal requirements, as per Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

The Board confirms that there are no significant regulatory or supervisory concerns regarding lapses in the Company's risk management systems or non-compliance with prudential requirements, regulations, laws, and Acts. As a result, there are no regulatory directives requiring public disclosure, and no measures to be taken or disclosures are required in this regard.

By order of the Board,

Mr. Conrad Dias
Chairman/Non-Executive Director

Mr. Krishan Thilakaratne
Director/Chief Executive Officer

27th June 2024

Independent Assurance Report

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LOLC FINANCE PLC

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

We were engaged by the Board of Directors of LOLC Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2024.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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

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

Summary of work performed

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

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

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

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

27 June 2024
Colombo

Report of the Audit Committee

COMPOSITION

The Audit Committee was established for the purpose of assisting the Board in fulfilling their responsibilities relating to financial governance. During the year under review, the Committee comprised the following members:

K Sundararaj	Committee Chairman/ Independent Director
P A Wijeratne	Senior Independent Director
A J L Peiris	Independent Director

TERMS OF REFERENCE

The Audit Committee is governed by the Audit Charter which defines its terms of reference. The composition and scope of the committee meets the requirements set out in the Finance Companies Corporate Governance Direction No. 5 of 2021 and the Listing Rules of the Colombo Stock Exchange.

The Charter has been reviewed and updated in August 2023. The Committee has been mandated to ensure that a sound Financial Reporting System is established by: reviewing the appropriateness of procedures in place for the identification, evaluation and management of business risks; ensuring that internal controls relating to all areas of operations, including Human Resources and IT enhance good governance while not impeding business; seeking assurance that agreed control systems are in place, are operating efficiently and are regularly monitored; ensuring that appropriate controls are put in place prior to the implementation of significant business changes, facilitating monitoring of the changes; reviewing internal and external audit functions; and ensuring compliance with applicable laws, regulations, listing rules and established policies of the Company.

ACTIVITIES OF THE COMMITTEE

Mr. Kandiah Sundararaj counts over 29 years experience in Accounting, Auditing and Tax consulting. He started his career as a Chartered Accountant in 1998 and is currently serving as the Tax Partner in M/s Amerasekera and Company, Chartered Accountants. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Master of Business Administration in Finance from the University of Colombo.

During the year under review the Committee reviewed interim and annual Financial Statements prior to publication, checked and recommended changes in accounting policies, significant estimates and judgments made by the management, compliance with relevant accounting standards/regulatory requirements, issues arising from internal and external audit, and reviewed the committee performance during the year under review.

Effectiveness of the Company's internal controls was evaluated through reports provided by the management, and by the Internal and External Auditors. The Committee is satisfied that an effective system of internal control is in place to provide the assurance on safeguarding the assets and the integrity of financial reporting. On behalf of the Audit Committee, the Internal Auditor performs a comprehensive exercise that entails reviewing of all aspects of MIS including operational and regulatory risks. The Company's level of compliance of the Corporate Governance Direction was assessed by the External Auditors.

The Committee addressed the External Auditors' findings reported in the Management Letter relating to the previous financial year's (2022/23) audit.

The Committee reviewed the independence and objectivity of the External Auditors, M/s Ernst & Young, Chartered Accountants and has received a declaration confirming that they do not have any relationship or interest in the Company as required by the Companies Act, No. 7 of 2007.

The Audit Committee has determined that the External Auditors were in fact independent as: they are not engaged in providing any non-audit services to the Company; and the fees charged for audit assignments are not significant to impair their judgment/ independence.

In accordance with good governance initiatives and applicable regulations, audit partner rotation is practiced, with the latest rotation taking place for the 31st March 2024 audit.

In accordance with applicable regulations, the Audit Committee has recommended to the Board and the shareholders the rotation of the Auditors of the Company, by the appointment of Messrs. Deloitte Partners, Chartered Accountants as Auditors for the ensuing financial year 2024/25.

MEETINGS

The Committee meets quarterly and additional meetings are held as and when a need arises. Six (06) meetings were held during the year and the members' attendance at Audit Committee meetings is provided on page 76. The CEO and the Head of Finance are invited to these meetings. Minutes of such meetings which include details of matters discussed are reported regularly at Board meetings. The audit partner was invited to attend two (02) meetings and on two (02) instance, the auditors were able to meet with the Audit Committee members without the presence of other directors and members of the management.

K Sundararaj
Chairman, Audit Committee

Rajagiriya
27th June 2024

Report of the Integrated Risk Management Committee

COMPOSITION

The Integrated Risk Management Committee (IRMC) was established to assist the Board in performing its oversight function in relation to different types of risk faced by the Company in its business operations and ensures adequacy and effectiveness of the risk management framework of the Company. During the year under review the Committee comprised the following members:

S Lankathilake	Committee Chairman/ Independent Director
P A Wijeratne	Senior Independent Director
K Sundararaj	Independent Director

TERMS OF REFERENCE

The IRMC is governed by its Terms of Reference (TOR) which includes the provisions of the Finance Companies Corporate Governance Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka. The TOR was reviewed and strengthened in April 2023 in accordance with the requirements of the aforesaid direction.

ACTIVITIES OF THE COMMITTEE

Credit, Operational, Market, Liquidity, Compliance, Technology and Regulatory and Reputational Risks are monitored by divisional heads and reported to ERM on a monthly basis. The Head of Risk Management in turn performs an independent and selective scrutiny of relevant matters and issues summarised reports monthly to the Board, as well as quarterly reports to the Committee with recommendations for concurrence and/ or specific directions in order to ensure that the risks are managed appropriately.

As delegated by the Committee the Head of Risk Management further submits a risk assessment report to the Board, subsequent to each meeting within a week of each meeting, stating the risk mitigation actions adopted. The Committee works closely with the key responsible persons and the Board in fulfilling its duties in risk management.

During the year the Committee: approved the Risk Management Plan for the year, reviewed and revised the Key Risk Indicators / risk parameters adopted; reviewed actual results computed monthly against such revised risk indicators and took prompt corrective strategies to mitigate the effects of the specific risk; reviewed and recommended the adoption of a business continuity policy; reviewed the effectiveness of the compliance function to assess the Company's compliance with laws, regulatory guidelines, internal controls and approved policies in all areas of business operations, including the compliance plan; reviewed the adequacy and effectiveness of management level committees such as Assets & Liability Committee and the Credit Committee. The Committee further reviewed its own performance during the year under review.

MEETINGS

During the year the Committee met four (04) times on a quarterly basis. The attendance of members at meetings is stated on page 77. Proceedings of meetings are also tabled at a subsequent meeting of the Board.

S Lankathilake

Chairman, Integrated Risk Management Committee

Rajagiriya
27th June 2024

Report of the HR & Remuneration Committee

COMPOSITION

The Committee comprises the following Members:

P A Wijeratne	Committee Chairman/ Senior Independent Director
K Sundararaj	Independent Director
F K C P N Dias	Non-Executive Director

TERMS OF REFERENCE

The HR & Remuneration Committee Terms of Reference (TOR) has been reviewed and updated in March 2024 in accordance with the Finance Companies Corporate Governance Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and the revised requirements set out in the Listing Rules of the Colombo Stock Exchange.

The Committee has adopted a Board approved Remuneration Policy which has vested it with powers to evaluate, assess and recommend to the Board for approval any fee, remuneration and ex gratia to be paid out to its Directors including the Chief Executive Officer based on: the need of the Company to be competitive, the need to attract, motivate, retain talent, the need to encourage and reward high levels of performance and achievement of corporate goals and objectives.

The Committee is also responsible for: establishing a formal and transparent procedure for developing the remuneration policy, determining remuneration relating to executive directors, senior managers and fees and allowances for non-executive directors, recommend the remuneration policy on paying salaries, allowances and other financial incentives for all employees of the Company including any subsequent material changes for approval of the Board, ensure that the remuneration structure is in line with the business strategy, and cost structure of the Company, incorporate measures to prevent conflicts of interest, excluding chief internal auditor, compliance officer, chief risk officer review the performance of the senior management 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.

ACTIVITIES OF THE COMMITTEE

During the year, the Committee reviewed and revised its Terms of Reference in accordance with the requirements of the Colombo Stock Exchange, recommended for board approval the restructuring of fees paid to independent directors, and periodic revisions made to HR policies adopted by the Company. The Committee also reviewed and ratified the basis of granting staff performance based exgratia payments for the year under review.

The total amount paid as directors' emoluments have been disclosed on page 65.

MEETINGS

One meeting was held during the year under review. The attendance of members at the meeting is stated on page 78. Proceedings of this meeting were also tabled at a subsequent meeting of the Board.

P A Wijeratne
Chairman, HR and Remuneration Committee

Rajagiriya
27th June 2024

Report of the Related Party Transaction Review Committee

COMPOSITION

The Related Party Transaction Review Committee was initially formed by the Board to comply with the related Rules of the Colombo Stock Exchange. During the year under review, the Committee comprised the following members:

A J L Peiris	Committee Chairman/ Independent Director
K Sundararaj	Independent Director
S Lankathilake	Independent Director

TERMS OF REFERENCE

The Committee is governed by its Terms of Reference (TOR) which encompass the requirements stipulated under the Code of Best Practice on Related Party Transactions (RPTs) issued by the Securities and Exchange Commission of Sri Lanka. The TOR was last revised in February 2020.

POLICIES AND PROCEDURES ADOPTED

On behalf of the Board, the Committee has established a Related Party Transaction Policy consistent with the Company's business model to ensure that all related party transactions are carried out in compliance with the provisions in its TOR, the Directions issued to Finance Companies by CBSL on Lending/Single Borrower Limits and the Sri Lanka Accounting Standards while maintaining fairness and transparency. This Policy was last revised in July 2024 taking into consideration the related provisions stipulated in the Finance Companies (Corporate Governance) Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL).

The Committee quarterly reviews all recurrent and non recurrent RPTs of the Company. The Company has implemented a system that enables the Company to capture and retrieve data on RPTs. This system generates comprehensive reports for management review and for quarterly review of the Committee reflecting all related party transactions including expenses, income, lending and amounts outstanding.

When reviewing facilities to RPTs, the Committee considers the nature of the transaction, terms, conditions, value and the statement of compliance signed off by the key responsible persons of the Company in order to determine whether the transaction proposed will be carried out in accordance with the policy adopted.

Reviewing and approval of RPTs are either at its quarterly meetings with a majority of the members present to form a quorum or by circulation consented to by a majority.

The Committee reviews the policy and procedures on an annual basis or when need arises.

ACTIVITIES OF THE COMMITTEE

During the year the Committee has reviewed the list of individuals and entities identified as related parties of the Company, reviewed quarterly all recurrent and non-recurrent RPTs of the Company and was satisfied that such transactions had been carried out at market rates; and where applicable, the Guidelines of the CSE, CBSL and the Sri Lanka Accounting Standards had been complied with in relation to approvals/reporting/disclosure. With the approval of the Board, the Committee further reviewed and adopted a connected party policy (individuals/entities that does not fall under the definition of LKAS 24 but affiliated to the entity) as proposed by the Management.

During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 33.

The aggregate value of the recurrent related party transactions during the year, did not exceed 10% of the gross revenue/ income of the Company requiring disclosure in terms of Section 9.14.7(1) (b) of the Listing Rules of the CSE.

The Chief Executive Officer, Compliance Officer, the Head of Finance, and the Head of Treasury are invited for Committee meetings, to ensure on behalf of the Committee and the Board that all related party transactions of the Company are consistent with applicable rules and regulations.

A declaration by the Board of Directors as an affirmative statement of compliance with the Listing Rules pertaining to related party transactions is given on page 84 of this report

MEETINGS

Four Committee meetings were held during the year. The attendance of members at meetings is stated on page 77. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

A J L Peiris

Chairman, Related Party Transaction Review Committee

Rajagiriya
27th June 2024

Report of The Nominations and Governance Committee

COMPOSITION

The Nominations Committee was initially voluntarily established to assist the Board in assessing the skills required and recommending director nominees for election to the Board (subject to ratification by the shareholders) and to its sub committees to effectively discharge their duties and responsibilities. During the year under review, the Committee comprised the following membership:

S Lankathilake	Committee Chairman/ Independent Director
A J L Peiris	Independent Director
F K C P N Dias	Non-Executive Director

TERMS OF REFERENCE

The Terms of Reference (TOR) of the Committee were in accordance with the provisions of the Finance Companies Corporate Governance Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka.

The Committee name was changed to Nominations & Governance and its TOR revised in March 2024 taking into consideration the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange. There were no changes made to the membership of the Committee.

ACTIVITIES OF THE COMMITTEE

The Committee's duties and responsibilities are: assist the Board in identifying qualified individuals to become Board members; implement a formal and transparent procedure for the appointment of new directors and senior managers; annual review of the composition of the Board of Directors and its committees; oversight of the evaluation of the Board and its Committees, as well as senior management of the Company and succession planning; ensure that directors and senior managers are fit and proper persons to perform their functions; perform any other activities consistent with this Charter and the scope of the Nomination & Governance Committee or as deemed necessary and appropriate by the Committee and the Board.

During the year under review, the Committee, reviewed the membership of its sub committees taking into consideration the experience and expertise of each individual member in terms of the requirements of CBSL as well as CSE; reviewed further the officers identified as key responsible persons of the Company; and recommended for Board and CBSL approval the continuation/re-election of existing board members in terms of the Finance Companies Fitness & Propriety of Directors & Officers Direction No. 6 of 2021.

MEETINGS

One (01) Committee meeting was held during the year under review and proceedings of this meeting were reported to the Board. The attendance of members at meetings is stated on page 78.

S Lankathilake

Chairman, Nomination & Governance Committee

Rajagiriya
27th June 2024

Report of the Board Credit Committee

COMPOSITION

The Board Credit Committee comprises the following membership:

P A Wijeratne	Committee Chairman/ Senior Independent Director
A J L Peiris	Independent Director
S Lankathilake	Independent Director

TERMS OF REFERENCE

The Board established this Committee voluntarily and its Charter/Terms of Reference (TOR) defines its purpose.

ACTIVITIES OF THE COMMITTEE

The Committee's duties and responsibilities are;

a) Assist the Board in effectively fulfilling its responsibilities relating to credit direction, credit policy and lending guidelines to inculcate a healthy lending culture, standards and practices while ensuring relevant rules, regulations and directions issued by the appropriate authorities are complied with

b) To fulfil this objective considering the changes proposed by the management from time to time to the credit policy and lending guidelines of the Company

c) Review the credit risk controls in lending

d) Ensure alignment with the market context and the internal policy on prevailing regulatory framework to ensure continuous maintenance and enhancement of the overall quality of the lending portfolio

e) evaluate and approve credit proposals which are within the delegated authority limits of the committee approved by the Board

f) Recommend credit proposals which fall within the purview of the Board

The Committee decisions/recommendations were facilitated through circular resolutions . There were no meetings held during the year under review.

P A Wijeratne
Chairman, Board Credit Committee

Rajagiriya
27th June 2024

Chief Executive Officer's and Head of Finance's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by Institute of Chartered Accountant of Sri Lanka, the requirements of the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995,the Companies Act No.7of 2007, the Finance Business Act No.42 of 2011, the Listing Rules of the Colombo Stock Exchange (as amended) ,the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Exchange Commission of Sri Lanka (2023) and the directions, circulars and guidelines issued by the Central Bank of Sri Lanka to the Non-Bank Financial Institutes.

Accordingly, the Company has prepared Financial Statements which comply with SLFRSs/ LKASs and related interpretations applicable for period ended 31 March 2024, together with the comparative period data as at and for the year ended 31 March 2024, as described in the accounting policies.

There are no changes to the accounting policies and the significant accounting policies have been applied consistently. Where necessary, comparative information has been reclassified to align with the current year's presentation. Application of significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the external auditors. Estimate and judgment relating to the Financial Statements were made on a prudent and reasonable basis, to ensure that the financial statements are true and fair. To ensure this, our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed.

We accept responsibility for the integrity and accuracy of these Financial Statements and confirm that to the best of our knowledge, the Financial Statements and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this Annual Report. We also confirm that the company has sufficient resources to continue in operation and has applied the going concern basis in preparing these Financial Statements.

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error.

We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this Annual Report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees.

The Financial Statements were audited by Messrs. Ernst & Young, Chartered Accountants, the Independent Auditors. The report issued by them is included in page 101 of the Annual Report. The Audit Committee pre - approves the audit and non-audit services provided by Messrs. Ernst & Young in order to ensure that the provision of such services does not impair Ernst & Young's independence and objectivity. The Audit Committee also reviews the external audit plan and the management letters and follows up on any issues raised during the statutory audit. The Audit Committee also meets with the external and internal auditors to review the effectiveness of the audit.

We confirm to the best of our knowledge that the company has complied with all applicable laws and regulations and guidelines. There are no significant instances of non-compliance and there are no pending litigations against the company other than those arising in the normal course of conducting business.

Mr. Buddhika Weeratunga
Head of Finance

Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
27th June 2024

Directors' Responsibility for Financial Reporting

This statement outlines the responsibility of the Directors regarding the preparation of the Financial Statements for the Company in accordance with the provisions 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 based on Sri Lanka Accounting Standards and are in conformity with the requirements of the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995,the directions and guidelines issued by the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011, the Listing Rules of the Colombo Stock Exchange 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 responsibility for the integrity and accuracy of the Financial Statements presented and confirm that 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 safeguard the assets of the Company, to prevent, deter and detect fraud, and to ensure the integrity, accuracy and safeguarding of operational and financial records.

Further, it is the responsibility of the Directors to ascertain that the Company possesses sufficient resources to sustain its operations, substantiating the rationale for employing the going concern approach in formulating these Financial Statements.

The Board of Directors has taken appropriate actions to ensure that the company maintains proper books of records. The financial reporting system is regularly reviewed by the Board of Directors through the Audit Committee.

The Board of Directors also gives their approval to the interim Financial Statements after they are reviewed and recommended by the Board Audit Committee before these statements are made public.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the reporting date have been paid for, or where relevant, provided for.

The External Auditors, Messrs. Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the financial statements. The Report of the Auditors is set out on pages 101 to 104.

Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
27th June 2024

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FINANCIAL INFORMATION

Financial Calendar

Financial Calendar 2023/24	
1st Quarter Results 2023/24 released on	Monday, August 14, 2023
2nd Quarter Results 2023/24 released on	Monday, November 06, 2023
3rd Quarter Results 2023/24 released on	Wednesday, February 14, 2024
4th Quarter Results 2023/24 released on	Thursday, May 30, 2024
Annual report for 2023/24 released on	Friday, August 30, 2024
23rd Annual General Meeting on	Monday, September 30,2024

Proposed Financial Calendar 2024/25	
1st Quarter Results 2024/25 released on	Thursday, July 30, 2024
2nd Quarter Results 2024/25 will be released on	Friday, November 15, 2024
3rd Quarter Results 2024/25 will be released on	Friday, February 14, 2025
4th Quarter Results 2024/25 will be released on	Friday, May 30, 2025
Annual report for 2024/25 will be released on	Friday, August 29, 2025
24th Annual General Meeting on	Tuesday, September 30, 2025

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Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LOLC Finance PLC ("the Company"), which comprise the statements of financial position as at 31 March 2024, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of Financial Assets at Amortised Cost Allowances for expected credit losses of financial assets arising from loans and advances of LKR 250Bn (Note 6 & 7) is determined by the management based on the accounting policies described in Note 2.2.10.	In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures: » Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. » Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.

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Key audit matter	How our audit addressed the key audit matter
This was a key audit matter due to » the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and » the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.	» Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. » Evaluated the reasonableness of credit quality assessments and related stage classifications. » Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. » Assessed the adequacy of the related financial statement disclosures set out in notes 6 & 7.
Information Technology (IT) systems related internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter	Our audit procedures included the following key procedures: » Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. » Involved our internal specialised resources and; - Obtained and understanding IT Governance Structure of the Company - Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. - Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. » Tested source data of the reports used to generate disclosures for accuracy and completeness.

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Key audit matter	How our audit addressed the key audit matter
Assessment of fair value of land and buildings in Investment Properties Investment Properties include land and buildings carried at fair value. The fair value of land and buildings were determined by external valuers engaged by the Company. This was a key audit matter due to: » the materiality of the reported fair value of land and buildings which amounted to Rs.48 Bn representing 13% of the Company's total assets as of the reporting date; and » the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the market approach. Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Notes 2.4 and 12 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as: - Estimate of per perch value of the land - Estimate of the per square foot value of the buildings	Our audit procedures included the following key procedures: » Assessed the competence, capability and objectivity of the external valuers engaged by the Company » Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property » Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value and per square foot value as relevant in assessing the fair value of each property We also assessed the adequacy of the disclosures made in notes 2.4 and 12 to the financial statements.

Other information included in the Company's 2024 Annual Report

Management is responsible for the other information. The other information comprises the Company's 2024 annual report, but does not include the financial statements and our auditor's report thereon. The Company's 2024 annual report is expected to be made available after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 scepticism throughout the audit. We also:

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- 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 internal controls of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.

Ernst & Young

27 June 2024
Colombo

Statement of Financial Position

As at 31 March	Note	2024 Rs.	2023 Rs.
ASSETS			
Cash and bank balances	3	11,486,913,702	16,484,821,741
Deposits with banks and other financial institutions		4,060,474,917	2,493,925,170
Investment in government securities and others	4	30,079,990,052	31,452,712,476
Derivative financial instruments	5.1	-	64,428,025
Financial assets at amortised cost			
Rentals receivable on leased assets	6	61,348,491,025	62,066,670,371
Loans and advances	7	178,772,777,691	175,582,031,440
Factoring receivable	7.6	3,095,651,081	2,270,162,033
Margin trading receivable	7.5	6,424,842,561	6,649,394,997
Investment securities	8	17,723,177,223	4,732,580,531
Investment in associate	9	249,943,293	564,084,948
Amount due from related companies	10	111,145,630	57,161,090
Other receivables	11	3,403,197,457	5,477,987,296
Inventories		39,664,090	146,134,701
Investment properties	12	48,313,343,394	41,252,661,174
Property and equipment and right-of-use assets	13	12,362,617,310	11,552,981,653
Total assets		377,472,229,426	360,847,737,645
LIABILITIES			
Bank overdraft	3	5,017,647,043	8,783,895,368
Interest bearing borrowings	14	20,912,613,355	31,429,413,795
Deposits from customers	15	206,368,226,125	201,270,901,382
Trade payables	16	102,869,442	258,736,201
Accruals and other payables	17	16,001,593,839	10,890,336,109
Derivative financial instruments	5.2	-	11,634,977
Amount due to related companies	18	332,082,063	1,069,238,403
Current tax payable	29.1	2,681,710,125	2,681,710,123
Deferred tax liability	29.2	2,999,055,285	2,990,836,600
Employee benefits	19.2	710,960,950	652,806,770
Total liabilities		255,126,758,228	260,039,509,727
SHAREHOLDERS' FUNDS			
Stated capital	20	306,993,805,501	306,993,805,501
Statutory reserve	21.1	6,291,146,123	5,213,771,358
Revaluation reserve	21.2	1,247,187,997	1,247,187,997
Cash flow hedge reserve	21.3	41,014,495	41,014,495
Fair value through OCI reserve	21.4	302,199,666	331,628,639
Regulatory loss allowance reserve	21.5	6,816,123,553	3,231,500,379
Merger reserve	21.6	(262,914,889,649)	(262,914,889,649)
Retained earnings	21.7	63,568,883,512	46,664,209,198
Total equity		122,345,471,198	100,808,227,917
Total liabilities and equity		377,472,229,426	360,847,737,645
Commitments and Contingencies	36	30,512,446,479	31,665,622,336
Net asset value per share		3.70	3.05

These financial statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

(Mr.) Buddhika Weeratunga
Head of Finance

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

(Mr.) Krishan Thilakaratne
Director / CEO

(Mr.) Conrad Dias
Chairman / Non Executive Director

The annexed notes to the financial statements on pages 111 through 178 form an integral part of these financial statements.

27 June 2024
Rajagiriya (Greater Colombo)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Interest income	22	75,005,901,247	69,039,674,481
Interest expense	23	(37,019,229,768)	(36,124,595,817)
Net interest income		37,986,671,479	32,915,078,664
Net other operating income	24	13,460,940,285	9,982,264,897
Direct expenses excluding interest cost	25	(1,020,318,173)	(879,932,477)
Allowance for impairment & write-offs	26	(4,656,710,269)	(3,623,997,875)
Personnel expenses	27.1	(6,886,450,056)	(6,057,681,094)
Depreciation	13	(1,186,105,705)	(734,219,712)
General & administration expenses		(12,718,655,912)	(11,289,223,941)
Profit from operations	27	24,979,371,649	20,312,288,461
Taxes on financial services	25.1	(3,465,809,949)	(4,023,910,543)
Profit from operating activities		21,513,561,700	16,288,377,919
Share of profit / (loss) of equity accounted investee		33,933,617	(895,111,321)
Profit before tax		21,547,495,316	15,393,266,598
Income tax (expense) / reversal	29	-	-
Profit for the year		21,547,495,316	15,393,266,598
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability - gain / (loss)	19.2.b	27,395,624	51,711,081
Related tax	29	(8,218,687)	(28,785,054)
		19,176,937	22,926,027
Revaluation gain on property, plant and equipment	21.2	-	-
Related tax	21.2	-	(258,444,158)
		-	(258,444,158)
Movement in fair value (Equity investments at FVOCI)		(29,428,973)	12,376,236
Total of items that will never be reclassified to profit or loss		(10,252,036)	(223,141,895)

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Items that are or may be reclassified to profit or loss			
Movement in fair value through OCI reserve	4.1.2	-	175,480,700
Related tax	4.1.2	-	3,018,739
		-	178,499,439
Movement in hedge reserve	21.3	-	155,895,000
Related tax	21.3	-	(31,179,000)
		-	124,716,000
Total of items that are or may be reclassified to profit or loss		-	303,215,439
Total other comprehensive income, net of tax		(10,252,036)	80,073,543
Total comprehensive income for the year		21,537,243,280	15,473,340,141
Basic earnings per share	30	0.65	0.72

The annexed notes to the financial statements on pages 111 through 178 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March	Note	Stated Capital Rs.	Statutory Reserve Rs.	Revaluation Reserve Rs.
Balance as at 01 April 2022		211,581,447,542	4,444,108,028	1,505,632,154
Total comprehensive income for the year				
Profit for the year		-	-	-
Other comprehensive income, net of income tax				
Remeasurements of defined benefit liability - gain / (loss)	19.2 / 29.2	-	-	-
Revaluation gain on property, plant and equipment	21.2	-	-	(258,444,158)
Revaluation gain on fair value through OCI investments	8.2.2	-	-	-
Movement in fair value through OCI reserve	4.1.3	-	-	-
Net movement of cashflow hedges	21.3 / 29.2	-	-	-
		-	-	(258,444,158)
Total comprehensive income for the year		-	-	(258,444,158)
Transactions recorded directly in equity				
Transfer to regulatory loss allowance reserve	21.5	-	-	
Transfer to statutory reserve fund	21.1	-	769,663,330	-
Shares issued during the year	20	95,412,357,959	-	-
Excess of the investment and other adjustments on merger with subsidiary	21.6	-	-	-
Total transactions recorded directly in equity		95,412,357,959	769,663,330	-
Balance as at 31 March 2023		306,993,805,501	5,213,771,358	1,247,187,997
Balance as at 01 April 2023		306,993,805,501	5,213,771,358	1,247,187,997
Total comprehensive income for the year				
Profit for the year		-	-	-
Other comprehensive income, net of income tax				
Remeasurements of defined benefit liability - gain / (loss)	19.2 / 29.2	-	-	-
Revaluation gain on property, plant and equipment	21.2	-	-	-
Revaluation gain on fair value through OCI investments	8.2.2	-	-	-
Movement in fair value through OCI reserve	4.1.2	-	-	-
		-	-	-
Total comprehensive income for the year		-	-	-
Transactions recorded directly in equity				
Transfer to regulatory loss allowance reserve	21.5	-	-	
Transfer to statutory reserve fund	21.1	-	1,077,374,766	-
Total transactions recorded directly in equity		-	1,077,374,766	-
Balance as at 31 March 2024		306,993,805,501	6,291,146,123	1,247,187,997

The annexed notes to the financial statements on pages 111 through 178 form an integral part of these financial statements.

