

ANNUAL REPORT
2024/25

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ANNUAL REPORT
2024/25

Performance Highlights

		2025	2024
Key Highlights of the Year			
New Executions	Rs. Million	347,905	252,411
Net Interest Income	Rs. Million	42,106	37,975
Profit Before Tax	Rs. Million	25,085	21,547
Profit After Tax	Rs. Million	25,085	21,547
Net Assets	Rs. Million	149,524	122,345
Total Value Added	Rs. Million	40,067	33,086
Market Capitalisation	Rs. Million	198,475	181,936
Value Added Per Employee	Rs. Million	6.55	6.54
Per Share			
Market Value	Rs.	6.00	5.50
Net Asset Value	Rs.	4.52	3.70
Earnings	Rs.	0.76	0.65
Total Staff	Number	5,053	5,058
Total Training Investment	Rs. Million	35.24	14.20
Total Training Hours	Hours	58,884	46,700
Number of Female Employees	Number	1,258	1,035
New Recruits	Number	930	816

Rs. 42,106 Mn

Net Interest Income

Rs. 25,085 Mn

Profit Before Tax

Rs. 149,524 Mn

Net Assets

Rs. 35.2 Mn

Training Investment

5,053

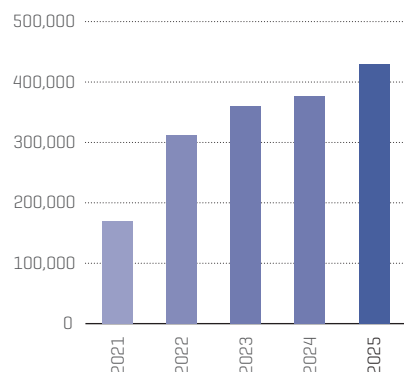
Total Staff

58,884

Total Training Hours

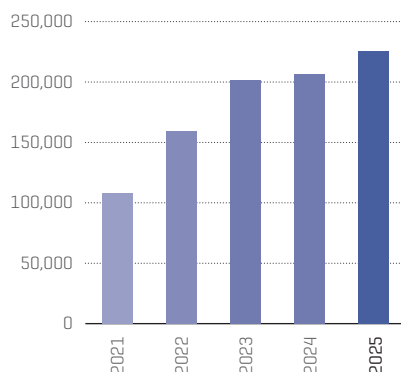
Total Assets

Rs. Million



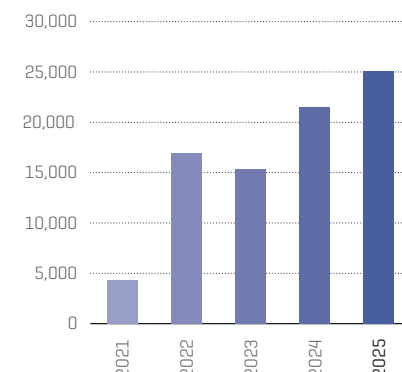
Customer Deposits

Rs. Million



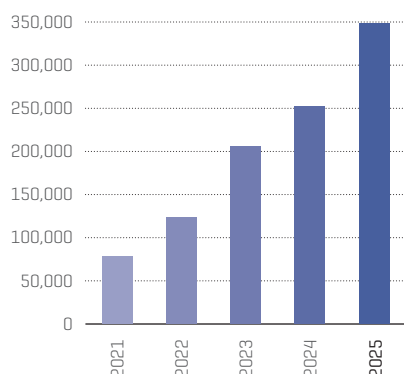
Profit After Tax

Rs. Million



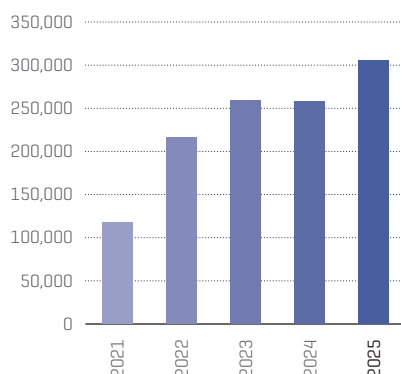
Executions

Rs. Million



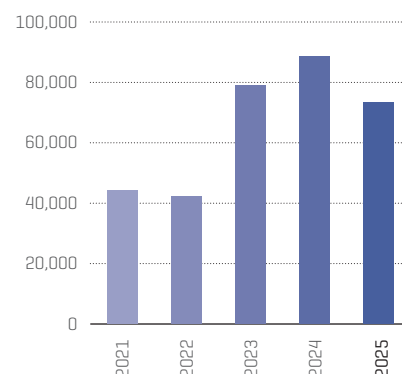
Portfolio

Rs. Million

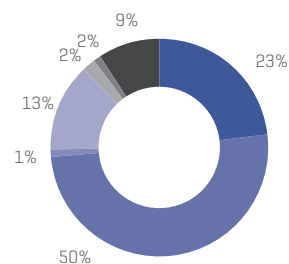


Revenue

Rs. Million

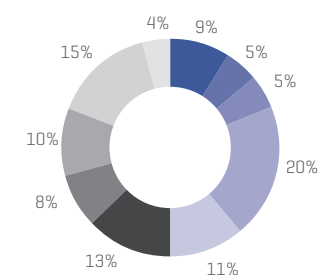


Portfolio Composition



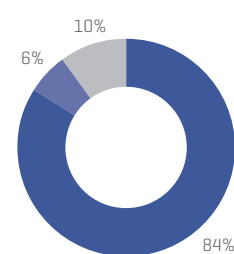
- Lease
- Loans and advances
- Factoring Receivable
- Gold Loans
- Credit Card
- Margin Trading
- Alternate Finance

Region Wise Portfolio



- Central
- Eastern
- Uva
- Metro
- North Central
- North Western
- Northern
- Southern
- Western
- Sabaragamuwa

Funding Composition



- Fixed Deposits
- Savings Deposits
- Borrowings

Chairman's Review

AT THE HEART OF OUR JOURNEY IN 2024/25 WAS A CLEARLY ARTICULATED STRATEGIC FOCUS: TO DRIVE SUSTAINABLE GROWTH, EXPAND OUR REACH ACROSS UNDERSERVED REGIONS, MAINTAIN ASSET QUALITY AND CONTINUOUSLY IMPROVE OPERATIONAL EFFICIENCY. THESE PRIORITIES GUIDED EVERY DECISION, INVESTMENT AND INITIATIVE THROUGHOUT THE YEAR.

The financial year 2024/25 marked a pivotal turning point in Sri Lanka's macroeconomic journey. The shift from a high-interest regime to a more stable and predictable interstellar rate structure provided welcome relief for borrowers and opened new growth avenues for financial services sector. The recovery, however, has not been without complexity.

OPERATING LANDSCAPE

Sri Lanka's path toward macroeconomic stability has required deep structural reforms, ranging from fiscal consolidation to debt restructuring. The resulting fiscal discipline and prudent monetary policy helped to anchor inflation expectations, moderate interest rates and improve investor confidence. Foreign inflows too showed signs of recovery, supported by renewed engagement with multilateral institutions and improved export performance. Remittances rebounded during the period under review, offering an important buffer to the external sector. These positive indicators, though still nascent, suggest that Sri Lanka is on a firmer trajectory of economic normalisation.

Nonetheless, vulnerabilities persist. Exchange rate volatility, global commodity price pressures and geopolitical risks continued to

pose challenges. Domestically, the year under consideration saw increased political clarity following two key elections. This renewed sense of policy continuity and economic direction offers a much-needed foundation for private sector investment and long-term planning. At LOLC Finance, we view this as a platform for growth – not just for our business, but for the entire financial services industry in Sri Lanka.

Looking beyond the short-term stabilisation, the financial services sector must recalibrate for a more dynamic, innovation-driven future. As the country accelerates its journey towards greater digitisation and formalisation of economic activity, the role of financial institutions will become more strategic in driving capital flows, enabling entrepreneurship and supporting inclusive economic transformation. The convergence of technology, customer expectation and regulatory reform is fundamentally reshaping how financial services are consumed and delivered. These shifts in the operating environment necessitates agility, strategic foresight and strong risk management for financial institutions.

OUR RESPONSE

LOLC Finance was able to leverage this shift with agility and effectively, maintaining healthy yields while expanding its lending book across multiple customer segments. As an entity, we remained proactive in adjusting our portfolio strategies, calibrating our credit exposures, and ensuring that our funding and liquidity structures remain resilient. In this evolving context, we believe that we have a responsibility to go beyond traditional intermediation and must lead the way in setting new benchmarks for accessibility, transparency and sustainability across the industry. Our long-term success will be defined not only by our financial performance, but by how effectively we anticipate change, respond with relevance and create value for society at large.

OUTSTANDING FINANCIAL RESULTS

This clarity of purpose translated into outstanding financial performance. In a historic first, LOLC Finance delivered a Profit After Tax of Rs. 25.1 billion – the highest-ever in the company's history. Notably, this accounted for over one-third of the entire Non-Banking

Financial Institution (NBFI) sector's profits in the country, further cementing our status as a market leader. Our gross loan portfolio grew by Rs. 47 billion, surpassing Rs. 305 billion, while our total asset base expanded to Rs. 429.7 billion. These achievements reflect disciplined portfolio management, a robust product strategy and prudent risk practices. The company also maintained a healthy funding structure, with customer deposits growing to Rs. 225.7 billion.

Our reliance on borrowings reduced, highlighting our shift towards more stable and cost-effective sources of capital. Importantly, we achieved these milestones while maintaining strong liquidity buffers and capital adequacy ratios well above the regulatory minimums. The Net Non-Performing Loan (NPL) ratio declined sharply to 4.81% from 10.48% in the previous year. These financial milestones demonstrate the strength of our credit risk management practices and our ability to adapt in a changing macroeconomic environment, while placing us on par with the largest private sector banks in the country.

REVIEW OF OPERATIONS

LOLC Finance has long held a unique position in the financial ecosystem of Sri Lanka. Our inclusive financial model and broad product portfolio have consistently empowered individuals and enterprises at the grassroots, while simultaneously enabling growth in the SME sector. This dual focus continues to define our identity and fuel our momentum.

At the heart of our journey in 2024/25 was a clearly articulated strategic focus: to drive sustainable growth, expand our reach across underserved regions, maintain asset quality and continuously improve operational efficiency. These priorities guided every decision, investment and initiative throughout the year.

LOLC Finance remains deeply committed to the communities it operates in and extended its branch presence to areas that had previously seen little to no access to formal financial services. Through the rationalisation and relocation of the branch network in Hettipola and Badalkumbura towns, we made a conscious effort to bring financial inclusion to regions historically underserved by both state and private sector players.

DIGITAL INNOVATION REMAINS CENTRAL TO LOLC FINANCE'S GROWTH STRATEGY, DRIVING ENHANCED ACCESSIBILITY, SPEED AND TRANSPARENCY ACROSS ITS SERVICE ECOSYSTEM. FLAGSHIP PLATFORMS SUCH AS LOLC REAL TIME AND IPAY HAVE TRANSFORMED THE WAY CUSTOMERS ENGAGE WITH FINANCIAL SERVICES, BRIDGING CONVENIENCE WITH RELIABILITY.

Our customer-centric commitment was equally reflected in our digital initiatives. Among the most significant of these was the digitisation of our gold loan offering to enhance convenience for customers. We also introduced alternative financing solutions such as factoring and expanded our Islamic Business Unit's gold-backed products, ensuring that our offerings remain relevant, diversified and inclusive.

GOVERNANCE, RISK AND SUSTAINABILITY

In a dynamic environment, stronger governance and risk oversight remain central to our operations. We continued to strengthen our governance framework, welcoming a new independent non-executive director to the Board during the period under consideration, while enhancing the diversity and skills mix of our Board leadership. Steps were taken to deepen our risk management practices: a dedicated risk function was formalised to drive accountability and ensure our internal controls remain agile and forward-looking. We believe this is essential to safeguarding stakeholder value in an evolving risk landscape. Recognising the growing importance of data privacy and compliance, we began preparations for the implementation of the Personal Data Protection Act (PDPA), appointing a Data Protection Officer and initiating internal alignment processes.

On the sustainability front, we expanded our strategic focus to include electric vehicle (EV) financing and strengthened our Environmental, Social and Governance (ESG) roadmap. Many of our initiatives now align with national sustainability objectives and global development frameworks. Our new partnerships with EV importers, the launch of super dealer networks and rural outreach

efforts are all underpinned by this broader commitment to environmental and social sustainability.

Our success would not be possible without our dynamic team. While the financial services sector continues to grapple with talent shortages, we have taken proactive steps to invest in our future leadership. The rollout of a structured Management Trainee Programme and a Management Development Programme in the next financial year will enable us to build internal capacity and nurture future-ready leaders. Furthermore, we are proud of the strides we have made in improving diversity at the leadership level, with increased gender representation on our Board. These steps are part of our longer-term vision to foster a high-performing, inclusive workplace culture that reflects our values.

LOOKING AHEAD

The road ahead presents a multitude of opportunities. As import restrictions ease and vehicle financing markets re-open, LOLC Finance is well-positioned to capture emerging demand. We are already laying the groundwork through strategic partnerships, product innovation and channel expansion. Digital innovation remains central to LOLC Finance's growth strategy, driving enhanced accessibility, speed and transparency across its service ecosystem. Flagship platforms such as LOLC Real Time and iPay have transformed the way customers engage with financial services, bridging convenience with reliability. Recognised as Sri Lanka's leading pass-through digital wallet, iPay continues to lead the market in adoption and usage. Its consistent performance has earned LOLC Finance multiple honours at the LankaPay Technnovation Awards, including the coveted

Net Assets

Rs. 149,524 Mn

Overall Gold Award for an unprecedented six consecutive years. Our continued investment in next generation digital solution will enable us to scale operations, deepen customer engagement and unlock new revenue streams.

ACKNOWLEDGEMENTS

I extend my heartfelt appreciation to the Board of Directors for their strategic guidance. To our senior management team, and our entire staff for their dedication and execution excellence across the country, your dedication, resilience and commitment have been the driving force behind our success.

I also take this opportunity to thank all our stakeholders, shareholders, regulators and customers for their continued trust in the company.

I would also like to recognise Mr. K.K. Sundararaj, who transitioned from the Board of LOLC Finance to take on new responsibilities within the LOLC Group. We thank him for his invaluable service and extend a warm welcome to our new Board appointee, Mrs. K.T.C. Priyangani, whose insights will undoubtedly strengthen our journey ahead.

We are proud of our achievements in 2024/2025 and remain committed to delivering even greater value in the years ahead and shaping the future of financial services in Sri Lanka and beyond.



F K C P N Dias
Chairman

Director/CEO's Review

LOLC FINANCE PLC RECORDED THE HIGHEST PROFIT IN ITS HISTORY, SURPASSING RS. 25 BILLION IN PROFIT AFTER TAX, ALSO THE LARGEST PROFIT EVER DECLARED BY A NBFI IN SRI LANKA. THE RESULT REFLECTED NOT ONLY THE ROBUSTNESS OF OUR OPERATING MODEL BUT ALSO OUR RESPONSIVENESS TO EVOLVING MARKET CONDITIONS AND CUSTOMER NEEDS.

FY 2024/25 marked a momentous chapter for the Sri Lankan economy at large, as following prolonged disruption, the nation began charting a more stable and deliberate path to recovery. Notable, important macroeconomic indicators showed clear improvement: GDP growth reached 5% in the 3rd quarter of 2024/25 – the highest in three years – while foreign reserves stabilised at USD 6.1 billion and inflation eased to around -1.7%. These tailwinds invigorated market sentiment and ignited a resurgence in credit demand.

The much-awaited recovery stemmed from a confluence of fiscal consolidation, tightened monetary policy and sustained progress on external debt restructuring. Strengthened foreign inflows, driven by tourism and worker remittances, helped to reinforce the balance of payments and provide a firmer footing for medium-term stability.

Nonetheless, the external operating landscape remained complex, with geopolitical instability, fluctuating commodity prices and climate risks continuing to exert pressure. Yet, a cautious optimism emerged as businesses and consumers in the local context gradually re-engaged with the financial system and capital markets.

NBFI SECTOR PERFORMANCE

The financial services sector experienced renewed traction within this evolving macroeconomic context. The easing of policy rates, coupled with improved liquidity and expectations around the potential relaxation of vehicle imports, catalysed demand for credit. Lending activity surged across the banking and non-banking financial sectors, with the latter playing a critical role in supporting underserved and grassroots markets. LOLC Finance PLC's record profit of over Rs. 25 billion underscored the sector's capacity for performance and resilience.

The NBFI sector continued to demonstrate its relevance as a catalyst for inclusive finance. Institutions such as LOLC Finance PLC remain integral in facilitating access to capital for micro and small-scale enterprises, many of which were still in the process of returning to profitability post the pandemic and the economic crisis. This role extended beyond financial intermediation, encompassing broader contributions to social and economic development.

COMPANY PERFORMANCE

Amidst these dynamics, LOLC Finance PLC recorded the highest profit in its history, surpassing Rs. 25 billion in Profit after tax, also the largest profit ever declared by a NBFI in Sri Lanka. The result reflected not only the robustness of our operating model but also our responsiveness to evolving market conditions and customer needs. Our performance was anchored in a well-diversified business portfolio, rigorous risk management and a disciplined cost structure. Improved asset quality, prudent lending and a steady reduction in non-performing loans contributed to this outcome. I am proud to state that the portfolio remained resilient, supported by engaged customers and a dynamic internal capability set that continued to evolve in step with changing expectations.