Cash flow Hedge Reserve Rs.	Fair Value Through OCI Reserve Rs.	Regulatory loss allowance reserve Rs.	Merger Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
(83,701,505)	140,752,964	-	(169,284,516,561)	35,249,180,283	83,552,902,906
-	-	-	-	15,393,266,598	15,393,266,598
-	-	-	-	22,926,027	22,926,027
-	-	-	-	-	(258,444,158)
-	12,376,236	-	-	-	12,376,236
-	178,499,439	-	-	-	178,499,439
124,716,000	-	-	-	-	124,716,000
124,716,000	190,875,675	-	-	22,926,027	80,073,543
124,716,000	190,875,675	-	-	15,416,192,624	15,473,340,141
-	-	3,231,500,379	-	(3,231,500,379)	-
-	-	-	-	(769,663,330)	-
-	-	-	-	-	95,412,357,959
-	-	-	(93,630,373,088)	-	(93,630,373,088)
-	-	3,231,500,379	(93,630,373,088)	(4,001,163,709)	1,781,984,871
41,014,496	331,628,639	3,231,500,379	(262,914,889,649)	46,664,209,198	100,808,227,918
41,014,496	331,628,639	3,231,500,379	(262,914,889,649)	46,664,209,198	100,808,227,918
-	-	-	-	21,547,495,316	21,547,495,316
-	-	-	-	19,176,937	19,176,937
-	-	-	-	-	-
-	(29,428,973)	-	-	-	(29,428,973)
-	-	-	-	-	-
-	(29,428,973)	-	-	19,176,937	(10,252,036)
-	(29,428,973)	-	-	21,566,672,253	21,537,243,280
-	-	3,584,623,173	-	(3,584,623,173)	-
-	-	-	-	(1,077,374,766)	-
-	-	3,584,623,173	-	(4,661,997,939)	-
41,014,496	302,199,666	6,816,123,553	(262,914,889,649)	63,568,883,513	122,345,471,199

Statement of Cash Flows

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Cash flows from operating activities			
Profit before income tax expense		21,547,495,316	15,393,266,598
Adjustments for:			
Depreciation	13	1,186,105,705	734,219,712
(Profit)/ loss on sales of investment property and PPE	24	(75,450,812)	(48,178,109)
Change in fair value of derivatives - forward contracts	24	52,793,048	2,864,647,190
Provision for fall / (increase) in value of investments	24	(978,721,509)	(51,672,112)
Impairment provision for the year	26	(131,455,123)	1,685,314,523
Change in fair value of government securities		(2,811,984,417)	-
Change in fair value of investment property	24	(7,065,106,338)	(3,525,884,968)
Provision for defined benefit plans	19.2	139,173,599	62,301,733
Share profit of equity accounted investee		(33,933,617)	895,111,321
Investment income		(5,138,302,444)	(5,695,903,918)
Finance costs	23	37,019,229,768	36,124,595,817
Operating profit before working capital changes		43,709,843,177	48,437,817,788
Change in other receivables		1,811,068,584	(3,504,044,855)
Change in inventories		106,470,611	309,974,623
Change in trade and other payables		4,983,505,629	1,857,820,263
Change in amounts due to / due from related parties		(791,140,880)	(2,698,991,721)
Change in lease receivables		1,617,519,486	5,583,532,125
Change in loans and advances		(1,405,006,604)	(28,542,014,918)
Change in factoring receivables		(779,647,374)	(737,609,652)
Change in margin trading advances		201,113,939	212,402,274
Change in fixed deposits from customers		7,946,124,857	31,483,788,815
Change in savings deposits from customers		(2,158,773,977)	(7,102,997,505)
Cash (used in) / generated from operations		55,241,077,447	45,299,677,237
Finance cost paid on deposits		(34,042,087,957)	(23,301,640,135)
Gratuity paid	19.2	(81,019,419)	(37,477,082)
Income tax paid	29.1	-	(7,523,981)
Net cash from / (used in) operating activities		21,117,970,071	21,953,036,038
Cash flows from investing activities			
Acquisition of property, plant & equipment & investment property		(3,575,071,475)	(2,505,371,926)
Proceeds from sale of property, plant & equipment & investment property		2,114,172,328	329,772,361
Purchase of government securities		(32,117,687,011)	(76,882,231,614)
Proceeds from sale of government securities		32,178,656,975	71,794,463,715
Net proceeds from investments in commercial papers		1,355,743,974	(3,454,854,860)
Net proceeds from investments in term deposits		(1,566,549,747)	6,391,685,641
Net proceeds from investments securities		(11,693,228,883)	4,982,965,607
Interest received		5,138,302,444	5,695,903,918
Net cash flows used in investing activities		(8,165,661,396)	6,352,332,842
Cash flows from financing activities			
Proceeds from interest bearing loans & borrowings		(5,909,455,594)	(21,214,104,552)
Proceeds from issue of debentures	13.3	(2,500,000,000)	-
Lease rentals paid	14.2.1	(522,561,601)	(435,611,925)
Finance cost paid on borrowings		(5,251,951,192)	(6,061,266,990)
Net cash flows from / (used in) financing activities		(14,183,968,388)	(27,710,983,468)
Net increase / (decrease) in cash and cash equivalents		(1,231,659,714)	594,385,413
Addition on merger with subsidiary		-	499,349,282
Cash and cash equivalents at the beginning of the year		7,700,926,373	6,607,191,677
Cash and cash equivalents at the end of the year (note 3)		6,469,266,659	7,700,926,373

The annexed notes to the financial statements on pages 111 through 178 form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL

1.1 Reporting Entity

1.1.1 Corporate Information

LOLC Finance PLC ("the Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company's immediate parent is LOLC Ceylon Holdings PLC and ultimate parent undertaking and controlling entity is LOLC Holding PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprised of leasing, loans, margin trading, mobilisation of public deposits and alternative financing.

There were no significant changes in the nature of the principal activities of the Company during the financial period under review.

1.1.4 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

1.1.5 Number of employees

The staff strength of the Company as at 31 March 2024 was 5,058 (March 2023 – 5,346).

1.2 Basis of preparation

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and amendments there to.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the period under review;
- a Statement of Financial Position providing the information on the financial position of the Company as at the period-end;
- a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2

1.2.2 Date of authorisation of issue

The Financial Statements were authorised for issue by the Board of Directors on 27 June 2024.

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Derivative financial instruments	Fair value	5
Non-derivative financial instruments at fair value through profit or loss	Fair value	8.1
Available for sale financial assets / fair value through other comprehensive income	Fair value	4.1.2
Investment property	Fair value	12
Land and buildings	Fair value	13
Net defined benefit assets / (liabilities)	Actuarially valued and recognised at the present value	19.2

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settled the liability simultaneously.

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

1.2.4 Materiality and aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.5 Going concern basis of accounting

Upon the recent merger, the Directors of the Company expect significant growth in assets as the synergies of the combined entity will unlock new market opportunities and would be a controlling arm of the NBFI sector as the market leader.

The management has formed reasonable judgement that the Company has adequate resources to continue its business operations for the foreseeable future monitoring its business performance and continuity by adopting risk mitigation initiatives. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.

1.3 Functional and Presentation Currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the period under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with SLFRSs/ LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

Critical Accounting estimate / judgment	Disclosure reference Note
Fair value measurement of financial instruments / investment properties / land and buildings	1.4.1 / 12.1 / 13.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on available for sale investments	1.4.4
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

» **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

» **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

» **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 12 – Investment property;

Note 13 – Property, plant and equipment; and

Note 2.2 & 2.2.4 – Financial instruments;

1.4.2 Financial assets and liability classification into categories

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets or liabilities into categories, the Company has determined that it meets the description of trading assets and liabilities set out in Note 2.2.1.b. In classifying financial assets as held to maturity, the Company has determined that it has both the positive intention and ability to hold the assets unit their maturity date as required by Note 2.2.1.b

1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.2.10.

1.4.4 Impairment losses on available for sale investments

The Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on available for sale investments is disclosed in Note 2.2.10.

1.4.5 Impairment losses on other assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the circumstances that necessitate doing so. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Specific Accounting Policies on impairment of non-financial assets are discussed in Note 2.6.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.7.3 for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

2. MATERIAL ACCOUNTING POLICIES

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow:

Index	Accounting policy
2.1	Foreign currency
2.2	Financial assets and financial liabilities
2.3	Leases
2.4	Investment property
2.5	Property plant and equipment
2.6	Impairment - non-financial assets
2.7	Employee benefits
2.8	Provisions
2.9	Equity movements
2.10	Capital commitments and contingencies
2.11	Events occurring after the reporting date
2.12	Interest income and interest expense
2.13	Fees, commission and other income
2.14	Dividends
2.15	Expenditure recognition
2.16	Income tax expense
2.17	Earnings per share
2.18	Cash flow statements
2.19	Related party transactions
2.20	Operating segments
2.21	Fair value measurement
2.22	New accounting standards issued but not effective as the reporting date.

2.1 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) are recognised in other comprehensive income.

2.2 Financial assets and financial liabilities

2.2.1 Non-derivative financial assets

2.2.1.a Initial recognition of financial assets

Date of recognition

The Company initially recognises loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets

The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss.

'Day 1' profit or loss on employee below market loans

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.2.1.b Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:

» amortised cost;

» fair value through other comprehensive income (FVOCI); and

» fair value through profit or loss (FVTPL).

2.2.1.c Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

» whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

» how the performance of the portfolio is evaluated and reported to the management;

» the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

» the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument.

For the purposes of this assessment,

"principal" is defined as the fair value of the financial asset on 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).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortised cost using the effective interest method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

» **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

» **Rentals receivable on leased assets**

When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

» **Loans and advances**

Advances and other loans to customers comprised of revolving loans and loans with fixed installment

Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.

» **Financial guarantees**

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

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 for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. This comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognised in statement of profit or loss as incurred.

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

Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortised cost.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the AFS reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss

2.2.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities

The Company initially recognises non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortised cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortised cost using the effective interest method.

2.2.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. **Fair value hedges**

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges.

ii. **Cash flow hedges**

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. **Net investment hedges**

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedges.

2.2.3.a Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.2.4 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

2.2.5 Derecognition of financial assets and financial liabilities

Financial assets

The Company derecognises a financial asset when the rights to receive cash flows from the asset have expired or the Company 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.

a) The Company has transferred substantially all the risks and rewards of the asset, or

b) The Company 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 amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.2.6 Modification of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, the Company 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 Company 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. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses measured using pre modification interest rate. In other cases, it is presented as interest income.

As per the Circular Nos. 4 and 5 of 2020 issued by CBSL dated May 4, 2020 and June 9, 2020 and Circular Nos. 4 and 9 of 2021 issued by CBSL dated March 12, 2021 and October 6, 2021 respectively, the Company granted payment deferrals to eligible customers affected by COVID-19, modifying the original contract. In this regard, NBFIs were allowed to charge upto a maximum of 11.5% per annum on the deferred instalments during the moratorium period of equated monthly instalments (EMI) loans. For other loans various types of interest rate concessions were given to the customers. Further, with the view of meeting the challenges faced by businesses and individuals due to the second wave of COVID-19, CBSL directed banks to extend the debt moratorium to such businesses and individuals further during the financial year 2021/22 as well. Finance Companies were expected to convert the capital and interest falling due during the moratorium period into a term loan. Repayment period of the new loans shall be minimum of two years, however, may vary based on the terms and conditions agreed with the borrower. NBFIs were allowed to recover interest at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available by April 01, 2021, plus 5.5 per cent per annum and shall not exceed 11.5% per annum.

So, the Company has made an assessment in this regard and it shows there is more than 4% PV difference across all the category of the loan due to the first moratorium. Further, in our view such difference would be further increased considerable considering the second moratorium offered by CBSL. Further, the loss of other fees that the Company used to charge its customers at the time of a modification and the penal interest also considerable due to moratorium. In the absence of any prescribed guidelines within SLFRS 9, entities need to develop their own policies and methods while performing the quantitative and qualitative evaluation of such modifications. So, based on the business model and the overall lending strategy, any PV loss beyond 3% will be significant to the Company. Therefore, from the date of moratorium started, the interest accrual will be made based on the revised effective interest rate adjusting applicable costs and fees.

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.

2.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

2.2.8 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2.2.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

2.2.10 Impairment

Overview of the expected credit loss (ECL) principles

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due and loss to take place after 90 days in accordance with the rebuttable presumption in SLFRS 9.

Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:

» Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated

» Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument

» Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument

» Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet it's obligation

» An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems

» Significant increase in credit risk on other financial instruments of the same borrower

» An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment.

Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

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

» Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.

» Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs such as the following in its Eco model.

Quantitative inputs	Qualitative inputs
GDP growth	Changes in Lending Policies and Procedure
Inflation	Changes in Bankruptcy and lending related Legislations
Unemployment	Credit Growth
Interest rates	Position of the Portfolio within the Business Cycle

Accordingly, under the collective assessment, customers operating in risk elevated industries including Tourism, Transportation and Construction were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business.

2.3 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.1 Finance Leases

Finance leases – Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases – Company as a lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in "Rentals receivable on leased assets".

The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

2.3.2 Operating Leases

Leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased items to the lessee are operating leases

Operating leases – Company as a lessor

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.5 Property plant and equipment

2.5.1 Recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other income/other expenses in profit or loss.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Company revalues its land, buildings and motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. In previous financial years, motor vehicles were under cost model and from the financial year 2021/22, it was changed from the cost model to the revaluation model and has not led to a retrospective restatement due to the exemption available in paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

On revaluation of land, buildings and motor vehicles, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the statement of profit or loss. A decrease in value is recognised in the statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.5.2 Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2.5.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current period are as follows:

Motor vehicles	4-8 years
Buildings	40 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

2.5.4 Right-of-Use Assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position. Right-of-use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

2.6 Impairment - non-financial assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Employee benefits

2.7.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.7.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognises all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

2.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.9 Equity movements

2.9.1 Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.9.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

2.9.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.10 Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

2.11 Events occurring after the reporting date

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

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

MATERIAL ACCOUNTING POLICIES – RECOGNITION OF INCOME AND EXPENSES

2.12 Interest income and interest expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortised cost, fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL) calculated on an effective interest basis.

2.12.1 Income from leases and term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

2.12.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognised at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.13 Fees, commission and other income

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

Other fees and commission income, including account servicing fees are recognised as the related services are performed.

Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.14 Dividends

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

2.15 Expenditure recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

2.15.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on the prescribed rate.

The VAT on financial service is recognised as expense in the period it becomes due.

2.15.2 Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

2.15.3 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.16 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Note 29 represent the major components of income tax expense to the financial statements.

2.16.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2.16.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The relevant disclosures are given in Note 29.2 to the financial statements.

2.17 Earnings per share

The Company presents basic and diluted 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 Company by the weighted average number of ordinary shares outstanding during the period. Specific disclosures are included in Note 30.1. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. The relevant disclosures are given in 30.2 to the financial statements.

MATERIAL ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.18 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

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 equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

MATERIAL ACCOUNTING POLICIES - GENERAL

2.19 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 33 to the Financial Statements.

2.20 Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has three reportable segments, Conventional financial services, Islamic financial services and Factoring, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 35. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

2.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

» In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to the company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

(a) quoted market in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.22 New accounting standards issued not yet effective as at reporting date

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

» A specific adaptation for contracts with direct participation features (the variable fee approach)

» A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024

2.23 Financial risk management

2.23.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

» Credit risk

» Liquidity risk

» Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

2.23.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management (ERM) and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by ERM. ERM undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2.23.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

2.23.3.1 Management of credit risk

1) Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

2. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.

3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries

5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.

6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.

7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

2) Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

3) Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2023 (March 2022: no collateral held).

2.23.3.1 Management of credit risk (Contd.)

4) Credit quality by class of financial assets at amortised cost **(In Rs'mn)**

As at 31st March	Leases		Mortgage Loans		Other Loans and Advances		Margin Trading		Factoring Receivables		Total	
	Mar-24	Mar-23	Mar-24	Mar-23	Mar-24	Mar-23	Mar-24	Mar-23	Mar-24	Mar-23	Mar-24	Mar-23
Carrying amount	61,195	62,065	1,764	1,686	177,162	173,898	6,425	6,649	3,096	2,270	249,642	246,568
Assets at amortised cost												
Individually impaired - Gross amount	1,584	2,717	196	-	2,647	1,676	-	-	188	552	4,615	4,945
Less : Allowance for impairment	(811)	(1,540)	-	-	(840)	(310)	-	-	(188)	(223)	(1,839)	(2,073)
Carrying amount	773	1,177	-	-	1,807	1,366	-	-	-	329	2,776	2,872
Portfolio subject to collective impairment - Gross amount	63,507	64,141	1,571	1,721	179,097	179,016	6,478	6,679	3,105	1,961	253,758	253,518
Less : Allowance for impairment	(3,085)	(3,253)	(3)	(35)	(3,741)	(6,484)	(53)	(30)	(9)	(20)	(6,892)	(9,821)
Carrying amount	60,422	60,888	1,568	1,686	175,356	172,532	6,425	6,650	3,096	1,941	246,866	243,697

An estimate made at the time of borrowing / at the time of impairment evaluation, of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below;

(In Rs'mn)	Mar-24	Mar-23
Against individually impaired customers :		
Property	1,599	1,074
Vehicles	1,161	1,498

(In Rs'mn)	Mar-24	Mar-23
Against Collectively impaired customers :		
Vehicles	306,460	170,976
Others	36,015	128,467

Details of non-financial assets obtained by the Company by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements during the period and held at the end of the period are shown below;

(In Rs'mn)	Mar-24	Mar-23
Property	-	-
Vehicles	1,161	1,498

Income from individually impaired customers recognised in the statement of profit or loss;

(In Rs'mn)	Mar-24	Mar-23
Leases	-	-
Mortgage Loan	12	22
Other loans & advances	36	130

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. Properties acquired by foreclosure has been considered as investment properties of the Company.

Age analysis of facilities considered for collective impairment as of 31 March 2024 (In Rs'mn)

Category	Leases	Mortgage Loans	Other Loans and Advances	Factoring Receivable	Margin Trading	Total
Not due / current	23,738	599	117,278	6,478	2,753	150,846
Overdue:						
Less than 30 days	12,401	106	14,581	-	-	27,088
31 - 60 days	8,480	66	21,026	-	7	29,579
61 - 90 days	5,683	46	4,980	-	-	10,709
Above 91 days	13,205	754	21,232	-	345	35,536
Total	63,507	1,571	179,097	6,478	3,105	253,758

Age analysis of facilities considered for collective impairment as of 31 March 2023 (In Rs'mn)

Category	Leases	Mortgage Loans	Other Loans and Advances	Factoring Receivable	Margin Trading	Total
Not due / current	21,986	461	112,046	6,655	964	142,112
Overdue:						
Less than 30 days	13,205	252	14,214	10	328	28,009
31 - 60 days	8,716	133	19,592	6	88	28,535
61 - 90 days	6,081	18	8,450	4	21	14,574
91 - 120 days	3,829	9	4,827	3	6	8,674
above 120 days	10,324	848	21,550	1	554	33,277
Total	64,141	1,721	180,679	6,679	1,961	255,181

Sensitivity Analysis of Allowance for Impairment Losses as at 31 March 2024 and 31 March 2023.

Sensitivity effect on impairment allowance Increase (In Rs'mn)

Changed criteria	Changed factor	Mar-24	Mar-23
Probability of default (PD)	Increase by 1%	6	13
Loss given default (LGD)	Increase by 10%	113	521

2.23.3.1 Management of credit risk (Contd.)

Analysis of total impairment for expected credit losses As at 31st March 2024 (In Rs'mn)

Category	Stage 01	Stage 02	Stage 03	Total
Financial assets at amortised cost				
Rentals receivable on leased assets	103	105	3,686	3,894
Loans and advances	205	142	4,240	4,586
Factoring receivable	9	-	188	197
Margin trading receivable	53	-	-	53
Other financial assets	7,393	-	-	7,393
Commitments and Contingencies	-	2	-	2
Total impairment for expected credit losses	7,763	249	8,114	16,125

As at 31st March 2023 (In Rs'mn)

Category	Stage 01	Stage 02	Stage 03	Total
Financial assets at amortised cost				
Rentals receivable on leased assets	227	167	4,399	4,793
Loans and advances	580	296	5,953	6,829
Factoring receivable	16	3	223	243
Margin trading receivable	30	-	-	30
Other financial assets	4,625	-	-	4,625
Commitments and Contingencies	-	2	-	2
Total impairment for expected credit losses	5,478	469	10,576	16,522

5) **Concentrations of credit risk**

The Company monitors concentrations of credit risk by sector to which the lending was made. The analysis is provided in Note 7.7.1 to the financial statements

2.23.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

2.23.4.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

The maturity analysis of financial liabilities based on undiscounted gross outflow is reflected below (In Rs'mn)

As at 31st March 2024	Carrying amounts	Gross nominal outflow/ (inflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
Bank overdraft	5,018	5,018	5,018	-	-	-	-
Borrowings	20,913	24,591	7,334	4,696	12,022	392	148
Deposits from customers	206,368	217,035	102,567	67,567	24,671	22,230	-
Trade payables	103	103	103	-	-	-	-
Accruals and other payables	16,002	16,002	15,428	573	-	-	-
Derivative liabilities	-	-	-	-	-	-	-
Amount due to related companies	332	332	332	-	-	-	-
Total liabilities	**248,735**	**263,081**	**130,782**	**72,835**	**36,693**	**22,622**	**148**
As at 31st March 2023							
Bank overdraft	8,784	8,784	8,784	-	-	-	-
Borrowings	31,429	29,499	2,508	11,077	14,370	1,351	192
Deposits from customers	201,271	202,527	75,952	65,303	39,553	21,719	-
Trade payables	259	259	259	-	-	-	-
Accruals and other payables	10,890	10,890	9,918	287	-	685	-
Derivative liabilities	12	12	12	-	-	-	-
Amount due to related companies	1,069	1,069	1,069	-	-	-	-
Total liabilities	253,714	253,039	98,501	76,668	53,923	23,755	192

2.23.4.1 Management of liquidity risk (Contd.)

The maturity analysis of financial assets based on undiscounted gross inflows / (outflows) is reflected below (In Rs'mn)

As at 31st March 2024	Carrying amounts	Gross nominal outflow/ (inflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
Cash and cash equivalents	11,487	11,487	11,487	-	-	-	-
Deposits with banks and other financial institutions	4,060	4,867	1,999	2,868	-	-	-
Investment in government securities	30,080	46,597	3,300	3,994	8,743	10,163	20,396
Derivative assets	-	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-	-
Rentals receivable on leased assets	61,347	78,425	16,488	23,319	33,266	5,352	-
Loans and advances	178,774	205,074	53,608	61,648	72,204	17,518	96
Factoring receivable	3,096	3,292	3,292	-	-	-	-
Margin trading receivables	6,425	6,478	6,478	-	-	-	-
Investment securities	17,723	17,723	42	17,403	-	-	278
Investment in associates	250	250	250	-	-	-	-
Amount due from related companies	111	111	111	-	-	-	-
Other receivables	1,799	1,799	1,799	-	-	-	-
	315,152	376,104	98,855	109,232	114,213	33,032	20,771
As at 31st March 2023							
Cash and cash equivalents	16,485	16,485	16,485	-	-	-	-
Deposits with banks and other financial institutions	2,494	2,522	2,522	-	-	-	-
Investment in government securities	31,453	40,550	15,428	9,773	4,022	4,411	6,915
Derivative assets	64	9,837	9,837	-	-	-	-
Financial assets at amortised cost							
Rentals receivable on leased assets	62,067	88,057	15,895	24,914	42,436	4,813	-
Loans and advances	175,582	206,235	62,533	51,777	79,225	12,623	78
Factoring receivable	2,270	2,513	2,513	-	-	-	-
Margin trading receivables	6,649	6,679	6,679	-	-	-	-
Investment securities	4,733	4,733	132	4,292	-	-	308
Investment in associates	564	564	564	-	-	-	-
Amount due from related companies	57	57	57	-	-	-	-
Other receivables	1,832	1,832	1,832	-	-	-	-
	304,250	380,064	134,478	90,756	125,683	21,847	7,300

Contractual Maturities of Commitments & Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31st March 2024 (In Rs'mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	522	-	-	-	-	522
Total	522	-	-	-	-	522
Commitments						
Unutilised loan facilities & letter of credit	29,989	-	-	-	-	29,989
Forward exchange contracts - (commitment to purchase)	-	-	-	-	-	-
Allowance for ECL / impairment	2	-	-	-	-	2
Total	29,991	-	-	-	-	29,991

As at 31st March 2023 (In Rs'mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	401	-	-	-	-	401
Total	401	-	-	-	-	401
Commitments						
Unutilised loan facilities & letter of credit	20,968	-	-	-	-	20,968
Forward exchange contracts - (commitment to purchase)	10,293	-	-	-	-	10,293
Allowance for ECL / impairment	2	-	-	-	-	2
Total	31,264	-	-	-	-	31,264

2.23.5 Market risk

The Company is exposed to the market risk due to changes in market, such as Foreign exchange rates, Interest rate, and equity prices.

Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

Sensitivity analysis as at 31st March 2024 (In Rs'mn)

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.24
Interest earning assets						
Deposits with banks and other financial institutions	1,307	2,754	-	-	-	4,060
Investment in government securities & others	4,706	1,402	3,198	5,836	14,939	30,080
Financial assets at amortised cost	-	-	-	-	-	-
Rentals receivable on leased assets	17,984	14,904	24,037	4,407	16	61,347
Loans and advances	45,815	53,380	63,240	16,250	89	178,774
Factoring receivable	3,096	-	-	-	-	3,096
Margin trading receivables	6,425	-	-	-	-	6,425
Total interest earning assets	79,332	72,440	90,475	26,492	15,044	283,782
Interest bearing liabilities						
Bank overdraft	5,018	-	-	-	-	5,018
Interest bearing borrowings	7,071	3,305	10,000	388	148	20,913
Deposits from customers	111,555	53,316	21,215	20,282	-	206,368
Total interest bearing liabilities	123,644	56,621	31,215	20,671	148	232,298
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(44,312)	15,819	59,260	5,821	14,896	51,484
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualised effect	(443)	158	593	58	149	
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualised effect	443	(158)	(593)	(58)	(149)	

Sensitivity analysis as at 31st March 2023 (In Rs'mn)

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.23
Interest earning assets						
Deposits with banks and other financial institutions	2,494	-	-	-	-	2,494
Investment in government securities & others	17,614	6,379	975	1,499	4,986	31,453
Financial assets at amortised cost	-	-	-	-	-	-
Rentals receivable on leased assets	13,415	16,515	28,592	3,545	-	62,067
Loans and advances	50,657	44,698	68,447	11,702	78	175,582
Factoring receivable	2,270	-	-	-	-	2,270
Margin trading receivables	6,649	-	-	-	-	6,649
Total interest earning assets	93,100	67,591	98,014	16,746	5,064	280,515
Interest bearing liabilities						
Bank overdraft	8,784	-	-	-	-	8,784
Interest bearing borrowings	4,445	11,075	14,366	1,351	192	31,429
Deposits from customers	87,742	59,842	34,158	19,528	-	201,271
Total interest bearing liabilities	100,971	70,917	48,524	20,880	192	241,484
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(7,870)	(3,326)	49,490	(4,134)	4,872	39,031
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualised effect	(79)	(33)	495	(41)	49	
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualised effect	79	33	(495)	41	(49)	

2.23.6 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company's regulatory capital under the CBSL guidelines is as follows; **(In Rs'mn)**

Capital element	As at 31.03.2024	As at 31.03.2023
Ordinary share capital	306,994	306,994
Statutory reserve	6,291	5,214
Retained earnings	63,569	46,664
(-) Investment property revaluation	(26,893)	(19,828)
Other negative reserves and adjustments	(262,915)	(262,919)
Tier I capital	**87,046**	76,125
Subordinated debt	-	500
Provisions allowances & adjustments	(13)	1,316
Tier II capital	(13)	1,816
Total capital	**87,033**	77,941

2.24 Financial assets and liabilities

2.24.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities. (In Rs'mn)

As at 31st March 2024	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost/ Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	11,487	11,487	11,487	
Deposits with banks & other financial institutions	-	-	4,060	4,060	4,060	
Investment in government securities & others	14,771	-	15,309	30,080	32,079	Level 1
Derivative assets	-	-	-	-	-	Level 2
Investment securities	17,445	277	1	17,723	17,723	Level 1 / 2 / 3
Financial assets at amortised cost						
Rentals receivable on leased assets	-	-	61,348	61,348	62,693	Level 2
Loans and advances	-	-	188,293	188,293	190,369	Level 2
Amount due from related companies	-	-	111	111	111	
Other financial assets	-	-	25	25	25	
Total financial assets	32,216	277	280,636	313,129	318,548	
Bank overdraft	-	-	5,018	5,018	5,018	
Interest bearing borrowings	-	-	20,913	20,913	21,307	Level 2
Deposits from customers	-	-	206,368	206,368	211,228	Level 2
Trade payables	-	-	103	103	103	
Accruals and other payables	-	-	16,104	16,104	16,104	
Derivative liabilities	-	-	-	-	-	Level 2
Amount due to related companies	-	-	332	332	332	
Total financial liabilities	-	-	248,837	248,837	254,091	

Note – For carrying amounts which fair value measurement level is not mentioned are approximate to the fair value.