We maintained a sharp strategic focus on Small and Medium-sized Enterprises (SME) and microfinance, segments that anchor much of the nation's working population. Since our merger in 2022, we have committed to enabling access to capital for these sectors, which continue to generate strong outcomes. Our lending solutions, including factoring, Islamic finance, operating leases and gold-backed products offered flexibility and adaptability to a wide spectrum of clients. A global surge in gold prices further stimulated demand for gold loans, which contributed to portfolio growth.

We closely monitored core financial indicators – net interest margins, cost of funds, bottom-line performance and non-performing loan ratios – to refine our approach in real time. Strong governance, combined with a commitment to customer centricity, underpinned sustainable value creation and operational excellence.

DIGITAL ROADMAP

Technology served as a central enabler of performance during the year. We made substantial progress on our digital roadmap, automating key processes and rolling out AI-led solutions across lending, onboarding and collections. Our gold loans transitioned fully to a digital self-service platform, while our iPay e-wallet is poised to deliver most of our lending services in the future. These developments reflect our intent to lead as a digitally enabled financial institution.

HONING HUMAN CAPITAL

Concurrently, we invested strategically in human capital. Structured training programmes, leadership development pipelines and targeted talent retention strategies positioned us to meet evolving demands. Our people continue to serve as the backbone of our success, and we remain committed to cultivating an environment that supports learning and growth.

LOLC Finance PLC's physical footprint was rationalised to 203 branches as of 31st March 2025, reaffirming our reach across underserved regions. Performance across the network remained positive, supported by an 8% profit-to-portfolio ratio that affirmed operational efficiency and strategic execution.

COMMITTED TO SUSTAINABILITY ON ALL FRONTS

Our sustainability agenda gained further momentum in 2024/25. Flagship initiatives such as the Deniyaya Forest Restoration, mangrove rehabilitation in Anawilundawa wetland and widespread tree planting campaigns underscored our commitment to environmental stewardship. Further details on these projects can be found in the Sustainability Report on page 25. At LOLC Finance PLC, we view sustainability not as a regulatory obligation, but as a strategic imperative and a source of long-term value.

During the year under review, we advanced our Environmental, Social and Governance (ESG) priorities, integrating them into credit

DURING THE YEAR UNDER REVIEW, WE ADVANCED OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRIORITIES, INTEGRATING THEM INTO CREDIT ASSESSMENT FRAMEWORKS AND DEVELOPING PRODUCTS TAILORED FOR WOMEN-LED ENTERPRISES, INFORMAL SECTOR WORKERS AND RURAL COMMUNITIES. MOREOVER, ESG REPORTING MECHANISMS WERE STRENGTHENED IN TANDEM WITH DATA PRIVACY GOVERNANCE WHILE COMMENCING PREPARATIONS FOR COMPLIANCE WITH THE PERSONAL DATA PROTECTION ACT, WHICH WILL COME INTO FORCE IN 2025.

assessment frameworks and developing products tailored for women-led enterprises, informal sector workers and rural communities. Moreover, ESG reporting mechanisms were strengthened in tandem with data privacy governance while commencing preparations for compliance with the Personal Data Protection Act, which will come into force in 2025.

WAY AHEAD

Looking ahead, we remain focused on emerging growth segments, particularly vehicle financing and small business lending. These areas align with our operational strengths and market insights. Regionally, we are exploring digital partnerships and cross-border opportunities that leverage our scalable platforms and inclusive finance model.

We acknowledge the complexity of the operating landscape, yet remain confident in our capacity to adapt, innovate and deliver. Our strategic clarity, executional discipline and stakeholder alignment position LOLC Finance PLC to continue creating sustainable value.

APPRECIATION

I extend my sincere gratitude to our employees, the Board of Directors, shareholders and partners for your continued support throughout this transformative year.

As we look to the future, your continued engagement will be vital in shaping LOLC Finance PLC's journey – one that is defined by innovation, resilience and sustainable growth for a transformative year ahead.


D M D K Thilakaratne
Director/CEO

Profit After Tax

Rs. 25,085 Mn

Board of Directors

MR. F K C P N DIAS

Chairman/Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 01st March 2020. He holds a masters in business administration [MBA] from University of Leicester UK, and is a 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 3 decades as a visionary thought leader in business technology and his C-Level experience spans over 20+ years.

A fintech enthusiast who has innovated many financial technology products and solutions and he is the Founder of iPay, a revolutionary platform beyond payments and Founder of OYES, another fintech platform that makes every day a payday.

His thought leadership on technology contribution in the field of ICT to the industry, society and at LOLC Group have been recognised with many local and international awards including prestigious Computer Society of Sri Lanka CIO of the year 2016. He was also awarded the Chartered Management Institute of Sri Lanka Professional Excellence Awarded 2017. Further he was inducted the Global CIO Hall of Fame 2020 of IDG [USA] CIO100 and is the only Sri Lankan to get this accolade.

MR. D M D K THILAKARATNE

Executive Director/CEO

Mr. Krishan Thilakarathne is a Board Member of Seylan Bank PLC and LOLC Southeast Asia covering Philippines, Indonesia and Pakistan. Further, Mr. Thilakarathne is a Director of LOLC Central Asia covering Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. He serves on the Boards of LOLC Moliya in Tajikistan, QJSC Micro Finance Company "ABN" in Kyrgyzstan and is appointed as the Director of R Finance in Kazakhstan. He is an Advisor to Lombard Micro Finance Company in Tajikistan. He has also served as a Board Member for Credit Information Bureau of Sri Lanka [CRIB],

Commercial Insurance Brokers [Pvt] Ltd, Sri Lanka, and Prasac Microfinance Institution Ltd, Cambodia. Additionally, Mr. Thilakarathne has served as the Chairman of the Finance Houses Association of Sri Lanka [FHASL], the apex body for Non-Bank Financial Institutions [NBFIs] Sri Lanka.

He is a Passed Finalist of the Chartered Institute of Management Accountants [CIMA] UK and Associate member of the Institute of Bankers of Sri Lanka [AIB]. He has followed the 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.

MR. B C G DE ZYLVA

Non-Executive Director

Mr. Brindley de Zylva is a Non-Executive Director of LOLC Finance PLC. He also serves as the Chairman of LOLC [Cambodia] PLC and Serendib Microinsurance PLC, and as the Managing Director of LOLC Myanmar Micro-Finance Company Limited. Brindley joined the LOLC Group in 2003 and brings over 40 years of extensive experience in the Non-Bank Financial Services Industry [NBFI]. His expertise spans licensed finance companies, specialised leasing, microfinance, and microinsurance across South and Southeast Asia.

Mr. De Zylva is a Fellow of the Sri Lanka Institute of Credit Management, where he has also served as Honorary Secretary. He has been actively involved in the Council of Management of the Finance Houses Association of Sri Lanka, serving as a member for nine years, including four years as Vice Chairman. Additionally, he has held the position of Director at the Financial Ombudsman Sri Lanka [Guarantee] Limited

P A WIJERATNE

Senior Independent Director

Mr. P A Wijeratne was appointed as an Independent Director on 26th May 2017 and has over 20 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 joined CBSL in 1991 and 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 different departments in the CBSL, 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.

MRS. K T C PRIYANGANI**Independent Director**
[Appointed w.e.f. 23.01.2025]

Mrs. Chamila Priyangani is a fellow member of Institute of Chartered Accountant of Sri Lanka. She holds a Masters in Business Administration [MBA] from the University of Sri Jayewardenapura and an Accountancy and Financial Management [Special] Degree of University of Sri Jayawardenapura. She has extensive experience in the private and state sector while demonstrating exceptional expertise in financial management and governance. .

MR. K SUNDARARAJ**Independent Director**
[Appointed w.e.f. 23.01.2025]

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 Masters 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 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 CBSL, Mr. Lankathilake has participated in large number of foreign training programmes conducted by reputed training providers such as the 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.

GENERATING GROWTH, ACCELERATING IMPACT

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review
Review of Operations
Lending
LOLC Al-Falaah
Savings and Deposits
Credit Cards
Ipay
Gold Loans
Factoring
Operating Leasing
Operations
Recoveries
Branch Network
Customer Relationship Management
HR Report
Branch Operations
Marketing Communications
Sustainability Report
Information and Technology

Financial Review

OVERVIEW

The financial year 2024/25 marked a historic milestone for LOLC Finance PLC (LOFC) as the company recorded its highest-ever Profit after tax of Rs. 25 billion, a significant double-digit growth from the previous year. This performance reflects the strength of LOFC's diversified business model, prudent risk management and a clear strategic focus on financial inclusion, digital innovation and scalable growth. With a Gross loan portfolio exceeding Rs. 305 billion and a Deposit base of over Rs. 225 billion, LOFC has firmly established itself as the largest Non-Banking Financial Institution (NBFI) in Sri Lanka.

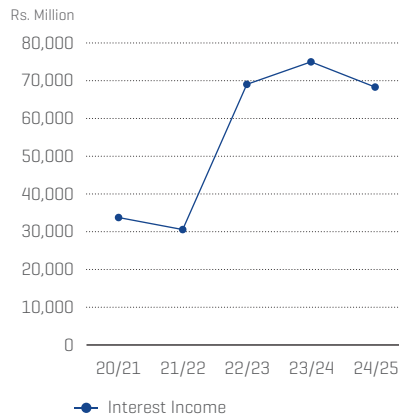
Key achievements during the year include a sharp reduction in the net NPL ratio to 4.81%, continued leadership in digital finance space through platforms like iPay and maintaining company's position as one of the highest capitalised organisations in the financial service industry with a Capital Adequacy Ratio exceeding 25%. The successful execution of recent mergers has expanded the company's reach and unlocked operational synergies across lending, leasing, alternate finance and credit cards. With a commanding market share of over 20% in total assets, liabilities and profits, a customer-centric digital ecosystem and a strong capital base of Rs. 149 billion, LOFC has emerged as a systemic force in Sri Lanka's financial sector well-positioned to support national development and economic resilience.

A comprehensive analysis of the company's financial performance covering key indicators such as income, expenses, profitability, asset quality, liquidity and capital adequacy is presented in the following sections of this Financial Review.

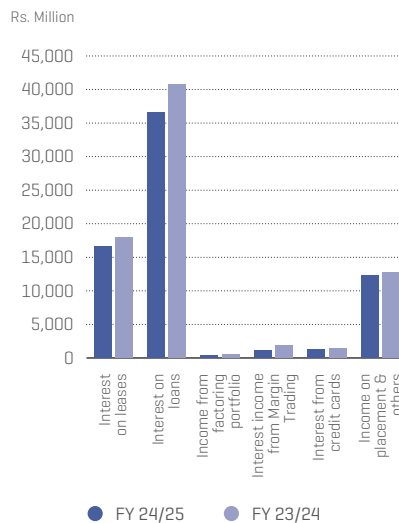
INTEREST INCOME

Interest income declined by 9% to Rs. 68.3 billion in 2024/25, compared to Rs. 75.0 billion in the previous year, primarily due to the overall reduction in market interest rates.

Movement of Interest Income in last Consecutive Five Years



Interest Income Comparison



Loans and leases remained the key contributors, accounting for 77% of total interest income. Income from loans fell to Rs. 36.5 billion, while lease-related interest declined to Rs. 16.6 billion. Other income streams such as margin trading, credit cards and placements also saw slight reductions, aligning with market trends.

Despite the dip, the company maintained a well-diversified income base, reflecting its resilience and adaptability in a declining rate environment.

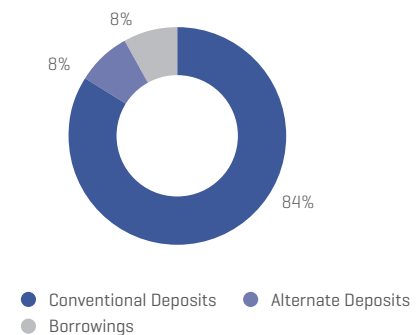
INTEREST EXPENSES

Interest expenses declined by 29% year-on-year to Rs. 26.2 billion in 2024/25, from Rs. 37.0 billion in 2023/24. This reduction was primarily driven by the downward movement in market interest rates, which lowered the cost of funds across all categories.

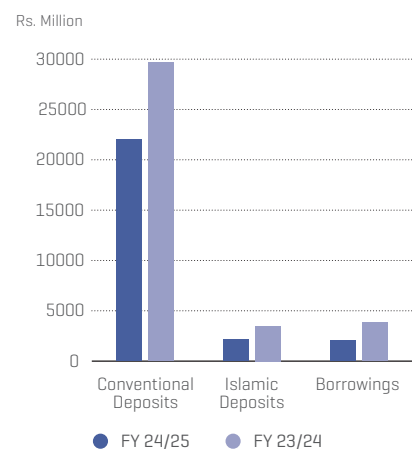
Conventional deposits continued to dominate the composition, accounting for 84% of total interest expenses, followed by alternate deposits and borrowings at 8% each. All three segments recorded notable reductions, reflecting the company's dynamic and effective fund management strategies in a declining rate environment.

The following charts illustrate the year-on-year movement and composition of interest expenses, offering a clearer picture of the shift in funding costs.

Interest Expense Composition - FY 24/25



Interest Expense Comparison



NET INTEREST INCOME, OTHER OPERATING INCOME, IMPAIRMENT AND OVERHEAD EXPENSES

During the financial year 2024/25, Net Interest Income rose to Rs. 42 billion, marking an 11% increase from the Rs. 38 billion recorded in the previous year. This growth came despite a 9% drop in interest income, primarily due to the overall decline in market interest rates. The significant 29% reduction in interest expenses from Rs. 37 billion to Rs. 26.2 billion was largely driven by the natural maturing of high-cost deposits and new deposits being mobilised at competitive rates, in line with the market trend. This performance reflects LOFC's ability to maintain a healthy interest margin despite an easing interest rate environment.

Net fees and commission income recorded a growth of 24%, driven by higher service fees on loans in line with increased disbursements, along with enhanced income from credit card services and other ancillary services.

Other Operating Income, excluding the one-off derecognition loss of Rs. 3.7 billion arising from the restructuring of Sri Lanka International Sovereign Bonds (SLISBs), amounted to Rs. 5.3 billion for the year ended 31st March 2025, compared to Rs. 10.7 billion in the previous year. This decline was primarily driven by a 61% reduction in fair value gains from investment properties, which reduced from Rs. 7.1 billion in the previous year to Rs. 2.7 billion in the current year. Additionally, the reduction in fair value gains from government securities also contributed to the overall reduction.

Impairment provisions on the lending portfolio recorded a significant turnaround during the year, with a net reversal of Rs. 7.7 billion in FY 2024/25 compared to a charge of Rs. 4.7 billion in the previous year. This reversal was primarily driven by a provision reversal of Rs. 7.3 billion related to the derecognition of restructured Sri Lanka International Sovereign Bonds (SLISBs). Impairment on loans and advances sharply declined by 96%, from Rs. 1.6 billion to Rs. 62 million, reflecting improved credit quality and prudent risk management practices.

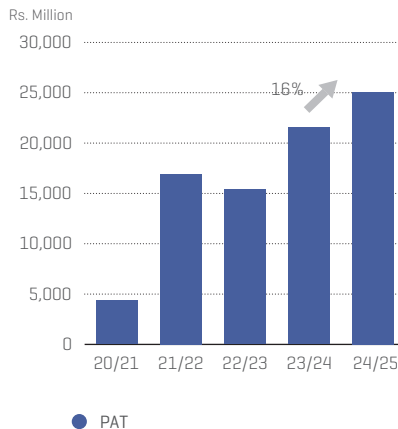
Operating expenses increased by 10% year-on-year, reaching Rs. 23.2 billion in FY 2024/25 compared to Rs. 21.1 billion in the previous year. The rise was mainly attributed to higher personnel expenses, which grew by 15% in line with salary adjustments to account for inflation

and workforce expansion. Depreciation and amortisation also saw a moderate increase, while other operating expenses recorded a 7% growth, reflecting inflationary pressures and increased business activity.

PROFITABILITY

The company continued its upward momentum in profitability, recording a Profit After Tax (PAT) of Rs. 25.1 billion for the year ended 31st March 2025 representing 36% of the total PAT of the NBFi sector. This marks a healthy 16% growth compared to the previous year. The steady increase in earnings over the past five years reflects the company's strong core performance, improved margins and better asset quality. Supported by disciplined cost management and strategic focus, this year's results underscore the company's ability to deliver sustainable value in a challenging operating environment. This positive trend is clearly illustrated in the chart below, which highlights the company's profit growth over the last five financial years.

Profitability



ASSET BASE

Total assets of the company increased by 14% to Rs. 429.7 billion as at 31st March 2025, compared to Rs. 377.5 billion in the previous year. This growth was primarily driven by the expansion in the loan book, which rose from Rs. 249.6 billion to Rs. 297.5 billion, reflecting focused lending strategies and improved credit demand. Investment properties also saw a notable increase of 14% year-on-year, reaching Rs. 55 billion fuelled by new strategic additions and value appreciations.