2.24.1 Accounting classifications and fair values (Contd.)

As at 31st March 2023	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost/ Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	16,485	16,485	16,485	
Deposits with banks & other financial institutions	-	-	2,494	2,494	2,494	
Investment in government securities & others	-	-	31,453	31,453	24,946	Level 1
Derivative assets	64	-	-	64	64	Level 2
Investment securities	4,425	307	1	4,733	4,733	Level 1 / 3
Financial assets at amortised cost						
Rentals receivable on leased assets	-	-	62,067	62,067	59,673	Level 2
Loans and advances	-	-	184,502	184,502	182,891	Level 2
Amount due from related companies	-	-	57	57	57	
Other financial assets	-	-	647	647	647	
Total financial assets	4,489	307	297,705	302,501	291,990	
Bank overdraft	-	-	8,784	8,784	8,784	
Interest bearing borrowings	-	-	31,429	31,429	30,822	Level 2
Deposits from customers	-	-	201,271	201,271	205,194	Level 2
Trade payables	-	-	259	259	259	
Accruals and other payables	-	-	10,785	10,785	10,785	
Derivative liabilities	12	-	-	12	12	Level 2
Amount due to related companies	-	-	1,069	1,069	1,069	
Total financial liabilities	12	-	253,597	253,609	256,924	

Note – For carrying amounts which fair value measurement level is not mentioned are approximate to the fair value.

2.24.2 Valuation technique

Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the actual transaction in similar instrument

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortised cost) discounted cash flows have been used to derive the fair value.

3. CASH AND CASH EQUIVALENTS

As at 31 March	2024 Rs.	2023 Rs.

3.1 Favourable cash & cash equivalent balances

Cash in hand and at bank	11,486,913,702	16,484,821,741

3.2 Unfavourable cash & cash equivalent balances

Bank overdraft	(5,017,647,043)	(8,783,895,368)
Total cash and cash equivalents for the purpose of cash flow statement	6,469,266,659	7,700,926,373

4. INVESTMENT IN GOVERNMENT SECURITIES AND OTHERS

As at 31 March	2024 Rs.	2023 Rs.
Financial instruments - measured at amortised cost		
Investment in government securities (note 4.1)	13,210,103,887	27,997,857,616
Investment in commercial papers (note 4.2)	2,099,110,886	3,454,854,860
	15,309,214,773	31,452,712,476
Financial instruments - fair value through profit or loss		
Investment in government securities (note 4.1)	14,770,775,279	-

4.1 Investment in government securities

As at 31 March	2024		2023	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Financial instruments - measured at amortised cost				
Investment in Government Standing Deposit Facilities	2,333,346,398	2,333,346,398	7,007,080,828	7,007,080,828
Investment in Treasury Bills	473,400,850	490,197,400	597,839,900	699,730,500
Investment in Treasury Bonds	3,010,428,705	2,773,843,148	9,601,421,817	8,619,852,027
Investment in International Sovereign Bonds (ISB)	14,785,855,868	9,611,818,483	15,416,450,101	6,237,468,824
Allowance for impairment (ECL)	(7,392,927,934)	-	(4,624,935,030)	-
	13,210,103,887	15,209,205,429	27,997,857,616	22,564,132,179
Financial instruments - fair value through profit or loss				
Investment in Treasury Bonds	14,770,775,279	14,770,775,279	-	-

4.1.1 Fair value adjustments recognised in other comprehensive income - (net of transfers to P&L)

As at 31 March	2024 Rs.	2023 Rs.
Investment in Treasury Bonds	-	175,480,700
Amount transferred to P&L on disposal	-	-
Total recognised in OCI	-	175,480,700

4.1.2 Fair value adjustments recognised in other comprehensive income - cumulative

As at 31 March	2024 Rs.	2023 Rs.
Investment in Treasury Bonds	-	172,461,961
Related Tax	-	3,018,739
	-	175,480,700

4.2. Investment in commercial papers

As at 31 March	2024		2023	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Investment in commercial papers	2,099,110,886	2,099,110,886	3,454,854,860	3,454,854,860

5. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March	2024 Rs.	2023 Rs.
Net derivative assets / (liabilities)		
Derivative assets (note 5.1)	-	64,428,025
Derivative liabilities (note 5.2)	-	11,634,977
Net derivative assets / (liabilities)	-	52,793,048

5.1 Derivative assets

Forward exchange contracts	-	64,428,025

5.2 Derivative liabilities

Forward exchange contracts	-	11,634,977

5.3 Change in fair value during the year - gain / (loss)

Recognised in profit or loss	(52,793,048)	(2,864,647,190)
Recognised in OCI	-	519,650,000
	(52,793,048)	(2,344,997,190)

6. RENTALS RECEIVABLE ON LEASED ASSETS

As at 31 March	2024 Rs.	2023 Rs.
Rentals receivable	92,176,440,477	96,189,377,881
Unearned income	(23,020,931,971)	(25,694,810,372)
Net rentals receivable (note 6.1)	69,155,508,507	70,494,567,509
Deposits received from lessees	(3,913,106,326)	(3,634,645,842)
Allowance for ECL / impairment (note 6.2)	(3,893,911,156)	(4,793,251,296)
	61,348,491,025	62,066,670,371

6.a Analysis of rentals receivable on leased assets on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
As at 31 March 2024				
Rentals receivable on leased assets	36,290,593,352	14,163,435,782	14,788,373,047	65,242,402,181
Impairment for expected credit losses (note 6.b)	(102,738,877)	(104,872,321)	(3,686,299,958)	(3,893,911,156)
Net rentals receivable on leased assets	36,187,854,475	14,058,563,460	11,102,073,089	61,348,491,025
As at 31 March 2023				
Rentals receivable on leased assets	43,901,128,131	9,917,311,977	13,041,481,558	66,859,921,667
Impairment for expected credit losses (note 6.b)	(227,209,567)	(166,649,287)	(4,399,392,441)	(4,793,251,296)
Net rentals receivable on leased assets	43,673,918,564	9,750,662,690	8,642,089,117	62,066,670,371

6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2023	227,209,567	166,649,287	4,399,392,441	4,793,251,296
Net charge to profit or loss	(124,470,690)	(61,776,966)	(713,092,483)	(899,340,140)
Balance as at 31 March 2024	102,738,877	104,872,321	3,686,299,958	3,893,911,156
Balance as at 01 April 2022	382,310,013	661,030,801	1,673,954,970	2,717,295,784
Net charge to profit or loss	(273,674,649)	(631,288,724)	1,501,473,159	596,509,786
Addition on merger with subsidiary	118,574,203	136,907,211	1,223,964,312	1,479,445,725
Balance as at 31 March 2023	227,209,567	166,649,287	4,399,392,441	4,793,251,296

6.1 Net Rentals Receivable

As at 31 March	2024 Rs.	2023 Rs.
Receivable -more than one year		
Rentals receivable	40,469,935,382	41,222,543,991
Unearned income	(13,303,037,983)	(14,290,783,835)
	27,166,897,399	26,931,760,156
Receivable within one year		
Rentals receivable	44,370,243,685	48,888,650,510
Unearned income	(9,717,893,988)	(11,404,026,537)
	34,652,349,698	37,484,623,973
Overdue		
Rentals receivable	7,336,261,411	6,078,183,380
	69,155,508,507	70,494,567,509

6.2 Allowance for ECL / impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	4,793,251,296	2,717,295,784
Provision / (reversal) for the year	(899,340,140)	596,509,787
Addition on merger with subsidiary	-	1,479,445,724
Balance at the end of the year	3,893,911,156	4,793,251,296

6.2.1 Individually significant clients - impairment

Balance at the beginning of the year	1,540,259,619	279,229,198
Provision / (reversal) for the year	(729,291,239)	928,340,948
Addition on merger with subsidiary	-	332,689,473
Balance at the end of the year	810,968,380	1,540,259,619

6.2.2 Individually non-significant clients - impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	3,252,991,677	2,438,066,587
Provision / (reversal) for the year	(170,048,901)	(331,831,161)
Addition on merger with subsidiary	-	1,146,756,251
Balance at the end of the year	3,082,942,776	3,252,991,677

7. LOANS AND ADVANCES

As at 31 March	2024 Rs.	2023 Rs.
Mortgage Loans (note 7.1)	10,238,927,493	9,335,596,908
Sundry Loans (note 7.2)	134,813,178,555	131,877,281,306
Gold Loan (note 7.3)	28,548,282,372	30,581,367,212
Credit Cards (note 7.4)	5,172,389,271	3,787,786,013
	178,772,777,691	175,582,031,440

7.a Analysis of loans and receivables on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2024				
Loans and advances :				
Mortgage Loans	7,061,970,021	1,092,790,650	2,255,208,738	10,409,969,408
Speed Draft	46,374,868,840	5,829,760,362	3,488,190,376	55,692,819,577
Sundry Loans	51,325,315,079	15,945,634,657	15,817,353,893	83,088,303,629
Gold Loan	23,509,839,988	2,515,527,799	2,641,729,055	28,667,096,843
Credit Cards	4,141,231,678	734,007,873	625,781,715	5,501,021,267
Gross loans and advances	132,413,225,606	26,117,721,341	24,828,263,777	183,359,210,724
Impairment for expected credit losses (note 7.b)	(205,092,030)	(141,805,285)	(4,239,535,718)	(4,586,433,033)
Net loans and advances	132,208,133,576	25,975,916,055	20,588,728,060	178,772,777,691
Balance as at 31 March 2023				
Loans and advances :				
Mortgage Loans	7,048,947,481	516,956,756	1,993,598,237	9,559,502,474
Speed Draft	54,017,161,868	1,253,035,910	3,294,320,846	58,564,518,623
Sundry Loans	56,784,039,598	7,993,649,398	14,547,807,283	79,325,496,279
Gold Loan	24,011,792,906	2,992,147,743	3,832,758,297	30,836,698,946
Credit Cards	3,221,911,132	527,873,384	373,170,567	4,122,955,083
Gross loans and advances	145,083,852,985	13,283,663,191	24,041,655,230	182,409,171,406
Impairment for expected credit losses (note 7.b)	(579,816,124)	(294,151,147)	(5,953,172,695)	(6,827,139,967)
Net loans and advances	144,504,036,861	12,989,512,044	18,088,482,534	175,582,031,439

7.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2023	579,816,124	294,151,147	5,953,172,695	6,827,139,967
Net charge to profit or loss	(374,724,094)	(152,345,862)	(1,713,636,978)	(2,240,706,933)
Balance as at 31 March 2024	205,092,030	141,805,285	4,239,535,718	4,586,433,033
Balance as at 01 April 2022	1,726,845,258	1,222,778,787	3,166,383,218	6,116,007,263
Net charge to profit or loss	(1,229,445,630)	(1,009,788,451)	42,445,935	(2,196,788,146)
Addition on merger with subsidiary	82,416,496	81,160,812	2,744,343,542	2,907,920,850
Balance as at 31 March 2023	579,816,124	294,151,147	5,953,172,695	6,827,139,967

7.1 Mortgage Loans

As at 31 March	2024 Rs.	2023 Rs.
Rentals receivable	15,661,843,938	9,023,050,349
Unearned income	(5,251,874,530)	(2,780,765,423)
Net rentals receivable (note 7.1.1)	10,409,969,408	6,242,284,926
Allowance for ECL / impairment (note 7.1.2)	(171,041,915)	(223,905,566)
	10,238,927,493	6,018,379,360

7.1.1 Net rentals receivable - Mortgage Loans

	2024 Rs.	2023 Rs.
Receivable - more than one year		
Rentals receivable	4,876,266,019	3,078,010,675
Unearned income	(2,191,984,043)	(1,279,446,536)
	2,684,281,977	1,798,564,139
Receivable within one year		
Rentals receivable	9,899,089,932	5,023,300,783
Unearned income	(3,059,890,487)	(1,501,318,887)
	6,839,199,445	3,521,981,897
Overdue		
Rentals receivable	886,487,987	921,738,890
	10,409,969,408	6,242,284,926

As at 31 March	2024 Rs.	2023 Rs.
7.1.2 Allowance for ECL / impairment - Mortgage Loans		
Balance at the beginning of the year	223,905,566	112,014,335
Provision / (reversal) for the year	(52,863,650)	111,891,231
Balance at the end of the year	171,041,915	223,905,566
7.1.2.a Individually significant clients - impairment		
Balance at the beginning of the year	4,815	36,987,577
Provision / (reversal) for the year	2,038,551	(36,982,762)
Balance at the end of the year	2,043,366	4,815
7.1.2.b Individually non-significant clients - impairment		
Balance at the beginning of the year	223,900,751	75,026,757
Provision / (reversal) for the year	(54,902,202)	148,873,993
Balance at the end of the year	168,998,549	223,900,751

As at 31 March	2024 Rs.	2023 Rs.

7.2 Sundry Loans

Total receivable	153,829,958,323	156,992,696,268
Unearned income	(15,048,835,117)	(15,785,463,818)
Net receivable (note 7.2.1)	138,781,123,206	141,207,232,451
Allowance for ECL / impairment (note 7.2.2)	(3,967,944,651)	(6,012,733,597)
	134,813,178,555	135,194,498,854

7.2.1 Net receivable - Sundry Loans

Receivable -more than one year		
Rentals receivable	63,163,718,126	79,539,096,639
Unearned income	(7,965,536,153)	(8,727,707,003)
	55,198,181,973	70,811,389,636
Receivable within one year		
Rentals receivable	82,193,593,339	67,565,204,521
Unearned income	(7,083,298,964)	(7,057,756,814)
	75,110,294,375	60,507,447,706
Overdue		
Rentals receivable	8,472,646,858	9,888,395,109
	138,781,123,206	141,207,232,451

7.2.2 Allowance for ECL / impairment - Sundry Loans

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	6,012,733,597	5,411,387,922
Provision / (reversal) for the year	(2,044,788,945)	(2,306,575,176)
Addition on merger with subsidiary	-	2,907,920,850
Balance at the end of the year	3,967,944,651	6,012,733,597

7.2.2.a Individually significant clients - impairment

Balance at the beginning of the year	310,091,861	715,475,900
Provision / (reversal) for the year	481,579,553	(405,420,274)
Addition on merger with subsidiary	-	36,235
Balance at the end of the year	791,671,415	310,091,861

7.2.2.b Individually non-significant clients - impairment

Balance at the beginning of the year	5,702,641,735	4,695,912,022
Provision for the year	(2,526,368,499)	(1,901,154,902)
Addition on merger with subsidiary	-	2,907,884,615
Balance at the end of the year	3,176,273,236	5,702,641,735

7.3 Gold loans

As at 31 March	2024 Rs.	2023 Rs.
Gross amount outstanding at year end	28,667,096,843	30,836,698,946
Allowance for ECL / impairment (note 7.3.1)	(118,814,471)	(255,331,734)
Balance at the end of the year	28,548,282,372	30,581,367,212

7.3.1 Allowance for ECL / impairment

Balance at the beginning of the year	255,331,734	199,503,068
Provision / (reversal) for the year	(136,517,263)	55,828,666
Balance at the end of the year	118,814,471	255,331,734

7.3.1.a Individually significant clients - impairment

Balance at the beginning of the year	-	928,015
Provision / (reversal) for the year	47,383,524	(928,015)
Balance at the end of the year	47,383,524	-

7.3.1.b Individually non-significant clients - impairment

Balance at the beginning of the year	255,331,734	198,575,053
Provision for the year	(183,900,787)	56,756,681
Balance at the end of the year	71,430,947	255,331,734

7.4 Credit Card

As at 31 March	2024 Rs.	2023 Rs.
Gross amount outstanding at year end	5,501,021,267	4,122,955,083
Allowance for ECL / impairment (note 7.4.1)	(328,631,996)	(335,169,070)
Balance at the end of the year	5,172,389,271	3,787,786,013

7.4.1 Allowance for ECL / impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	335,169,070	393,101,938
Provision / (reversal) for the year	(6,537,075)	(57,932,867)
Balance at the end of the year	328,631,996	335,169,070

7.4.1.a Individually non-significant clients - impairment

Balance at the beginning of the year	335,169,070	393,101,938
Provision for the year	(6,537,075)	(57,932,867)
Balance at the end of the year	328,631,996	335,169,070

7.5 Margin Trading Receivables

As at 31 March	2024 Rs.	2023 Rs.
Gross amount outstanding at year end	6,478,066,443	6,679,180,382
Allowance for ECL / impairment (note 7.5.1)	(53,223,882)	(29,785,385)
Net balance on margin trading	6,424,842,561	6,649,394,997

7.5.1 Allowance for ECL / impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	29,785,385	75,102,192
Provision / (reversal) for the year	23,438,497	(45,316,807)
Balance at the end of the year	53,223,882	29,785,385

7.5.1.a Individually non-significant clients - impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	29,785,385	75,102,192
Provision for the year	23,438,497	(45,316,807)
Balance at the end of the year	53,223,882	29,785,385

7.6 Factoring Receivables

As at 31 March	2024 Rs.	2023 Rs.
Gross receivable	3,292,478,754	2,512,831,380
Allowance for ECL / impairment (note 7.6.1)	(196,827,673)	(242,669,348)
	3,095,651,081	2,270,162,033

7.6.a Analysis of factoring receivable on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2024				
Factoring receivable	2,751,905,781	7,260,040	533,312,933	3,292,478,754
Impairment for expected credit losses (note 7.6.b)	(8,702,445)	(290,066)	(187,835,162)	(196,827,673)
Net factoring receivable	2,743,203,336	6,969,974	345,477,771	3,095,651,081
Balance as at 31 March 2023				
Factoring receivable	1,932,312,117	26,681,561	553,837,702	2,512,831,380
Impairment for expected credit losses (note 7.6.b)	(16,350,691)	(3,293,940)	(223,024,717)	(242,669,348)
Net factoring receivable	1,915,961,426	23,387,622	330,812,985	2,270,162,033

7.6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2023	16,350,691	3,293,940	223,024,717	242,669,348
Net charge to profit or loss	(7,648,246)	(3,003,874)	(35,189,555)	(45,841,675)
Balance as at 31 March 2024	8,702,445	290,066	187,835,162	196,827,673
Balance as at 01 April 2022	14,673,150	34,010	342,081,718	356,788,879
Net charge to profit or loss	1,677,541	3,259,929	(119,057,001)	(114,119,531)
Balance as at 31 March 2023	16,350,691	3,293,940	223,024,717	242,669,348

7.6.1 Allowance for ECL / impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	242,669,348	356,788,879
Provision / (reversal) for the year	(45,841,675)	(114,119,531)
Balance at the end of the year	196,827,673	242,669,348

7.6.1.a Individually significant clients - impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	222,638,938	342,081,719
Provision / (reversal) for the year	(34,803,918)	(119,442,781)
Balance at the end of the year	187,835,021	222,638,938

7.6.1.b Individually non-significant clients - impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	20,030,409	14,707,160
Provision / (reversal) for the year	(11,037,757)	5,323,250
Balance at the end of the year	8,992,652	20,030,409

7.7 Portfolio Analysis

7.7.1 Sectorwise exposure of the lending portfolio - before impairment provision.

As at 31 March	2024 Rs.	2023 Rs.
Agriculture	40,892,670,705	32,271,705,172
Manufacturing	16,708,760,249	14,605,189,461
Economics and Social	11,323,461,459	13,791,766,116
Trade	39,914,240,278	41,700,750,982
Factoring	3,292,478,754	2,512,831,380
Margin Trading	6,478,066,443	6,679,180,382
Tourism	3,619,686,510	2,403,187,593
Services	58,743,005,119	63,664,425,069
Transportation	28,818,019,132	27,717,747,296
Construction	14,400,018,206	15,713,374,026
Mining and Quarrying	1,157,766	2,274,525
Others	34,180,593,482	37,398,672,831
	258,372,158,102	258,461,104,835

7.7.2 Product wise analysis of portfolio

Lease receivables	59,859,085,958	61,947,454,035
Loans & Advances	160,920,630,677	164,055,911,503
Factoring receivables	3,292,478,754	2,512,831,380
Margin trading receivables	6,478,066,443	6,679,180,382
Alternative finance portfolio - Ijarah receivables	5,383,316,222	4,912,467,632
Alternative finance portfolio - Other receivables (Murabaha, Musharakah etc.)	22,438,580,047	18,353,259,902
Gross portfolio	258,372,158,102	258,461,104,835
Less : Allowance for ECL / impairment	(8,730,395,744)	(11,892,845,995)
Net portfolio	249,641,762,358	246,568,258,839

7.7.3 Net portfolio

As at 31 March	2024 Rs.	2023 Rs.
Rentals receivable on leased assets (note 6)	61,348,491,025	62,066,670,371
Loans and advances (note 7)	178,772,777,691	175,582,031,440
Margin trading receivable (note 7.5)	6,424,842,561	6,649,394,997
Factoring receivable (note 7.6)	3,095,651,081	2,270,162,033
	249,641,762,358	246,568,258,840

8. INVESTMENT SECURITIES

As at 31 March	2024 Rs.	2023 Rs.
Investment securities measured at amortised cost (note 8.2)	977,218	977,218
Investment securities measured at FVTPL – debt / equity investments (note 8.1)	17,444,849,778	4,424,824,113
Investment securities measured at FVOCI – equity investments (note 8.2.2)	277,350,227	306,779,200
	17,723,177,223	4,732,580,531

8.1 Investment securities measured at FVTPL – debt / equity investments

Equity shares Name of the company	Original Cost Rs.	Balance as at 01 April 2023 Rs.	Investments / transferred during the year Rs.	Fair value - recognised in profits Rs.	Balance as at 31 March 2024 Rs.
Expo Lanka Holdings PLC	1,212,328	12,674,334	-	4,316,621	16,990,955
LOLC Myanmar Micro Finance Co. Ltd (note 8.1.a)	861,125,000	1,782,263,402	-	-	1,782,263,402
LOLC El-Oula Microfinance Egypt	348,075,272	-	348,075,272	-	348,075,272
Sampath Bank PLC	469,738	378,158	-	212,323	590,480
ACL Cables PLC	1,653,448	4,539,668	-	99,288	4,638,956
Access Engineering PLC	269,990	142,000	-	84,000	226,000
Aitken Spence Hotel Holdings PLC	403,468	227,620	-	23,940	251,560
Chemical Industries Colombo PLC (NV)	-	1,782	-	108	1,890
Commercial Bank of Ceylon PLC	713,656	365,000	-	228,625	593,625
Commercial Bank of Ceylon PLC (NV)	125,982	277,208	-	189,688	466,896
Softlogic Finance PLC	1,233,775	186,420	-	(50,190)	136,230
Nations Lanka Finance PLC	181,666	40,500	-	(8,100)	32,400
Colombo Dockyard PLC	106,682	38,400	-	(9,240)	29,160
Piramal Glass Ceylon PLC	603,484	2,707,200	-	1,452,300	4,159,500
Laugfs Gas PLC	798,342	399,900	-	135,450	535,350
Nestle Lanka PLC	171,819	91,934	-	4,408	96,342
Nations Trust Bank PLC	1,528,176	1,247,360	-	891,138	2,138,498
Swisstek (Ceylon) PLC	602,195	730,239	-	258,950	989,189
Peoples Leasing & Finance PLC	2,443,373	1,541,732	-	723,245	2,264,977
Renuka Agri Foods PLC	790,758	884,000	-	(245,103)	638,898
Seylan Bank PLC (NV)	1,876,908	3,212,078	-	2,647,751	5,859,828
Union Bank of Colombo Limited	17,500	6,300	-	280	6,580
United Motors Lanka PLC	495,407	299,500	-	(9,500)	290,000
The Lanka Hospitals Corporation PLC	502,566	1,130,000	-	30,000	1,160,000
Merchant Bank of Sri Lanka	79,874	17,000	-	8,500	25,500
Total equity shares	1,225,481,407	1,813,401,735	348,075,272	10,984,480	2,172,461,487

Equity shares Name of the company	Original Cost Rs.	Balance as at 01 April 2022 Rs.	Investments during the year Rs.	Fair value - recognised in profits Rs.	Balance as at 31 March 2023 Rs.
Expo Lanka Holdings PLC	1,653,174	19,080,384	-	(6,406,050)	12,674,334
LOLC Myanmar Micro Finance Co. Ltd (note 8.1.a)	861,125,000	1,782,263,402	-	-	1,782,263,402
Sampath Bank PLC	469,738	330,618	-	47,539	378,158
ACL Cables PLC	1,653,448	3,149,636	-	1,390,032	4,539,668
Access Engineering PLC	269,990	150,000	-	(8,000)	142,000
Aitken Spence Hotel Holdings PLC	403,468	133,000	-	94,620	227,620
Chemical Industries Colombo PLC (NV)	-	900	-	882	1,782
Commercial Bank of Ceylon PLC	713,656	345,563	-	19,437	365,000
Commercial Bank of Ceylon PLC (NV)	125,982	305,474	-	(28,265)	277,208
Softlogic Finance PLC	1,233,775	224,660	-	(38,240)	186,420
Nations Lanka Finance PLC	181,666	56,700	-	(16,200)	40,500
Colombo Dockyard PLC	106,682	45,000	-	(6,600)	38,400
Piramal Glass Ceylon PLC	603,484	1,762,500	-	944,700	2,707,200
Laugfs Gas PLC	798,342	247,250	-	152,650	399,900
Nestle Lanka PLC	171,819	81,120	-	10,814	91,934
Nations Trust Bank PLC	1,528,176	826,830	-	420,530	1,247,360
Swisstek (Ceylon) PLC	602,195	1,180,812	-	(450,573)	730,239
Peoples Leasing & Finance PLC	2,443,373	1,516,249	-	25,483	1,541,732
Renuka Agri Foods PLC	790,758	663,000	-	221,000	884,000
Seylan Bank PLC (NV)	1,876,908	3,237,509	-	(25,431)	3,212,078
Union Bank of Colombo Limited	17,500	5,460	-	840	6,300
United Motors Lanka PLC	495,407	300,000	-	(500)	299,500
The Lanka Hospitals Corporation PLC	502,566	501,000	-	629,000	1,130,000
Merchant Bank of Sri Lanka	79,874	27,500	-	(10,500)	17,000
Total equity shares	877,846,981	1,816,434,567	-	(3,032,832)	1,813,401,735

As at 31 March	2024 Rs.	2023 Rs.
Investment in Unit Trusts		
Original cost	15,000,000,000	2,377,920,492
Carrying amount at the beginning of the year	2,510,166,776	3,562,534,214
Investments during the year	20,100,000,000	-
Adjustment for change in fair value - recognised in profits	924,177,206	147,564,394
Addition on merger with subsidiary	-	3,710,995,836
Disposal during the year	(8,261,955,691)	(4,910,927,669)
Carrying amount at the end of the year	15,272,388,291	2,510,166,776
Trading Gold Stock		
Original cost	-	94,432,872
Carrying amount at the beginning of the year	101,255,603	614,228,265
Investments during the year	547,587,674	148,038,356
Adjustment for change in fair value - recognised in profits	43,559,824	(92,859,451)
Disposal during the year	(692,403,100)	(568,151,568)
Carrying amount at the end of the year	-	101,255,603
Total investments held for trading	17,444,849,778	4,424,824,113

8.1.a Valuation technique - LOLC Myanmar Micro Finance Company Ltd

The fair value measurement for above equity investment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Residual Income Approach	As of March 31, 2024, and March 31, 2023, the unobservable inputs, including the cost of equity, terminal growth, and exchange rate, experienced improvements. However, no revaluation gain was recognised, reflecting a conservative approach.	The estimated fair value would increase (decrease) if: » Cost of equity was lesser / (higher) » Terminal growth was higher / (lesser) » Exchange rate was higher / (lesser) » Forecasted cashflows were higher / (lesser)

8.2 Investment securities measured at amortised cost and FVOCI

8.2.1 Investment securities measured at amortised cost

As at 31 March	2024 Rs.	2023 Rs.
Credit Information Bureau of Sri Lanka	608,468	608,468
Equity Investments Lanka Limited	168,750	168,750
Finance Houses Consortium (Pvt) Ltd.	400,000	400,000
Impairment for expected credit losses (Note 8.2.1.a)	(200,000)	(200,000)
	977,218	977,218

8.2.1.a Analysis of investment securities measured at amortised cost on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2024				
Investment securities measured at amortised cost	1,177,218	-	-	1,177,218
Impairment for expected credit losses (note 8.2.1.b)	(200,000)	-	-	(200,000)
Net Investment securities measured at amortised cost	977,218	-	-	977,218
Balance as at 31 March 2023				
Investment securities measured at amortised cost	1,177,218	-	-	1,177,218
Impairment for expected credit losses (note 8.2.1.b)	(200,000)	-	-	(200,000)
Net Investment securities measured at amortised cost	977,218	-	-	977,218

8.2.2 Investment securities measured at FVOCI – equity investments

As at 31 March	2024 Rs.	2023 Rs.
LOLC Global (Pvt) Ltd		
Carrying amount at the beginning of the year	306,779,200	294,402,964
Adjustment for change in fair value - recognised in OCI	(29,428,973)	12,376,236
Carrying amount at the end of the year	277,350,227	306,779,200
Total	278,327,445	307,756,418

9. INVESTMENT IN ASSOCIATE

	Ownership interest %	No. of shares	2024 Cost Rs.	2024 Carrying value Rs.	2023 Cost Rs.	2023 Carrying value Rs.
Commercial Insurance Brokers (Private) Limited	40.00	240,000	800,000	249,943,293	800,000	236,138,354
LOLC El-Oula Microfinance Egypt	25.00	1,107,378	-	-	348,075,272	327,946,594
Total			800,000	249,943,293	348,875,272	564,084,948

The principal activities of the equity accounted investees are as follows;

- Commercial Insurance Brokers (Private) Limited is mainly involved in insurance brokering and is incorporated in Sri Lanka.
- LOLC El-Oula Microfinance Egypt is involved in leasing, loans, and deposit mobilisation, and is incorporated in Egypt.

9.1 Summarised financial information

Summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Statements is as follows:

As at 31 March	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Original cost of investment	800,000	800,000	-	1,265,987,676	-	348,075,272
Add: Share of profit applicable to the Company						
Investment in associate at the beginning of the year	236,138,354	226,752,440	-	1,606,908,226	327,946,594	-
Disposal during the year	-	-	-	(722,539,668)	(348,075,272)	-
Total comprehensive income :	24,004,939	14,485,914	-	(884,368,558)	20,128,678	(20,128,678)
Profit or loss for the period recognised in income statement, net of tax (note 9.2.a)	15,700,501	18,472,169	-	(827,882,976)	20,128,678	(20,128,678)
Profit or loss and other comprehensive income, net of tax (note 9.2.a)	8,304,437	(3,986,254)	-	(56,485,582)	-	-
Dividend received	(10,200,000)	(5,100,000)	-	-	-	-
Carrying amount at the end of the year	249,943,293	236,138,354	-	-	-	327,946,594

9.2 Summarised financial information in respect of the associate is set out below:

9.2.a Summarised Income Statement

As at 31 March	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Revenue	240,629,511	225,901,283	-	5,493,240,261	-	1,513,566,470
Expenses	(181,524,192)	(159,921,262)	-	(7,258,282,886)	-	(1,519,794,774)
Income tax	(19,854,065)	(19,799,599)	-	(102,503,000)	-	(74,286,408)
Profit from continuing operations, net of tax	39,251,254	46,180,422	-	(1,867,545,625)	-	(80,514,712)
Company's share of profit from continuing operations, net of tax	15,700,501	18,472,169	-	(827,882,976)	-	(20,128,678)
Other comprehensive income, net of tax	20,761,093	(9,965,636)	-	(127,420,668)	-	-
Company's share of other comprehensive income from continuing operations, net of tax	8,304,437	(3,986,254)	-	(56,485,582)	-	-
Share of results of equity accounted investee recognised in Statement of Other Comprehensive Income	24,004,939	14,485,914	-	(884,368,558)	-	(20,128,678)

9.2.b Summarised Statement of Financial Position

As at 31 March	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Non-current assets	542,860,649	522,517,723	-	-	-	251,701,119
Current assets	276,714,973	239,694,838	-	-	-	3,242,646,506
Non-current liabilities	(160,432,187)	(148,914,405)	-	-	-	(2,544,812,208)
Current liabilities	(52,796,457)	(36,995,878)	-	-	-	(245,624,786)
Net assets	606,346,978	576,302,278	-	-	-	703,910,631
Company's share of net assets	242,538,791	230,520,911	-	-	-	175,977,658
Goodwill	7,404,502	5,617,443	-	-	-	151,968,936
Carrying amount of investment in associate	249,943,293	236,138,354	-	-	-	327,946,594

The Company recognises the share of net assets of the associate under the Equity Method to arrive at the Directors' valuation. The maturity analysis of investment in associate is given in Note 28.

10. AMOUNTS DUE FROM RELATED COMPANIES

As at 31 March	Relationship	2024 Rs.	2023 Rs.
Brown & Company PLC	Fellow subsidiary	4,189,200	4,189,200
Browns Engineering & Construction (Pvt) Ltd	Fellow subsidiary	-	2,131
Ceylon Graphene Technologies (Private) Limited	Fellow subsidiary	6,526	1,666
Dolphin Hotels PLC	Fellow subsidiary	-	3,695
Eden Hotel Lanka PLC	Fellow subsidiary	162,585	203,324
Forti Grains Pvt Ltd	Fellow subsidiary	-	1,170
Frontier Capital Lanka (Pvt) Ltd	Fellow subsidiary	-	1,170
Green Paradise Resorts (Private) Limited	Fellow subsidiary	14,009	38,789
Hotel Sigiriya PLC	Fellow subsidiary	-	9,393
Leapstitch Technologies Pvt Ltd	Fellow subsidiary	-	803,250
LOLC Advance Technologies (Pvt) Ltd	Fellow subsidiary	4,923	10,388,336
LOLC Factors Ltd	Fellow subsidiary	920,430	897,029
LOLC GEO Technologies Pvt Ltd	Fellow subsidiary	-	1,170
LOLC Insurance - General Ltd	Fellow subsidiary	67,073,959	34,409,225
LOLC Insurance - Life Ltd	Fellow subsidiary	3,135,107	2,203,566
LOLC Investment Holdings Six (Pvt.) Ltd	Fellow subsidiary	-	1,170
LOLC Motors Limited	Fellow subsidiary	27,521,261	651,467
LOLC Property Nine (Pvt) Ltd	Fellow subsidiary	-	1,170
Millennium Development Limited	Fellow subsidiary	-	359,825
Serendib Hotels PLC	Fellow subsidiary	-	2,933
Sun & Fun Resorts Ltd.	Fellow subsidiary	450,000	2,985,833
Taprobane Plantations (Private) Limited	Fellow subsidiary	5,579	5,579
General Accessories and Coating (Pvt) Ltd	Fellow subsidiary	41,225	-
Browns Ari Resort (Pvt) Ltd	Fellow subsidiary	1,600,000	-
Sun Yield Bio Ingredients Pvt Ltd	Fellow subsidiary	4,860	-
Serendib Leisure Mgt Ltd	Fellow subsidiary	5,009,556	-
Browns Power Holding Limited	Fellow subsidiary	650,230	
Ceylon Roots Lanka (Pvt) Ltd	Fellow subsidiary	88,490	-
Ajax Engineers (Private) Limited	Fellow subsidiary	43,543	-
Browns Investments PLC	Fellow subsidiary	224,148	-
		111,145,630	57,161,090

11. OTHER RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Financial Assets		
Staff loans	6,995,418	6,799,406
Other receivables	1,098,072,778	1,604,411,030
Provision on other receivable	(1,079,893,318)	(816,172,063)
	25,174,879	795,038,373
Non Financial Assets		
VAT receivable	258,397,010	241,990,374
Prepaid staff cost	37,318,316	28,156,756
Other Debtors & Prepayments	2,529,928,150	2,360,307,309
Miscellaneous receivables	552,379,102	2,052,494,483
	3,378,022,579	4,682,948,923
Total Other receivables	3,403,197,457	5,477,987,296

12. INVESTMENT PROPERTIES

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	41,252,661,174	38,287,958,119
Additions to Investment Properties from foreclosure of contracts	454,967,286	868,875,920
Additions and improvements		
Improvements	7,919,597	82,794,379
Additions	83,000,000	2,215,922,787
Transfers to property, plant and equipment	(324,500,000)	(3,332,500,000)
Addition on merger with subsidiary	-	44,500,000
Disposals	(225,811,000)	(440,775,000)
Change in fair value	7,065,106,338	3,525,884,968
Balance at the end of the year	48,313,343,394	41,252,661,174

- Investment Properties includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties. These properties are held by the Company for capital appreciation.
- The company incurred expenses for the improvements of the investment properties and received rent income amounting to Rs.156,592,952 during the current year (2022/23- Rs.65,343,555) from these properties.
- During the year company has incurred expenses amounting to Rs.79,880,879 for maintenance of the investment property. (2022/23 - Rs.128,765,638)
- Changes in fair values are recognised as gains in profit or loss and included in 'Net other operating income'.

12.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year, and the latest valuation was done on 31 December 2023. The fair value has been determined based on valuations performed by a panel of Chartered Valuation Surveyors: C. U. Suwandarathne, M.Sc. REMV, B.Sc. EMV (SP) (Hons), AIV (IVSL), IABF(IBSL), CBA(ICASL); K. T. Nihal, B.Sc. EMV (SP) (Hons); K. R. N. Jayawardana, B.Sc. EMV (SP) (Hons); E. H. M. M. S. B. Herath, B.Sc. EMV (SP) (Hons); Anuradha Senevirathne, M.Sc. REMV (USJP), M.Sc. Real Estate (UK), B.Sc. EMV (SP) (Hons), MRICS (UK), FIV (SL); D. D. S. S. Dampe, B.Sc. EMV (SP) (Hons); and A. V. U. Wasantha, FIV (SL) F/176, MRICS (UK).

'The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation technique

The following table shows the valuation techniques 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 input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	'Per perch value was derived based on similar property values. The value of a perch in the property portfolio as of December 2023 ranges from Rs.70,000 to Rs.28,000,000 in the Colombo area and Rs.13,259 to Rs.12,500,000 outside the Colombo area. As of March 2023 ranges from Rs.62,500 to Rs.28,000,000 in the Colombo area and Rs.43,750 to Rs.14,000,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: » Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for year used.	The estimated fair value would increase (decrease) if: » Depreciation rate was lesser / (higher) » Square feet value was higher / (lesser)

13. PROPERTY, PLANT AND EQUIPMENT

Company Cost/Valuation	Land Rs.	Building Rs.	Leasehold Motor Vehicles Rs.	Freehold Motor Vehicles Rs.	Other equipment and software Rs.	Right-of use assets Rs.	Total Rs.
Balance as at 01 April 2023	5,372,650,000	2,767,955,690	297,296,000	1,892,101,906	2,021,683,700	2,071,078,642	14,422,765,938
Additions	-	-	-	67,677,990	2,554,493,746	861,980,142	3,484,151,878
Disposals	-	-	-	(8,500,000)	(26,664,391)	(364,496,138)	(399,660,529)
Transfers from investment properties	201,500,000	123,000,000	-	-	-	-	324,500,000
Transfers / Adjustment	-	23,426,949	(297,296,000)	242,335,000	-	54,961,000	23,426,949
Balance as at 31 March 2024	5,574,150,000	2,914,382,639	-	2,193,614,896	4,549,513,055	2,623,523,646	17,855,184,235
Accumulated Depreciation							
Balance as at 01 April 2023	-	63,493,294	108,513,508	67,363,566	1,541,278,536	1,089,135,380	2,869,784,284
Additions	-	-	-	-	1,618,090,448	-	1,618,090,448
Charge for the year	-	82,464,474	-	311,351,556	370,840,542	421,449,134	1,186,105,705
Depreciation on disposals	-	-	-	(1,431,070)	(26,664,391)	(140,252,999)	(168,348,460)
Transfers / Adjustment	-	-	(108,513,508)	102,437,053	-	(6,988,598)	(13,065,053)
Balance as at 31 March 2024	-	145,957,768	-	479,721,106	3,503,545,135	1,363,342,916	5,492,566,925
Carrying Amount							
As at 31 March 2024	5,574,150,000	2,768,424,871	-	1,713,893,790	1,045,967,920	1,260,180,730	12,362,617,310

Company Cost/Valuation	Land Rs.	Building Rs.	Leasehold Motor Vehicles Rs.	Freehold Motor Vehicles Rs.	Other equipment and software Rs.	Right-of use assets Rs.	Total Rs.
Balance as at 01 April 2022	3,142,650,000	1,661,854,049	178,961,000	1,890,320,000	1,391,593,349	1,753,323,447	10,018,701,844
Additions	-	-	118,335,000	1,300,004	86,652,675	367,081	206,654,760
Addition arising from merger of subsidiary	-	-	-	10,231,902	367,107,629	322,718,905	700,058,436
Disposals	-	-	-	(9,750,000)	(113,795)	(5,330,792)	(15,194,587)
Transfers to investment properties	2,230,000,000	1,102,500,000	-	-	-	-	3,332,500,000
Transfers / Adjustment	-	3,601,641	-	-	176,443,843	-	180,045,484
Balance as at 31 March 2023	5,372,650,000	2,767,955,690	297,296,000	1,892,101,906	2,021,683,700	2,071,078,642	14,422,765,938
Accumulated Depreciation							
Balance as at 01 April 2022	-	504,048	67,999,000	(64,691,157)	987,244,157	700,910,856	1,691,966,904
Charge for the year	-	62,989,246	40,514,508	131,219,728	225,691,618	273,804,613	734,219,712
Depreciation on disposals	-	-	-	(193,718)	(113,795)	(21,613,149)	(21,920,662)
Addition arising from merger of subsidiary	-	-	-	1,028,714	300,865,746	136,033,059	437,927,519
Transfers / Adjustment	-	-	-	-	27,590,811		27,590,811
Balance as at 31 March 2023	-	63,493,294	108,513,508	67,363,566	1,541,278,536	1,089,135,380	2,869,784,284
Carrying Amount							
As at 31 March 2023	5,372,650,000	2,704,462,396	188,782,492	1,824,738,340	480,405,164	981,943,262	11,552,981,653

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Property, plant and equipment pledged as security for liabilities

There are no any carrying value of motor vehicles as at 31 March 2024 (31 March 2023 - Rs.188,782,492) are purchased under finance leases and have been pledged as security for the related finance lease liabilities.

Assets given under operating leases

The motor vehicles of the company represents assets given under operating leases under short term and long term basis.

An analysis of the rentals to be received on such operating leases are as follows.

As at 31 March	2024 Rs.	2023 Rs.
Receivable within one year	541,244,301	291,255,951
Receivable within 1-5 years	345,456,754	262,014,586
Total	886,701,055	553,270,537

Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31 March 2024 and 31 March 2023.

Fully depreciated property, plant and equipment

There were motor vehicles amount to Rs.331,902 and office equipment amount to Rs.2,604,108,908 in property, plant and equipment fully depreciated as at 31 March 2024 and as at 31 March 2023 it was Rs.331,902 in motor vehicles and Rs.1,027,043,881 in office equipment.

13.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of property, plant and equipment was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 December 2023.

The fair value measurement for all of the land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The Company has decided to change its accounting policies relating to Motor Vehicles (both leasehold and free hold) from Cost Model to Revaluation Model as per LKAS 16 with effect from 31st March 2023. Management has voluntarily changed the aforementioned accounting policy with the view that it will provide more relevant and reliable information in financial statements to economic users.

2.) Valuation technique

The following table shows the valuation techniques used in measuring the fair value of land and buildings, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio as of December 2023 ranges from Rs.70,000 to Rs.28,000,000 in the Colombo area and Rs.13,259 to Rs.12,500,000 outside the Colombo area. As of March 2023 ranges from Rs.62,500 to Rs.28,000,000 in the Colombo area and Rs.43,750 to Rs.14,000,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: » Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for year used.	The estimated fair value would increase (decrease) if: » Depreciation rate was lesser / (higher) » Square feet value was higher / (lesser)

13.2 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

As at 31 March	2024 Rs.	2023 Rs.
Cost	5,058,583,401	4,964,184,401
Accumulated depreciation and impairment	(156,068,954)	(107,294,999)
Carrying value	4,902,514,447	4,856,889,402

14. INTEREST BEARING BORROWINGS

As at 31 March	2024 Rs.	2023 Rs.
Short-term loans	5,333,022,200	363,291,900
Long-term borrowings (note 14.1)	8,885,950,769	20,618,010,036
Lease liability (note 14.2)	1,445,940,298	1,115,628,526
Debentures (note 14.3)	5,000,000,000	7,500,000,000
Total borrowings	20,664,913,267	29,596,930,462
Interest payable	247,700,088	1,832,483,333
Liability recognised in statement of financial position	20,912,613,355	31,429,413,795

14.1 Long-term borrowings

Balance at the beginning of the year	20,618,010,036	19,661,065,288
Loans obtained during the year	1,631,900,000	3,000,000,000
Loans transferred on merger with subsidiary	-	8,544,077,577
Repaid during the year	(13,363,959,267)	(2,043,055,252)
Balance at the end of the year	8,885,950,769	20,618,010,036
Long-term borrowings - current	4,445,121,394	12,798,175,840
Long-term borrowings - non-current (note 14.1.a)	4,440,829,375	7,819,834,196
	8,885,950,769	20,618,010,036

14.1.a Analysis of non-current portion of long-term borrowings

Repayable within 1-3 years	4,300,195,000	6,802,748,258
Repayable after 3 years	140,634,375	1,017,085,938
	4,440,829,375	7,819,834,196

14.2 Lease liability

Finance leases (note 14.2.1)	244,734,370	32,973,284
Obligation on lease liability - right of use assets (note 14.2.2)	1,201,205,928	1,082,655,242
	1,445,940,298	1,115,628,526

As at 31 March	2024 Rs.	2023 Rs.
14.2.1 Finance leases		
Gross lease rentals payable at the beginning of the year	38,945,681	49,991,381
Lease obtained during the year	275,962,081	-
Lease rentals paid during the year	(32,411,800)	(11,045,700)
Gross lease rentals payable at the end of the year	282,495,962	38,945,681
Less: Interest in suspense	(37,761,591)	(5,972,397)
Balance at the end of the year / present value of minimum lease payments	244,734,370	32,973,284
14.2.1.1 Analysis of finance leases		
Repayable within one year (note 14.2.1.a)	115,100,050	7,706,451
Repayable within 1-5 years (note 14.2.1.b)	129,634,320	25,266,833
	244,734,370	32,973,284
14.2.1.a Repayable within one year		
Gross lease rentals payable	142,796,633	10,334,834
Less: interest in suspense	(27,696,582)	(2,628,383)
	115,100,050	7,706,451
14.2.1.b Repayable within 1-5 years		
Gross lease rentals payable	139,699,329	28,610,847
Less: interest in suspense	(10,065,009)	(3,344,014)
	129,634,320	25,266,833
14.2.2 Obligation on lease liability of right-of use assets		
Balance at the beginning of the year	1,082,655,242	1,159,387,616
Addition during the year	424,727,686	367,081
Accretion of interest	183,972,801	122,317,473
Payments during the year	(490,149,801)	(424,566,225)
Transferred on merger with subsidiary	-	225,149,297
Balance at the end of the year	1,201,205,928	1,082,655,242
14.2.2.1 Maturity analysis of obligation on lease liability		
Less than 01 year	256,680,792	215,024,173
01 to 05 years	743,255,996	539,708,432
More than 05 years	201,269,140	327,922,637
	1,201,205,928	1,082,655,242

Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumptions

Sensitivity to Discount Rates 1% increase/(decrease) in discount rate as at 31st March 2024 would have (decreased)/increased the lease liability by approximately Rs 17 Mn with a similar (decrease)/increase in the right-of-use asset. Had the Company increased/(decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs 13.8 Mn.

Sensitivity to Lease Term had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31st March 2024 would have increased by Rs 364 Mn with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs 36 Mn.

14.3 Debentures

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	7,500,000,000	7,500,000,000
Debenture redeemed during the year	(2,500,000,000)	-
Balance at the end of the year	5,000,000,000	7,500,000,000

The company issued rated unsecured subordinated redeemable debentures, thirty four million (34,110,193) totalling to Rs.2.5Bn in July 2018 with a five year maturity duration, incurring transaction costs and during the year as a result of the merger, fifty million (50,000,000) debentures totalling to Rs.5Bn had been issued in September 2020 transferred to the Company. These debentures are listed in the Colombo Stock Exchange. The amortisation of the transaction cost is included in the interest payable amount.

15. DEPOSITS FROM CUSTOMERS

As at 31 March	2024 Rs.	2023 Rs.
Customer deposits	196,974,139,143	191,186,788,264
Interest / profit payable		
Interest payable on deposits	8,731,028,181	9,310,622,323
Profits payable to alternative finance deposit holders	663,058,801	773,490,796
	9,394,086,982	10,084,113,118
Deposit liability recognised in statement of financial position	206,368,226,125	201,270,901,382

15.1 Analysis of customer deposits based on nature

Fixed deposits - conventional	161,927,362,551	154,455,577,011
Fixed deposits - alternative finance - Mudharabah	5,159,769,768	1,925,877,004
Fixed deposits - alternative finance - Wakala	15,511,202,007	19,250,758,733
Fixed deposits - foreign currency	4,167,656,249	3,187,652,971
Fixed deposit bonds	4,176,036	4,176,036
Savings deposits - conventional	8,291,978,954	6,109,156,207
Savings deposits - alternative finance	1,649,198,610	1,128,062,348
Savings deposits - foreign currency	262,794,966	5,125,527,954
Total deposits	196,974,139,143	191,186,788,264

15.2 Deposits based on maturity

Deposits maturing within one year	155,476,881,955	137,500,114,566
Deposits maturing after one year	41,497,257,188	53,686,673,698
	196,974,139,143	191,186,788,264

16. TRADE PAYABLES

Creditors for lease equipment and approved facilities to be disbursed	102,869,442	258,736,201

17. ACCRUALS AND OTHER PAYABLES

As at 31 March	2024 Rs.	2023 Rs.
Excess payments received from clients	1,271,264,162	986,055,687
Insurance payable	362,287,309	37,523,399
VAT / other tax payable	12,341,931,275	8,788,234,198
Other miscellaneous creditors	1,807,950,229	788,635,736
Payable on matured deposits	201,762,598	287,459,197
Stamp duty payable	14,689,405	-
Allowance for impairment (ECL) - Undrawn credit facilities	1,708,861	2,427,891
	16,001,593,839	10,890,336,109

18. AMOUNTS DUE TO RELATED COMPANIES

As at 31 March	Relationship	2024 Rs.	2023 Rs.
LOLC Holding PLC	Ultimate parent	148,894,353	955,683,775
LOLC Technologies Limited	Fellow subsidiary	181,212,730	110,018,244
LOLC Corporate services Ltd	Fellow subsidiary	-	595,000
LOLC Property 1-4	Fellow subsidiary	1,653,496	2,941,384
Browns Hotels and Resorts Limited	Fellow subsidiary	321,484	-
		332,082,063	1,069,238,403

19. EMPLOYEE BENEFITS

19.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

As at 31 March	2024 Rs.	2023 Rs.
Employees' Provident Fund		
Employers' contribution	329,912,838	268,926,628
Employees' contribution	219,941,892	179,284,418
Employees' Trust Fund	81,302,997	81,828,880

As at 31 March	2024 Rs.	2023 Rs.

19.2 Defined benefit plan

Movement in the present value of the defined benefit obligation		
Defined benefit obligation at the beginning of the year	652,806,770	565,709,494
Transferred on merger with subsidiary	-	62,272,625
Transfers during the year	(31,962,215)	-
Expense included in Personnel Expenses (note 19.2.a)	198,531,438	114,012,814
Remeasurement Component	(27,395,624)	(51,711,081)
	139,173,599	124,574,358
Benefits paid	(81,019,419)	(37,477,082)
Defined benefit obligation at end of the year	710,960,950	652,806,770

19.2.a Expense included in Personnel Expenses

Current Service Cost	107,138,491	17,955,815
Interest Cost	91,392,947	96,056,999
	198,531,438	114,012,814

19.2.b Actuarial gains and losses recognised in other comprehensive income

Cumulative (gain) / loss at the beginning of the year	100,445,930	152,157,011
(Gain) / loss recognised during the year	(27,395,624)	(51,711,081)
Cumulative (gain) / loss at end of the year	73,050,306	100,445,930

Acturial valuation for defined benefit obligation was carried out as at 31 March 2024 by Mr. P.S. Goonatilleke, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Actuarial Cost Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

19.2.c Key assumptions used in the above valuation are as follows:

As at 31 March	2024	2023
Discount Rate	13.00%	14.00%
Salary Increment Rate	11.00%	11.50%
Retirement Age	60	60
Staff Turnover	2.5% - 15.0%	2.5% - 15.0%

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service under the Payment of Gratuity Act No. 12 of 1983. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service. The obligation is not externally funded.

Current weighted average duration of the defined benefit obligation is 10.4 years.

Assumptions regarding future mortality are based on published statistics and mortality tables.

19.2.d Sensitivity analysis of the defined benefit obligation

The effect on the defined benefit obligation at the year end, as a result of changes in the actuarial assumptions used, is shown below.

As at 31 March	2024 Rs.	2023 Rs.
The defined benefit obligation under current assumptions	710,960,950	652,806,770
The defined benefit obligation if the discount rate increased by 100 basis points	650,037,957	604,718,294
The defined benefit obligation if the discount rate reduced by 100 basis points	781,311,138	708,182,101
The defined benefit obligation if the salary increment rate increased by 1%	784,361,390	707,983,316
The defined benefit obligation if the salary increment rate reduced by 1%	646,636,025	604,073,161
The change in the defined benefit obligation if the discount rate increased by 100 basis points	(60,922,993)	(48,088,476)
The change in the defined benefit obligation if the discount rate reduced by 100 basis points	70,350,189	55,375,332
The change in the defined benefit obligation if the salary increment rate increased by 1%	73,400,441	55,176,547
The change in the defined benefit obligation if the salary increment rate reduced by 1%	(64,324,925)	(48,733,609)

19.2.e Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years.

As at 31 March	2024	2023
Within the next 12 months	66,876,949	71,686,237
Between 1 and 2 years	84,379,016	67,914,542
Between 2 and 5 years	287,285,417	266,971,099
Between 5 and 10 years	826,605,155	785,049,551
Total expected payments	1,265,146,537	1,191,621,429

20. STATED CAPITAL

As at 31 March	2024		2023	
	Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year	33,079,212,299	306,993,805,501	19,251,334,334	211,581,447,542
Issue of shares	-	-	13,827,877,965	95,412,357,959
Balance at the end of the year	33,079,212,299	306,993,805,501	33,079,212,299	306,993,805,501

Rights, preference and restrictions of classes of capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to have one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

21. RESERVES

As at 31 March	2024 Rs.	2023 Rs.
Statutory reserve (note 21.1)	6,291,146,123	5,213,771,358
Revaluation reserve (note 21.2)	1,247,187,997	1,247,187,997
Cash flow hedge reserve (note 21.3)	41,014,495	41,014,495
Fair value reserve (note 21.4)	302,199,666	331,628,639
Regulatory loss allowance reserve (note 21.5)	6,816,123,553	3,231,500,379
Merger reserve (note 21.6)	(262,914,889,649)	(262,914,889,649)
Retained earnings (note 21.7)	63,568,883,512	46,664,209,198
	(184,648,334,303)	(206,185,577,583)

21.1 Statutory reserve

	2024	2023
Balance at the beginning of the year	5,213,771,358	4,444,108,028
Transferred during the year	1,077,374,766	769,663,330
Balance at the end of the year	6,291,146,123	5,213,771,358

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transferred 5% (2022/23 - 5%) of its annual net profit after tax to this reserve in compliance with this direction.

21.2 Revaluation Reserve

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	1,247,187,997	1,505,632,154
Related tax	-	(258,444,158)
Balance at the end of the year	1,247,187,997	1,247,187,997

This reserve is created from the excess arising from the revaluation of land and buildings of the company.

21.3 Cash flow hedge reserve

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	41,014,495	(83,701,505)
Gain / (loss) arising from cash flow hedge recognised in OCI	-	155,895,000
Related tax - current tax - expense / (reversal) - note 29	-	(155,895,000)
Related tax - deferred tax - expense / (reversal) - note 29	-	124,716,000
Balance at the end of the year	41,014,495	41,014,495

The cash flow hedge reserve is maintained to recognise the change in the fair value of, the derivative (forward exchange contract) designated under the hedge relationship and the hedge item (portion of a foreign currency borrowing). The objective of the hedge is to mitigate the risk arising on the movement in foreign exchange rates and the resulting cash flows.

21.4 Fair Value Reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	331,628,639	140,752,964
Investment in government securities measured at FVOCI	-	175,480,700
Investment securities measured at FVOCI – equity investments	(29,428,973)	12,376,236
Related Tax	-	3,018,739
Balance at the end of the year	302,199,666	331,628,639

21.5 Regulatory Loss Allowance Reserve

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	3,231,500,379	-
Transferred during the year	3,584,623,173	3,231,500,379
Balance at the end of the year	6,816,123,553	3,231,500,379

As per Section 7.1.3 of Finance Business Act Direction No.01 of 2020, where the loss allowance for expected credit loss falls below the regulatory provision, company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings. In compliant with the requirement, the Company has transferred additional loss allowance from retained earnings.

21.6 Merger Reserve

The merger reserve comprises the costs of the mergers with Commercial Leasing and Finance PLC as of 31 March 2022 and LOLC Development Finance PLC as of 31 January 2023, which exceeded the carrying amounts of the identifiable assets and liabilities of the acquiree.