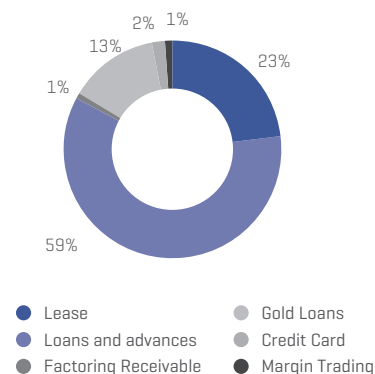
LENDING PORTFOLIO

During the year ended 31st March 2025, the gross lending portfolio expanded notably, reaching Rs. 305 billion, up from Rs. 258 billion in the previous year reflecting a solid year-on-year growth of 18%. This increase was driven primarily by strong performances in key product segments, particularly loans and advances, gold loans and alternate finance.

The portfolio remains well balanced, with no single product category accounting for more than 25% of the total exposure. Loans and advances continue to be the largest component at Rs. 179.9 billion, followed by lease receivables at Rs. 71.1 billion and gold loans at Rs. 39.4 billion.

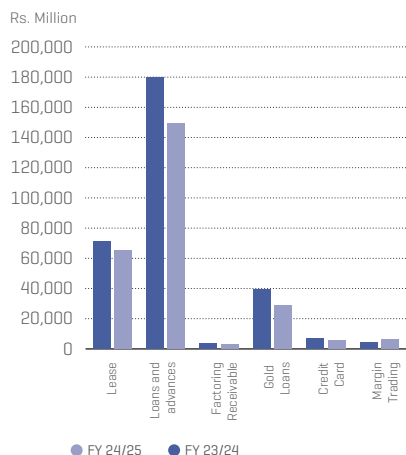
From a sectoral perspective, the portfolio remained well-diversified. Wholesale and retail trade led the exposure, accounting for 17% of the total portfolio, followed by consumption at 13% and agriculture and fishing at 12%. Notable exposures were also seen in transport and storage (11%), construction (10%), and healthcare, social services and support services (7%). This distribution reflects the company's continued focus on supporting real economic activity across a broad spectrum of industries while maintaining a prudent risk profile.

Lending Portfolio



Financial Review

Comparison of Key Components in Lending Portfolio



FUNDING – DEPOSITS AND BORROWINGS

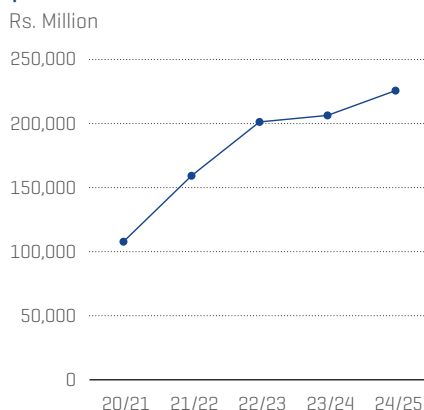
As at 31st March 2025, the company's funding structure continued to be primarily driven by customer deposits, which accounted for a significant 90% of the total funding base, up from 89% in the previous year. Borrowings, including debentures, bank loans and finance leases made up the remaining 10%, down from 11% in FY 2023/24, reflecting the company's strategic shift towards more stable and cost-effective funding sources.

Total funding (Deposits and Bank Borrowings) increased to Rs. 241.4 billion in FY 2024/25, compared to Rs. 226.1 billion in the previous year, supported mainly by the expansion in deposit mobilisation.

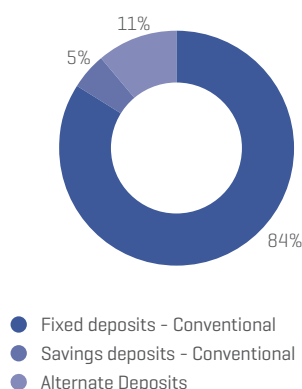
Customer deposits grew by 9% year-on-year, reaching Rs. 225.7 billion from Rs. 206.4 billion. Fixed deposits remained the dominant product, contributing 94% of the total deposit base. Within this, conventional fixed deposits accounted for 84%, while alternate fixed deposits accounted for 11%. Savings deposits made up the remaining 5%, with modest contributions from both conventional and alternate segments, as well as foreign currency deposits.

The following charts illustrate the year-on-year movement of deposits and the composition of the deposit base as at 31st March 2025.

Movement of Deposit Base over the past 05 Years



Deposit Composition FY 24/25



In contrast, total borrowings declined to Rs. 15.7 billion from Rs. 19.7 billion in the previous year. This reduction was mainly attributable to the settlement of long-term borrowings, which fell to Rs. 4.4 billion from Rs. 9.1 billion. Short-term borrowings saw a moderate increase to Rs. 6.1 billion, while debentures remained flat year-on-year at around Rs. 5 billion.

REGULATORY RATIOS

Capital Adequacy Ratio (CAR)

The company continued to maintain strong capital buffers, comfortably exceeding regulatory requirements. As of the reporting date, the Core Capital Adequacy Ratio (Tier I) stood at 26.18%, compared to 23.01% in the previous year, while the Total Capital Adequacy Ratio (Tier II) reached 25.92%, up from 23.00% in 2023/24. This significant improvement was primarily supported

by retained profits, reinforcing the company's resilience and its ability to meet regulatory capital thresholds of 10% for Tier I and 17% for Tier II.

Capital Funds to Deposit Ratio

On 31st March 2025, the capital funds to deposits ratio stood at 48%, 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. 33.9 billion, well exceeding the minimum requirement of Rs. 24.2 billion. These liquid assets are prudently managed in government securities and deposits with banks and financial institutions, optimising returns.

Net Non-Performing Loans and Advances (NPL)

Notably, another standout financial indicator reported by the company during the period is its Net Non-Performing Loan (NPL) ratio which stood at 4.81%, an outstanding improvement from 10.48% reported during the year prior.

Strategy and Outlook

LOLC Finance continues to pursue a forward-looking strategy focused on digital transformation and financial inclusion. Anchored in an innovation-first philosophy, the company is accelerating its shift toward a paperless, AI-integrated future to deliver smarter, more seamless financial solutions. These advancements are aimed at expanding access to financial services, particularly for the underbanked and underserved segments of the population. Strengthening its digital footprint and operational agility, LOLC Finance aspires to position itself as the most digitally inclusive financial institution in Sri Lanka, supporting long-term sustainable growth and customer-centric excellence.

Review of Operations

OPERATING ENVIRONMENT

Macroeconomic Environment

Sri Lanka entered 2024 on a path of steady recovery following the most severe economic crisis in its post-independence history. A combination of decisive fiscal consolidation, tight monetary policies and structural reforms initiated since mid-2022 began yielding tangible outcomes, setting the stage for renewed economic growth and macroeconomic stability. Supported by the successful implementation of the International Monetary Fund's Extended Fund Facility (IMF-EFF) and significant progress in external debt restructuring, Sri Lanka's economic landscape improved across multiple sectors. Investor confidence returned gradually, bolstered by enhanced policy transparency and improved sovereign credit ratings.

A key highlight of 2024 was the dramatic turnaround in inflation dynamics. The country experienced a sustained disinflation trend, driven by reduced global commodity prices, prudent monetary policy actions and a significant decline in administratively determined energy prices. In fact, inflation turned negative from September 2024, marking a temporary period of deflation that helped ease living costs and reduce input costs for businesses. Monetary policy was accommodative throughout the year, triggering a broad-based decline in market interest rates. This, in turn, reinvigorated credit demand from both consumers and businesses, especially in the second half of the year. Lending activity picked up across sectors, reflecting improved credit appetite and renewed private sector participation in the economic rebound.

On the external front, Sri Lanka recorded an external current account surplus for the second consecutive year. This was driven by a strong rebound in tourism earnings, increased workers' remittances and improved foreign exchange inflows. These inflows not only enhanced liquidity in the domestic forex market but also enabled the Central Bank of Sri Lanka to purchase a record volume of foreign currency, bolstering gross official reserves. The Sri Lankan rupee appreciated for the second consecutive year, reflecting the strengthened external position.

Fiscal consolidation efforts bore fruit as well, with the country recording a positive primary balance in 2024. Improved revenue collection, underpinned by enhanced tax administration and economic revival played a vital role. The combined effect of fiscal prudence, external

sector improvements and monetary stability created an enabling environment for growth, and restored Sri Lanka's credibility in the eyes of global investors and rating agencies.

Performance of the Financial Sector

The financial sector exhibited a robust performance in 2024, recovering steadily from prior-year vulnerabilities. Both banks and non-bank financial institutions demonstrated resilience and adaptability in the face of economic headwinds. The banking sector maintained stability throughout the year, with capital and liquidity buffers well above regulatory requirements. Asset growth was supported by increases in both investments and credit, while deposit mobilisation continued to strengthen. The quality of loan portfolios showed improvement, evidenced by a reduction in the Non-Performing Loans (NPL) ratio. Profitability across banks improved markedly due to higher net interest income and the reversal of impairment provisions following the restructuring of International Sovereign Bonds (ISBs). This led to enhanced financial performance and balance sheet resilience, enabling banks to support the broader economic recovery.

Non-Bank Financial Institutions (NBFI)

The NBFI sector demonstrated resilience, maintaining adequate capital and liquidity buffers. The asset base expanded, driven primarily by growth in the loans and advances portfolio. However, investment in government securities saw a decline, as institutions focused more on lending in response to lower market interest rates. Asset quality indicators improved and profitability increased during the year. The Central Bank of Sri Lanka continued to modernise the financial infrastructure, promoting digital payments and integrating domestic payment systems with international networks. Reforms were also initiated to improve financial consumer protection, inclusion, anti-money laundering compliance and systemic resolution mechanisms.

The NBFI's played a pivotal role in channelling financial services to underserved and semi-urban communities during 2024. Despite broader economic uncertainties, the sector demonstrated commendable stability and growth. The improved interest rate environment spurred credit growth across leasing, SME lending and microfinance segments.

NBFIs benefited from improved asset quality, better operational efficiencies and an uptick in profitability. However, challenges related to elevated NPL ratios and legacy impairments remained. Regulatory oversight ensured continued compliance with capital adequacy and liquidity standards. Many NBFIs strategically realigned their portfolios, reduced exposure to high-risk segments and adopted digital channels for customer engagement and risk management.

The outlook for NBFIs in Sri Lanka is cautiously optimistic. With macroeconomic fundamentals stabilising, interest rates moderating and consumer demand picking up, NBFIs are well-positioned to leverage growth opportunities in 2025.

The broadening of economic activity, especially in agriculture, services and SME sectors presents fertile ground for targeted credit expansion. Further, ongoing digital transformation within the sector can enable better operational efficiency, customer acquisition and credit assessment. However, risks including potential asset quality pressures, regulatory tightening and global macroeconomic uncertainties linger, which may impact external funding and refinancing costs. Institutions must therefore continue to focus on robust risk management, digital innovation and customer-centric lending practices.

As Sri Lanka embarks on a trajectory of recovery and reform, the role of NBFIs will remain integral in deepening financial inclusion, supporting grassroots entrepreneurship and sustaining momentum in the broader financial system.

LENDING

LOLC Finance's lending portfolio spans a wide array of products that are tailored to the diverse needs of Sri Lankans – from grassroots entrepreneurs to emerging middle-income segments and established SMEs. Across the board, the lending business continued its momentum during the year under review, underpinned by innovation, customer insight and a commitment to inclusive growth.

One of the most significant segments under the lending umbrella is Personal Finance, previously known as microfinance. This business has been strategically rebranded to better reflect its evolving scope and broader appeal. It caters primarily to grassroots-level customers (individuals operating small-scale or micro businesses) through both loans and leases. As of 31st March 2025, the personal finance loan portfolio stood at Rs. 24 billion, supporting over 110,000 customers. Notably, approximately 90% of these facilities have been extended to women-led enterprises, reinforcing LOLC Finance's role in promoting female entrepreneurship.

In addition to financing, the company actively invests in the development of its customers. Training programmes – ranging from general business practices to technical knowledge – are conducted in partnership with government and private sector institutions. A key collaborator in this effort has been the Vidatha Centres, housed within Divisional Secretariat offices, which provide valuable resources to small businesses. By facilitating access to such institutions and linking customers to markets, LOLC Finance enhances the overall sustainability of these enterprises.

Personal finance also covers housing loans for underserved communities. Many of these clients are unable to access traditional banking services due to small loan requirements, lack of formal documentation or inadequate collateral. LOLC Finance offers simplified, fast and cost-effective housing loan products with streamlined legal and valuation processes, ensuring affordability and ease for customers. These loans cover home building, renovations and completions, and are primarily offered through the company's rural branch network where the need is greatest.

During the year, a specialised agricultural loan product was also launched under the personal finance portfolio. Recognising that income in agriculture is seasonal, these loans offer flexible

repayment options that align with harvest cycles. Initially rolled out in the North Central Province, the product is being gradually expanded to other agricultural regions, offering much-needed financial tools for cultivators of paddy, vegetables and other crops.

Product design is informed by rigorous customer feedback and satisfaction surveys, allowing for continuous refinement of offerings. The agriculture loan's seasonal repayment structure is one such example of insights from the field translating into product innovation. Moreover, initiatives such as the partnership with the Sri Lanka Rupavahini Corporation for International Women's Day further underscore the company's commitment to empowering women in business.

In the SME Finance space, LOLC Finance focuses predominantly on vehicle-backed facilities. The company remains the market leader in agricultural equipment financing, continuing its longstanding support for mechanisation and productivity improvements in the farming sector. Financing options span tractors, harvesters and related implements – further reinforcing the company's presence in rural development.

With the reopening of the vehicle import market after a five-year hiatus, LOLC Finance swiftly responded to rising demand. A dedicated Electric Vehicle (EV) financing product was introduced, marking a significant step towards sustainable mobility. This new offering includes unique features that provide peace of mind to customers, such as post-warranty battery replacement financing, which is not commonly offered by competitors. The EV product covers both four-wheel, three-wheel and two-wheel vehicles, aligning financial inclusion with environmental responsibility.

The company's Al-Falaah Islamic Finance unit also saw robust performance, disbursing Rs. 29.06 billion across 22,048 contracts. This vertical recorded a portfolio growth of Rs. 7.75 billion for the year.

The Operating Lease business, which had been dormant due to vehicle import restrictions, was actively relaunched during the year. Although operating in early-cycle mode, the business achieved grants of Rs. 1.07 billion across 60 contracts and a portfolio growth of Rs. 833 million. A new product was developed to cater to pre-owned vehicles while capitalising on the recent resumption of new vehicle imports.

Looking ahead, the company anticipates tripling this portfolio in the upcoming year.

Factoring services also contributed meaningfully to lending operations, with an execution value of Rs. 1.37 billion and portfolio growth of Rs. 790 million across 129 clients.

Meanwhile, gold-backed lending continues to be one of LOLC Finance's flagship offerings, with total lending of Rs. 95.27 billion and a portfolio growth of Rs. 10.8 billion during the year. Over 5,095 new customers were onboarded, averaging 425 new customers each month – a strong indicator of the product's appeal and accessibility.

The credit card business recorded impressive growth, with 27,394 new cards issued – among the highest in the market, even when compared to banks. This translated into a portfolio growth of Rs. 1.38 billion, underlining the company's successful penetration into the digital payment space.

Each of the lending verticals within LOLC Finance is supported by digital interfaces that improve accessibility and customer experience. Plans are in place to further digitalise operations across business units – with initiatives such as automated SME refinancing and multi-channel strategies. These efforts are complemented by the implementation of cross-selling modules via the call centre, maximising customer value without increasing headcount.

LOLC Finance is working towards offering fully digital lending solutions to minimise the need for physical branch visits. While digital and assisted channels (such as eKYC and video KYC) are being adopted, some products and high-value facilities still require in-branch interactions.

Macroeconomic conditions improved significantly during the latter part of the year, with interest rates dropping from 33% to 8–9%, boosting lending. The government's opening of letters of credit (LCs) to the tune of USD \$1.2 billion also spurred demand, especially for vehicle financing. Furthermore, LOLC Finance benefited from the Central Bank's consolidation programme, merging four entities into one, enabling stronger market dominance. Overall, the company contributed over 20% to industry lending and portfolio growth, reflecting its leadership in a recovering financial landscape.

As LOLC Finance continues to expand its footprint, the company's lending framework remains agile, inclusive and digitally progressive – reinforcing its position as a trusted financial partner.

LOLC AL-FALAAH

LOLC Al-Falaah, the Alternate Financial Services Unit of LOLC Finance PLC, retained its position as the leading Islamic banking & financial services provider in Sri Lanka's NBFI sector during the financial year ending 31st March 2025. Building on its strong legacy, the Business Unit recorded robust growth across all key performance indicators while continuing to expand its diverse portfolio of Shari'ah-compliant financial products and services.

LOLC Al-Falaah delivered outstanding results with revenue increasing by 6.20% year-on-year to Rs. 7.02 billion. Profit from operations nearly doubled, rising by 83.92% to Rs. 3.01 billion, while Profit Before Tax (PBT) surged by 82.53% to reach Rs. 2.38 billion. The Business Unit also strengthened its balance sheet significantly with the lending portfolio (Net) growing by 30.23% to Rs. 37.90 billion, while total assets stood at Rs. 39.63 billion at year-end. Retained earnings increased by 35.41% to Rs. 9.08 billion, reflecting the strength of its operating model. The Non-Performing Loan (NPL) ratio was maintained at a healthy 3.89%, significantly below industry averages, while Return on Equity (ROE) improved to 30.08%.