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	(262,914,889,649)	(169,284,516,561)
Total cost on Common Control Transaction	-	(95,412,357,959)
Carrying amount of identifiable net assets merged	-	1,781,984,871
Balance at the end of the year	(262,914,889,649)	(262,914,889,649)

21.7 Retained Earnings

Balance at the beginning of the year	46,664,209,198	35,249,180,283
Profit for the year	21,547,495,316	15,393,266,598
Premeasurements of defined benefit liability - gain / (loss)	19,176,937	22,926,027
Transfer to statutory reserve fund	(1,077,374,766)	(769,663,330)
Transfer to regulatory loss allowance reserve	(3,584,623,173)	(3,231,500,379)
Balance at the end of the year	63,568,883,512	46,664,209,198

22. INTEREST INCOME

As at 31 March	2024 Rs.	2023 Rs.
Interest on leases	17,093,767,108	13,788,943,226
Interest on loans	40,689,064,405	39,930,243,994
Income from factoring	470,711,577	348,613,388
Interest from credit cards	1,353,200,335	867,114,663
Interest on margin trading	1,817,522,499	2,294,126,328
Income from operating lease and hire	901,716,844	446,010,788
Interest on overdue rentals and others	7,541,616,036	5,668,718,177
Interest income on government securities	4,080,194,257	4,188,505,587
Interest income on term deposits	514,135,469	727,010,296
Interest income on commercial papers	543,972,718	780,388,035
	75,005,901,247	69,039,674,481

23. INTEREST EXPENSE

As at 31 March	2024 Rs.	2023 Rs.
Interest on fixed deposits	28,843,824,490	26,552,777,301
Interest on savings deposits	475,130,355	557,766,944
Finance cost amortisation of RTU assets	183,972,801	122,317,473
Profit distributed to alternative finance deposit holders	3,498,233,044	2,540,767,120
Interest on foreign currency deposits	350,901,130	289,699,990
Finance lease interest	5,474,136	3,235,547
Interest on loans & bank overdraft	3,661,693,812	6,058,031,444
	37,019,229,768	36,124,595,817

24. NET OTHER OPERATING INCOME

As at 31 March	2024 Rs.	2023 Rs.
Sundry income	2,101,880,648	1,269,441,939
Service charges	92,755,443	83,256,779
Arrangement and documentation fees	776,000,425	322,944,125
Fair value change in government securities	2,811,984,417	-
Fair value change in investment properties (note 12)	7,065,106,338	3,525,884,968
Change in fair value of derivatives - forward contracts (note 5.3)	(52,793,048)	(2,864,647,190)
Net exchange gain / (loss)	(550,778,710)	7,520,854,195
Adjustment for increase / (decrease) in value of investments (note 8.1 / 8.2.2)	978,721,509	51,672,112
Interest income from staff loan	12,323,801	24,679,859
Disposal gain / (loss) on government securities	150,288,649	-
Disposal gain / (loss) on PPE	75,450,812	48,178,109
	13,460,940,285	9,982,264,897

25. DIRECT EXPENSES EXCLUDING INTEREST COST

As at 31 March	2024 Rs.	2023 Rs.
Insurance expenses factored to accommodations	896,684,016	615,078,042
VAT on general expenses	123,634,157	166,716,994
Portfolio handling fee	-	98,137,442
	1,020,318,173	879,932,477

25.1 Taxes on financial services

As at 31 March	2024 Rs.	2023 Rs.
Value added tax	3,043,150,199	3,765,180,462
Social security contribution levy	422,659,750	258,730,081
	3,465,809,949	4,023,910,543

26. ALLOWANCE FOR IMPAIRMENT & WRITE OFFS

As at 31 March	2024 Rs.	2023 Rs.
Impairment provision / (reversal) for lease rentals receivable (Note 6.2)	(899,340,140)	596,509,787
Impairment provision / (reversal) for mortgage loan (Note 7.1.2)	(52,863,650)	111,891,231
Impairment provision / (reversal) for receivables from sundry loans (Note 7.2.2)	(2,044,788,945)	(2,306,575,176)
Impairment provision / (reversal) for credit card receivables (Note 7.4.1)	(6,537,075)	(57,932,867)
Impairment provision / (reversal) for receivables from Gold loans (Note 7.3.1)	(136,517,263)	55,828,666
Impairment provision / (reversal) for margin trading receivables (Note 7.5.1)	23,438,497	(45,316,807)
Impairment provision / (reversal) for factoring receivables (Note 7.6.1)	(45,841,675)	(114,119,531)
Impairment provision / (reversal) for other financial assets	2,767,273,874	3,108,037,302
Impairment provision / (reversal) for insurance receivable	263,721,255	336,991,919
Net written-off during the year	4,788,165,391	1,938,683,352
	4,656,710,269	3,623,997,875

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

As at 31 March	Impairment charge / (reversal) to profit or loss Rs.	Net written-off during the year Rs.	Charge / (reversal) to profit or loss net of write-offs Rs.	Provision impact / (reversal) as per CBSL Rs.
Rentals receivable on leased assets	2,437,675,017	3,337,015,157	(899,340,140)	1,484,235,098
Loans and advances	(742,066,687)	1,498,640,246	(2,240,706,933)	(1,262,315,817)
Margin trading	23,438,497	-	23,438,497	28,373,722
Factoring receivable	(93,331,687)	(47,490,012)	(45,841,675)	171,160,890
Other financial assets	2,767,273,874	-	2,767,273,874	2,767,273,874
Insurance receivable	263,721,255	-	263,721,255	263,721,255
	4,656,710,269	4,788,165,391	(131,455,123)	3,452,449,021

27. PROFIT FROM OPERATIONS

As at 31 March		2024 Rs.	2023 Rs.
Profit from operations is stated after charging all expenses including the following,			
Directors' emoluments		20,653,647	38,364,559
Audit fees and expenses	- Audit Services	4,475,000	3,800,000
	- Audit Related Services	1,700,000	1,475,000
	- Non Audit Services	Nil	Nil
Depreciation on property, plant and equipment		1,186,105,705	734,219,712

27.1 Personnel expenses

- Salaries, wages & other related cost	6,276,702,783	5,592,912,773
- Defined contribution plans - EPF & ETF	411,215,835	350,755,507
- Defined benefit plan cost	198,531,438	114,012,814
	6,886,450,056	6,057,681,094

28. MATURITY OF ASSETS AND LIABILITIES

28.1 An analysis of the total assets of the Company as at the year end based on the remaining year at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total as at 31.03.2024 Rs.	Total as at 31.03.2023 Rs.
Cash and cash equivalents	11,486,913,702	-	-	-	-	11,486,913,702	16,484,821,741
Deposits with banks and other financial institutions	1,306,634,592	2,753,840,326	-	-	-	4,060,474,917	2,493,925,170
Investment in government securities	4,705,580,190	1,402,261,907	3,197,791,808	5,835,733,810	14,938,622,337	30,079,990,052	31,452,712,476
Derivative assets	-	-	-	-	-	-	64,428,025
Financial assets at amortised cost							
Rentals receivable on leased assets	19,988,546,083	15,349,610,775	25,237,924,440	4,650,410,655	15,910,228	65,242,402,181	66,859,921,667
(-) Allowance for ECL / impairment	-	-	-	-	-	(3,893,911,156)	(4,793,251,296)
Loans and advances	48,376,961,409	54,561,762,686	63,972,236,784	16,358,892,879	89,356,966	183,359,210,724	182,409,171,406
(-) Allowance for ECL / impairment	-	-	-	-		(4,586,433,033)	(6,827,139,967)
Factoring receivable	3,292,478,754	-	-	-	-	3,292,478,754	2,512,831,380
(-) Allowance for ECL / impairment	-	-	-	-	-	(196,827,673)	(242,669,348)
Margin trading receivable	6,478,066,443	-	-	-	-	6,478,066,443	6,679,180,382
(-) Allowance for ECL / impairment	-	-	-	-	-	(53,223,882)	(29,785,385)
Investments securities	390,198,085	17,054,651,693	-	-	278,327,445	17,723,177,223	4,732,580,531
Investment in associate	-	-	-	-	249,943,293	249,943,293	564,084,948
Amount due from related companies	111,145,630	-	-	-	-	111,145,630	57,161,090
Other receivables	3,098,341,964	303,356,808	1,488,781	9,904	-	3,403,197,457	5,477,987,296
Inventories	-	39,664,090	-	-	-	39,664,090	146,134,701
Investment properties	-	-	-	-	48,313,343,394	48,313,343,394	41,252,661,174
Property plant and equipment	-	-	-	-	12,362,617,310	12,362,617,310	11,552,981,653
Total Assets as at 31 March 2024	99,234,866,852	91,465,148,284	92,409,441,813	26,845,047,248	76,248,120,973	377,472,229,426	360,847,737,645
Total Assets as at 31 March 2023	121,216,371,457	75,454,979,027	99,950,003,691	17,105,373,844	58,741,400,889	360,847,737,645	

28.2 An analysis of the total liabilities of the Company as at the year end based on the remaining year at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total as at 31.03.2024 Rs.	Total as at 31.03.2023 Rs.
Bank overdraft	5,017,647,043	-	-	-	-	5,017,647,043	8,783,895,368
Interest bearing borrowings	7,071,325,163	3,304,963,094	9,999,586,727	388,485,273	148,253,098	20,912,613,355	31,429,413,795
Deposits from customers	111,554,617,998	53,316,350,940	21,215,137,480	20,282,119,708	-	206,368,226,125	201,270,901,382
Trade payables	102,869,442	-	-	-	-	102,869,442	258,736,201
Accruals and other payables	15,428,407,334	573,186,505	-	-	-	16,001,593,839	10,890,336,109
Derivative liabilities	-	-	-	-	-	-	11,634,977
Amount due to related companies	332,082,063	-	-	-	-	332,082,063	1,069,238,403
Current tax payable	-	2,681,710,125	-	-	-	2,681,710,125	2,681,710,123
Deferred tax liability	-	-	2,999,055,285	-	-	2,999,055,285	2,990,836,600
Employee benefits	-	-	-	710,960,950	-	710,960,950	652,806,770
Stated capital	-	-	-	-	306,993,805,501	306,993,805,501	306,993,805,501
Statutory reserve	-	-	-	-	6,291,146,123	6,291,146,123	5,213,771,358
Revaluation Reserve	-	-	-	-	1,247,187,997	1,247,187,997	1,247,187,997
Cash flow hedge reserve	-	-	-	-	41,014,495	41,014,495	41,014,495
Fair value reserve	-	-	-	-	302,199,666	302,199,666	331,628,639
Regulatory loss allowance reserve	-	-	-	-	6,816,123,553	6,816,123,553	3,231,500,379
Merger reserve					(262,914,889,649)	(262,914,889,649)	(262,914,889,649)
Retained earnings	-	-	-	-	63,568,883,512	63,568,883,512	46,664,209,198
Total Liabilities & Equity as at 31 March 2024	139,506,949,043	59,876,210,664	34,213,779,492	21,381,565,930	122,493,724,296	377,472,229,426	360,847,737,645
Total Liabilities & Equity as at 31 March 2023	112,228,595,157	73,886,604,974	51,514,969,803	22,217,041,461	101,000,526,250	360,847,737,645	

29. INCOME TAX EXPENSE

The major components of income tax expense for the year ended are as follows:

As at 31 March	2024 Rs.	2023 Rs.
Current tax - recognised in P&L		
Current tax charge	-	-
Deferred Tax		
Deferred tax expense / (reversal) (note 29.2)	-	-
Income tax expense reported in statement of profit or loss	-	-
Current tax - expense / (reversal) - recognised in OCI		
	-	155,895,000
Deferred tax charge / (reversal) recognised in OCI		
Available for sale financial assets	-	(3,018,739)
Property, plant and equipment	-	258,444,158
Defined benefit plans	8,218,687	28,785,054
Fair value change in derivatives recognised in hedge reserve	-	(124,716,000)
	8,218,687	159,494,473
Total income tax expense / (reversal) recognised in OCI	8,218,687	315,389,473

29.1 Current tax payable

	2024 Rs.	2023 Rs.
Tax payable at the beginning of the year	2,681,710,123	2,525,556,194
Current tax expense for the year - recognised in P&L	-	(155,895,000)
Current tax expense for the year - recognised in OCI	-	155,895,000
Addition on merger with subsidiary	-	163,677,909
Tax paid during the year	-	(7,523,981)
Tax payable	2,681,710,125	2,681,710,123

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

As at 31 March	2024		2023	
	%	Rs.	%	Rs.
Accounting profit before income tax		21,513,561,700		16,288,377,919
Tax effect at the statutory income tax rate of 30%	30%	6,454,068,510	30%	4,886,513,376
Tax Exempt Income	-13%	(2,875,094,732)	-15%	(2,462,063,592)
Tax effect of other allowable credits	-2%	(411,651,032)	-1%	(128,001,751)
Tax effect of non deductible expenses	6%	1,332,301,320	11%	1,757,152,477
Tax benefit on acquisition of subsidiary	-21%	(4,499,624,065)	-25%	(4,053,600,510)
Income tax expense	0%	-	0%	-

29.2 Deferred Taxation

As at 31 March	2024 Rs.	2023 Rs.
Balance at the beginning of the year	2,990,836,602	2,974,781,275
Deferred tax expense / (reversal) - recognised in P&L	-	-
Deferred tax expense / (reversal) - recognised in OCI	8,218,687	159,494,473
Addition on merger with subsidiary	-	(143,439,146)
Balance at the end of the year	2,999,055,289	2,990,836,602

Recognised deferred tax assets and liabilities are attributable to the following.

Deferred tax is measured using a tax rate of 30% (2022/23 -30%) on temporary differences.

Deferred tax expense / (reversal)

Deferred tax liability / (asset)	Balance as at 01 April 2023 Rs.	Recognised in P&L - expense / (reversal) Rs.	Recognised in OCI - expense / (reversal) Rs.	Balance as at 31 March 2024 Rs.
Recognised in P&L / Equity (retained earnings)				
Lease receivables	1,718,693,620	(864,344)	-	1,717,829,277
Property plant and equipment	624,956,829	(611,238,159)	-	13,718,671
Cost of acquisition of subsidiary (note 29.2.b)	(3,988,229,785)	(3,457,443,257)	-	(7,445,673,042)
Defined benefit plans	(206,590,065)	(7,184,279)	-	(213,774,344)
Forward exchange contracts (net)	15,837,914	(15,837,914)	-	-
Investment property	5,955,046,981	2,119,531,901	-	8,074,578,882
Provision for Impairment - SLFRS 9	(2,129,330,179)	1,973,036,050	-	(156,294,130)
Recognised in OCI				
Property plant and equipment	1,008,183,912	-	-	1,008,183,912
Defined benefit plans	(7,732,628)	-	8,218,687	486,059
Net deferred tax liability / (asset)	2,990,836,600	-	8,218,687	2,999,055,285

29.2 Deferred Taxation (Contd.)

Deferred tax liability / (asset)	Balance as at 01 April 2022 Rs.	Recognised in P&L - expense / (reversal) Rs.	Recognised in OCI - expense / (reversal) Rs.	Addition on merger with subsidiary Rs.	Balance as at 31 March 2023 Rs.
Recognised in P&L					
Lease receivables	1,511,318,901	218,913,754	-	(11,539,034)	1,718,693,620
Finance lease liability	1,344,545	(1,344,545)	-	-	-
Property plant and equipment	239,776,983	381,037,496	-	4,142,350	624,956,829
Investment in unit trust - unrealised	-	-	-	-	-
Cost of acquisition of subsidiary (note 29.2.b)	(1,322,698,505)	(2,665,531,280)	-	-	(3,988,229,785)
Defined benefit plans	(99,252,596)	(88,856,807)	-	(18,480,662)	(206,590,065)
Forward exchange contracts (net)	468,863,012	(453,025,097)	-	-	15,837,914
Investment property	1,630,707,363	4,319,180,217	-	5,159,400	5,955,046,981
Provision for Impairment - SLFRS 9	(166,695,242)	(1,836,962,313)	-	(125,672,624)	(2,129,330,179)
Tax Losses	(126,588,575)	126,588,575	-	-	-
Recognised in OCI					
Available for sale financial assets	3,018,739	-	(3,018,739)	-	-
Property plant and equipment	746,788,331	-	258,444,158	2,951,424	1,008,183,912
Defined benefit plans	(36,517,683)	-	28,785,054	-	(7,732,628)
Forward exchange contracts (net)	124,716,000	-	(124,716,000)	-	-
Net deferred tax liability / (asset)	2,974,781,275	-	159,494,473	(143,439,146)	2,990,836,600

29.2.a Temporary differences

Temporary differences - taxable / (deductible)

As at 31 March	2024 Rs.	2023 Rs.
Recognised in P&L / Equity (retained earnings)		
Lease receivables	5,726,097,590	5,728,978,735
Property plant and equipment	45,728,902	2,083,189,431
Cost of acquisition of subsidiary	(24,818,910,140)	(13,294,099,282)
Defined benefit plans	(712,581,146)	(688,633,550)
Forward exchange contracts (net)	-	52,793,048
Investment property	26,915,262,940	19,850,156,602
Provision for Impairment - SLFRS 9	(520,980,432)	(7,097,767,264)
Recognised in OCI		
Property plant and equipment	3,360,613,041	3,360,613,041
Defined benefit plans	1,620,197	(25,775,427)
Net taxable / (deductible) temporary difference	9,996,850,951	9,969,455,334

29.2.b Cost of acquisition of subsidiary and unrecognised deferred tax assets

During the financial year 2017/18, the Company paid Rs.12,291,200,000 to acquire 100% of LOLC Micro Credit Limited. In addition, during the financial year 2021/22 and 2022/23, the Company paid purchase consideration of Rs.198,818,947,542 and Rs.95,412,357,959 to be merged with Commercial Leasing and Finance PLC and LOLC Development Finance PLC respectively.

Since this was inline with the Central Bank of Sri Lanka's consolidation program, the Company is able to claim the purchase consideration as a qualifying payment in calculating the income tax liability.

During the year Rs.14,588,187,216 was claimed keeping inline with the requirements of the Inland Revenue Act. The Company expects to claim the remaining amount over the future year based on the profitability of the Company.

On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the future years and expects to recover Rs.24,818,910,140 over such year and a deferred tax asset of Rs.7,445,673,042 was recognised during the year.

The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Unrecognised deferred tax asset	2024 Rs.	2023 Rs.
Remaining amount to be claimed at the beginning of the year	279,426,786,756	199,719,015,542
Consideration paid to acquire subsidiary	-	95,412,357,959
Previous year adjustment	(213,654,963)	(5,027,663,857)
Amount claimed during the year	(14,588,187,216)	(10,676,922,888)
Remaining amount to be claimed in future years	264,624,944,578	279,426,786,756
Tax rate	30%	30%
Deferred tax asset on remaining amount	79,387,483,373	83,828,036,027
Recognised deferred tax asset	(7,445,673,042)	(3,988,229,785)
Unrecognised deferred tax asset	71,941,810,331	79,839,806,242

30. EARNINGS PER SHARE

30.1 Basic earnings per share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2024 Rs.	2023 Rs.
Amounts used as the numerator:		
Profit attributable to ordinary shareholders for basic earnings per share	21,547,495,316	15,393,266,598

	2024 Rs.	2023 Rs.
Number of ordinary shares used as the denominator:		
Ordinary shares in issue at the beginning of the year	33,079,212,299	19,251,334,334
Effects of new shares issued during the year	-	2,235,191,233
Weighted average number of ordinary shares in issue applicable to basic earnings per share	33,079,212,299	21,486,525,567
Basic earnings per share (Rs.)	0.65	0.72

30.2 Diluted earnings per share

There were no potential dilution at the year end. Therefore, diluted earnings/ (loss) per share is the same as basic earnings/ (loss) per share shown above.

31. COMPARATIVE FIGURES

Comparative information has been reclassified to conform to the current year presentation, where necessary. No information has been restated.

32. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged	
		2024 Rs.	2023 Rs.
Lease portfolio	Short term borrowing	20,567,201,260	24,155,519,559

These financial assets are pledged against the borrowings made. The lender has the right over the lease receivables in the event of non payment.

33. RELATED PARTY DISCLOSURES

33.1 Parent and Ultimate Controlling Party

The Company's immediate parent is LOLC Private Ltd and ultimate parent undertaking and controlling entity is LOLC Holding PLC.

33.2 Transactions with Key Management Personnel (KMPs)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors and identified senior management personnel of the Company and its ultimate Parent Company LOLC Holding PLC. Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company.

33.2.1 Compensation of KMPs

	2024 Rs.	2023 Rs.
Short term employment benefits	200,073,079	214,043,864
Total	200,073,079	214,043,864

The short term employment benefits include only the directors fees and emoluments paid to Directors & KMPs.

This is also included under Note 27.1

33.2.2 Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMPs domestic partner and children, children of the KMPs domestic partner and dependents of the KMP or the KMPs domestic partner. The transactions are carried out on an arms length basis. The details of the transactions are as follows :

	2024 Rs.	2023 Rs.
Deposits held with the Company	211,389,543	187,080,078
Interest paid / charged	31,989,952	14,951,820
Interest payable	17,105,073	16,885,089
Loans granted (excluding Directors)	76,790,364	90,557,346
Capital outstanding on facilities granted to KMPs (excluding Directors)	90,303,198	80,015,672
Accommodation outstanding as a percentage of the Company's Capital Funds	0.08%	0.08%

No impairment losses have been recorded against balances outstanding with KMP and CFM.

33.3 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures, on an arms length basis. Details of related party transactions are reported below. (For information regarding outstanding balances (receivables / payables) at 31 March 2024 and 31 March 2023, refer notes no.10 and 17 accordingly).

Relationship	Description of Transactions	Nature	2024 Rs.	2023 Rs.
Ultimate Parent	Net funds granted by the Parent during the year (excluding opening balance)	Transaction value	806,789,422	2,672,142,652
	Reimbursement of expenses	Expense	670,655,193	718,906,823
	Asset hire charges	Expense	194,414,320	255,679,715
	Royalty	Expense	-	1,157,433,073
	Fund transfer interest	Expense	105,452,808	169,065,320
Fellow Subsidiaries & Associates	Deposits & other borrowings by the company	Deposits	228,955,094	459,098,849
	Interest paid/charge	Expense	37,164,037	23,117,958
	Interest payable	Expense	2,562,481	7,697,713
	Consideration on merge with subsidiary	Transaction value	-	95,412,357,959
	IT service fee	Expense	1,254,344,470	1,013,296,344
	Yard fee	Expense	4,278,863	3,300,000
	Services / Maintenance fee	Expense	153,082,628	683,171,012
	Loan / lease granted	Disbursements	5,598,330,683	7,105,269,667
	Capital outstanding on facilities granted	Lending facilities	7,683,969,353	7,290,699,466
	Rental collections	Collections	6,984,339,536	1,003,585,602
	Interest income	Income	1,759,618,806	1,141,713,966
	Rent Income	Income	54,628,907	40,856,940
	Franchise fee income	Income	692,434,705	413,636,136
Other Related Parties	Deposits held with the company	Deposits	1,827,993,289	185,954,357
	Interest paid / charge	Expense	327,709,223	62,505,373
	Interest payable	Expense	107,802,246	6,438,588
	Rental collections	Collections	16,879,693,576	227,746,446
	Interest income	Income	5,714,851,324	612,767,113
Accommodation outstanding as a percentage of the Company's Capital Funds			6.74%	7.60%

All of the above transactions (including borrowing / lending / investing transactions) with related parties are on arm's length basis and are on terms that are generic to non-related parties.

34. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements.

35. OPERATING SEGMENTS

	Operating Segment			
	SME Finance	Development Finance	Alternative Financial Services	Total
	Rs.	Rs.	Rs.	Rs.
For the year ended 31 March 2024				
Total revenue - Interest income & other income	56,123,771,733	25,256,840,881	7,086,228,918	88,466,841,532
External revenue	56,123,771,733	25,256,840,881	7,086,228,918	88,466,841,532
Net interest cost	(23,039,221,376)	(10,369,392,072)	(3,610,616,320)	(37,019,229,768)
Profit before operating expenses	33,084,550,357	14,887,448,809	3,475,612,598	51,447,611,764
Operating expenses	(13,939,265,114)	(6,273,723,526)	(1,598,541,206)	(21,811,529,846)
Allowance for impairment & write-offs	(2,041,192,230)	(2,383,429,487)	(232,088,552)	(4,656,710,269)
Value added tax on financial services	(2,073,939,712)	(1,038,382,633)	(353,487,605)	(3,465,809,949)
Results from operating activities	15,030,153,301	5,191,913,163	1,291,495,235	21,513,561,700
For the year ended 31 March 2023				
Total revenue - Interest income & other income	52,548,832,372	21,281,618,981	5,191,488,025	79,021,939,379
External revenue	52,548,832,372	21,281,618,981	5,191,488,025	79,021,939,379
Net interest cost	(23,891,756,753)	(9,614,426,407)	(2,618,412,658)	(36,124,595,817)
Profit before operating expenses	28,657,075,619	11,667,192,574	2,573,075,368	42,897,343,561
Operating expenses	(12,422,092,887)	(5,006,501,182)	(1,532,463,155)	(18,961,057,225)
Allowance for impairment & write-offs	(1,605,787,282)	(1,960,059,129)	(58,151,465)	(3,623,997,875)
Value added tax on financial services	(3,318,732,003)	(476,909,950)	(228,268,589)	(4,023,910,543)
Results from operating activities	11,310,463,446	4,223,722,313	754,192,159	16,288,377,919
Depreciation				
For the year ended 31 March 2024	966,092,256	220,013,449	-	1,186,105,705
For the year ended 31 March 2023	623,192,907	111,026,805	-	734,219,712
Capital expenditure - Property Plant and equipment				
For the year ended 31 March 2024	2,837,868,609	646,283,268	-	3,484,151,878
For the year ended 31 March 2023	175,404,962	31,249,798	-	206,654,760
As at 31-03-2024				
Total assets	281,746,492,466	64,163,662,609	31,562,074,351	377,472,229,426
Total liabilities	166,099,953,499	64,163,662,609	24,863,142,120	255,126,758,228
As at 31-03-2023				
Total assets	279,631,195,118	49,818,536,006	31,398,006,521	360,847,737,645
Total liabilities	184,230,404,196	49,818,536,006	25,990,569,525	260,039,509,727

36. COMMITMENTS AND CONTINGENCIES

As at 31 March	2024 Rs.	2023 Rs.
36.1 Contingent liabilities		
Guarantees issued to banks and other institutions - backed by deposits	521,902,870	401,378,124
36.2 Commitments		
Forward exchange contracts - (commitment to purchase)	-	10,293,353,884
Unutilised loan facilities	29,988,834,748	20,968,462,437
Allowance for ECL / impairment	1,708,861	2,427,891
	30,512,446,479	31,665,622,336

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE FINANCIAL STATEMENTS

BOARD OF DIRECTORS OF LOLC FINANCE PLC

Opinion

We have audited the special purpose statement of financial position as at 31 March 2024 and the special purpose statement of comprehensive income for the year then ended, and a summary of material accounting policies and other explanatory information (together "the special purpose financials").

In our opinion, the accompanying special purpose financial statement of the LOLC Finance PLC ("the company"), AL-Falaah, Alternate Financial Services Unit ("Unit") for the year ended 31 March 2024 is prepared, in all material aspects, in accordance with the accounting policies set forth in pages 183 to 195 of the special purpose financial statement.

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 special purpose financial statements section of our report. We are independent of the company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to the accounting policies set forth in pages 183 to 195 of the special purpose financial statements, which describes the basis of accounting. Our audit work has been undertaken so that we might state to the Board of Directors of the LOLC Finance PLC, those matters that we are required to state, in an auditors' report and may not be suitable for another purpose. To the fullest extent permitted by law, we do not accept or assume the responsibility to anyone other than the addressee, for our audit work, for this report, or for the opinion we have formed. Our opinion is not modified in respect of this matter.

Auditor's responsibilities for the audit of the special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.

Ernst & Young

27 June 2024
Colombo

Special Purpose Statement of Financial Position

As at 31 March	Note	2024 Rs.	2023 Rs.
ASSETS			
Cash and bank balances	3	1,404,357,334	5,547,597,315
Deposits with banks and other financial institutions		503,609,589	2,048,743,772
Murabaha / Musawamah /Wakalah Finance	4.1	1,498,564,240	1,301,377,967
Diminishing Musharakah receivables	4.2	20,806,515,686	16,935,845,248
Ijarah rent receivables	4.3	5,264,768,652	4,328,237,645
Wadi'ah Gold Storage Facility	4.4	1,536,037,429	671,443,923
Trading assets - Fair value through profit or loss	6	16,990,955	16,407,646
Investment Properties	7	150,000,000	143,000,000
Other receivables	5	412,154,093	405,353,006
Total assets		31,592,997,978	31,398,006,522
LIABILITIES			
Deposits from customers	8	22,982,610,534	23,080,494,620
Income tax payable	14	317,599,624	317,599,624
Accruals and other payables	9	1,583,834,121	2,592,475,281
Total liabilities		24,884,044,279	25,990,569,525
OWNER'S FUND			
Retained earnings		6,708,953,699	5,407,436,996
Total owners fund		6,708,953,699	5,407,436,996
Total liabilities & owners fund		31,592,997,978	31,398,006,522

I certify that these financial statements have been prepared in accordance with the basis of preparation and notes.

(Mr.) Buddhika Weeratunga
Head of Finance

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

(Mr.) Krishan Thilakaratne
Director/CEO

(Mr.) Conrad Dias
Chairman / Non Executive Director

The annexed notes to the financial statements on pages 183 through 195 form an integral part of these financial statements.

27 June 2024
Rajagiriya (Greater Colombo)

Special Purpose Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	2024 Rs.	2023 Rs.
Revenue	10	6,606,315,881	4,878,017,971
Profit paid to Mudharabah/Wakalah investments		(3,498,233,581)	(2,540,735,836)
Profit paid on other funding arrangement		-	(253,097)
Other direct expenses		(112,382,739)	(77,423,725)
		2,995,699,561	2,259,605,313
Non distributable other income / (expenses)	11	479,913,037	313,470,054
Total operating income		3,475,612,597	2,573,075,367
Personnel expenses	12	(551,373,105)	(542,290,133)
(Provision)/reversal for credit losses		(242,868,019)	(58,151,465)
Other operating expenses		(1,047,168,101)	(990,173,022)
Profit from operations		1,634,203,372	982,460,747
Value added tax on financial services		(332,686,669)	(228,268,589)
Profit before taxation		1,301,516,703	754,192,158
Income tax expense	13	-	-
Profit for the year		1,301,516,703	754,192,158
Other comprehensive income		-	-
Total comprehensive income		1,301,516,703	754,192,158

The annexed notes to the financial statements on pages 183 through 195 form an integral part of these financial statements.

Special Purpose Statement of Cash Flows

As at 31 March	2024 Rs.	2023 Rs.
Cash Flows From / (Used in) Operating Activities		
Net Profit before Income Tax Expense	1,301,516,703	754,192,158
Provision for fall/(Increase) in value of investments	(583,309)	2,672,738
Allowance for/(reversal of) doubtful debts	242,868,019	58,151,465
Change in fair value of investment property	(7,000,000)	(20,200,000)
Investment income	(111,124,116)	(178,879,439)
Profits attributable to investment made from banks & other Financial institutions	-	253,097
Profits attributable to Mudharabah / Wakalah investments	3,498,233,581	2,540,735,836
Operating profit before working capital changes	4,923,910,877	3,156,925,855
Change in other receivables	(6,801,088)	(298,966,562)
Change in trade and other payables	(1,008,641,160)	(4,163,150,215)
Change in Ijarah rent receivables	(936,531,007)	189,808,403
Change in Murabaha / Musawamah /Wakalah Finance	(440,054,292)	753,976,628
Change in Diminishing Musharakah receivables	(3,870,670,438)	(301,792,733)
Change in Wadi'ah Gold Storage Facility	(864,593,506)	(487,708,147)
Change in Mudharabah investments from customers	3,268,908,542	(3,649,555,000)
Change in Wakalah investments from customers	(3,887,928,890)	14,060,515,603
Change in Mudharabah savings deposits from customers	521,136,262	94,481,048
Cash used in Operations	(2,301,264,699)	9,354,534,880
Profits paid to Mudharabah / Wakalah investments	(3,498,233,581)	(2,540,735,836)
Income tax paid	-	-
Net Cash Used in Operating Activities	(5,799,498,280)	6,813,799,045
Cash Flows from / (Used in) Investing Activities		
Net proceeds from Investments in Mudaranah Deposits	1,545,134,183	(2,048,566,438)
Profit Received	111,124,116	178,626,342
Net Cash Flows from Investing Activities	1,656,258,299	(1,869,940,097)
Cash Flows from / (Used in) Financing Activities	-	-
Net Increase/(decrease) in cash and cash equivalents	(4,143,239,979)	4,943,858,949
Cash and cash equivalents at the beginning of the period	5,547,597,315	603,738,364
Addition on merger with subsidiary	-	-
Cash and cash equivalents at the end of the period	1,404,357,334	5,547,597,315
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	1,404,357,334	5,547,597,315
	1,404,357,334	5,547,597,315

The basis of preparation and notes are given in pages 183 through 195.

The accounting policies and notes on pages 183 through 195 form an integral part of the Financial Statements.

Notes to the Special Purpose Financial Statements

1. GENERAL

LOLC Finance PLC (the "Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No 42 of 2011 (formerly Finance Companies Act, No. 78 of 1988.)

LOLC Finance PLC has set up the Al-Falaah, Alternate Financial Service Unit ("LOLC Al-Falaah") which commenced its operations in February 2008, under Islamic economic jurisprudence. It is housed in the head office premises at No. 100/1 Sri Jayewardenepura Mawatha, Rajagiriya.

1.1.1 Principal activities and nature of business

The principal activities of the LOLC Al-Falaah comprised of Mudharabah (Profit Sharing Investments & Savings) and Wakalah (Term Investments), Diminishing Musharakah (Property & Project Financing), Murabaha (Trade Financing), Musawamah (Import Financing), Wakalah (Working Capital Financing), Wadi'ah (Gold Storage Facility) and Ijarah (Leasing).

1.1.2 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these Special Purpose Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

These supplementary special purpose financial statements of the LOLC Al-Falaah are prepared on based on the accounting policies explained in Note 2.

The results of LOLC Al-Falaah and the financial position of the LOLC Al-Falaah form part of the financial statements of LOLC Finance PLC which is prepared in accordance with Sri Lanka Accounting Standards. LOLC Finance PLC's primary set of financial statements was authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 27 June 2024. Therefore, the isolated special purpose financial statements of the LOLC Al-Falaah should be read in conjunction with the LOLC Finance PLC's primary set of financial statements.

These Special Purpose Financial Statements include the following components:

» a Special Purpose Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the LOLC Al-Falaah for the year under review.

» a Special Purpose Statement of Financial Position providing the information on the financial position of the LOLC Al-Falaah as at the year-end.

» a Special Purpose Statement of Cash Flows providing the information to the users, on the ability of the LOLC Al-Falaah to generate cash and cash equivalents and the needs of the LOLC Al-Falaah to utilise those cash flows; and

» Notes to the Special Purpose Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2.

1.2.2 Basis of Measurement

These special purpose financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternate basis on each reporting date:

Items	Measurement basis
Non-derivative financial instruments at fair value through profit or loss	Fair value
Investment property	Fair value

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position broadly in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settled the liability simultaneously.

1.2.3 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.4 Going Concern basis of accounting

The Directors have made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Special Purpose Financial Statements continue to be prepared on a going concern basis.

1.2.5 Comparative information

The accounting policies have been consistently applied by the LOLC Al-Falaah and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.

1.3 Functional and presentation currency

Items included in the special purpose financial statements of the company are measured using the currency of the primary economic environment in which the LOLC Al-Falaah operates (the functional currency).

These special purpose financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the year under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 Significant accounting judgments, estimates and assumptions

The preparation of the special purpose financial statements in conformity with the described accounting policies requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the special purpose financial statements.

Critical Accounting estimate / judgment	Disclosure reference Note
Fair value measurement of financial instruments and investment properties	1.4.1
Impairment losses on financial accommodations and advances	1.4.2
Provisions for liabilities and contingencies	1.4.3

1.4.1 Fair Value Measurement

A number of the Company's (LOLC Finance PLC including the LOLC Al-Falaah) accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- » Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- » Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- » Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 10 – Investment property

Note 2.1 – Financial instruments

1.4.2 Impairment Losses on Financial Accommodation

In addition to the provisions made for possible financial accommodation losses based on the parameters and directives for specific provisions on financial accommodation by the Central Bank of Sri Lanka, the LOLC Al-Falaah reviews its financial accommodation portfolio at each reporting date to assess whether a further allowance for impairment should be provided in the statement of profit or loss. The judgement by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

1.4.3 Provision for liabilities and contingencies

The LOLC Al-Falaah receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

2. MATERIAL ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow:

Index	Accounting policy
2.1	Financial assets and financial liabilities
2.2	Employee benefits
2.3	Provisions
2.4	Events occurring after the reporting date
2.5	Benevolent Loan (Qurd Hassan)
2.6	Revenue Recognition
2.7	Expenditure Recognition
2.8	Income Tax
2.9	Cash flow statements
2.10	Fair value measurement

2.1 Financial assets and financial liabilities

2.1.1 Non-derivative financial assets

2.1.1.a Initial recognition of financial assets

Date of recognition

The LOLC Al-Falaah initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the LOLC Al-Falaah becomes a party to the contractual provisions of the instrument.

Initial measurement of financial Assets

The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

2.2.1.b Classification of financial assets

The Company classifies non-derivative financial assets into the following categories: (effective after 1 April 2018)

» amortised cost.

» fair value through other comprehensive income (FVOCI); and

» fair value through profit or loss (FVTPL).

2.3.1.c Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Business model assessment

With effect from April 1, 2018, the Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

» whether management's strategy focuses on earning contractual mark-up revenue, maintaining a particular profit ratio/rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

» how the performance of the portfolio is evaluated and reported to the management

» the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed

» the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and mark-up (SPPI test)

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and mark-up on principal amount outstanding, the Company considers the contractual terms of the instrument.

For the purposes of this assessment,

"principal" is defined as the fair value of the financial asset on 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).

"Profit" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortised cost using the effective mark-up method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, hire purchase receivables, advances and other accommodations granted, factoring receivables, amount due from related parties and other receivables.

» **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the LOLC Al-Falaah in the management of its short-term commitments.

» **Ijarah receivables**

The LOLC Finance PLC's LOLC Al-Falaah buys and lease out equipment required by its clients for a fee (Rental). The duration of the lease and value of the rental is agreed in advance. Ownership of the asset will remain with the Company till the end of the lease period. Rent receivables on Ijarah advances reflected in the statement of financial position are the total rent receivables after eliminating unearned income and deducting pre-paid rentals, rental collections and provision for impairment losses.

» **Murabaha, Musawamah, Wakalah Finance and Diminishing Musharakah receivables**

Murabaha/Musawamah to customers with fixed installments are stated in the statement of financial position net of provision for impairment losses and income, which is not accrued to revenue.

Diminishing Musharakah/ Wakalah finance to customers is reflected in the statement of financial position at amounts disbursed less repayments and provision for doubtful debts.

» **Financial guarantees**

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

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 for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and mark-up on principal outstanding. This comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognised in statement of profit or loss as incurred.

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

Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortised cost.

Mark-up income is recognised in profit or loss using the effective mark-up method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the AFS reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss

Amortised cost- Financial Accommodations and Receivables

Financial accommodations are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial accommodations and receivables are measured at amortised cost.

Financial accommodations and receivables comprise of cash and cash equivalents, deposits with banks and other financial institutions, Ijarah receivables, Murabaha, Musawamah, Wakalah

Finance and Diminishing Musharakah receivables and other receivables.

» **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the LOLC Al-Falaah in the management of its short-term commitments.

» **Ijarah receivables**

The LOLC Finance PLC's LOLC Al-Falaah buys and lease out equipment required by its clients for a fee (Rental). The duration of the lease and value of the rental is agreed in advance. Ownership of the asset will remain with the Company till the end of the lease period. Rent receivables on Ijarah advances reflected in the statement of financial position are the total rent receivables after eliminating unearned income and deducting pre-paid rentals, rental collections and provision for impairment losses.

» **Murabaha, Musawamah Wakalah Finance and Diminishing Musharakah receivables**

Murabaha/Musawamah to customers with fixed installments are stated in the statement of financial position net of provision for impairment losses and income, which is not accrued to revenue.

Diminishing Musharakah/ Wakalah Finance to customers is reflected in the statement of financial position at amounts disbursed less repayments and provision for doubtful debts.

2.1.2 Non-derivative financial liabilities

Classification and Subsequent Measurement of Financial Liabilities

The LOLC Al-Falaah initially recognises non-derivative financial liabilities on the date that they are originated.

The LOLC Al-Falaah classifies non-derivative financial liabilities into the other financial liabilities' category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise of Mudharabah deposits, Wakalah deposits, trade payables, accruals & other payables and amounts due to head office.

Profit Payable to the Mudharabah Investors

Profits payable are recognised on accrual basis and are credited to Investors' accounts when the profit is distributed on a monthly basis on or before the 10th of the following month.

Profit Payable to the Wakalah Investors

Profits payable are recognised on accrual basis and credited to Investors' accounts on a monthly or maturity basis.

2.1.3 Derecognition of financial assets and financial liabilities

Financial assets

The LOLC Al-Falaah derecognises a financial asset when the rights to receive cash flows from the asset have expired or the LOLC Al-Falaah 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.

(a) The LOLC Al-Falaah has transferred substantially all the risks and rewards of the asset, or

(b) The LOLC Al-Falaah 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 amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

The LOLC Al-Falaah derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.1.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.1.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, plus the cumulative income, minus principal repayments, minus any reduction for impairment.

2.1.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models

2.1.7 Impairment

Overview of the expected credit loss (ECL) principles

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due and loss to take place after 90 days in accordance with the rebuttable presumption in SLFRS 9.

Individually Significant Impairment Assessment and Financial Accommodations which are Not Impaired Individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Financial accommodations with objective evidence of incurred losses are classified as Stage 3. Financial Accommodations which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there has been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:

» Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated

» Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument

» Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument

» Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligation

» An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems

» Significant increase in credit risk on other financial instruments of the same borrower

» An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment.

Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Profit Rate (EPR).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

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

» Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and income, whether scheduled by contract or otherwise and expected draw downs on committed facilities.

» Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs such as the following in its Eco model.

Quantitative inputs	Qualitative inputs
» GDP growth	» Changes in Lending Policies and Procedure
» Inflation	» Changes in Bankruptcy and lending related Legislations
» Unemployment	» Credit Growth
» Income rates	» Position of the Portfolio within the Business Cycle

Accordingly, under the collective assessment, customers operating in risk elevated industries including Tourism, Transportation and Construction were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business.

2.1.8 Write-off policy

The Company writes off a financial accommodation or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the financial accommodation or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financial accommodations, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against financial accommodations and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a financial accommodation is individually assessed as impaired.

2.2 Employee benefits

2.2.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.2.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.3 Provisions

A provision is recognised if, as a result of a past event, the LOLC Al-Falaah has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.4 Events occurring after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the special purpose financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the special purpose financial statements.

2.5 Benevolent Loan (Qurd Hassan)

Qurd Hassan is a loan or debt extended which is absolutely free from mark-up or any charges. The borrower is only required to repay the principal amount borrowed, but it may pay an additional amount at its discretion, as a token of appreciation.

The Company extends Qurd Hassan to the LOLC Al-Falaah as and when required and the LOLC Al-Falaah settles those when funds are available.

SIGNIFICANT ACCOUNTING POLICIES –RECOGNITION OF INCOME AND EXPENSES

2.6 Revenue Recognition

2.6.1 Murabaha/Musawamah/ Wakalah Finance Income

The profits and losses arising from Murabaha/Musawamah transactions are recognised over the term of the facility, commencing from the month in which the facility is executed.

2.6.2 Ijarah Income

Profits and losses arising from Ijarah assets are recognised over the term of the lease, commencing from the month in which the lease is executed so as to yield a constant periodic rate of return on Ijarah assets.

2.6.3 Diminishing Musharakah Income

Profits and losses arising from Diminishing Musharakah are recognised in the accounting period in which the installments are due.

2.6.4 Fees and other income

Fees and other income that are integral to the financial asset or liability are included in the measurement of the amortised cost.

Other fees and other income, including account servicing fees are recognised as the related services are performed.

Collections on contracts written off are accounted for on cash basis.

2.6.5 Dividends

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

2.7 Expenditure Recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Expenses incurred by the LOLC Al-Falaah for which a fee is charged from the customers, has been presented net of the related income.

2.7.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on the prescribed rate.

The VAT on financial service is recognised as expense in the period it becomes due.

2.8 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

2.8.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.9 Cash flow statements

The cash flow statement has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

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 equivalents include cash in-hand, balances with banks and short-term deposits with banks.

SIGNIFICANT ACCOUNTING POLICIES – GENERAL

2.10 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

3. CASH AND BANK BALANCES

Cash and cash equivalents include cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

As at 31 March	2024 Rs.	2023 Rs.
Cash & bank balances	1,404,357,334	5,547,597,315
	1,404,357,334	5,547,597,315

4. FINANCIAL ACCOMMODATIONS AND RECEIVABLES FROM CUSTOMERS

Recognition

Financing and receivables to customers are measured initially at fair value plus transaction costs.

Measurement

After initial recognition financial accommodations and receivables from customers are subsequently measured at amortised cost using the Effective Profit Rate less loss allowance based on expected credit losses. Amortised cost is calculated by taking into account any fee and cost that are integral part of Effective Profit Rate. The amortisation is included in advance income in the Statement of Profit or Loss.

4.1 MURABAHA / MUSAWAMAH /WAKALAH FINANCE

As at 31 March	2024 Rs.	2023 Rs.
Instalment receivable	1,782,486,914	2,052,023,411
Unearned income	(277,847,130)	(745,062,083)
Provision for impairment	(6,075,544)	(5,583,361)
	1,498,564,240	1,301,377,967

4.2 DIMINISHING MUSHARAKAH RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Instalment receivable	20,933,886,041	17,046,298,575
Provision for impairment	(127,370,355)	(110,453,326)
	20,806,515,686	16,935,845,248

4.3 IJARAH RENT RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Rent receivables	7,264,411,686	6,405,106,282
Unearned income	(1,881,067,241)	(1,920,591,189)
Provision for impairment	(118,575,793)	(156,277,448)
	5,264,768,652	4,328,237,645

4.4 WADI'AH GOLD STORAGE FACILITY

As at 31 March	2024 Rs.	2023 Rs.
Gross amount outstanding	1,539,755,773	675,137,666
Provision for impairment	(3,718,344)	(3,693,743)
	1,536,037,429	671,443,923

5. OTHER RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Staff car advances	167,222,190	112,093,387
Insurance premium receivable	31,605,074	(271,419,796)
WHT receivable	12,111,549	4,060,442
Current account balance due from conventional unit	216,455,474	-
Others	(15,240,193)	560,618,972
	412,154,093	405,353,006

6. TRADING ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

Recognition

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charge to profit or loss.

Measurement

Financial assets measured at FVTPL are subsequently recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss. income are recorded in “Other income” net gains/(losses) from trading recorded in the income statement.

As at 31 March	2024 Rs.	2023 Rs.
Original Cost	1,653,174	1,653,174
Carrying amount as at 1st April	16,407,646	19,080,384
Adjustment for change in fair value - recognised in profits	583,309	(2,672,738)
Disposal during the period	-	-
Total investments held for trading	16,990,955	16,407,646

7. INVESTMENT PROPERTIES

Basis of Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Initial and Subsequent Measurement

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Determining Fair value

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the company’s investment property portfolio annually.

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 1st April	143,000,000	122,800,000
Additions to Investment Properties from foreclosure of contracts	-	-
Change in fair value	7,000,000	20,200,000
Disposal during the year	-	-
Balance as at 31 March	150,000,000	143,000,000

Valuation technique

The following table shows the valuation techniques 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 input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio as of December 2023 ranges from Rs.70,000 to Rs.28,000,000 in the Colombo area and Rs.13,259 to Rs.12,500,000 outside the Colombo area. As of March 2023 ranges from Rs.62,500 to Rs.28,000,000 in the Colombo area and Rs.43,750 to Rs.14,000,000 outside the Colombo area.	'The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for year used.	'The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

8. DEPOSITS FROM CUSTOMERS

Accounting Policy

These include savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transaction cost. Subsequent to initial recognition deposits are measured at their amortised cost using the Effective Profit Rate method. Profit paid/payable on these deposits is recognised in the Statement of Profit or Loss.

As at 31 March	2024 Rs.	2023 Rs.
Customer deposits	22,323,372,036	22,308,316,693

8.1 Analysis of Customer Deposits Based on Nature

Mudharabah investments	5,160,821,419	1,925,345,613
Wakalah investments	15,513,352,007	19,254,908,733
Mudharabah savings	1,649,198,610	1,128,062,348
Total deposits	22,323,372,036	22,308,316,693

PROFIT PAYABLE

Profit payable on Mudharabah investments	76,671,251	43,238,516
Profit payable on Wakalah investments	582,567,246	728,939,411
	659,238,498	772,177,927
Deposit liability recognised in statement of financial position	22,982,610,534	23,080,494,620

9. ACCRUALS AND OTHER PAYABLES

As at 31 March	2024 Rs.	2023 Rs.
Trade Payable	395,755,068	131,177,887
Refunds payable	514,259,661	643,311,372
Insurance payable	79,779,087	29,206,066
Al-Falaah charity fund	23,246,964	18,686,014
Other miscellaneous creditors	237,954,974	975,946,516
Other payables	332,838,364	259,287,530
Current account balance due to conventional unit	-	534,859,896
	1,583,834,121	2,592,475,281

10. REVENUE

As at 31 March	Note	2024 Rs.	2023 Rs.
Direct Income	10.1	6,399,946,213	4,634,502,047
Other Operating Income	10.2	206,369,668	243,515,924
		6,606,315,881	4,878,017,971

10.1 Direct Income

Income from Ijarah receivables	1,537,910,397	1,171,313,338
Income from Diminishing Musharakah receivables	4,015,049,774	2,882,208,174
Income from Murabaha/Musawamah/Wakalah Finance	651,408,473	485,075,740
Income from Wadi'ah Gold Storage Facility	195,577,569	95,904,795
	6,399,946,213	4,634,502,047

As at 31 March	2024 Rs.	2023 Rs.

10.2 Other Operating Income

Profit on terminations	95,245,551	65,388,680
Income from Mudarabah deposits	111,124,116	178,127,244
	206,369,668	243,515,924

11. NON DISTRIBUTABLE OTHER INCOME/ (EXPENSES)

As at 31 March	2024 Rs.	2023 Rs.
Arrangement & documentation Fee	82,837,327	37,146,627
Collection admin fee	262,228,840	163,751,940
Franchise Fee	106,686,384	57,331,931
sundry income	28,160,485	53,609,473
Takaful commission	-	1,630,083
	479,913,037	313,470,054

12. PERSONNEL EXPENSES

As at 31 March	2024 Rs.	2023 Rs.
Salaries & other benefits	551,373,105	542,290,133
	551,373,105	542,290,133

13. INCOME TAX EXPENSE

As at 31 March	2024 Rs.	2023 Rs.
Income tax expense reported in statement of profit or loss	-	-
	-	-

14. INCOME TAX PAYABLE

As at 31 March	2024 Rs.	2023 Rs.
Current tax payable		
Tax payable at the beginning of the year	317,599,624	321,257,538
Adjustment to the Opening balance	-	(3,657,913)
Tax payable	317,599,623	317,599,624

15. EVENTS AFTER THE REPORTING DATE

Reference to the announcements made on 31st March 24 and 28th Mar 24, upon receiving the relevant approvals from the securities and exchange commission of Sri Lanka on proposed voluntary offer made by existing major shareholders of expo lanka holding PLC. Accordingly, Board of directors has considered in favour of intended voluntary offers at a proposed value for shares of RS 185 Per share. (Measuring fair value in Note 6)

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to, or disclosure in the financial statements other than those disclosed above.

Statement of Financial Position

As at	31.03.2024 Rs'000	31.03.2023 Rs'000	31.03.2022 Rs'000	31.03.2021 Rs'000	31.03.2020 Rs'000	31.03.2019 Rs'000	31.03.2018 Rs'000	31.03.2017 Rs'000	31.03.2016 Rs'000	31.03.2015 Rs'000
ASSETS										
Cash and bank balances	11,486,914	16,484,822	12,282,960	13,422,690	8,333,561	17,535,538	11,323,366	4,924,112	3,497,994	2,975,305
Deposits with banks and other financial institutions	4,060,475	2,493,925	8,885,611	7,203,306	17,282,277	21,637,176	26,346,552	14,161,567	10,206,771	761,095
Investment in government securities	30,079,990	31,452,712	23,841,483	15,838,455	10,790,843	18,150,996	10,871,768	7,853,176	8,397,496	5,900,718
Derivative assets held for risk management	-	64,428	3,450,266	325,029	273,195	568,530	133,541	23,840	98,163	2,740
Financial assets at amortised cost										
Rentals receivable on leased assets	61,348,491	62,066,670	56,960,215	43,098,407	43,842,381	42,941,837	43,605,124	18,408,733	17,243,862	13,150,376
Loans and advances	178,772,778	175,582,031	141,614,958	61,466,957	87,112,949	88,995,842	97,072,665	55,578,906	53,420,772	36,941,041
Factoring receivable	3,095,651	2,270,162	1,418,433	-	2,998,752	4,253,668	10,638,755	16,524,638	13,598,601	6,200,202
Margin trading receivable	6,424,843	6,649,395	6,816,480	83,553	1,768					
Investment securities	17,723,177	4,732,581	6,288,566	5,498,000	2,958,199	2,809,229	1,965,299	324,629	1,083,471	8,843
Investment in associate	249,943	564,085	1,833,661	-	-	-	-	-	-	-
Amount due from related companies	111,146	57,161	47,382	33,222	63,233	5,569	32,909	224,506	3,271	2,883
Other receivables	3,403,197	5,477,987	1,084,330	615,275	914,073	937,941	1,122,496	1,071,661	694,055	639,352
Inventories	39,664	146,135	428,032	271,727	2,023	4,811	9,078	-	-	-
Investment properties	48,313,343	41,252,661	38,287,958	21,088,740	15,963,886	11,635,211	6,278,187	906,300	930,200	1,142,800
Property plant and equipment	12,362,617	11,552,982	8,326,735	1,163,218	1,351,207	1,559,025	1,714,491	2,621,022	1,210,407	136,545
Total assets	377,472,229	360,847,738	311,567,068	170,108,579	191,888,346	211,035,373	211,114,232	122,623,092	110,385,065	67,861,900
LIABILITIES										
Bank overdraft	5,017,647	8,783,895	5,675,768	1,861,003	1,283,201	2,242,496	4,243,170	2,393,316	1,941,608	2,333,062
Interest bearing borrowings	20,912,613	31,429,414	44,309,903	16,437,442	51,558,593	61,086,897	70,490,432	24,456,314	35,070,152	11,040,028
Deposits from customers	206,368,226	201,270,901	159,252,382	107,791,136	99,261,181	115,365,141	110,027,420	80,607,115	60,197,201	41,309,960
Trade payables	102,869	258,736	1,141,928	144,788	1,048,944	1,161,094	1,593,496	677,878	637,850	645,905
Accruals and other payables	16,001,594	10,890,336	7,835,593	4,441,130	3,331,643	3,072,454	2,388,376	1,620,968	1,018,603	822,441
Derivative liabilities	-	11,635	13,176	-	114,349	661,931	482,464	18,978	17,859	57,515
Amount due to related companies	332,082	1,069,238	3,719,368	620,862	854,198	817,644	1,497,000	434,259	996,781	2,453,097
Current tax payable	2,681,710	2,681,710	2,525,556	857,903	960,255	1,501,293	813,718	268,932	309,888	434,426
Deferred tax liability	2,999,055	2,990,837	2,974,781	1,733,249	1,888,186	2,272,773	2,402,219	1,102,058	984,741	761,420
Employee benefits	710,961	652,807	565,709	332,532	298,142	87,061	70,303	17,018	12,249	10,450
Total liabilities	255,126,758	260,039,510	228,014,165	134,220,046	160,598,693	188,268,784	194,008,598	111,596,835	101,186,931	59,868,304
SHAREHOLDER'S FUNDS										
Stated capital	306,993,806	306,993,806	211,581,448	12,762,500	12,762,500	7,880,000	7,880,000	2,000,000	2,000,000	2,000,000
Statutory reserve	6,291,146	5,213,771	4,444,108	3,596,579	3,378,282	3,189,298	1,996,724	1,556,439	1,239,075	953,677
Revaluation Reserve	1,247,188	1,247,188	1,505,632	328,838	241,528	241,528	241,528	206,230	-	-
Cash flow hedge reserve	41,014	41,014	(83,702)	27,608	(77,310)	(39,059)	(6,333)	14,237	22,748	-
Available for sale investment reserve	-	-	-	-	-	-	(7,166)	(115,485)	(160,154)	86,037
Fair value through OCI reserve	302,200	331,629	140,753	45,446	11,957	(21,756)	-	-	-	-
Regulatory loss allowance reserve	6,816,124	3,231,500	-	-	-	-	-	-	-	-
Merger reserve	(262,914,890)	(262,914,890)	(169,284,517)	-	-	-	-	-	-	-
Retained earnings	63,568,884	46,664,209	35,249,180	19,127,563	14,972,696	11,516,579	7,000,882	7,364,836	6,096,465	4,953,882
Total equity	122,345,471	100,808,228	83,552,903	35,888,534	31,289,653	22,766,588	17,105,634	11,026,257	9,198,134	7,993,596
Total liabilities and equity	377,472,229	360,847,738	311,567,068	170,108,579	191,888,346	211,035,373	211,114,232	122,623,092	110,385,065	67,861,900