The liability portfolio also demonstrated resilience, with overall growth of 3.43%. The Mudharabah Fixed Deposit base increased by 40.52% to Rs. 7.36 billion, and Mudharabah Savings rose by 26.70% to Rs. 2.09 billion. Wakalah Fixed Deposits declined slightly by 11.02%, to Rs. 14.32 billion.

On the assets side, the advances portfolio expanded by 27.38%. Diminishing Musharakah property & project finance accommodations continued to be the largest contributor, growing by 19.78% to Rs. 24.92 billion. Ijarah lease assets rose by 26.36% to Rs. 6.65 billion, while the Murabaha, Musawamah, and Wakalah working capital finance segment increased by 129.72% to Rs. 3.44 billion. Notably, the Wadi'ah gold-storage advances portfolio more than doubled with a 84.85% increase, reaching Rs. 2.84 billion – a significant milestone that makes LOLC Al-Falaah the first NBFI in Sri Lanka to achieve this level of performance in Wadi'ah-based advances.

FY 2024/25 also marked a year of firsts in product innovation. The Business Unit became the first NBFI in the country to launch the Ijarah Operating Lease, an asset rental arrangement that enables customers to access vehicles or equipment for a fixed period through regular rental payments. Another major milestone was the scheduled launch of Wakalah Future-Cash in Q4 of the year, a pioneering alternate factoring and working capital solution aimed at unlocking receivables for businesses. These innovations reinforce LOLC Al-Falaah's commitment to offering a 360-degree alternate finance product portfolio.

In recognition of its sustained excellence, LOLC Al-Falaah continued to receive industry-wide accolades during 2024/25. LOLC Al-Falaah was named Winner – Islamic Leasing Provider (Global) at the prestigious IFN Awards. At the SLIBFI Awards held in Sri Lanka in the period under review, the Business Unit secured Silver Awards in the categories of NBFI of the Year, Window of the Year, and Entity of the Year, along with a Merit Award for Social Upliftment. Furthermore, at the 9th South-Asian regional industry practitioners IFFSA Awards, LOLC Al-Falaah was also recognised with Silver Awards for NBFI of the Year and Window of the Year categories, Bronze for Best Digital Product/FinTech Offering and Merit Award for Social Upliftment. These accolades affirm LOLC Al-Falaah's leadership in the alternate financial services domain, driven by prudent risk management, a strong compliance framework and a consistent focus on digital innovation.

As the first NBFI to launch several Shari'ah-compliant financial instruments, the Business Unit continues to break new ground in meeting the evolving financial needs of individuals and businesses alike. With a track record of strong performance, pioneering products and customer trust, LOLC Al-Falaah is well positioned to further consolidate its position as the benchmark for alternate financial services in Sri Lanka.

SAVINGS & DEPOSITS

Against the backdrop of a stabilising macroeconomic environment and a low interest-rate regime, LOLC Finance's liability management strategy remained sharply focused on strengthening its low-cost funding base while enhancing operational efficiencies through digital transformation. This strategic alignment enabled the company to raise Rs. 21.9 billion

in total funding during the year, comprising Rs. 17.9 billion in fixed deposits and Rs. 4 billion in savings deposits. Despite industry constraints and regulatory limitations, the savings portfolio achieved a significant milestone, reaching a turnover of Rs. 4 billion. Crucially, LOLC Finance became the first non-banking financial institution (NBFI) in Sri Lanka to surpass Rs. 200 billion in fixed deposit mobilisation, marking a historic moment in the industry and setting a benchmark for peers. This achievement is particularly noteworthy given that LOLC Finance, as a NBFI, does not operate current accounts – typically a major source of low-cost funds for banks. As a result, this performance is a testament to the company's dedicated push to grow savings products as an alternative source of affordable funding, thereby reducing the overall cost of funds and bolstering profitability.

A key operational milestone during the year under review was the relaunch of LOLC Super Savings – a savings product that offers increasing interest rates as the deposit balance grows. Although not a unique product in the market, it is designed to provide liquidity with higher returns based on deposit levels, without locking in funds as in traditional fixed deposits. The LOLC Super Savings was revitalised with improved features to encourage higher savings accumulation. In addition to this, the company rolled out several niche offerings, for example, Salary Saver, a product tailored for salaried individuals, offering benefits aligned with monthly income flows;

Faced with tight regulatory constraints and a dynamic market environment, the FD and Savings team responded with ingenuity to enhance customer engagement and convenience. With Central Bank directives limiting traditional promotional tools and mandating rate disclosures, the team turned to QR code-based promotional material as a smart, adaptive solution. This digital approach enabled real-time updates of Treasury Bill-linked rates, eliminated the need for frequent reprints and ensured full regulatory compliance. Beyond solving an immediate challenge, the initiative also aligned with LOLC Finance's sustainability goals by reducing paper waste.

Further enhancing operational efficiency and customer convenience, debit card upgrades were introduced to transition from stripe-less cards to EMV chip-based cards. This upgrade enabled enhanced security, increased daily

withdrawal limits and seamless integration with the company's IPay lifestyle app, allowing customers to manage their accounts, perform online payments and access a wider range of services digitally.

Card activation via call centre systems was rolled out during the period, simplifying onboarding and enabling remote account access without requiring branch visits. From a branding and customer engagement perspective, LOLC Finance once again received national recognition, winning the Lankapay Technnovation Award, for the sixth consecutive year, affirming its leadership in customer-centric outreach and financial literacy initiatives.

A cornerstone of its ongoing transformation journey is the company's concerted push toward digitalisation, aligned with its Environmental, Social and Governance (ESG) goals. The past year marked the formal initiation of a company-wide digital task force, involving teams from cashier counters to branch-level staff, with the singular objective of reducing physical documentation across all touchpoints. The initiative, led by the Digital and Marketing teams in collaboration with the liability management function, targets a fully paperless environment. Every customer-facing interaction [from FD receipts, savings account statements and offer letters, to simple account updates] is being redesigned to be fully digital. As part of this initiative, FD receipts, Renewals, Account Activations, FD Activations will now be issued digitally (SMS), with customers receiving acknowledgements directly to their mobile phones. This not only streamlines operational processes but also reinforces the company's commitment to environmental sustainability.

Looking ahead, the focus will remain on expanding digital account opening capabilities, enhancing system controls to prevent fraud and maintaining customer-centric services across both digital and physical channels. While the company recognises that digital transformation is key to future-readiness, it is equally cognisant of the importance of human interaction, especially in rural and semi-urban markets. LOLC Finance will continue to maintain a hybrid service model, where brick-and-mortar presence supports a more personal customer experience, complemented by increasingly sophisticated digital interfaces.

Amidst an evolving political and economic landscape, the company is proud to report a total

liability base of over LKR 200 billion. This liquidity strength is a reflection of the trust placed by depositors and affirms LOLC Finance's standing as a cash-rich and financially resilient institution. Notably, the company chose to consciously not engage in aggressive deposit rate competition, instead optimising cost of funds through strategic savings mobilisation and prioritising sustainable profitability by avoiding excessive interest outflows.

Overall, the Savings and Deposits business unit successfully balanced strategic growth, regulatory compliance, digital innovation and sustainability to ensure that the funding base remains robust, future-proof and aligned with the evolving needs of its diverse customer base.

CREDIT CARDS

During the year under review, the credit card business demonstrated strong momentum, recording a profit of Rs. 758 million and achieving a portfolio increase of Rs. 1.38 billion. Notably, over 27,000 credit cards were issued in 2024/25, with the Savi Credit Card accounting for approximately 70% of total credit card issuance. In another significant achievement, non performing loans (NPLs) were brought down to single digit by end of the financial year under consideration. Moreover, approximately 70% of customer repayments were made via digital channels, up from 60% the previous year. This shift was driven by a series of initiatives to onboard customers to digital platforms at the point of card issuance, including extensive customer education on using digital payment methods. In a positive development, LOLC Finance onboarded M-Cash retailers to help minimise physical cash inflows, thereby reducing the need for branch visits and improving operational efficiency.

Yet another standout innovation during the period under review was the introduction of Sri Lanka's first Large Language Model (LLM) AI-powered chatbot for the card business. This pioneering solution has led to a noticeable drop in call centre traffic and brought the call drop ratio down to an impressive 1%, directly contributing to enhanced customer satisfaction and operational efficiency. Customers can access the chatbot through multiple touchpoints, including WhatsApp links, SMS messages and QR codes embedded in statements. The chatbot responds to both open-ended and specific queries in a human-like manner, allowing users to ask anything from 'How do I apply for a credit card?' to 'How do I update my travel plan?'

LOLC Finance expanded its promotional campaigns, increasing the number of partnered merchants from 450 to approximately 600. Unlike in previous years, campaigns were not limited to festive seasons. Instead, year-round promotions covered essential categories such as supermarkets, clothing, dining and leisure. This consistent customer engagement strategy further reinforced brand visibility and utility.

LOLC Finance's credit card offerings were also notable for their wide accessibility. Beyond the traditional branch network, multiple application channels were enabled including online forms, QR-based applications and through agents embedded in communities [for example, representatives at group loan centres]. These efforts ensured that credit cards were not just for professionals or high-net-worth individuals but also accessible to small and micro businesses (SMEs/MSMEs) with smaller credit limits.

Two products led the innovation and inclusion agenda, namely, the Savi Credit Card exclusively for public servants. The Savi card is a lifetime-free product aimed at offering financial inclusion and convenience to government employees. The Savi team further executed a nationwide appreciation of the best performers of the Grade 5 Scholarship exam, with 500 children of Savi credit cardholders being recognised and rewarded under this initiative. In addition, the Swaivee Credit Card, dedicated card for women, featured a design that reflects feminine aesthetics. The card is supported by women-focused campaigns [e.g., salon discounts, women-only events] and incorporates a Women Empowerment Fund that is utilised for broader women empowerment activities.

In a first in Sri Lanka's credit card industry, LOLC Finance introduced the Blind Notch Mastercard Credit Card, manufactured to ISO standards. This innovation allows visually impaired customers to identify and differentiate cards [credit, debit and stored value] through a tactile notch, enabling greater independence and accessibility.

The Credit Card unit is strategically positioned for future growth, with several innovative products currently in the development pipeline. The LLM Chatbot will also be enhanced and will soon support Sinhala and Tamil in addition to English, making it more accessible to the mass market. Finally, an SME Credit Card product specifically targeting the SME segment, in partnership with Mastercard, will be rolled out to the market soon.

IPAY

iPay continued to be a leading force in Sri Lanka's digital payment space. The platform now has over 1 million downloads and 685,000+ registered users. During the year under review, transaction volume reached Rs. 163 billion, reflecting a 20% year-on-year growth. The platform processed over 21 million transactions. Importantly, iPay maintained a 65% market share in JustPay transactions, affirming its dominance in this critical segment of the payment ecosystem. While user registration changed slightly, cumulative figures remain strong, with the focus shifting toward deeper engagement and broader utility.

Several user experience enhancements were rolled out during the year, including significant UI/UX upgrades to improve usability. iPay was also integrated with government payment infrastructure (GovPay) and expanded its international reach through interoperability with India's UPI, UnionPay, WeChat Pay and Alipay - positioning LOLC Finance as the largest local acquirer of these platforms. Infrastructure and security were bolstered during the year through backend enhancements to improve reliability, transaction speed and fraud mitigation. iPay also received multiple awards for innovation and excellence such as Gold awards for Best Digital Payment Strategy (Banks & NBFI), Best Mobile Application for Retail Payments via JustPay (Banks & NBFI), Excellence in Customer Convenience (NBFI), Financial Inclusivity (NBFI) and Overall Excellence in Digital Payments (NBFI); and a Merit award for Most Popular Digital Payment Product (Private Banks & NBFI) at the LankaPay Technnovation awards 2025.

One notable achievement was the introduction of digital top-ups for gold loans. LOLC Finance customers with existing gold loans can now receive instant top-ups directly through the iPay platform, enhancing convenience and liquidity. Additionally, LOLC Finance surpassed LKR 1 billion in revenue from its digital liability portfolio during the year, underscoring the profitability of its digital finance initiatives.

Looking ahead, several strategic developments are planned to enhance convenience and speed for iPay customers including SoftPOS Solution, a mobile-based acquiring solution that converts NFC-enabled smartphones into fully functional POS machines. This is targeted at SMEs and MSMEs and will include working capital loans, a basic ERP suite and HR functionalities. The solution supports domestic and international

cards, enhancing usability for both local merchants and tourists.

Another product in the pipeline is Nano Loans, a new digital lending product based on user behaviour within the iPay ecosystem. These quick-access loans will be offered to iPay users using a behavioural scoring model. Driving eco-conscious enhancements, future versions of iPay will continue to align with green initiatives, including digital-only service delivery, paperless communication and sustainable operations.

With these developments, iPay is poised to drive the next phase of digital transformation across the country, in alignment with the government's less-cash policy and the growing need for inclusive fintech solutions.

GOLD LOANS

The Gold Loans business unit recorded another strong year in 2024/25, with a total execution value of Rs. 95.27 Bn and a portfolio growth of Rs. 10.81 Bn. This robust performance reflects continued customer confidence in the product, especially as households and businesses seek quick, reliable financing solutions amid evolving economic conditions.

The year under review witnessed strategic enhancements designed to deliver greater convenience and access. Notably, the Gold Loan service was launched at two additional branches: Wattagama and Malabe, further expanding the product's reach across Sri Lanka. Customers in these regions can now benefit from LOLC Finance's streamlined gold loan offering, which is tailored to meet short-term financial needs such as medical emergencies, education costs or working capital requirements.

The year also marked a significant milestone in digital integration with the launch of the Gold Loan quick top-up facility via the iPay platform. This feature enables existing customers to access additional financing instantly when gold prices go up, without having to visit a branch in person, demonstrating LOLC Finance's commitment to frictionless, tech-enabled financial services. The convenience of this digital solution complements the quick disbursal process already in place together with paying due interest, reinforcing LOLC Finance's position as a leader in customer-centric innovation.

As demand for secure and accessible lending options continues to rise, the Gold Loans product remains a trusted solution. By combining extensive geographic coverage, responsive service and digital convenience, the business unit caters to Sri Lankans in need of fast and flexible financial support.

FACTORING

In 2024/25, the Factoring business unit demonstrated steady growth and innovation, concluding the financial year with a portfolio of Rs. 3.7 Bn. Despite heightened competition returning to the market, the unit maintained its momentum by focusing on service excellence, digital transformation and customer-centric solutions.

The year was marked by key operational improvements across multiple fronts. The client onboarding process, which had been streamlined in the previous year, was further enhanced to ensure faster turnaround times and greater convenience. Leveraging a strong collaboration between the Center of Excellence (CoE) and Credit Risk Management, LOLC Finance continued to strengthen its credit evaluation framework, balancing responsiveness with robust risk oversight. Clearer communication protocols were embedded into the onboarding experience, enabling clients to receive timely updates and prompt resolution of queries.

A significant technological advancement was the deepening integration of the factoring system with Business Intelligence (BI) reporting. The expanded BI dashboard now delivers real-time visibility into key performance indicators and supports more granular analysis at the branch and product levels. Comprehensive staff training ensured that the insights derived from BI tools were effectively utilised to improve operational decision-making and customer engagement.

Milestones achieved during the year included the introduction of a new Shariah-compliant financing solution under the LOLC Al-Falaah brand. The Wakalah – Future Cash Today product represents a breakthrough in Islamic trade financing in Sri Lanka, offering much-needed liquidity support to SMEs. By enabling businesses to access future cash flows in advance, this solution helps bridge working capital gaps and reduce credit risk whilst contributing meaningfully to Sri Lanka's Islamic finance ecosystem.

The business unit also made commendable strides in its sustainability agenda. As part of the company's digital-first and paperless initiatives, the printing of payment vouchers was reduced to less than 5% per day, while the printing of cheque images scanned by branches was fully discontinued. These measures contributed to significant reductions in paper consumption and improved the efficiency of documentation and approvals.

The Factoring unit surpassed internal benchmarks through innovation, productivity gains and a renewed focus on customer experience. Staff development remained a priority, with targeted training programmes rolled out to ensure that the team was well-equipped to deliver personalised and responsive service across all client interactions.

Altogether, 2024/25 was a year of strategic consolidation and forward-looking transformation for the Factoring business.

OPERATING LEASING

During the year under review, Fleet Management operations continued to play an integral role in strengthening LOLC Finance's operational efficiency and service delivery standards. Consistent with the Company's strategic focus on sustainability, cost optimisation, and resource efficiency, the division prioritised the upkeep of a reliable, safe, and well-optimised fleet. Key initiatives included targeted staff training and the integration of system-driven enhancements to streamline processes and drive cost-effectiveness. These initiatives yielded measurable improvements in fleet utilisation, a reduction in operational overheads, and enhanced overall performance.

Following the relaxation of import restrictions in 2024, the division successfully expanded its portfolio by on boarding 372 vehicles, achieving a 100% hiring rate of its available vehicle assets. Through a structured, technology-enabled approach, the Operating Leasing function continues to align with LOLC Finance's long-term vision of operational excellence and responsible asset management.

RECOVERIES

The performance of the Recoveries function during 2024/25 underscores the team's proactive and disciplined recovery mechanisms

as it recorded a collection rate of 102.6%. This resounding performance resulted in a cumulative collection of Rs. 3.5 billion over and above the value of new disbursements - demonstrating a robust approach to portfolio management and risk mitigation. Despite prevailing macroeconomic challenges, the Net non-performing loan (NPL) ratio was contained at 4.81%, a significantly lower figure compared to industry benchmarks.

A key driver of this performance was the strong synergy between the Marketing and Recoveries teams. Their collaborative approach enabled better client dynamics and execution of recovery strategies. The involvement of originators [those who initially proposed and structured facilities] proved invaluable in facilitating settlements, especially in challenging cases, enhancing the ability to negotiate and close recoveries efficiently. Moreover, a culture of accountability across all channels was enforced. For example, in instances where facilities underperform, the relevant marketing executives were engaged directly to assist with resolution, fostering a sense of ownership and responsibility.

The recovery operation followed a discipline of being scheduled and systematic, allowing the team to manage tasks effectively and with minimal disruption. Importantly, repossessions were minimised, relying instead on the team's ability to engage with clients, understand their concerns and offer practical solutions. This approach helped avoid conflict and strengthen client relationships. The evolving regulatory environment has placed new restrictions on repossessions, as seen in the directives issued by the authorities. However, through client engagement and empathetic handling, these changes were navigated successfully, resulting in maintaining a strong recovery footing.

Digital recovery initiatives were advanced during the year under review with the introduction of direct debit options for clients to make repayments from the comfort of their homes. This not only saves time for the collection team but also empowers clients to stay on top of their commitments more conveniently. Efforts to educate clients on the benefits of digital methods are ongoing.

The coordination among centres, collectors and branch staff has been critical in ensuring smooth execution. As of now, every regional centre and plant has access to LOLC Finance

savings accounts, enabling seamless recovery processes. Despite most centres being located in Colombo, they have provided immense support across regions, with approximately 80% of the total dues falling into the sub-90-day bucket - a testament to the team's strategic focus on early-stage recoveries. As part of the planning process, centre-level portfolios are categorised into 0-30, 60, 90 and up to 360-day buckets, allowing for granular management and faster intervention. This structure also ensures timely communication with clients, reinforcing recovery discipline. In cases where external challenges such as adverse weather or logistical barriers arise, the company's digital recovery framework provides a reliable alternative to reach clients and continue collections.

Looking ahead, the Recoveries business unit plans to further strengthen recovery operations through technology enhancements and process optimisation. While the economic outlook remains uncertain, marked by geopolitical shifts, trade policy changes and potential health-related disruptions, the team is confident in its ability to respond effectively. Moreover, the discipline, energy and resolve of the Recoveries team will be key in achieving the recovery targets set for the new financial year whilst maintaining asset quality at the highest standards.

OPERATIONS

The year under review marked another phase of consolidation for the Operations Division, with a focus on enhancing efficiencies and streamlining processes to achieve operational excellence. Improvements were introduced to internal workflows to achieve better service level standards and quicker turnaround times. These changes were part of the broader effort to strengthen operational discipline across the consolidated entity.

Groundwork also commenced on several digitalisation initiatives, aimed at transforming how operational functions support business activities. As a result, key efficiency enhancements were realised. For example, many file movements are now integrated into digital workflows that allow branches to track and monitor payments in real-time. Disbursements for SME products have been streamlined to be completed within one working day, while in some product categories turnaround times have been reduced to as little as 20 minutes.

A significant post-merger challenge involved the aligning four previously independent operational models of LOLC Finance, Commercial Leasing, Sinhaputhra Finance and LOLC Development Finance into a single unified system. Each legacy institution had its own processes – some decentralised, others centralised. With a combined workforce of over 5,000 employees, the primary challenge was changing mindsets and shifting towards a centralised operations model, which was positioned as more reliable and efficient.

Today, a lean operations team of around 75 staff supports over 203 branches across the country. Rather than expanding the team, the company has prioritised process improvements across key lending segments including SME, personal finance and other lending lines. One of the major operational milestones during the year was the complete end-to-end automation of the personal finance product. This product line is now almost fully digitised with customer onboarding, credit appraisal, credit approval, disbursement and collections being all automated. Only the agreement signing process remains physical at present. The company is now in the final phase of automating agreements, which will allow LOLC Finance to offer a truly end-to-end digital lending product.

Significant enhancements were made to the Registrar of Motor Vehicles (RMV)-related process flow. With over 71,000 vehicles financed during the year, the RMV transfer process was identified as a key area for improvement. Although the RMV system itself is not digitised, LOLC Finance restructured its internal processes to enable faster turnaround by implementing a same-day document processing workflow for RMV transfers. As a result, disbursements of all RMV related cases are now finalised within one day.

The company is also exploring the extension of digital workflows across other business verticals including AFS Finance and personal refinance facilities. The vision is to enable marketing officers to focus solely on acquiring new clients, while processing, approvals and disbursements are entirely handled through automated systems. Special focus is being placed on refinancing and pre-owned vehicle loans, which are being redesigned for automation and efficiency through the Operations Division.

Looking ahead, LOLC Finance is committed to replacing physical agreements with digital ones. This will result in a completely digital file being routed from onboarding to disbursement, significantly improving processing time and reducing manual intervention. In addition, Optical Character Recognition (OCR) technologies are being integrated to automatically capture data from National Identity Cards and Certificates of Registration, further streamlining the onboarding process. In collaboration with the Chief Digital Officer, the Operations Division is actively working to implement these digital tools, laying the foundation for a more agile, efficient, and technology-driven operational backbone. These efforts are expected to yield substantial improvements in turnaround times and operational agility in the years to come.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

During the financial year 2024/25, the Customer Relationship Management (CRM) and Call Centre operations underwent significant transformation, driven by strategic digital adoption, enhanced service protocols and targeted capacity-building initiatives. These efforts aligned with the company's overarching commitment to deliver a seamless and responsive customer experience.

A number of initiatives were introduced to improve customer experience across multiple channels. A dedicated Quality Assurance (QA) process was established to audit calls and deliver feedback to agents, resulting in more consistent and effective service delivery. These efforts led to a noticeable reduction in repeat calls and an increase in First Call Resolution (FCR) rates, both of which reflect a more aligned and efficient customer support system.

The WhatsApp chatbot, available 24/7, continued to gain traction among customers for resolving basic queries. This channel's growing popularity further reduced the burden on live agents, allowing them to concentrate on complex cases and ensuring faster turnaround times. By providing round-the-clock support, the chatbot has also helped to elevate customer satisfaction levels beyond traditional working hours.

The Call Centre recorded significant improvements across key performance indicators (KPIs) during the year. Most notably, the Answer Rate rose from approximately 70% to 97%, indicating a substantial increase in the number of calls answered promptly. Meanwhile,

the Abandonment Rate was reduced from 28% to just 3%, thanks to improved queue management, optimal staffing strategies and enhanced call-handling practices.

Average Handling Time (AHT) continued to be monitored at an individual level to maintain operational efficiency while preserving service quality. These performance gains have directly contributed to better customer experiences and more effective resource utilisation.

The total number of inbound calls received in 2024 decreased to 680,797 from 747,266 in 2023, marking a notable drop in volume. This reduction is primarily attributed to the growing use of digital self-service tools such as the WhatsApp chatbot and the newly-introduced Interactive Voice Response (IVR) system. These tools have empowered customers to resolve routine queries independently, thereby reducing their reliance on direct agent assistance.

Outbound call volumes also declined significantly, from 1,476,585 in 2023 to 743,596 in 2024. Outbound interactions, which play a key role in telemarketing and credit card verification, were optimised through improved analysis of customer connect times. By focusing efforts on peak connection periods, the team was able to reduce repeat calls and achieve a 5% improvement in the overall connect rate, leading to more efficient customer outreach.

CRM teams followed structured escalation protocols to resolve customer issues swiftly and effectively. For iPay-related concerns, particularly those linked to third-party bank downtime, queries were escalated via Oasys requests to ensure timely resolution. In instances where customers reported successful fund transfers not reflecting in their accounts, agents were trained to provide the necessary details within the same call, reducing the need for follow-ups. Likewise, billing information requested through the Call Centre was shared immediately to ensure prompt and satisfactory customer service.

In line with LOLC Finance's customer-first philosophy, extensive training and development initiatives were rolled out for CRM personnel. These included comprehensive product training to equip agents with accurate and up-to-date knowledge and phone etiquette training to

ensure communications were consistently professional, empathetic and courteous. To reinforce continuous improvement, each agent was assigned a dedicated team leader responsible for coaching, performance monitoring and regular feedback. This structure has strengthened team accountability and fostered a high-performance culture rooted in service excellence.

HUMAN RESOURCES (HR)

In 2024/25, LOLC Finance PLC continued to place human capital at the centre of its organisational transformation, aligning HR strategies with business objectives to enhance efficiency, engagement and cost-effectiveness. A multi-pronged approach was implemented, focusing on optimising the cost structure, driving employee engagement and developing a performance-based incentive structure to support sustained productivity across the organisation.

One of the key focus areas during the year was streamlining the cost structure by ensuring maximum output with optimum resource utilisation.

By 31st March 2025, LOLC Finance employed a total of 5,053 individuals, including permanent, contractual, interns, and scholarship recipients. Of this, approximately 73% were permanent employees and 23% were contractual. The gender ratio stood at 75% male to 25% female. The overall staff attrition rate was around 15% year-to-date. Among the categories of employees, start-time staff had the lowest attrition at 2.6%, while attrition in the corporate revenue segment was about 30%.

HR Day

In parallel, the HR function strengthened employee engagement through initiatives such as the now well-established HR Day concept. Having been introduced earlier, the past year saw it evolve into a central platform for enhancing two-way communication, allowing employees to engage directly with senior leadership including the CEO and divisional heads. This initiative not only improved transparency but also served as a catalyst for stronger employee morale.

The HR Day serves as a key engagement mechanism, offering a platform for open dialogue between staff and management. Additionally, cross-functional forums such as those for customer service, marketing, and operations teams facilitated focused group

discussions with HR and other departments. These helped surface ground-level issues and foster collaborative problem-solving.

As part of the broader employee value proposition, a new incentive structure was introduced and is being further developed with the aim of enhancing motivation while maintaining fiscal prudence. Together, these strategic pillars helped the HR function deliver on its mandate of enabling business efficiency while nurturing a committed workforce. Several initiatives were launched to enhance employee morale and engagement.

Digitalisation

A major milestone during the year was the near-completion of the HR automation journey. Initiated in the third quarter of the previous financial year, this programme aims to digitise the entire lifecycle of an employee from recruitment and onboarding to exit. By the second quarter of 2025, the automation initiative is expected to be fully operational, eliminating manual files and paper-based records entirely. This transformation not only improves accuracy and data accessibility but also aligns with the company's long-term digital agenda.

In terms of recruitment, LOLC Finance identified a requirement to onboard nearly 900 new employees during the year.

Diversity & Inclusion

Efforts were made to promote diversity and inclusivity within the workforce, especially in leadership roles. Presently, women represent around 15–20% of the management team, with the company committed to increasing this ratio over time. Importantly, all recruitment processes are merit-based and do not discriminate based on gender, physical ability or background. As a signatory to the United Nations Global Compact (UNGC), gender inclusivity remains a critical component of the company's HR policies.

Training & Development

Training and development remained a key area of focus with nearly 90% of staff participating in various learning initiatives. Orientation programmes were conducted monthly, providing new recruits with in-depth knowledge of the company's heritage, operations, and expectations. One month after onboarding, a follow-up induction session is held where heads of all strategic business units (SBUs) deliver

interactive sessions to familiarise employees with the broader corporate structure.

Throughout the year, a wide range of training was delivered including compliance and regulatory topics to motivational and language skills enhancement. Occupational personality development (OPD) and other job-specific sessions were also prioritised. Moving forward, the company is focused on delivering up to 80% of its training via digital platforms, with discussions currently underway with IT vendors to establish a robust e-learning solution. This would allow employees to access learning content at their convenience, whether during work hours or outside.

Succession planning and leadership development also saw significant groundwork being laid. Evaluations were conducted across different staff tiers to identify potential leaders and prepare them for future roles. This structured pipeline will feed into the company's long-term talent development strategy.

Training outcomes were closely aligned with performance management systems. Long-term training programmes involved a pre-training evaluation, post-training feedback, and impact assessments conducted one and three months after training completion. These were further validated through direct input from SBU heads to gauge behavioural and competency-based changes in employees. Improvements in core competencies were also tracked, reinforcing a performance-linked learning culture.

Employee wellbeing

Recreational and team-building activities added vibrancy to the workplace culture. Competitive events such as quizzes, art competitions and Women's Day celebrations created opportunities for employees to showcase their talents. Sports activities including volleyball and basketball brought teams together outside of work settings, further boosting camaraderie.

The company also prioritised health and wellness. Initiatives like Breast Cancer Awareness programmes were conducted in partnership with medical professionals, offering training and free check-ups across multiple locations. These efforts even led to early detection in a few cases, prompting the HR team to review and enhance the company's health insurance policies to provide extended coverage for employees and their families.

Future Outlook

Looking ahead, the HR division remains focused on advancing digitalisation, enhancing the e-learning experience and embedding AI-driven tools across key HR functions. These include recruitment systems, learning platforms and automated workflows designed to elevate the employee experience while improving operational efficiency. With these initiatives, LOLC Finance continues to build a resilient and future-ready workforce.

BRANCH OPERATIONS

LOLC Finance PLC's branch network, comprising nearly 203 locations across the country, remained the cornerstone of its distribution strategy in 2024/25. Despite the strategic reduction in branch count from 214 to 203, the Company continued to expand its operational footprint in terms of business volume and customer acquisition. This initiative enabled the merging of business units and staff within overlapping locations, leading to stronger branch-level performance. As a result of these efforts, the branch network was primarily responsible for the Rs. 47 billion portfolio growth achieved during the year under review, underscoring its continued relevance and operational strength.

A significant achievement for the year was that 100% of branches operated profitably - a marked improvement from previous years, where 28 branches were loss-making in FY 2022/23 and 14 in FY 2023/24. This turnaround was driven by enhanced resource utilisation, stronger performance monitoring and more effective service delivery models. In tandem with structural optimisation, staffing was also streamlined to improve efficiency. Back-office personnel were trained to handle multiple responsibilities beyond their primary roles, creating a multitasking environment that boosted both productivity and service responsiveness at the branch level.

Building on this operational foundation, the branch network also achieved notable success in customer acquisition. Along with retaining existing customers during the year under review, over 42,000 new customers were onboarded - none of whom had prior relationships with the Company - bringing the total customer base to approximately 400,000. This growth reflects not only the trust placed in the Company's offerings, but also the dedication and reach of its branch teams.

As the primary conduit for its broad portfolio of financial products and services, the branch network played a critical role in driving new business. In 2024/25, branches were instrumental in executing over Rs. 177 billion in new business, including approximately Rs. 160 billion in SME financing and Rs. 17 billion in microfinance, demonstrating the Company's deep penetration across both formal and grassroots segments.

While major fintech implementations were not prioritised during the year, there was considerable progress in digital adoption. The share of online rental payments increased from 30% to 50% of total collections, reflecting a clear shift in customer preferences towards digital channels. Additionally, the Company expanded its direct debit facilities and launched an online gold loan top-up module, enhancing self-service capabilities and overall convenience. These operational gains were supported by a strong performance management culture. A 360-degree evaluation system for marketing executives ensured accountability and continuous improvement, while regular town hall meetings involving senior management created open channels for feedback, collaboration and innovation - many of which translated into actionable improvements.

Service quality also saw enhancements during the year. Minimum service benchmarks were introduced for critical transactions such as vehicle release orders and payment processing, ensuring consistent customer experiences. A formal grievance management framework was also established to deliver faster, more structured resolutions, reinforcing the Company's customer-centric approach.

Furthermore, across its 19 geographical regions, each managed by a dedicated regional manager, the Company maintained a profit-to-portfolio ratio exceeding 6%. This consistent performance, despite varying regional economic conditions, attests to LOLC Finance's effective operating standards, disciplined resource management, and responsiveness to local market dynamics.

Aligning with its commitment to financial inclusion, the Company restructured and revitalised its microfinance operations - now delivered under the rebranded 'personal finance' model. This refreshed approach retained the traditional group lending model while also introducing an individual lending option

to address evolving customer needs at the grassroots level.

Complementing these efforts, the branch network spearheaded over 20 regionally focused financial literacy and technical development programmes, particularly targeting underserved and unbanked communities. Conducted in locations such as Monaragala and the Jaffna Peninsula, these programmes played a key role in elevating financial awareness and integrating new customer segments into the formal financial system.

MARKETING COMMUNICATIONS

In the financial year 2024/25, the MarCom division played a pivotal role in strengthening the company's brand equity and market presence. Demonstrating outstanding performance, the division was instrumental in positioning LOLC Finance as a leading financial services provider in Sri Lanka, as reflected in numerous accolades and brand rankings. Notably, LOLC Finance was recognised as the 'Most Loved Brand in the Leasing and Finance category' by LMD and Brand Finance, affirming the brand's emotional resonance with consumers and the effectiveness of its integrated communications strategy.