Statement of Profit or Loss

Year ended	31.03.2024 Rs'000	31.03.2023 Rs'000	31.03.2022 Rs'000	31.03.2021 Rs'000	31.03.2020 Rs'000	31.03.2019 Rs'000	31.03.2018 Rs'000	31.03.2017 Rs'000	31.03.2016 Rs'000	31.03.2015 Rs'000
Interest income	75,005,901	69,039,674	30,569,863	33,761,534	38,081,709	42,663,318	23,818,183	18,489,741	13,137,597	10,871,227
Interest expense	(37,019,230)	(36,124,596)	(8,979,992)	(12,446,790)	(19,271,364)	(20,891,754)	(13,902,137)	(11,459,273)	(6,499,475)	(4,978,312)
Net interest income	37,986,671	32,915,079	21,589,871	21,314,744	18,810,345	21,771,563	9,916,047	7,030,467	6,638,122	5,892,915
Net other operating income	13,460,940	9,982,265	8,602,642	5,262,483	4,074,993	3,205,380	1,619,727	2,130,105	1,085,925	1,090,017
Direct expenses excluding interest cost	(1,020,318)	(879,932)	(863,534)	(950,855)	(1,279,608)	(1,522,224)	(1,047,933)	(1,311,408)	(911,717)	(428,892)
Allowance for impairment & write-offs	(4,656,710)	(3,623,998)	(72,130)	(11,305,407)	(6,998,707)	(4,893,628)	(3,512,396)	(1,110,494)	(1,408,992)	(1,317,488)
Personnel expenses	(6,886,450)	(6,057,681)	(3,564,803)	(3,156,955)	(2,971,773)	(3,165,698)	(1,370,493)	(1,424,495)	(1,100,550)	(897,364)
Depreciation	(1,186,106)	(734,220)	(207,248)	(131,854)	(201,533)	(163,498)	(173,817)	(148,246)	(32,717)	(12,166)
General & administration expenses	(12,718,656)	(11,289,224)	(5,904,664)	(5,979,228)	(6,661,847)	(6,734,428)	(2,997,554)	(2,624,517)	(1,974,524)	(1,860,447)
Profit from operations	24,979,372	20,312,288	19,580,135	5,052,929	4,771,869	8,497,467	2,433,582	2,541,412	2,295,547	2,466,575
Value added tax on financial service	(3,465,810)	(4,023,911)	(1,837,501)	(556,146)	(892,210)	(1,389,654)	(348,841)	(364,835)	(275,891)	(240,226)
Profit from operating activities	21,513,562	16,288,378	17,742,634	4,496,783	3,879,659	7,107,812	2,084,740	2,176,577	2,019,656	2,226,349
Share of profit / (loss) of equity accounted investee	33,934	(895,111)	-	-	-	-	-	-	-	-
Profit before tax	21,547,495	15,393,267	17,742,634	4,496,783	3,879,659	7,107,812	2,084,740	2,176,577	2,019,656	2,226,349
Income tax (expense) / reversal	-	-	(130,845)	(130,845)	(99,975)	(1,144,944)	116,686	(589,759)	(592,663)	(742,767)
Profit for the year	21,547,495	15,393,267	17,611,789	4,365,939	3,779,684	5,962,868	2,201,426	1,586,818	1,426,993	1,483,582

Quarterly Statement of Financial Position

As at	2023/24 30-Jun-23 Rs'000	2023/24 30-Sep-23 Rs'000	2023/24 31-Dec-23 Rs'000	2023/24 31-Mar-24 Rs'000	2022/23 30-Jun-22 Rs'000	2022/23 30-Sep-22 Rs'000	2022/23 31-Dec-22 Rs'000	2022/23 31-Mar-23 Rs'000
ASSETS								
Cash and bank balances	16,221,780	15,910,632	11,655,120	11,486,914	38,709,760	25,874,685	3,761,876	16,484,822
Deposits with banks and other financial institutions	3,273,509	8,854,279	5,189,708	4,060,475	6,537,261	2,057,644	2,767,389	2,493,925
Investment in government securities & others	31,785,155	34,738,459	36,744,191	30,079,990	37,509,907	28,662,953	33,091,243	31,452,712
Derivative assets held for risk management	137,967	-	-	-	3,305,509	479,046	662,114	64,428
Financial assets at amortised cost								
Rentals receivable on leased assets	61,937,113	59,968,885	60,492,771	61,348,491	54,419,983	53,506,388	51,537,265	62,066,670
Loans and advances	177,116,478	181,524,754	181,384,649	188,293,271	142,439,726	161,617,867	183,481,128	184,501,588
Investment securities	4,247,213	7,226,094	14,988,437	17,723,177	902,523	890,425	430,893	4,732,581
Investment in associate	558,320	242,538	243,596	249,943	3,985,013	3,878,574	3,700,677	564,085
Amount due from related companies	112,844	103,773	129,736	111,146	3,516,472	7,997,164	8,169,854	57,161
Other receivables	6,811,934	4,271,744	4,140,821	3,403,197	256,403	116,738	146,062	5,477,987
Inventories	124,270	92,784	64,515	39,664	224,997	146,020	147,445	146,135
Investment properties	41,264,446	41,152,575	45,127,175	48,313,343	40,127,704	40,222,957	41,763,950	41,252,661
Property plant and equipment	11,743,217	11,929,803	12,341,555	12,362,617	8,167,252	8,037,503	10,509,766	11,552,982
Total assets	355,334,246	366,016,320	372,502,274	377,472,229	177,341,549	172,106,042	179,463,231	311,567,068
LIABILITIES								
Bank overdraft	12,262,989	9,554,969	6,798,268	5,017,647	6,058,033	6,378,145	10,337,430	8,783,895
Interest bearing borrowings	33,293,486	22,609,359	23,583,688	20,912,613	39,464,920	36,977,308	35,698,738	31,429,414
Deposits from customers	187,634,504	205,997,360	203,173,408	206,368,226	185,466,601	180,786,133	185,064,811	201,270,901
Trade payables	783,719	1,431,710	290,685	102,869	525,340	427,780	332,094	258,736
Accruals and other payables	11,217,800	12,907,464	14,977,057	16,001,594	16,343,791	8,954,353	5,544,030	10,890,336
Derivative liabilities held for risk management	13,349	-	-	-	22,221	59,723	10,698	11,635
Amount due to related companies	741,731	806,406	845,559	332,082	1,155,495	6,945,071	2,357,802	1,069,238
Current tax payable	2,681,710	2,681,710	2,681,710	2,681,710	2,583,225	2,658,268	2,807,164	2,681,710
Deferred tax liability	2,990,837	2,990,837	2,990,837	2,999,055	2,974,781	2,974,781	3,184,283	2,990,837
Employee benefits	645,053	666,053	644,727	710,961	576,744	595,318	616,318	652,807
Total liabilities	252,265,177	259,645,867	255,985,938	255,126,758	140,941,476	133,248,097	131,428,419	228,014,165
SHAREHOLDERS' FUNDS								
Stated capital	306,993,806	306,993,806	306,993,806	306,993,806	211,581,448	211,581,448	211,581,448	306,993,806
Statutory reserve	5,213,771	5,213,771	5,213,771	6,291,146	4,444,108	4,444,108	4,444,108	5,213,771
Revaluation Reserve	1,247,188	1,247,188	1,247,188	1,247,188	1,505,632	1,505,632	1,318,935	1,247,188
Cash flow hedge reserve	41,014	41,014	41,014	41,014	(83,702)	(83,702)	(114,881)	41,014
Regulatory loss allowance reserve	331,629	331,629	331,629	302,200	-	-	-	3,231,500
Fair value reserve	6,029,249	7,290,761	6,976,385	6,816,124	135,162	131,984	129,454	331,629
Merger reserve	(262,914,890)	(262,914,890)	(262,914,890)	(262,914,890)	(169,284,517)	(169,284,517)	(169,284,517)	(262,914,890)
Retained earnings	46,127,301	48,167,174	58,627,431	63,568,884	36,633,227	38,436,131	46,141,749	46,664,209
Total equity	103,069,068	106,370,453	116,516,336	122,345,471	36,400,073	38,857,945	48,034,812	83,552,903
Total liabilities and equity	355,334,246	366,016,320	372,502,274	377,472,229	177,341,549	172,106,042	179,463,231	311,567,068

Quarterly Statement of Profit or Loss and Other Comprehensive Income

As at	2023/24					2022/23				
	Quarter Ended				Year Ended	Quarter Ended				Year Ended
	30-Jun-23 Rs'000	30-Sep-23 Rs'000	31-Dec-23 Rs'000	31-Mar-24 Rs'000	31-Mar-24 Rs'000	30-Jun-22 Rs'000	30-Sep-22 Rs'000	31-Dec-22 Rs'000	31-Mar-23 Rs'000	31-Mar-23 Rs'000
Interest income	19,038,659	19,173,355	18,719,651	18,074,236	75,005,901	13,096,097	17,396,141	18,193,282	20,354,155	69,039,674
Interest expense	(10,516,587)	(9,587,263)	(8,904,036)	(8,011,343)	(37,019,230)	(6,343,758)	(9,241,371)	(9,752,762)	(10,786,705)	(36,124,596)
Net interest income	8,522,072	9,586,092	9,815,615	10,062,893	37,986,671	6,752,339	8,154,769	8,440,520	9,567,450	32,915,079
Net other operating income	73,146	1,292,738	7,975,274	4,119,782	13,460,940	584,741	1,353,658	5,420,591	2,623,274	9,982,265
Direct expenses excluding interest cost	(242,190)	(243,879)	(282,766)	(251,483)	(1,020,318)	(122,170)	(160,542)	(254,869)	(342,351)	(879,932)
Allowance for impairment & write-offs	(729,111)	(1,574,460)	(1,133,008)	(1,220,131)	(4,656,710)	(1,617,811)	(2,392,234)	(317,081)	703,128	(3,623,998)
Personnel expenses	(1,582,783)	(1,593,182)	(1,464,291)	(2,246,195)	(6,886,450)	(1,381,930)	(1,264,471)	(1,279,450)	(2,131,830)	(6,057,681)
Depreciation	(222,039)	(277,215)	(316,141)	(370,711)	(1,186,106)	(166,124)	(162,922)	(152,175)	(252,999)	(734,220)
General & administration expenses	(2,904,471)	(2,849,985)	(3,510,215)	(3,453,985)	(12,718,656)	(2,176,276)	(2,869,436)	(2,916,960)	(3,326,552)	(11,289,224)
Profit from operations	2,914,624	4,340,109	11,084,468	6,640,170	24,979,372	1,872,769	2,658,823	8,940,576	6,840,121	20,312,288
Value added tax on financial service	(648,018)	(1,071,017)	(939,645)	(807,131)	(3,465,810)	(452,067)	(674,436)	(917,295)	(1,980,112)	(4,023,911)
Profit from operating activities	2,266,606	3,269,092	10,144,823	5,833,039	21,513,562	1,420,702	1,984,387	8,023,281	4,860,009	16,288,378
Share of profit of equity accounted investee, net of tax	(5,765)	32,293	1,058	6,348	33,934	21,014	(106,439)	(177,897)	(631,789)	(895,111)
Profit before income tax expense	2,260,840	3,301,385	10,145,881	5,839,387	21,547,495	1,441,716	1,877,947	7,845,384	4,228,219	15,393,267
Income tax (expense) / reversal	-	-	-	-	-	(57,669)	(75,044)	(148,896)	281,608	-
Profit for the year	2,260,840	3,301,385	10,145,881	5,839,387	21,547,495	1,384,047	1,802,904	7,696,488	4,509,827	15,393,267

1. MARKET PRICE PER SHARE AS AT 31 MARCH

	2024 Rs.	2023 Rs.
Highest during the year	6.60	12.00
Lowest during the year	3.90	4.30
Last traded as at the end of the year	5.50	6.00

2. COMPOSITION OF SHAREHOLDERS AS AT 31ST MARCH

	2024		2023	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Institutions				
Resident	30,420,101,614	91.96	29,764,829,372	89.98
Non Resident	1,892,905,176	5.72	2,592,905,176	7.84
Individuals				
Resident	759,673,544	2.30	715,729,079	2.16
Non Resident	6,531,965	0.02	5,748,672	0.02
Total	33,079,212,299	100	33,079,212,299	100

3. DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH

Range		2024			2023		
		No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1	1,000	5,663	2,082,806	0.01	5,739	2,217,732	0.01
1,001	10,000	6,254	26,912,574	0.08	6,864	29,657,798	0.09
10,001	100,000	4,939	177,364,453	0.53	5,395	192,859,788	0.58
100,001	1,000,000	1,576	432,945.092	1.31	1,487	397,165,827	1.20
Over 1,000,000 Shares		138	32,439,907,374	98.07	130	32,457,311,154	98.12
Total		18,570	33,079,212,299	100	19,615	33,079,212,299	100

4. TOP 20 SHAREHOLDERS

Name of Shareholder	2024		2023	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
LOLC CEYLON HOLDINGS PLC	30,089,519,216	90.96	29,389,519,216	88.85
LOLC ASIA PRIVATE LIMITED	1,892,235,176	5.72	2,592,235,176	7.84
PHANTOM INVESTMENTS (PVT) LTD	98,161,208	0.30	76,644,002	0.23
DIALOG FINANCE PLC/ANDARADENIYA ESTATE PRIVATE LIMITED	23,809,524	0.07	NIL	NIL
MR. V.R. RAMANAN	20,400,000	0.06	20,200,000	0.06
MERCHANT BANK OF SRI LANKA & FINANCE PLC/MAWELI FINANCE (PVT) LTD	13,078,988	0.04	1,052,458	0.00
MR. A.J. TISSERA	8,850,000	0.03	5,999,500	0.02
CIC HOLDINGS PLC/CIC CHARITABLE & EDUCATIONAL TRUST FUND	8,707,200	0.03	8,707,200	0.03
MR. R.E. RAMBUKWELLE	8,073,752	0.02	3,205,514	0.01
MR. W.A.S.P. DE SARAM	7,425,033	0.02	3,338,523	0.01
PEOPLE'S LEASING & FINANCE PLC/MR.R.KANNAN	7,012,146	0.02	1,070,720	0.00
HATTON NATIONAL BANK PLC/ANUJA CHAMILA JAYASINGHE	6,387,674	0.02	3,458,529	0.01
MR. B.W. KUNDANMAL	6,306,465	0.02	3,832,718	0.01
PEOPLE'S LEASING & FINANCE PLC/MR.D.M.P.DISANAYAKE	5,833,647	0.02	5,833,647	0.02
MR. A.A. SUNIL	5,665,468	0.02	5,665,468	0.02
MR. W.D.N.H. PERERA	5,047,335	0.02	2,000,000	0.01
SENKADAGALA FINANCE PLC/S.GOBINATH	4,790,000	0.01	NIL	NIL
MISS S.S.P. KANDAMBI	4,693,837	0.01	1,676,712	0.01
MRS. M. ARUDPRAGASAM & MR A.M.ARUDPRAGASAM	4,426,858	0.01	4,370,870	0.01
MR. G. RAMANAN	4,344,562	0.01	1,710,787	0.01
	32,220,423,527	97.40	32,128,810,253	97.13
Others	858,788,772	2.60	950,402,046	2.87
Total	33,079,212,299	100.00	33,079,212,999	100.00

5. PUBLIC SHAREHOLDING

	2024 %	2023 %
Public Holding percentage	3.31	3.31
Number of public shareholders	18,555	19,600
Float adjusted market capitalisation (Rs.)	Rs.6,029,694,610.50	Rs. 6,577,848,666.00

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 17.13.1.i(b) of the Colombo Stock Exchange, as at March 2024.

Your Board is the process of exploring possibilities of complying with the Listing Rules of the Colombo Stock Exchange.

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
1	TRI-ZEN Property'S At Union Place-80	Colombo	Western	73,581 Sq	1,178,435,171	
2	Sanguine Garment Property-2	Colombo	Western	35.06P	24,100,000	1
3	TRI-ZEN Property'S At Union Place-14	Colombo	Western	14,202Sq	193,366,386	
4	Hendala, Wattala / Hekithth Waththa	Gampaha	Western	0A-0R-9P & 2606Sq	35,400,000	1
5	Wewala, Piliyandala	Colombo	Western	0A-0R-20P	13,000,000	
6	Gothatuwa Property	Colombo	Western	0A-3R-35P	232,500,000	
7	Wickremasinghepura,	Colombo	Western	0A- 3R- 33.83P	461,000,000	
8	Shady Grove Property	Colombo	Western	0A- 0R- 35.75P	983,200,000	1
9	Land In Kosgoda	Kaluthara	Western	9A- 0R- 00.00P	115,000,000	
10	Thalaheena Property	Colombo	Western	1A- 3R- 13.47P & 2543Sq	102,400,000	1
11	Horana Property	Kaluthara	Western	0A-3R-06.83P	222,000,000	
12	No-296 Horana Property	Kaluthara	Western	0A- 0R- 10.1P	32,000,000	
13	Badulla Property	Badulla	Uva	0A-1R-19.15P	177,000,000	
14	Mannar Property	Mannar	Nothern	0A-0R-23.5P	47,000,000	
15	Beruwala Property	Kaluthara	Western	0A – 1R – 06.00P	113,900,000	1
16	Jethawana Property	Colombo	Western	0A-2R-19.90 P & 18250Sq	1,171,100,000	1
17	Nawala 2Nd Lane Property	Colombo	Western	0A-0R-08.70 P & 9630Sq	225,000,000	1
18	Piliyandala Property - Thumbowila	Colombo	Western	0A-0R-30.50 P	153,000,000	
19	Rathnapura Property - Bandaranayakepura	Rathnapura	Sabaragamuwa	0A-0R-32.69 P & 15,040Sq	208,700,000	1
20	Rajagiriya Land (Valuation Unit)	Colombo	Western	0A- 1R- 12.50P	709,000,000	
21	Colombo 14 - Grandpass - Vincent Perera Mw	Colombo	Western	4A- 3R- 8.6P	6,841,000,000	
22	Grandpass Property- Deed 220	Colombo	Western	A2-R3-14.5P	4,165,700,000	5
23	Kiribathgoda Property	Gampaha	Western	0A- 0R- 30.57P	152,800,000	1
24	Watinapaha Property - Pannala	Gampaha	Western	19A-0R-35.85P	154,000,000	
25	Ebert Silva Property - Chilaw	Puttalam	North Western	0A- 0R- 40.0P	168,000,000	
26	No 72 Galle Road ,Kaluwamodara,Beruwala	Kaluthara	Western	0A- 1R- 22.55P	138,000,000	
27	Wellampitiya Yard	Colombo	Western	5A- 0R- 3.11P	1,687,000,000	
28	Land & Building - Kotta Road	Colombo	Western	0A- 0R- 10.00P	270,200,000	1
29	Investment Property Dampe - Kesbewa	Colombo	Western	0A-0R-40P	34,000,000	
30	Malabe Property	Colombo	Western	0A-0R-12P	48,400,000	1
31	Battaramulla Land	Colombo	Western	0A-0R-38.71P	163,000,000	
32	Ip Gamunu Mw, Rajagiriya	Colombo	Western	A0-R0-P30.25 & 2782Sq	119,300,000	1
33	Investment Property Biyagama	Gampaha	Western	A0-R0-P23.70	46,000,000	1
34	Gnanendra Mawatha Property ? Nawala	Colombo	Western	A0-R01-P04	336,600,000	3
35	Yakkala Property (Plan - 4897)	Gampaha	Western	A7-R02-P9.20	222,000,000	
36	Dambulla Property (Padeniya)	Dambulla	Central	A0-R0-P35.96	148,000,000	
37	Waskaduwa Property (Desatara, Kalutara)	Kaluthara	Western	A0-R02-P39.5	120,000,000	
38	Kadawatha Property	Gampaha	Western	A0-R01-P.3	403,000,000	
39	Kadawatha Property (No 348)	Gampaha	Western	A0-R0-P12.85	106,000,000	
40	Baththaramulla Property (Plan -8248)	Colombo	Western	A0-R0-P16.1	84,000,000	
41	Rathnapura Property -Kataliyanpala	Rathnapura	Sabaragamuwa	A0-R0-P15	5,000,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
42	Panadura Property -No.224,Gorakana,Panadura	Kaluthara	Western	A0-R0-P39.63 & 11972Sq	149,600,000	1
43	Panadura Property -No.222,Gorakana,Panadura	Kaluthara	Western	3960Sq	53,800,000	1
44	Panadura Property-No.12/4,Gorakana,Panadura	Kaluthara	Western	A0-R01-P07	38,000,000	
45	Moratuwa Property -No,24,1St Lane,Angulana	Colombo	Western	A0-R0-P19.84	58,300,000	1
46	Horana Property-Villa Resident	Kaluthara	Western	A0-R01-P25.73 & 9485Sq	192,900,000	1
47	Matara Property -Deed 1285	Matara	Southern	A0-R2-P11.299	228,000,000	
48	Matara Property	Matara	Southern	A0-R2-P26.30	239,000,000	
49	Excellent Property - Deed No 37 (Lenadora)	Dambulla	Central	A1-R1-P2	44,000,000	
50	Kahatagahawatta Property -Deed 131 - Kandana	Gampaha	Western	A0-0R-4.2P & 2800Sq	44,200,000	1
51	Delgahawatta Pannipitiya Property -Deed 105	Colombo	Western	A0-0R-32.62P	163,000,000	
52	Colombo 13 - Bluemendhal - Cyril C Perera Mw	Colombo	Western	1A- 3R- 16.5P & 11,063 Sq /11,063 Sq	1,789,300,000	9
53	Pahadamulla Property -Deed 9767	Kaluthara	Western	A0-R0-20P	44,200,000	1
54	Welabodawila Property -(Nawala, Senanayaka)	Colombo	Western	A0-R0-9P & 3163Sq	75,200,000	1
55	Mahara Property -Deed No.7179B	Gampaha	Western	A0-R1-19.80P & 7612 Sq & 7612 Sq	84,200,000	1
56	Property Malwana No -68/2014	Gampaha	Western	A0-R0-P 30	42,000,000	
57	Malwana Sunflower Construction Property	Gampaha	Western	A5-R0-32.67P	250,000,000	
58	Property Kiribathgoda	Gampaha	Western	A0-R0-P23.30 & 2950Sq	51,200,000	1
59	Merigam Kanda Property	Gampaha	Western	A0-R03 -4.50P	33,000,000	1
60	Damugahawatta Property - Kottawa	Colombo	Western	A0-R0- 40P	91,800,000	1
61	Ranmuthugala Property 37.P	Gampaha	Western	A0-R0 -37 P & 1064Sq	88,600,000	1
62	Eriyagaha Kumbura Property 20-P - Kotikawatta	Colombo	Western	A0-R0 -20 P & 4268Sq	60,400,000	1
63	Madangahawatta Property 16.77P - Uyana, Moratuwa	Colombo	Western	A0-R0 -10.77 P	38,400,000	1
64	Thalagahawattha Kolonnawa Property	Colombo	Western	A0-R0 -10.62P	34,000,000	
65	Abagahawattha Maharagama Property 12.5P	Colombo	Western	A0-R0 -12.5P	35,400,000	1
66	Horana Property 28.5P (Dikhena)	Kaluthara	Western	A0-R0-P29.50	28,600,000	1
67	Nuwaraeliya Property 10.8P	Nuwaraeliya	Central	A0-R0-P10.8 & 1450Sq	20,500,000	1
68	Walgama Property	Colombo	Western	A0-R2-P34	116,800,000	1
69	Kurunegala Property	Kurunegala	North Western	A0-R0-P10.90	56,000,000	
70	Paragahakotuwe Kumbura Property Lot B (368)	Kurunegala	North Western	A0-R0-P12.5	63,000,000	
71	Paragahakotuwe Kumbura Property(367)	Kurunegala	North Western	A0-R0-P23	110,000,000	
72	Kurunegala Property	Kurunegala	North Western	A0-R3-P20.5	683,000,000	
73	Malawatta Estate	Gampaha	Western	A0-R2-P5.6	90,000,000	
74	Waragoda Property	Gampaha	Western	A0-R2-P15	162,000,000	
75	Millagahawatta Property - Nawala	Colombo	Western	A0-R0-P15.6 & 5680Sq	203,400,000	1
76	Hettiyana Property(Matara)	Matara	Southern	A0-R0-P39 & 8820Sq	170,500,000	1
77	Thalahena Malabe (787)	Colombo	Western	A0-R0-P38.27	60,000,000	
78	Minuwangoda Property(Boragodawatta)	Gampaha	Western	A0-R0-P22	20,000,000	

1. PROPERTIES HELD BY THE COMPANY (CONTD.)

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
79	Kandy Rd Thalahena Malabe - Thalahena Bunglow	Colombo	Western	A0-R0-P29.42 & 5040 Sq	157,500,000	1
80	Pattinigewatta Property	Colombo	Western	A0-R0-P20	31,500,000	
81	Erewwala Property(Kesbawa)	Colombo	Western	A0-R0-P15	15,000,000	
82	Damparagahawatta Peoperty	Colombo	Western	A0-R0-P9.7	8,000,000	
83	Korathota Athurugiriya	Colombo	Western	A0-R0-P10	6,000,000	
84	Nikakotuwa Estate Property	Matale	Central	A3-R0-P4	48,000,000	
85	Udagama Property	Kandy	Central	A0-R0-P11.83	11,000,000	1
86	Pitakotte Property	Colombo	Western	A0-R0-P25.4	56,000,000	
87	Kotabodawatta Avissavelle Property D267	Kaluthara	Western	A0-R1-P38.5	22,000,000	
88	Siriyapulla, Mahara, Kadawatha	Gampaha	Western	A0-R0-P20	20,000,000	
89	Bandarawatta Estate (Yakkala)	Gampaha	Western	A0-R0-P38.8 & 7840Sq	75,800,000	1
90	No 114/21, Sooriyapaluwa, Mawatha, Kandana	Gampaha	Western	A0-R0-P10.84	12,000,000	
91	Horagala Property	Colombo	Western	A1-R1-P26.5	105,000,000	
92	Kirigalpotta Property	Matale	Central	A1-R3-P25.3	145,500,000	1
93	Kesbawa Property Monarch Ltd	Colombo	Western	A0-R0-P11.75	36,900,000	1
94	Ladhubima Property-Malabe Athurugiriya	Colombo	Western	A0-R2-P23.15	130,000,000	
95	Bogahawaththa Property-Sharmila Amidon	Gampaha	Western	A0-R0-P9.8	17,000,000	
96	Kosgahalanda Property (Rag Priyani)	Colombo	Western	A0-R0-P19.8	85,600,000	1
97	Topuwewatta Property- Rickey Skylark(Pvt) Ltd	Kaluthara	Western	A1-R0-P0	128,000,000	
98	Watarappola .Rabangewatta Property Guadian	Colombo	Western	A0-R0-P6.13	45,300,000	1
99	Kadawatha Property-S.D.D. Gunawardena / Ihala Karagahamuna, Kadawatha	Gampaha	Western	A0-R0-P38.5 & 2075 Sq	63,800,000	1
100	Malwattha Property-Hokandara-Sanduma Lanka	Colombo	Western	A0-R0-P10.15	34,300,000	1
101	Anuradhapura Property (W.H.Hettiarachchi)	Anuradhapura	North Central	A0-R2-P4.17 & 3425Sq	67,000,000	1
102	Kelanimulla Property M/S Hanco Investment	Colombo	Western	A0-R2-P38.10 & 6150Sq	581,200,000	1
103	Udahamulla Village Property (Zabir)	Colombo	Western	A0-R0-P9.75	46,500,000	1
104	Malamulla Property Rld Wasantha Kumar Property	Kaluthara	Western	A0-R3-P15.40	61,600,000	1
105	Rathmalana Gnanasiri Abeywickrama Property	Colombo	Western	A0-R0-P9.67	58,000,000	
106	Welisara Property Blue Mountain Properties (Pvt) Ltd	Gampaha	Western	A0-R0-P20.5	29,000,000	
107	Galigamuwa P.P.N. Perera Property	Kegalle	Sabaragamuwa	A0-R0-P72.18 & 3850 Sq	55,700,000	
108	C R S R Trading Attanagalla Property	Gampaha	Western	A0-R0-P10	5,000,000	
109	Ambalanthota A Muthumala Property	Hambanthota	Southern	A0-R0-P17.20	69,000,000	
110	Pathadumbara Kandy Land Ex(Pvt)Ltd Property	Kandy	Central	A0-R3-P34.4	17,000,000	
111	Walawage Nishantha Kumara Jamburaliya Property	Colombo	Western	A0-R3-P0	66,000,000	
112	N S C International Pvt (Ltd) Moratuwa Property	Colombo	Western	A0-R0-P9.72	12,000,000	
113	Bogahawatu Kotasa Hapugoda Kadana	Gampaha	Western	A0-R0-P10	16,400,000	1
114	Sanguine Garment Property(H D Jagath Jayasundara)	Gampaha	Western	A0-R0-P20	33,500,000	1
115	Golden Links International, Pragathi Mw Kotte Property	Colombo	Western	A0-R0-P13.99	17,000,000	
116	Ravindra Dayasiri Kumarage Thalangama Property	Colombo	Western	A0-R0-P15	33,000,000	
117	S Vishvalingam Arugambay Property	Ampara	Eastern	A5-R2-P15	224,000,000	
118	S Vishvalingam Pothuwil Property	Ampara	Eastern	A12-R3-P18.8	93,000,000	
119	Buddhi Metals (Pvt) Ltd Habangewatta Property	Colombo	Western	A0-R2-P5	38,000,000	1
120	Horizon Tour-Inn Property Pugoda	Gampaha	Western	A4-R1-P2	36,000,000	
121	W U Senavirathna Company (Pvt) Ltd Property Godigamuwa.	Colombo	Western	A0-R0-P18.83	113,000,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
122	Nisansala Boralesgamuwa Land	Colombo	Western	A0-R0-17P	51,700,000	1
123	Kolitha Amarasekara Kundasale Property	Kandy	Central	A0-R2-P31.1	66,000,000	
124	Asp Construction Nawala Property	Colombo	Western	A1-R0-P3.5 & 7260Sq	1,195,100,000	1
125	Pinwatta-Panadura Property-Creative Entertainment	Colombo	Western	A0-R0-P21.14	52,500,000	1
126	G N Jayawardena Wattala Property	Gampaha	Western	665Sq	46,300,000	1
127	Manik Tea Enterprises Ltd Property	Kaluthara	Western	A2-R1-P19.55	36,800,000	1
128	Buddhi Metals (Pvt) Ltd Homagama Property 02	Colombo	Western	A1-R2-P15	85,000,000	
129	Buddhi Metals (Pvt) Ltd Homagama Property 01	Colombo	Western	A0-R0-P9.82	8,000,000	
130	I C Nanayakkara No 730, Havelock Rd , Colombo 06 Property	Colombo	Western	A0-R0-P29.10	483,000,000	
131	Panadura Jayanthi Mala Abeyrathne Property	Kaluthara	Western	A0-R0-P16.5	38,900,000	1
132	Ja Ela Beedee Mervin Property/Nimshi Auto Kandana Property	Gampaha	Western	A0-R0-P12.5	6,000,000	
133	M K D D Wijayarathna Mathugama Property	Kaluthara	Western	A0-R0-P27 & 3280Sq	43,500,000	1
134	S T C Pathiraja Wennappuwa Property	Gampaha	Western	A0-R1-P31.6 & 7045Sq	42,300,000	1
135	Oru Mix Asphalt (Pvt) Ltd Delwala Property(Meerigama)	Gampaha	Western	A10-R3-P6	140,000,000	
136	P C P Jayasinghe Padeniya Village Property(Dambulla)	Dambulla	Central	A0-R1-P17 & 9373Sq	105,000,000	1
137	W D N Perera'S Biyagama Property	Gampaha	Western	A0-R0-P12	19,000,000	
138	M M Saalim Makola Property	Gampaha	Western	2476Sq	23,900,000	1
139	I D S Champika Kaduwela Property	Colombo	Western	A0-R0-P21.4 & 1226Sq	31,700,000	1
140	Central Homes & Real Estate Ja Ela Property	Gampaha	Western	A0-R0-P13.25	26,000,000	
141	D W Ajith Aluthwala Property	Galle	Southern	A0-R0-P55	30,000,000	
142	Aquacleen International Angoda Property	Colombo	Western	A0-R0-P19	51,700,000	1
143	Wi Mudalige Kotte Property	Colombo	Western	A0-R0-P18.5	215,000,000	
144	Ranaviru Prabath Cooray Mw Property	Colombo	Western	A0-R2-P17.25	620,000,000	
145	W U Senavirathna Kahathuduwa Property	Colombo	Western	A0-R0-P10.1	20,700,000	1
146	W U Senavirathna Maharagama Property	Colombo	Western	A0-R0-P12.1 & 2930Sq	68,600,000	1
147	Sadara Senavirathna Depanama 11.55P Property	Colombo	Western	A0-R0-P16.8 & 3648.6Sq	100,400,000	1
148	Sadara Senavirathna Depanama 12.40P Property	Colombo	Western	A0-R0-P10.8 & 2550Sq	46,900,000	1
149	Sadara Senavirathna Depanama 17.20P Property	Colombo	Western	A0-R0-P17.75	89,400,000	1
150	Orumex Pvt Ltd Kolonnawa Property (Jayalath Trades & Transport)	Colombo	Western	A0-R0-P86.76	390,000,000	
151	Liyanagemulla Seeduwa Property (K.A.D.A.G Damayanthi)	Gampaha	Western	A0-R0-P28.78	49,900,000	1
152	Gothatuwa Manigamulla Rd. Property	Colombo	Western	0A-0R-25.90P	34,000,000	
153	A R A Lathif Rohini Rd. Property	Colombo	Western	0A-0R-03.00P	91,200,000	
154	Artigala Property 01	Colombo	Western	0A-1R-19.00P & 0A-0R-34.20P & 1468Sq	15,900,000	1
155	Artigala Gonawala Property 02	Colombo	Western	0A - 0R - 34.20P	27,000,000	
156	Rajapihilla Rd Kurunegala Property	Kurunegala	North Western	0A-0R-01.1P	5,000,000	
157	Ahangama Property	Galle	Southern	0A-2R-13.00P & 0A-2R-P11.50	101,500,000	1
158	Meegahathenna Property-Lucky Tea Factory	Kaluthara	Western	1A-0R-14.20P	52,600,000	