The MarCom unit's success was underpinned by its strategic blend of long-term brand-building initiatives with tactical short-term promotional campaigns, driving substantial returns on marketing investment. A well-balanced communications mix (spanning traditional media, digital platforms and on-ground activations) ensured that messaging was not only consistent and targeted, but also agile enough to address shifting market dynamics. This multi-channel strategy enabled the company to meet immediate campaign objectives while simultaneously strengthening long-term brand affinity.

Over the year, MarCom achieved significant brand salience for both the corporate identity and its suite of sub-brands. The company's services were actively promoted across a nationwide branch network and digital platforms, ensuring top-of-mind recall and easy customer accessibility. The department effectively utilised integrated marketing communications, leveraging the scalability and personalisation potential of digital channels to reach and engage segmented customer bases with tailored messaging.

In line with its data-driven approach, the division capitalised on behavioural insights and market analytics to shape communication strategies with precision targeting, optimising customer engagement and enhancing campaign effectiveness. These insights allowed for personalised content delivery and strengthened customer relationships, while ensuring efficient budget allocation and high Returns on Investment (ROI) across MarCom activities.

Beyond branding and communications, LOLC Finance PLC continued to reinforce its identity as a responsible corporate citizen, with the MarCom team actively supporting the visibility and impact of the company's sustainability and social responsibility programmes. These efforts reflect LOLC Finance's deep commitment to the broader Sri Lankan community. This holistic approach to communications has earned the company numerous accolades.

In addition to its Brand Finance and LMD recognitions, LOLC Finance was named the 'Financial Service Provider of the Year' for an unprecedented eighth consecutive year at the SLIM-KANTAR People's Awards, demonstrating enduring public confidence and trust. It was also ranked among the 'Top 20 in the LMD Brands Annual Corporate Brands' and honoured with titles such as 'Most Valuable Consumer Brand' and 'Most Loved Brand in the Financial Services Sector' for 2023.

Looking ahead, the MarCom division is committed to enhancing LOLC Finance's positioning as a one-stop shop for financial services - catering to diverse customer segments while articulating the value-added propositions of its expanding portfolio. Through sustained strategic communications, data-driven decision-making and integrated brand storytelling, LOLC Finance aims to further elevate its brand stature in an increasingly dynamic and competitive market landscape.

Sustainability Report

The 2024/25 Sustainability Report of LOLC Finance PLC presents a comprehensive overview of the company's efforts to integrate economic growth with environmental stewardship, social empowerment, and good governance. Guided by the principles of the GRI Standards, Integrated Reporting Framework, and aligned with the UN Sustainable Development Goals (SDGs), this concise report captures the strides LOLC Finance has made in addressing the most pressing sustainability challenges while contributing to national and global development objectives.

Key highlights of the reporting period include:

- » The Head Office became the first Sri Lankan NBF facility to receive Green SL® Institutional Sustainability Certification.
- » LOLC Finance renewed its ISO 14064-1:2018 GHG emissions certification, verifying continued transparency in climate disclosures. - Notable biodiversity projects such as the Deniyaya Reforestation and Anawilundawa Mangrove Restoration were launched.
- » Digital and paperless operations were expanded, alongside a Green Loan scheme for solar systems and electric vehicles.
- » Governance enhancements included strengthened ESG onboarding, anti-corruption controls, and stakeholder-informed sustainability targets.

LOLC Finance has taken a leadership stance on sustainability by embedding ESG considerations into lending decisions, employee training, and community engagement. The company continues to pursue science-based emissions targets, enhance environmental compliance, and expand financial inclusion through socially responsible lending. This report underscores LOLC Finance's commitment to building a resilient, inclusive and environmentally secure future for all stakeholders.

Empowering Sustainable Prosperity: Integrating Environment, Society and Economy

1. Environmental Projects and Climate Action [GRI 302, 305, SDGs 12, 13, 14, 15]

LOLC Finance took decisive strides in 2024/25 to address climate-related risks and lead by example in Sri Lanka's transition toward sustainability. Below are the initiatives and outcomes directly sourced from our certified reports and verified environmental actions:

· Our Head Office became the first-ever building in Sri Lanka to receive Green SL® Institutional Sustainability Certification from the Green Building Council of Sri Lanka. This milestone reflects our leadership in embedding sustainable construction and energy-efficient operations across our infrastructure.

We successfully renewed our ISO 14064-1:2018 certification for Greenhouse Gas (GHG) Emissions for a second year, independently verified by the Sri Lanka Climate Fund.

The Deniyaya Reforestation Project contributed to forest restoration, biodiversity enhancement, ecosystem restoration, social engagement and carbon sequestration. Additionally, LOLC signed an MoU with Biodiversity Sri Lanka (BSL) to support mangrove restoration in the Anawilundawa Ramsar Wetland Sanctuary. This aligns with our Nature and Climate Resilience Programme and contributes to the blue carbon economy by enhancing the carbon sequestration capacity of coastal ecosystems. It also supports the achievement of SDGs 13 [Climate Action], 14 [Life Below Water], and 15 [Life on Land].

· As part of our carbon disclosure efforts under SLFRS Sustainability Reporting Standards, we published GHG emission breakdowns covering Scope 1, 2, and 3 sources. Scope 2 emissions increased slightly due to business expansion.

Key Environmental Indicators (2024):

Indicator	Value
Paper Waste	33 kg/day
Plastic Waste	2.6 kg/day
Food Waste	7.37 kg/day
Other Waste	0.43 kg/day
Employee Water Use	1.28 m³ per employee/month

2. Social Empowerment & Inclusion [GRI 401, 403, 413 | SDGs 1, 5, 8, 10, 11, 17]

Social responsibility remains at the heart of LOLC Finance's purpose. Through expansive outreach programmes, employee support systems and inclusive partnerships, we ensure our business uplifts both internal and external communities. The following initiatives were executed in 2024/25:

- » Over 955 employees received structured ESG training through formal onboarding and workshops, improving company-wide sustainability literacy.

- » Mental and physical wellness initiatives included ergonomic workspaces, on-site wellness sessions and the establishment of an internal sports club.
- » Our Corporate Social Responsibility (CSR) reach extended to number of beneficiaries across Sri Lanka, including programmes supporting school children, women entrepreneurs and local entrepreneurs.
- » On 11 June 2024, LOLC Finance hosted a World Ocean Day environmental awareness event at Prince of Wales College, Moratuwa. Environmental advocate Hasanka Padukka conducted interactive sessions on marine conservation and plastic pollution. This initiative provided students with reusable lunch boxes, water bottles and featured an eco-themed art competition.
- » Stakeholder engagement was central to our ESG policy review. Youth voices from universities were integrated into revised frameworks, with a focus on climate action and inclusion.

3. Green Lending & Financial Inclusion [GRI 203, 417 | SDGs 1, 7, 9, 10, 13]

We expanded sustainable lending solutions to target green technology and underserved demographics. In 2024/25:

- » LOLC Finance introduced green loans supporting solar systems and electric vehicle financing.
- » Women-focused finance and rural SME lending programmes were scaled to promote equitable access to capital.
- » The company is currently in the process of achieving SLFRS compliance and in accordance is aligning its practices with Central Bank of Sri Lanka regulations and guidelines on sustainable finance, including adherence to the Sustainable Finance Roadmap 2.0.

Sustainability Report

4. Governance, Risk & Stakeholder Trust [GRI 2-9, 205, 206, 307 | SDGs 9, 12, 16, 17]

Accountability is the foundation of our sustainability credibility. Our ESG governance structure is integrated into risk assessments and board oversight.

- » We maintained a zero-tolerance policy for corruption and environmental non-compliance across all operations.
- » Our Environmental and Social Management System (ESMS) guided all credit assessments for high-risk sectors. 109 credit officers were trained in ESG risk evaluation to assess, manage and mitigate potential environmental and social risks associated with our lending activities.
- » New product launches required mandatory ESG screening in 2024/25, aligning with integrated thinking principles.

EXPANDED ENVIRONMENTAL STRATEGY AND COMMENTARY

LOLC Finance PLC's environmental efforts go beyond regulatory compliance and reflect a strategic vision of long-term ecological resilience, biodiversity preservation, and proactive climate adaptation. The formal transition of the Deniyaya Forest Restoration Project to Q2 Research Consultancy and Solutions (PVT) LTD ensured continuous implementation and monitoring with a science-based framework. This transition underscores the company's seriousness in achieving measurable ecological outcomes. Stakeholder engagement during this transition reaffirmed objectives: replanting native species, improving local biodiversity indices and restoring ecosystem services. The inclusion of a butterfly garden and Miyawaki forest cluster highlights a commitment not just to reforestation, but to ecological innovation tailored to Sri Lanka's unique habitats.

Similarly, the mangrove restoration initiative in the Anawilundawa Wetland Sanctuary, co-organised with Biodiversity Sri Lanka (BSL), focuses on rehabilitating critical coastal ecosystems under threat. It also integrates local livelihood sustainability, ensuring that conservation does not displace communities

but rather empowers them. The awareness session at the Chilaw branch followed by practical mangrove planting brought together LOLC staff, local citizens, and conservationists in a model example of corporate-led community conservation.

Supporting these actions are workplace-centred micro-initiatives such as the rollout of a centralised paper recycling bin programme and the replacement of plastic water bottles with reusable glass bottles. These measures show how LOLC Finance's green strategy cascades from macro-level reforestation down to everyday operational decisions.

Energy and water efficiency are managed through a dedicated resource monitoring system. Branch-level audits (e.g., Eco Office Audit and Card Center Audit) produced granular insights, revealing that daily waste generation averages 66.3 kg at the Head Office, of which 33 kg is paper. Guided by these findings, the company has set mid-term targets on paper and plastic reduction, energy intensity, and indoor air quality improvement.

LOOKING AHEAD

At LOLC Finance PLC, sustainability is a core driver of our business philosophy. We have placed a strong emphasis on measurable KPIs, stakeholder inclusivity, and alignment with the United Nations Sustainable Development Goals (SDGs). Our initiatives are built on a three-tier foundation:

- » Strategy: Aligning business growth with climate resilience, inclusive finance, and responsible lending.
- » Operations: Implementing green buildings, efficient resource use, and waste minimisation.
- » Culture: Empowering employees, embedding ethics, and promoting sustainability awareness.

Information Technology and Security

INFORMATION TECHNOLOGY

In the financial year 2024/25, the Information Technology (IT) department of LOLC Finance PLC continued to serve as a strategic enabler, delivering innovation-driven transformation across the organisation's operational, customer service and compliance landscapes. Digital transformation remained a central focus, with the department executing a number of high-impact initiatives that directly enhanced efficiency, customer convenience and risk intelligence.

Among the most noteworthy accomplishments was the launch of the Digital Gold Loan Top-Up feature, a facility that enables gold loan customers to access top-up funds instantly via iPay, IVR or LOLC Real-time. This initiative eliminated the need for branch visits, thereby improving convenience and processing speed. Simultaneously, an advanced Machine Learning model was introduced to predict the probability of onboarded leasing and loan customers becoming Non-Performing Loans (NPLs) after contract activation. This predictive capability has enabled proactive credit risk mitigation and optimised collection strategies.

A significant milestone was achieved with the deployment of an AI and ML-based credit appraisal scoring mechanism. Leveraging demographic and financial data, the tool generates a comprehensive risk profile, enhancing credit quality at the underwriting stage.

This has equipped marketing personnel with deeper customer insights and allowed credit approvers to make more informed, standardised decisions. Meanwhile, process automation was taken to new levels through Robotic Process Automation (RPA) and workflow engines targeting CBSL reporting and payment processing.

One of the year's standout innovations was the introduction of Sri Lanka's first Large Language Model (LLM) AI Chatbot for customers. This customer-facing tool provides real-time responses to queries about LOLC Finance's products and account-level information, substantially improving self-service support and digital engagement. Further augmenting customer lifecycle value, the IT department also launched a cross-selling model using machine

learning to predict the next best product for each customer. This initiative not only enhances marketing performance but also contributes to reduced churn and longer customer retention.

Data analytics and AI were at the core of the department's strategic decision-making. Models developed during the year supported multiple functions, including customer credit scoring, NPL forecasting, early default prediction, Central Bank of Sri Lanka regulatory reporting and automated vehicle valuation. These tools have enabled LOLC Finance to pursue a data-driven approach across its lending and compliance frameworks.

On the cybersecurity front, the company adopted a Security-First Strategy, embedding security at every level of its IT operations. Cortex XDR was deployed to ensure advanced threat detection and response across all digital channels, while a 24x7 Security Operations Center (SOC) delivered round-the-clock visibility and incident management. Governance measures were further reinforced through vulnerability assessments, penetration testing, and the adoption of Privileged Access Management (PAM) for backend users. Third-party risk was proactively mitigated via pre-engagement assessments and a robust IT risk register. Efforts to comply with ISO 27001:2022 and PCI-DSS standards were advanced, while board oversight and awareness-building ensured a strong security culture. Infrastructure resilience was enhanced through expanded use of cloud-hosted platforms that offer scalability and redundancy.

Core system upgrades played a transformative role in operational streamlining. Major implementations included a new Card Management System, FusionX rollout, AML system upgrades, digital banking enhancements and e-signature integration. Together, these solutions contributed to faster turnaround times, increased transparency, and a significantly enhanced customer experience.

In line with LOLC Finance's sustainability and ESG goals, the IT department supported green IT practices such as the implementation of Document Management Systems (DMS), workflow automation, and e-receipts to reduce paper usage. The iPay merchant acquisition initiative also enabled digital payment access for micro and small enterprises, promoting financial inclusion.

Looking ahead, the department is focused on several high-priority investments. These include the rollout of upgraded Internet Banking, full-scale digital loan origination, enhanced e-signatures and digital onboarding processes. The launch of a comprehensive digital product and service suite is also planned. Infrastructure modernisation will be driven by greater adoption of cloud-based environments and Secure Access Service Edge (SASE) architecture, ensuring secure, flexible, and scalable digital operations.

Performance highlights of LOLC Finance's flagship digital platforms underscore the success of these initiatives. The digital savings portfolio and digital fixed deposits posted strong growth, while cumulative disbursements via OYES and increasing iPay transaction volumes reflected high customer adoption and satisfaction. With these developments, the IT department remains central to LOLC Finance's digital-first, customer-centric growth strategy for the years ahead.

FUELLING COMMITMENT, UPSCALING SERVICE

STEWARDSHIP

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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 its 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 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 2025 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 Nominations & 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.

Corporate Governance Framework of LOLC Finance PLC

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 & 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 non-executive 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

Corporate Governance Framework of LOLC Finance PLC

- » 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.

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.	<p>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.</p> <p>The Board has approved a three-year Strategic Business Plan on 29th July 2024 up to 2027, which is subject to regular review.</p>
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 pages 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.
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	<p>The Company has a sound corporate culture which encourage ethical, prudent and professional behaviour of employees of the Company.</p> <p>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.</p>
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 Policy on financial customer protection framework under the Finance Business Act. Further, Company maintains a Customer Protection Framework to comply with this requirement.
c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	<p>The Board ensures that ESG factors are integrated into the Company's overall strategy, decision-making processes, and risk management.</p> <p>A Sustainability Policy has been approved by the Board on 30/07/2025 to establish ESG considerations in to the Company's business plan.</p>
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 24/04/2024
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.

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b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	<p>The Board has delegated this function to its sub-committee, the Integrated Risk Management Committee (IRMC).</p> <p>The Board has approved an annual plan submitted by the Head of Risk Management through the IRMC which covers risk management.</p> <p>In line with the Risk Policy, reports are submitted to the IRMC which then reviews the risk and agrees on appropriate mitigation methods.</p> <p>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.</p> <p>Reports on Liquidity and Maturity of Deposits are submitted to the Board by the Treasurer on a monthly basis</p> <p>Furthermore, minutes of the IRMC meetings are tabled at Board Meetings for review and guidance.</p>
c)	Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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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 November 2024. 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 73-75
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 8-9
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 31.03.2025, 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.
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.

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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	<p>Board shall develop and implement a governance framework with these directions and including but not limited to the following;</p> <ul style="list-style-type: none"> 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. policy on the 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.

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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 8-9
3.2	The number of directors on the Board shall not be less than 7 and not more than 13	As at 31st March 2025 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 2025, 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 ($\frac{1}{4}$) 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 ($\frac{1}{3}$) of the total number of directors of the Board.	As at 31st March 2025 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 .

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e]	The executive directors are required to report to the Board through CEO.	N/A
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 8-9 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 2025 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

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c)	<p>A non-executive director shall not be considered independent if such:</p> <ol style="list-style-type: none"> I. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. II. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1[c] hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. III. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. IV. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. V. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. VI. director represents a shareholder, debtor, or such other similar stakeholder of the FC; VII. director is an employee or a director or has direct or indirect shareholding of 10% or more of the 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. 	Directors designated as Independent Non-Executive Directors do not fall into the categories mentioned in [i] to [viii].

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3.8	Alternate Directors	N/A
a)	Representation through an alternate director is allowed only if, <ul style="list-style-type: none"> 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
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

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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, <ul style="list-style-type: none"> 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. 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 	N/A
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.
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.

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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	<p>Responsibilities of the Chairperson</p> <p>The responsibilities of the chairperson shall at least include the following:</p> <ol style="list-style-type: none"> provide leadership to the Board; maintain and ensure a balance of power between executive and non- executive directors; secure effective participation of both executive and non-executive directors; ensure that the Board works effectively and discharges its responsibilities; ensure that all key issues are discussed by the Board 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 operational activities; 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. 	<p>The role and responsibilities of the Chairman has been defined and approved by the BOD and reflected in the JD.</p> <p>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.</p>

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6.5	<p>Responsibilities of the CEO</p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FCs operations and business. The responsibilities of the CEO shall include:</p> <ol style="list-style-type: none"> implementing business and risk strategies in order to achieve the FCs strategic objectives; establishing a management structure that promotes accountability, and transparency throughout the FCs operations, and preserves the effectiveness and independence of control functions; promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent and professional behaviour Ensuring implementation of 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. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10. 	<p>The role and responsibilities of the CEO has been defined and approved by the BOD and reflected in the JD.</p> <p>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.</p>
7	Meetings of the Board	
7.1	<p>The Board shall meet at least twelve times a financial year at approximately monthly intervals.</p> <p>Obtaining the Board's consent through the circulation of papers shall be avoided as far as possible.</p>	<p>Complied with, the Board formally met 14 times during the year 2024/25.</p> <p>There were 72 instances during of the year under review where the Board's consent was obtained through the circulation resolutions. These were also ratified at a following board meeting.</p>
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.

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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 73-75
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 (31.10.2024 and 26.03.2025)
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
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 73-75
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 online. 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.	complied
	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.

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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 .
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.
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: <ul style="list-style-type: none"> a. a summary of data and information used by the Board in its deliberations; b. the matters considered by the Board; c. the fact-finding discussions and the issues of contention or dissent including contribution of each individual director. d. the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions e. the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; f. 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.

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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
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 every other month and additional meetings were held as and when a need arises. BIRMC also met every other month. The Company complied with the requirements of this direction. Details of meetings held are on page 73-75
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 – 29.07.2024 TOR for BCC – 31.03.2023 TOR for RPTRC – 24.02.2020 TOR for HR & Remuneration – 25.03.2024 TOR for Nom Com – 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 2024/2025. Please refer respective Board Sub-Committee reports for more details on pages 88-93

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 88-93 Relevant experience and expertise of each member is found under profiles on pages 8-9
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 in January 2025, 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	Mrs. K T C Priyangani [Independent, No-Executive Director] has been appointed on 23.01.2025 as the Chairman of the Audit Committee. Mr. K Sundararaj [Independent, Non-Executive Director] resigned on 23.01.2025 profiles can be found on page 8-9
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 no 88-93
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, Messrs. Deloitte Partners, Chartered Accountants was appointed in September 2024 with shareholder approval.
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.	Complied
iii.	Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	N/A
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.	The External Auditors are independent as they report direct 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.

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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.	09 BAC meetings were held during the year, the Committee met the external auditors at 03 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 27.09.2024 was reviewed by the BAC on 26.09.2024
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 13.08.2025

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:	
	I. Review the adequacy of the scope, functions and skills and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Annually reviewed by the BAC. Last review was at the Meeting held on 29.05.2025
	II. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit;	Internal Audit Plan approved by the BOD by 22.05.2025 and progress reviewed quarterly
	III. Assess the performance of the head and senior staff members of the internal audit department;	Annually assessed by the Committee.
	IV. Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care;	The Committee is satisfied that the IA function is independent.
	V. Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	Periodically audited by the IA
	VI. Examine the major findings of internal investigations and management's responses there to.	Escalated to the BAC by the IA .
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.

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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 once in two months 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 BIRMC are independent non-executive directors with related experience and expertise. Please refer Committee Report on page no. 88-93
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.; All risk policies are approved by the board of directors and periodic risk assessments are submitted to the Board & BIRMC. 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 annually as part of the Risk Management Policy of the Company. The Board approved risk appetite statement & KRIs are monitored & presented to the committees for their review.
e)	The BIRMC shall review the FC's risk policies including RAS, at least annually.	All risk management policies and RAS are reviewed by the committee annually

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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.	Carried out annually. The Committee evaluated the adequacy and effectiveness of the ALCO and Credit Committee for the year 2024/25 to ensure that risk levels are within the risk appetite of the company.
g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Risks are monitored and reported to the Board and quarterly reviewed/actioned by the BIRMC. The company has a board approved BCP policy 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

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iv.	<p>The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following</p> <ol style="list-style-type: none"> develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; understand and apply all new legal and regulatory developments relevant to the business of FC; 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 highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and 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 	<p>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.</p>
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 and covered under the job description as well as TOR of the BIRMC.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	<p>The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:</p> <ol style="list-style-type: none"> various potential risks and frauds possible sources of such risks and frauds; mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing effective measures to control and mitigate risks at prudent levels; and relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. 	<p>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.</p> <p>Please refer the BIRMC report on pages 89 for more details</p>
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.	<p>The Risk Register is submitted to the BIRMC quarterly by the Head of Risk Management.</p> <p>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.</p>
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 92
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.	<p>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.</p> <p>Related procedures will be reviewed and strengthened going forward by the Head of HR.</p>
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.

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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
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 90
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 .

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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.
11.2	A proper internal control system shall: [a] promote effective and efficient operation; [b] provide reliable financial information; [c] safeguard assets; [d] minimise the operating risk of loss from irregularities, fraud and errors; [e] ensure effective risk management systems; and [f] 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 86 and the External Auditor independent assurance on the Directors' Statement on Internal Control over Financial Reporting on page 87 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.

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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: <ul style="list-style-type: none"> 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.
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. <ul style="list-style-type: none"> a] Directors and senior management. b] Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c] Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d] Directors and senior management of legal persons in paragraph (b) or (c). 	<p>The Committee has identified individuals and entities considered as related parties. This list is periodically reviewed and updated.</p> <p>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.</p> <p>Further, Directors are individually requested to declare their transactions with the company at each Board meeting and in the annual declaration.</p>

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	<ul style="list-style-type: none"> 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. 	
12.3	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean:</p> <ul style="list-style-type: none"> 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 	<p>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 .</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 39 on page 174 in the Financial Statements.</p>
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 or associates.
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.

Corporate Governance Framework of LOLC Finance PLC

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
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.
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]	<p>The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,</p> <ol style="list-style-type: none"> Identify circumstances which constitute or may give rise to conflicts of interests Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and Articulate how any non-compliance with the policy to be addressed 	<p>The Conflicts of Interest Policy covers the requirements specified in this section with guidelines to deal with any conflict that arises.</p> <p>In addition Article 79 of the Company's Articles of Association requires an interested Director to disclose his/her interest at Board meetings.</p> <p>Article 83 requires such a Director to abstain from voting on any Board resolution. He/she will not to be counted in the quorum.</p>
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.	

Corporate Governance Framework of LOLC Finance PLC

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC										
i.	<p>Financial statements—In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none">» A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.» A statement of responsibility of the Board in preparation and presentation of financial statements.	<p>Please refer the Report of the Board of Directors on pages 80-85 and the Statement of Directors’ Responsibility for Financial Reporting on page 95</p>										
ii.	<p>Chairperson, CEO and Board related disclosures— Name, qualification and a brief profile.</p> <ul style="list-style-type: none">» Whether executive, non-executive and/or independent director.» Details of the director who is serving as the senior director, if any.» The nature of expertise in relevant functional areas.» Relatives and/or any business transaction relationships with other directors of the company.» Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.» Number/percentage of board meetings of the FC attended during the year; and» Names of board committees in which the director serves as the Chairperson or a member.	<p>Please refer the following reports:</p> <p>Names of other companies in which the directors serve can be found in the Report of the Board of Directors on pages 80-85</p> <p>Details of the Directors are given in the profiles of the Board of Directors on pages 8-9 including that of the Senior Independent Director.</p> <p>Attendance at Board Meetings and Sub-Committee meetings including Committee Compositions are given on pages 88-93</p>										
iii.	<p>Appraisal of board performance</p> <ul style="list-style-type: none">» An overview of how the performance evaluations of the Board and its committees have been conducted	<p>The performance evaluations of the Board and the Sub-Committees for FYE 31.03.2025 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.</p>										
iv.	<p>Remuneration</p> <ul style="list-style-type: none">» A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation]» The aggregate values of remuneration paid by the FC to its directors and senior management.	<p>A statement on the remuneration policy has been disclosed in Report of the Board of Directors on page 80-85 of the Annual Report.</p> <p>Aggregate remuneration paid to Directors and Senior Management</p> <table><tr><td></td><td>2024/2025</td></tr><tr><td></td><td>Rs.</td></tr><tr><td>Directors</td><td>19,694,894</td></tr><tr><td>Senior Management</td><td>203,302,086</td></tr><tr><td></td><td>222,996,980</td></tr></table>		2024/2025		Rs.	Directors	19,694,894	Senior Management	203,302,086		222,996,980
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Directors	19,694,894											
Senior Management	203,302,086											
	222,996,980											

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC															
v.	Related party transactions- <ul style="list-style-type: none"> » The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. » Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. » The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. 	<p>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.</p> <p>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 page 166-168 [note 33].</p> <table> <tr> <td>Remuneration</td><td>Rs</td><td>222,996,980</td></tr> <tr> <td>Accommodations -Capital Outstanding</td><td>Rs</td><td>148,937,667</td></tr> <tr> <td>Deposits</td><td>Rs</td><td>1,766,762,536</td></tr> <tr> <td>Interest for the year - Interest Expense</td><td>Rs</td><td>245,635,572</td></tr> <tr> <td>Interest for the year - Interest Income</td><td>Rs</td><td>120,135,551</td></tr> </table>	Remuneration	Rs	222,996,980	Accommodations -Capital Outstanding	Rs	148,937,667	Deposits	Rs	1,766,762,536	Interest for the year - Interest Expense	Rs	245,635,572	Interest for the year - Interest Income	Rs	120,135,551
Remuneration	Rs	222,996,980															
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Interest for the year - Interest Expense	Rs	245,635,572															
Interest for the year - Interest Income	Rs	120,135,551															
vi.	Board appointed committees- <ul style="list-style-type: none"> » The details of the chairperson and members of the board committees and attendance at such meetings. 	<p>The Board has established the following Committees required by this direction. Details of membership, activities of each Committee are found on pages 88-93</p> <ul style="list-style-type: none"> » 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 															
vii.	Group Structure- <ul style="list-style-type: none"> » The group structure of the FC within which it operates. » The group governance framework. 	<p>Subject to clearance from Central Bank of Sri Lanka, the Company divested its 40% stake held in Commercial Insurance Brokers [Private] Limited for a consideration of Rs. 332,880,000.00 on 31st March 2025 which is included in the Report of the Board of Directors on pages 80-85</p> <p>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.</p>															
viii.	Director's report- <ul style="list-style-type: none"> » 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 endeavours to ensure the fair treatment for all stakeholders, in particular the depositors. » The business is a going concern with supporting assumptions; and » The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. 	<p>Refer Report of the Board of Directors on pages 80-85 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.</p>															

Corporate Governance Framework of LOLC Finance PLC

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
ix.	Statement on Internal Control- <ul style="list-style-type: none"> » A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. » The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. » A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. » A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions 	<p>Please refer the Directors' Statement on Internal Controls Over Financial Reporting on page 86</p> <p>The Company has obtained a certification from M/s Deloitte Partners, Chartered Accountants on the effectiveness of the internal controls over financial reporting. Please refer page 87 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.</p>
x.	Corporate governance report- <p>Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.</p>	<p>This report serves the said purpose stipulated in this direction.</p> <p>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.</p> <p>However, its publication has not been permitted by the Auditors as there is no clear guideline issued by the CBSL.</p>
xi.	Code of Conduct – <ul style="list-style-type: none"> » 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. 	<p>The Board has approved and adopted a Codes of Ethics and a Policy for managing Conflicts of Interest for Directors, Officers and Staff Members.</p> <p>Please refer the Chairman's statement on pages 4 relating to violations of the provisions of the Code.</p>
xii.	Management report – <ul style="list-style-type: none"> » Industry structure and developments » Opportunities and threats » Risks and concerns » Sustainable finance activities carried out by the company » Prospects for the future 	<p>Refer pages 12-27 on the Management Discussion and Analysis provided in this Annual Report</p>
xiii.	Communication with shareholders – <ul style="list-style-type: none"> » The policy and methodology for communication with shareholders. » The contact person for such communication. 	<p>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.</p> <p>The contact person for such communication is the Head of Finance, Chief Manager – Marketing Communication and the Company Secretary.</p>

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 a. The Board of Directors of a listed entity shall include at least : <ul style="list-style-type: none"> - 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 2025, 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 8-9
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'. 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.	As of 31st March 2025 the Board comprised four Independent Directors. The four Non-Executive Directors have submitted their declarations of independence/non independence for the financial year ended 31/3/2025
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, S Lankathilake, A J L Peiris and [Mrs] K T C Priyangani 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 8-9 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.
7.10.5	Remuneration Committee a. Composition The remuneration committee shall comprise; <ul style="list-style-type: none"> - 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.

Corporate Governance Framework of LOLC Finance PLC

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	<p>b. Functions</p> <p>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.</p>	<p>The Committee periodically reviews Board remuneration and makes recommendations to the Board.</p> <p>The Committee report is on page 90</p>
	<p>c. Disclosure in the Annual Report</p> <p>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.</p>	<p>The Committee comprises Independent Directors P A Wijeratne [Senior Independent Director/Committee Chairman], [Mrs] K T C Priyangani and F K C P N Dias. The Committee is also guided by the Board approved Remuneration Policy.</p> <p>The aggregate remuneration paid to executive and Non-Executive Directors is disclosed in the notes to the financials.</p>
	<p>Audit Committee</p> <p>a. Composition</p> <p>The audit committee shall comprise;</p> <ul style="list-style-type: none"> - of a minimum of two independent non-executive directors [in instances where the Entity has only two directors on its board]; <p>or</p> <ul style="list-style-type: none"> - of non-executive directors a majority of whom shall be independent, whichever shall be higher. <p>One non-executive shall be appointed as Chairman of the committee by the board of directors.</p> <p>The Chairman or one member of the committee should be a Member of a recognised professional accounting body.</p>	<p>The Committee comprises three Non-Executive Directors, a majority of whom are Independent. The Committee is chaired by an Independent Director.</p> <p>Non-Executive Director, Mrs K T C Priyangani is a Member of a recognised professional accounting body.</p>
	<p>b. Functions</p> <p>Shall include,</p> <ul style="list-style-type: none"> (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. 	<p>The Committee is guided by a board approved Audit Committee Charter which includes the functions of those listed here.</p>

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	<p>c. Disclosure in the Annual Report</p> <p>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.</p> <p>The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.</p> <p>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.</p>	<p>The Committee comprises the Independent Directors Mrs K T C Priyangani (Committee Chairman) P A Wijeratne and A J L Peiris</p> <p>Please refer the Committee report on page 88</p>
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.
	<p>Policies</p> <p>Listed Companies shall maintain the prescribed policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p>	<p>01.10.2024</p> <p>The Company's governance framework is regularly reviewed and updated to reflect stakeholder needs and regulatory/statutory requirements to enhance oversight, accountability, and operational effectiveness. Accordingly, the Company revised its existing policies to align with the requirements of the Exchange and are available on the Company's website.</p>
9.2.2	Waivers from compliance with the Internal Code of Business Conduct and Ethics or exemptions granted by the listed entity shall be fully disclosed in the annual report.	01.10.2024 There has not been any material breach of the Code during the year under review.
9.2.3	<p>i) list of policies in place in conformity of Rule 9.2.1 above with reference to its website</p> <p>ii) details pertaining to any changes to policies adopted by the listed entity in compliance with Rule 9.2 above</p>	01.10.2024 There has not been any material changes made to the policies during the year under review.
9.2.4	Listed entity shall make available all such policies to shareholders upon a written request being made for any such Policy	01.10.2024 Shareholders have access to the detailed policies which are hosted on the Company's website.
9.3	Board Committees	The required Committees have been established and are functioning effectively.
9.3.1	<p>Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively:</p> <ul style="list-style-type: none"> - Nomination & Governance Committee* - Remuneration Committee - Audit Committee - Related Party Transactions Review Committee - Integrated Risk Management Committee - Board Credit Committee [volunteer committee] 	<p>These Committees support the Board in its responsibility for overseeing the Company's performance, compliance, and sustainability.</p>
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.	<p>01.10.2023</p> <p>The Chairman is not the chairperson of any of the Board sub committees.</p> <p>All sub-committees are chaired by an Independent Director</p>

Corporate Governance Framework of LOLC Finance PLC

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.4	Adherence to principles of democracy in the adoption of Meeting Procedures and the conduct of all General Meetings with shareholders	01.10.2023
9.4.1	<p>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:</p> <p>a) the no. of shares in respect of which proxy appointments have been validly made;</p> <p>b) the no. of votes in favour of the resolution;</p> <p>c) the no. of votes against the resolution; and</p> <p>d) the no. of shares in respect of which the vote was directed to be abstained.</p>	The stipulated records of all shareholder meetings have been maintained by the Company.
9.4.2	<p>Communication and relations with shareholders and investors</p> <p>a) listed entity shall have a policy on effective communication and relations with shareholders & disclose the existence of the same in the Annual Report and the Website of the listed entity.</p> <p>b) Listed entity shall disclose the contact person for such communication.</p> <p>c) The policy on relations with shareholders and investors shall include a process to make all directors aware of major issues and concerns of shareholders and such process shall be disclosed by the Entity in the Annual Report and the Website of the entity.</p> <p>d) Listed entities that intend to conduct shareholder meetings through virtual and hybrid means shall comply with the guidelines issued by the Exchange.</p>	<p>01.10.2024</p> <p>The Company has established methodologies to ensure effective communication and relations with shareholders.</p> <p>Details of same are set out in the Stakeholder Communication and Corporate Disclosure Policy adopted by the Company.</p> <p>Designated personnel have been identified as contact persons in the said policy for such inquiries/communication. Any significant/material issues raised by the shareholders/investors are escalated to the Board where necessary in a transparent manner. The Company conducted its shareholder meetings online/virtual means while complying with the guidelines issued by the CSE.</p>
9.5	Policy on matters relating to the Board of Directors	The Company has adopted a policy on Board on 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]	Board Charter of the Company is aligned with the requirements prescribed by the Exchange.
9.5.2	Listed entity shall confirm compliance with the requirements of the Policy referred to in 9.5.1 above in the Annual Report and provide explanations for any non compliance with any of the requirements with reasons for such non compliance and the proposed remedial action	<p>01.10.2024</p> <p>Requirements set out in the Policy have been complied with, by the members of the Board.</p>
9.6	Chairperson & CEO	The Chairman of the Company is a Non-Executive Director.
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 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 prescribed announcements were made by the Company
9.6.3	The Requirement for a SID	The criteria described in Rule 9.6.3 do not apply to the Company.
	<p>a) The listed entity shall appoint an independent director as the SID in the following instances:</p> <p>i) The Chairperson and the CEO are the same person</p> <p>ii) The Chairperson and the CEO are close family members or related parties</p>	However, the Company has appointed an Independent Director as the SID

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
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 met the criteria set out in these Rules during the year under review
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 placed before the AGM, having considered that fit and propriety; and taking into consideration their expertise and strategic contribution, integrity, competencies, financial soundness and other commitments.
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
	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 year and remedial action taken by the entity to rectify such non compliance/s	Refer page ... of the Report of the Board of Directors for the statement of compliance. Profiles of the directors are on pages 8-9
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, S Lankathilake, A J L Peiris and (Mrs) K T C Priyangani are independent Mr K Sundararaj resigned on 23.01.2025 and (Mrs) K T C Priyangani was appointed to the board on 23.01.2025 as an independent director.