1. PROPERTIES HELD BY THE COMPANY (CONTD.)

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
159	Weerapana Property-Lucky Tea Factory	Kaluthara	Western	0A-3R- 10.08P	127,000,000	
160	Waterfront Cinnamon Life Apartments	Colombo	Western	1270 Sq	160,000,000	
161	Havelock Apt. Tower-Edmonton	Colombo	Western	1442 Sq	105,000,000	
162	Havelock Apt. Tower-Edmonton	Colombo	Western	1442 Sq	105,000,000	
163	Havelock Apt. Tower-Edmonton	Colombo	Western	1442 Sq	105,000,000	
164	Havelock Apt. Tower-Melford	Colombo	Western	1690 Sq	127,000,000	
165	Havelock Apt. Tower-Melford	Colombo	Western	1345 Sq	104,000,000	
166	Havelock Apt. Tower-Melford	Colombo	Western	1356 Sq	104,000,000	
167	Havelock Apt. Tower-Melford	Colombo	Western	1356 Sq	108,000,000	
168	Havelock Apt. Tower-Peterson	Colombo	Western	1259 Sq	98,000,000	
169	Havelock Apt. Tower-Peterson	Colombo	Western	1259 Sq	98,000,000	
170	Havelock Apt. Tower-Peterson	Colombo	Western	1367 Sq	106,000,000	
171	Havelock Apt. Tower-Peterson	Colombo	Western	1302 Sq	101,000,000	
172	Havelock Apt. Tower-Peterson	Colombo	Western	1259 Sq	98,000,000	
173	Havelock Apt. Tower-Peterson	Colombo	Western	1302 Sq	98,000,000	
174	Havelock Apt. Tower-Peterson	Colombo	Western	1259 Sq	98,000,000	
175	Havelock Apt. Tower-Peterson	Colombo	Western	1302 Sq	101,000,000	
176	Havelock Apt. Tower-Peterson	Colombo	Western	1023 Sq	79,000,000	
177	Havelock Apt. Tower-Peterson	Colombo	Western	1023 Sq	82,000,000	
178	Havelock Apt. Tower-Peterson	Colombo	Western	1302 Sq	101,000,000	
179	Havelock Apt. Tower-Peterson	Colombo	Western	1367 Sq	110,000,000	
180	Havelock Apt. Tower-Peterson	Colombo	Western	1023 Sq	82,000,000	
181	Havelock Apt. Tower-Peterson	Colombo	Western	1367 Sq	110,000,000	
182	Havelock Apt. Tower-Peterson	Colombo	Western	1023 Sq	82,000,000	
183	Havelock Apt. Tower-Peterson	Colombo	Western	1367 Sq	113,000,000	
184	Havelock Apt. Tower-Straford	Colombo	Western	1173 Sq	91,000,000	
185	Havelock Apt. Tower-Straford	Colombo	Western	1119 Sq	86,000,000	
186	Havelock Apt. Tower-Straford	Colombo	Western	1356 Sq	108,000,000	
187	Sillicon Technologies Property	Colombo	Western	0A- 0R- 35.18P & 1647Sq	128,000,000	1
188	LOMO Gaurage Property	Colombo	Western	1A- 1R- 33.71P & 39,940Sq	1,169,200,000	1
189	N'Eliya Bunglow Property	Nuwaraeliya	Central	21.03P & 5,426Sq	170,100,000	1
190	Nawala Riyapola Property	Colombo	Western	0A-3R-19.14P	1,517,000,000	
191	Mr.O.C Baduge Property	Gampaha	Western	0A-1R-14.21	173,000,000	
192	M/S Hilltop Global (Private) Limited Property	Puttalam	North Western	0A-0R-20.40P	105,000,000	
193	Mr Ajs Jayakody Property	Puttalam	North Western	0A-2R-22.94P	62,000,000	
194	Kanthavel Vinothan Property	Batticaloa	Eastern	0A-R0-08.78P	3,000,000	
195	Design Print Property	Colombo	Western	0A-R0-19.1P	494,500,000	1
196	Ms Mc Tit Associates Property	Colombo	Western	0A-0R-13.32P	43,000,000	
197	Thamalu Transport Services (Pvt) Ltd Property	Hambanthota	Southern	1A-2R-38.70P	84,000,000	
198	M/S Orient Gold Plus (Pvt) Ltd Property	Colombo	Western	0A-0R-06.47P	45,000,000	
199	M/S Raveena Garment Property	Dambulla	Central	0A-0R-36P & 3440Sq	48,300,000	1
200	Dharini Impex (Factoring) Property	Gampaha	Western	0A-0R-06.01P	17,000,000	
201	G.A.U Nishantha Property	Gampaha	Western	11920Sq	139,200,000	1
202	Mihinthale Yard Property	Anuradhapura	North Central	0A-2R-0.0P & & 3990 Sq	41,700,000	1
203	Hewage Holding-(Factoring) Property	Kurunegala	North Western	0A-3R-27.68P	154,500,000	1

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
204	Mr G P A G C R Chandrasena Property	Dambulla	Central	0A-0R-09.50P	49,600,000	1
205	Universal Paper Products (Pvt) Ltd Property	Gampaha	Western	0A-0R-20.20P	35,500,000	1
206	Mr S S Samaranayake Property	Gampaha	Western	0A-1R-39.7P	20,000,000	
207	Dishara Export S-(Factoring) Property	Galle	Southern	6A-2R-18.5P	64,000,000	
208	M/S Dht Cement (Pvt) Ltd Property	Colombo	Western	0A-0R-19.00P & 4000Sq	111,000,000	
209	M/S Dht Cement (Pvt) Ltd Property	Colombo	Western	0A-0R-28.00P	189,900,000	
210	Smart Metals-(Factoring) Property	Colombo	Western	0A-0R-64.10P	82,000,000	
211	Civimec Contraction Pvt Ltd Property	Colombo	Western	0A-1R-16.10P & 2425Sq	31,000,000	1
212	S S Impex-(Factoring) Property	Nuwaraeliya	Central	0A- 0R- 24P	36,000,000	
213	Ceylon & Foreign Traders Plc-(Factoring) Property	Colombo	Western	141 Sq	17,800,000	1
214	Isuru Traval & Tours Pvt Ltd Property	Colombo	Western	0A- 0R- 47.60P	114,700,000	
215	D G K Krishantha Property	Kurunegala	North Western	1A-0R-03.0P	25,000,000	
216	Kandy Property Property	Kandy	Central	0A-0R-10.40P & 5000Sq	47,000,000	1
217	Rahula Road Angoda Property	Colombo	Western	0A-1R-03.75P & 5400Sq	74,300,000	1
218	Nuwara Eliya	Nuwaraeliya	Central	0A-1R-19.35P	80,000,000	
219	Ishara Traders Property-Kurunegala	Kurunegala	North Western	0A-1R-04.06P & 1850Sq	431,800,000	
220	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-13.25P	167,700,000	
221	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-07.45P & 225 Sq	94,100,000	
222	Ishara Traders Property-Kelaniya	Gampaha	Western	0A-0R-39.05P	299,900,000	
223	R.A.A. Rupasinghe Property	Nuwaraeliya	Central	3536Sq & 12.8P	97,100,000	1
224	Kandy Tyre House Pvt Ltd (Sampath Gunathilaka) Property	Colombo	Western	10.98P	156,600,000	1
225	P.G.S . Senadheera Property	Kandy	Central	38P & 1580Sq	34,800,000	1
226	K.H.G.P.A.K. Jayawardane Property	Kandy	Central	10.5P	3,000,000	
227	P.D.G.D.Gunawardane Property	Dambulla	Central	40P	14,000,000	
228	S.G.N. Ariyaratne Property	Kandy	Central	63.5P	14,000,000	
229	P.R.M.Perera Property	Kurunegala	North Western	66P	10,000,000	
230	K.M.P.A.I.B. Bandara Onwin Project Property	Matale	Central	131.9P	144,900,000	1
231	R.P.K Amarajeewa Property	Kandy	Central	3780Sq & 12P	26,600,000	1
232	Cinnamon Life Apartment -17-B2C	Colombo	Western	1270 Sq	127,000,000	
233	Cinnamon Life Apartment -36 B2C	Colombo	Western	1270 Sq	139,000,000	
234	Cinnamon Life Apartment -15 B2C	Colombo	Western	1270 Sq	120,000,000	
235	Cinnamon Life Apartment -11 B2A	Colombo	Western	1270 Sq	120,000,000	
236	K A S Premalal Property	Gampaha	Western	0A-0R-10.00P	8,000,000	
237	A E Dissanayaka Battaramulla Property	Colombo	Western	0A-0R-15.00P	60,000,000	
238	Jampata Street Property-R.S Wijerathna	Colombo	Western	0A-0R-04.50P	38,000,000	
239	Hashiharan Property	Trincomalee	Eastern	0A-0R-08.10P & 2822Sq	49,000,000	1
240	Senuri Auto Property	Gampaha	Western	0A-0R-17.09P	23,000,000	
241	Bandaragama Property	Kaluthara	Western	0A-0R-30P & 1000Sq	10,800,000	1
242	Buddhi Metal International (Pvt) Ltd Property	Colombo	Western	0A-0R-35P	70,000,000	
243	M.P.M.S. Jayawardena Property	Colombo	Western	0A-0R-7.25P	22,000,000	
244	V R K Perera Property	Gampaha	Western	0A-1R-11.4P	80,000,000	

1. PROPERTIES HELD BY THE COMPANY (CONTD.)

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
245	Capital Towers Apartments	Colombo	Western	843 Sq	90,000,000	
246	Capital Towers Apartments	Colombo	Western	867 Sq	95,000,000	
247	Capital Towers Apartments	Colombo	Western	867 Sq	95,000,000	
248	Capital Towers Apartments	Colombo	Western	867 Sq	95,000,000	
249	Capital Towers Apartments	Colombo	Western	867 Sq	97,000,000	
250	Capital Towers Apartments	Colombo	Western	1,214 Sq	103,000,000	
251	Capital Towers Apartments	Colombo	Western	1,045 Sq	102,000,000	
252	Capital Towers Apartments	Colombo	Western	1,045 Sq	102,000,000	
253	Capital Towers Apartments	Colombo	Western	1,045 Sq	104,000,000	
254	Capital Towers Apartments	Colombo	Western	1,045 Sq	104,000,000	
255	Capital Towers Apartments	Colombo	Western	1,045 Sq	107,000,000	
256	Capital Towers Apartments	Colombo	Western	1,425 Sq	107,000,000	
257	Capital Towers Apartments	Colombo	Western	1.319 Sq	119,000,000	
258	Capital Towers Apartments	Colombo	Western	843 Sq	88,000,000	
259	Capital Towers Apartments	Colombo	Western	988 Sq	103,000,000	
260	A D A K Karunarathne - Moratuwa Property	Colombo	Western	0A-2R-14.82P	41,100,000	1
261	Ja-Ela Property - Brac	Gampaha	Western	1A-4R-63.15P	52,000,000	
262	Chaminda Asitha Kulathunga Property - Gonatuwewatta & Gonatuweyaya Alias Gotuwehena	Matale	Central	0A-0R-39.00P	46,300,000	
263	Ampara Property - Hairu Eng	Ampara	Eastern	02A-0-R-35P	130,000,000	
264	Bakmeekotuwa Kumbura - Narasinghe Arachchilage	Kegalle	Sabaragamuwa	0A-0R-20P	7,100,000	
265	Ambakote Watta Land	Kandy	Central	0A-0R-20.4P	2,000,000	
266	Makulethannawatta Land	Kandy	Central	0A-1R-04.528P	5,788,640	
267	Jafna Property	Jafna	Northern	1R-24.61P	452,000,000	
268	Lional Kumarasiri Ekanayake Property	Kegalle	Sabaragamuwa	0A-1R-26P	6,472,298	
269	New Ratna H/W Property - Polonnaruwa	Polonnaruwa	North Central	A0-0R-14P	69,719,000	
270	Chandima Paduwawala - Bungalow Kegalle	Kegalle	Sabaragamuwa	A16-R1-P20	47,600,000	
271	J G B Epakanda - Kandy Land	Kandy	Central	0A-1R-11.69P	5,000,000	
272	Dolapihilla Land - Kandy	Kandy	Central	A0-1R-5P	3,000,000	
273	Kalagedihena Land	Gampaha	Western	A0-R0-P31	27,000,000	
274	Oyapahala Estate - M M Ashan	Matale	Central	A0-0R-20P	7,239,000	
275	Suduganga Estate - M M Ashan	Matale	Central	A1-R0-29P	6,211,000	
276	J G B Epakanda - Kandy Land	Kandy	Central	0A-0R-33.34P	2,166,900	
277	Ganemulla Property	Gampaha	Western	A0-0R-12P	8,000,000	
278	Gonapola Property - Upland Property	Colombo	Western	A0-2R-3.40P	18,000,000	
279	Haputhale Pallegama Property	Kandy	Central	A0-R2-P13.80	3,479,000	
280	Havelock Apt. Tower-Melford	Colombo	Western	109Sq	86,319,000	
281	Millagahawatta Property -Wattala	Gampaha	Western	0A-0R-19P	18,500,000	
282	Kalagedihena Property	Gampaha	Western	0A-2R-20P	67,599,000	
283	Yakkala Property	Gampaha	Western	4A-2R-1.5P	12,719,000	
284	Unagaspitiye Thubakome Hena Property	Kurunegala	North Western	0A-1R-0P	10,000,000	
285	Tittawalgolla Property	Dambulla	Central	1A-3R-10P	23,919,000	
286	Kahatagaha Hinna Watta Property	Kandy	Central	0A-1R-4.15P/0A-0R-12P	8,299,000	
287	Nugagahawatte Property- Land & Vehicle Yard	Gampaha	Western	0A-0R-32.81P	56,231,000	

3. NON-RECURRENT RELATED PARTY TRANSACTIONS

During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 33.

4. RECURRENT RELATED PARTY TRANSACTIONS

During the current period there were no recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 33.

All the transactions with related parties which are disclosed under note 33 are recurrent and involve revenue or trading nature and are necessary for day-to-day operations of the Company. In the opinion of the Related Party Transaction Review Committee, terms for all these transactions are not favourable to the related party than those generally available to the public.

5. SELECTED KEY PERFORMANCE INDICATORS

Regulatory Capital Adequacy		31.03.2024	31.03.2023
Total Tier 1 Core Capital	Rs.'000	87,039,551	76,125,263
Total Capital Base	Rs.'000	87,033,260	77,941,311
Core Capital Adequacy Ratio (Minimum Requirement 10%)		23.01%	21.20%
Total Capital Adequacy Ratio (Minimum Requirement 14%)		23.00%	21.71%

Asset Quality Ratios		31.03.2024	31.03.2023
*Net Non-Performing Loans Ratio		10.48%	9.65%

Regulatory Liquidity		31.03.2024	31.03.2023
Available Liquid Assets	Rs.'000	40,662,288	29,791,552
Required Liquid Assets	Rs.'000	22,312,296	22,637,101
Liquid Assets to Deposits Ratio		19.70%	14.80%

*With effect from 1st April 2023, criteria for classification of credit facilities as non-performing loans has been changed from 120 days past due to 90 days past due

6. DEBENTURE INFORMATION

The debt capital of the company comprises rated unsecured subordinated redeemable debentures fifty million (50,000,000) issued in Sep 2020. These debentures are listed in the Colombo Stock Exchange and Lanka Rating Agency rated Rs.5Bn debentures as A (Positive).

Interest rates of the debentures

Instrument type	Interest frequency	Coupon (% p.a)	Interest yield as at last trade	Yield to maturity of last trade done	Interest rate of comparable Government Security
Type A - 5 Years Tenor	Semi-annually	10.50%	10.50%	8.86%	12.28%
Type B - 5 Years Tenor	Semi-annually	19.63%	19.63%	19.63%	12.28%

Market prices & issue prices of debentures recorded during the quarter ended 31st March 2024 are as follows.

Instrument Type	Issue Price	Highest Price	Lowest Price	Last Traded Price	Last Traded Date
Type A - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A
Type B - 5 Years Tenor	Rs.100.00	Not Traded	Not Traded	Not Traded	N/A

Debt security related ratios

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Debt to equity ratio (With Deposits)	1.9 times	2.4 times
Quick asset ratio	0.94 times	0.96 times
Interest cover	1.67 times	1.56 times

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 23rd ANNUAL GENERAL MEETING of the Company will be held on Thursday, 26th September 2024 at 10.00 am as a virtual meeting with arrangements for the online meeting platform made at the registered office of the Company at No.100/1, Sri Jayawardenepura Mawatha, Rajagiriya, for the following purposes:

1. To receive and consider the Annual Report and Financial Statements for the year ended 31st March 2024, with the Report of the Auditors thereon.
2. To re-elect as Director Mr. K Sundararaj who retires by rotation in terms of Article 75 of the Articles of Association of the Company.
3. To re-elect as Director Mr B C G de Zylva who retires by rotation in terms of Article 75 of the Articles of Association of the Company.
4. To appoint Auditors Messrs Deloitte partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.
5. To approve in terms of the Companies (Donations) Act No.26 of 1951, the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.

By Order of the Board
LOLC Finance PLC

Mrs M V S C Rodrigo
Company Secretary

30th August 2024
Rajagiriya (in the Greater Colombo)

Notes

Form of Proxy

I/We ....

holder of NIC/ Reg. No .... of .... being

a member/members of the LOLC Finance PLC hereby appoint ....

of .... whom failing

Mr. Francisco Kankanamalage Conrad Prasad Niroshan Dias	of Colombo or failing him
Mr. Don Manuwelge Don Krishan Thilakaratne	of Colombo or failing him
Mr. Brindley Chrishantha Gajanayake De Zylva	of Colombo or failing him
Mr. Panamulla Arachchige Wijeratne	of Colombo or failing him
Mr. Kandiah Sundararaj	of Colombo or failing him
Mr. Sunil Lankathilake	of Colombo or failing him
Mr. Annakkarage Jayantha Luxman Peiris	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as an on-line meeting on Thursday, 26th September 2024 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
1. To re-elect as Director Mr. K Sundararaj who retires by rotation in terms of Article 75 of the Articles of Association of the Company.		
2. To re-elect as Director Mr. B C G de Zylva who retires by rotation in terms of Article 75 of the Articles of Association of the Company.		
3. To appoint Auditors Messrs Deloitte partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.		
4. To approve in terms of the Companies (Donations) Act No.26 of 1951, the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.		

dated this .... day of ...., Two Thousand Twenty Four.

....

Signature of Shareholder
(Please delete inappropriate words and refer overleaf for instructions)

INSTRUCTIONS AS TO COMPLETION

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The Proxy shall

a) in the case of an individual, be under the hand of the shareholder or his or her attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

b) if the shareholder is a company or a corporation, be either under its common seal or under the hand of an officer or attorney authorised by such organisation in that behalf in accordance with its Articles of Association or Constitution.

3 Please indicate with an 'X' how the proxy should vote on each Resolution. If no indication is given, the proxy shall exercise his/her discretion and vote as he/she thinks fit.

4 The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenepura Mawatha, Rajagiriya or scanned and emailed to **veronicac@lolcfinance.com** with the email subject titled "LOFC AGM PROXY" not less than 48 hours before the time appointed for the holding of the Meeting.

Stakeholder Feedback Form

LOLC Finance PLC values your opinions and feedback. We invite you to share your thoughts to help us enhance our governance, operations, financial condition, and future prospects. Please take a moment to fill out this form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of improving our stakeholder communication and overall performance.

CONTACT INFORMATION

Name : ____

Email : ____

Phone : ____

Company/Organisation : ____

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (You may tick more than one)

- ☐ Shareholder
- ☐ Customer
- ☐ Community
- ☐ Public Authority
- ☐ Employee
- ☐ Student
- ☐ Regulatory Body
- ☐ Journalist
- ☐ Service Provider
- ☐ Supplier
- ☐ Special Interest Group

GENERAL FEEDBACK

1. How would you rate your overall satisfaction with the Company's communication practices?
   - ☐ Very Satisfied
   - ☐ Satisfied
   - ☐ Neutral
   - ☐ Dissatisfied
   - ☐ Very Dissatisfied

2. How often do you feel the Company provides timely and accurate information?
   - ☐ Always
   - ☐ Often
   - ☐ Sometimes
   - ☐ Rarely
   - ☐ Never

3. How effective do you find the Company's use of its website and social media for communication?
   - ☐ Very Effective
   - ☐ Effective
   - ☐ Neutral
   - ☐ Ineffective
   - ☐ Very Ineffective

SPECIFIC FEEDBACK

1. What specific aspects of the Company's communication do you find most useful?
   - ☐ Financial Reports
   - ☐ Annual Reports
   - ☐ Press Releases
   - ☐ Investor Briefings
   - ☐ Social Media Updates
   - ☐ Website Content
   - ☐ Other (please specify): _________________________

2. How would you rate the accessibility of the Company's spokespersons for providing information and responding to queries?
   - ☐ Very Accessible
   - ☐ Accessible
   - ☐ Neutral
   - ☐ Inaccessible
   - ☐ Difficult to Access

3. How effectively does the Company address your concerns and queries?
   - ☐ Very Effective
   - ☐ Effective
   - ☐ Neutral
   - ☐ Ineffective
   - ☐ Very Ineffective

FORWARD-LOOKING INFORMATION & MAJOR DEVELOPMENTS

1. How useful do you find the Company's forward-looking comments and information on future prospects?
   - ☐ Very Useful
   - ☐ Useful
   - ☐ Neutral
   - ☐ Not Useful
   - ☐ Not Useful at All

2. How effectively does the Company handle the communication of major corporate developments (e.g., mergers, acquisitions, new products)?
   - ☐ Very Effectively
   - ☐ Effectively
   - ☐ Neutral
   - ☐ Ineffectively
   - ☐ Very Ineffectively

CRISIS COMMUNICATION & CONFIDENTIALITY

1. How confident are you in the Company's ability to manage crisis communications?
   - » ☐ Very Confident
   - » ☐ Confident
   - » ☐ Neutral
   - » ☐ Not Confident
   - » ☐ Not Confident at All

2. How well does the Company maintain the confidentiality of sensitive information?
   - » ☐ Very Effectively
   - » ☐ Effectively
   - » ☐ Neutral
   - » ☐ Ineffectively
   - » ☐ Very Ineffectively

ADDITIONAL COMMENTS

Please provide any additional comments or suggestions you have for improving the Company's communication practices.

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SUBMISSION

Please return the completed form to:
Investor Relations/ Communications

LOLC Finance PLC, 100/1 Sri Jayawardenepura Mawatha,
Rajagiriya, Sri Lanka

Email: buddhikawe@lolcfinance.com and prasadpe@lolc.com

Corporate Information

NAME OF THE COMPANY
LOLC Finance PLC

COUNTRY OF INCORPORATION
Sri Lanka

DATE OF INCORPORATION
13th December 2001

LEGAL FORM
A quoted public Company with limited liability

COMPANY REGISTRATION NO.
PB 244 PQ

STOCK EXCHANGE LISTING
The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange (CSE) on 7th July 2011.

CREDIT RATING
Lanka Rating Agency assigned the Company with a long-term rating of 'A' with a (Positive) outlook.

REGISTERED OFFICE AND HEAD OFFICE
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya
Tel: 011 7248248
Fax: 011 2865606
Website: https://www.lolcfinance.com/
Swift: LOFCKLC

DIRECTORS
F K C P N Dias, Non Executive Chairman
D M D K Thilakaratne, Executive Director/CEO
B C G de Zylva, Non-Executive Director
P A Wijeratne, Senior Independent Director
K Sundararaj, Independent Director
S Lankathilake, Independent Director
A J L Peiris, Independent Director

THE COMPANY SECRETARY
Mrs M V S C Rodrigo
100/1, Sri Jayawardenapura Mawatha, Rajagiriya
Tel: 0117 248 578
Email: veronicac@lolcfinance.com

AUDITORS
Ernst & Young, Chartered Accountants

LAWYERS
Julius & Creasy, Attorneys-at-Law
Nithya Partners

REGISTRARS
Central Depository System (Pvt) Limited
04 – 01, West Block, World Trade Centre, Echelon Square, Colombo 01.
Tel: 011 244 0396

PRINCIPAL ACTIVITIES
During the year the principal activities of the Company comprised Finance Business, Finance leasing, Islamic Finance, issue of Payment Cards, Micro Finance Loans, Gold Loans and provision of Advances for Margin Trading in the Colombo Stock Exchange.

BANKERS
Standard Chartered Bank
Nations Trust Bank PLC
Citi Bank N.A.
Commercial Bank of Ceylon PLC
NDB Bank PLC
Bank of Ceylon
Seylan Bank PLC
MCB Bank
Deutsche Bank
Hatton National Bank PLC
Pan Asia Bank PLC
Hong Kong & Shanghai Banking Corporation
Sampath Bank PLC
DFCC Bank
Peoples Bank
Cargills Bank Limited
Union Bank of Colombo PLC

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www.lolcfinance.com

LOLC FINANCE PLC
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka.
Tel: +94 11 588 0880 (General)
Fax: +94 112 865 606