Corporate Governance Framework of LOLC Finance PLC

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.8.5	<p>The listed entity shall ensure</p> <p>a) Each independent director submits a declaration with criteria specified by the Exchange</p> <p>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</p> <p>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</p>	The Company has established a process for determination of independence based on the requirements of this Rule.
9.9	<p>Alternate Directors</p> <p>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</p>	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	Announcements were made to the CSE on new appointments covering the criteria set out herein.
9.10.3	<p>Immediate market announcement regarding any changes to the</p> <p>i) Board of Directors</p> <p>ii) Board Committees specified in Rule 9.3</p> <p>With details of changes including, appointments, resignations and the capacity of directorship with the effective date thereof.</p>	<p>During the year under review, changes to the directorate and committee compositions of the Board have been duly announced to the Exchange.</p> <p>Mr K Sundararaj resigned on 23.01.2025 from the Board and Mrs K T C Priyangani was appointed on 23.01.2025 as an Independent Director</p>
9.10.4	<p>Listed entities shall disclose the following in relation to Directors in the Annual Report:</p> <p>a) name qualifications, brief profile,</p> <p>b) nature of expertise in relevant functional area</p> <p>c) whether either the director or close family member/s has any material business relationship with the directors of the listed entity,</p> <p>d) whether executive, non executive and or independent.</p> <p>e) Total number of names of companies in which the director concerned serves as a director/KMP indicating if these are listed</p> <p>f) Capacity of the position held whether executive or non executive</p> <p>g) Number of board meetings of the listed entity attended during the year</p> <p>h) Names of board committees in which the director serves as chairperson or member</p> <p>i) Details of attendance of committee</p>	<p>Refer</p> <p>pages 8-9 for director's profiles;</p> <p>pages 84-85 for director's interests in contracts</p> <p>pages 92 for details of Board and Committee membership/ meeting attendance details</p>
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 & Governance Committee Report on page 92

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.12	Remuneration Committee	
9.12.1	For the purposes of Rule 9.12 the term remuneration shall make reference to cash and non-cash benefits whatsoever received	Refer the HR & Remuneration Committee Report on page 90 for details The aggregate remuneration paid to executive and non executive directors is disclosed on page 133 of the report
9.12.2	The listed entity shall have a Remuneration Committee conforming with the requirements set out in Rule 9.12	
9.12.3	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	
9.12.4	Remuneration for non executive directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	The Committee shall have a written terms of reference defining scope, authority, duties and quorum for meetings	
9.12.6	<ol style="list-style-type: none"> 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 	
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 88 for the Report of the Audit Committee
9.13.2	The Committee shall have written Terms of Reference clearing defining scope, authority and duties	The Committee composition meets the criteria specified in 9.13.3.1
9.13.3	<ol style="list-style-type: none"> 1) Should comprise minimum of 3 directors of the listed entity of whom a minimum of 2 or a majority whichever is higher shall be independent directors; and shall not comprise of any executive directors of the listed entity; 2) The quorum for a meeting of the Audit Committee shall require the majority in attendance to be independent 3) 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 4) If both parent company and subsidiary are listed entities the Audit Committee of the Parent may function as the Audit Committee of the Subsidiary 5) An independent director shall be appointed as chairperson of the committee 6) Unless otherwise determined by the Audit Committee, the CEO and the CFO of the listed entity shall attend meetings by invitation. 7) The Chairperson of the Audit Committee shall be a member of a recognised professional accounting body 	Refer page 74 for Committee attendance details The Committee meet once in two months for this purpose Not applicable Director, K Sundararaj Chairs the Audit Committee resigned on 23.01.2025 and Director, Mrs K T C Priyangani was appointed on the 23.01.2025 as the Chair of the Audit Committee. The CEO and the HOF are invited to attend committee meetings
9.13.4	Functions of the Audit Committee	Complied
9.13.5	Disclosures in the Annual Report	Refer the Audit Committee Report on page 88
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.

Corporate Governance Framework of LOLC Finance PLC

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.14.2-4	The Committee shall comprise 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 91 for the Report of the Related Party Transactions Review Committee for details
9.14.5-10	Review of RPTs by the Related 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 39.
9.16	Additional Disclosures The following additional disclosures by the BOD to be included in the Annual Report. <ul style="list-style-type: none"> 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 80-85

MEMBER ATTENDANCE AT MEETINGS

Board Meetings

Name of the Committee Member	Independent	Non-Independent	Executive	Non-Executive	Date of Appointment	25.04.2024	29.05.2024	**21.06.2024 [Special Board Meeting]	27.06.2024	29.07.2024	26.08.2024	26.09.2024	31.10.2024	27.11.2024	18.12.2024	31.01.2025	17.02.2025 [Special Board Meeting]	24.02.2025	26.03.2025	Total
F K C P N Dias (Re-designated as Chairman, Non-Executive Director w.e.f 31.03.2022)	✓				01/03/2020	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
D M D K Thilakaratne-CEO [appointed pursuant to the merger with CLC]			✓		31/03/2022	✓	✓	✓	✓	✓	✓	✓	✓	AB	✓	✓	✓	✓	✓	13
B C G de Zylva (Re-designated as Non-Executive Director w.e.f 31.03.2022)	✓				23/04/2018	✓	✓	✓	✓	✓*	✓*	✓*	✓	AB		AB	✓	✓*	✓*	12
P A Wijeratne	✓				26/05/2017	*	✓	✓	✓	✓	✓	✓	✓	✓	✓	AB	✓	✓	✓	13
K Sundararaj [r.w.e.f 23.01.2025]	✓				23/07/2019	✓	✓	✓	✓	✓	AB	✓	✓	✓	✓	N/A	✓	✓	✓	12
Annakkarage Jayantha Laxman Pieris [appointed pursuant to the merger with LODF]	✓				31/01/2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Sunil Lankathilake [appointed pursuant to the merger with LODF]	✓				31/01/2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Mrs. K T C Priyangani a.w.e.f 23.01.2025	✓				23.01.2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14

Chairperson held meetings with Non – Executive Directors without Executive Directors

Name of the Committee Member	31.10.2024	26.03.2025
P A Wijeratne [Senior Independent Director]	✓	✓
K Sundararaj [Independent Director] r.w e f 23.01.2025	✓	✓
S. Lankathilake [Independent Director]	✓	✓
A J L Peiris [Independent Director]	✓	✓
F K C P N Dias [Chairman/NED]	✓	✓
B C G de Zylva [NED]	✓*	✓*
Mrs K T C Priyangani [Independent Director] a.w.e.f 23.01.2025	N/A	✓

Corporate Governance Framework of LOLC Finance PLC

Audit Committee Meetings

name of the Director	With Auditors 03.04.2024	With Auditors 29.05.2024	24.07.2024	26.09.2024 with Auditors	29.10.2024	02.12.2024	16.01.2025	11.02.2025	21.03.2025	Total
K Sundararaj [Committee Chairman] r. w, e f 23.01.2025	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	7
P A Wijeratne	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Annakkarage Jayantha Laxman Pieris	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mrs. K T C Priyangani – Current committee chairman [a.w.e.f 23.01.2025]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	2

Integrated Risk Management Committee Meetings

Name of Committee Member	19.06.2024	23.08.2024	30.10.2024	17.11.2024	26.02.2025	Total
Sunil Lankathilake [Independent Director]	✓	✓	✓	✓	✓	5
P A Wijeratne [Independent Director]	✓	✓	✓	✓	✓	5
K Sundararaj [Independent Director] r.w.e.f. 23.01.2025	✓	AB	✓	✓	N/A	3
Mrs K T C Priyangani [Independent Director] [a.w.e.f 23.01.2025]	N/A	N/A	N/A	N/A	✓	1

Nomination Committee Meetings

Name of Committee Member	18.12.2024	26.03.2025	Total
Sunil Lankathilake [Committee Chairman]	✓	✓	2
A J L Pieris	✓	✓	2
F K C P N Dias	✓	✓	2

HR & Remuneration Committee Meeting

Name of Committee Member	29.05.2024	27.11.2024	26.03.2025	Total
P A Wijeratne	✓	✓*	✓	3
K Sundararaj [r.w e f – 23.01.2025]	✓	✓	N/A	2
F K C P N Dias	✓	✓	✓	3
Mrs K T C Priyangani [a.w.e.f 23.01.2025]	N/A	N/A	✓	1

Related Party Transactions Review Committee Meetings

Name of Committee Member	29.05.2024	26.08.2024	27.11.2024	18.12.2024	24.02.2025	Total
A J L Pieris	✓	✓	✓	✓	✓	5
Sunil Lankathilake	✓	✓	✓	✓	✓	5
K Sundararaj [r.w.e.f 23.01.2025]	✓	AB	✓	✓	N/A	3
Mrs. K T C Priyangani [a.w.e.f 23.01.2025]	N/A	N/A	N/A	N/A	✓	1

Board Credit Committee

Name of Committee Member	24.07.2024	17.02.2025	26.02.2025	Total
P A Wijeratne (Committee Chairman)	✓	✓	✓	3
A J L Pieris	✓	✓	✓	3
S Lankathilake	✓	✓	✓	3

Enterprise Risk Management

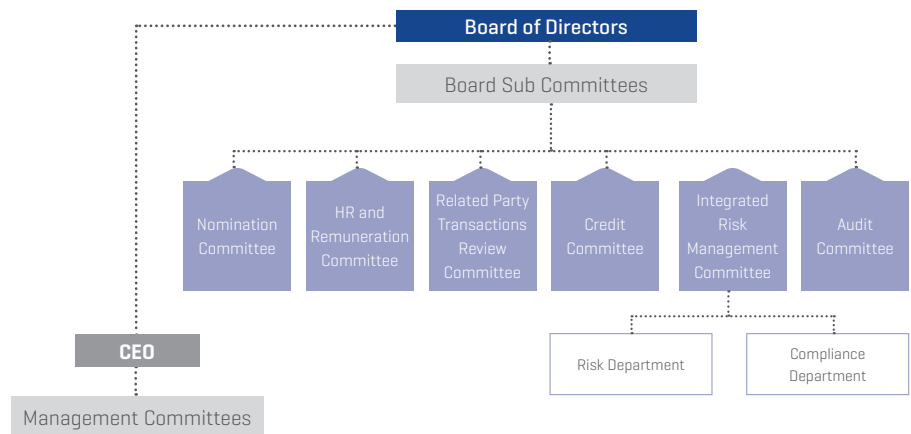
A comprehensive and proactive approach to risk management is crucial to the sustainability of a licensed finance company such as LOLC Finance PLC, operating under the supervision of the Central Bank of Sri Lanka [CBSL]. During the year under consideration, the financial landscape provided opportunities to nurture growth prospects as favourable conditions prevailed within the country. Sri Lanka made significant progress toward restoring the soundness of its financial and macroeconomic systems in the year 2024. The improvements in supply conditions, currency appreciation and downward adjustments in administered prices contributed to maintaining a single digit inflation throughout the year. Following the successful completion of Sri Lanka's debt restructuring and the upgrade of the sovereign rating, business confidence has increased and fresh capital inflows have been recorded. These developments, along with political stability following the presidential and general election built on a stronger mandate and the declining interest rate regime helped ease market conditions and enhance bullish market sentiments during the latter part of the year. This positive outlook contributed to the overall growth and performance of the industry during the period.

Better macroeconomic conditions and increased investor confidence led to less stress in the financial markets, while the financial sector reported a credit growth and a lowering non-performing loan (NPL) ratio, indicating lower default risks. Considerable regulatory changes were experienced by the non-banking financial sector during the last year. The Central Bank of Sri Lanka issued a few risk management directions to ensure stability and transparency within the sector. These changes were aimed at strengthening the overall financial system and protecting the interests of consumers within the industry.

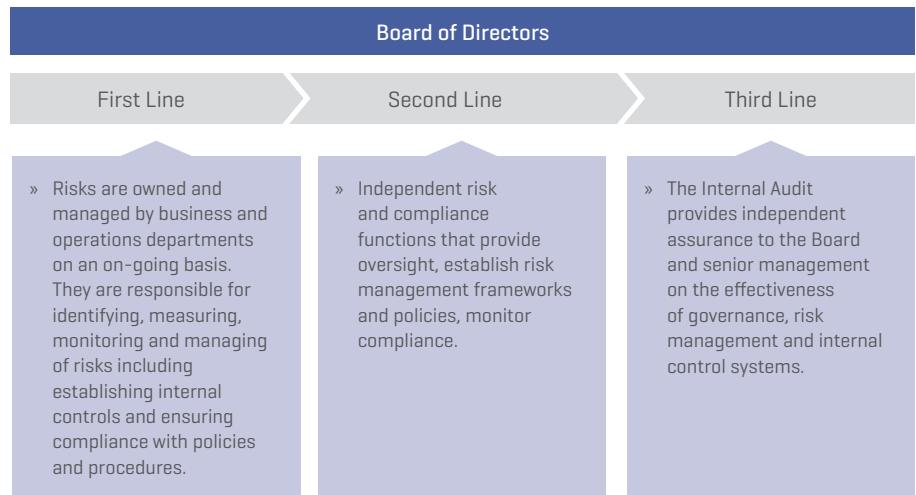
Notwithstanding these positive movements, challenges still exist. Geopolitical tensions, regulatory changes, market volatility, global economic uncertainties, environmental risks and cybersecurity threats are potential triggers that could lead to contagious events. As these challenges evolve, the company recognises the need for a comprehensive and integrated approach to risk management. Risk functions have become more dynamic and agile, helping the company to navigate a complex and turbulent world of opportunities and threats.

RISK GOVERNANCE STRUCTURE.

The company follows a comprehensive Risk Management Governance Framework that ensures responsible oversight and effective control of all material risks. This framework is founded on a strong risk culture, well-defined roles and duties and strong governance structures, which include monitoring from the Board to senior management level risk committees. The Board of Directors is ultimately responsible for managing risks within the organisation. The Board integrated risk management committee, other Board sub committees & management committees assist the Board in effectively implementing the integrated risk management framework.



Adopting the three lines of defence approach is a fundamental component of the framework. It offers a structured approach to risk management by explicitly defining roles and responsibilities across three essential functions.



This layered approach enhances transparency, responsibility and segregation of management & oversight functions throughout the business. The framework is constantly evaluated to ensure that it is in line with changing regulatory standards and industry best practices, ensuring the company's resilience and sustainability. Risk policies, appetite statements and control mechanisms are integrated into strategic decision-making processes to promote informed risk-taking within set parameters.



RISK APPETITE & RISK TOLERANCE

LOLC Finance Plc is committed to applying a prudent and balanced approach in risk management in order to achieve long-term growth, protect shareholder value and to comply with regulatory requirements. Risk appetite and risk tolerance collaborate to create a framework for ensuring that the company is taking risks consistent with the strategic objectives. The company's overall risk appetite is moderate and set risk tolerance limits across key risk categories aiming for growth while maintaining operational resilience. The risk tolerance levels are linked with the key risk indicators [KRIs] of the company and reviewed annually or when significant changes occur in the market. The board approved KRIs are monitored and reported to the board on a monthly basis. The Board of Directors and senior management oversee the risk appetite framework and ensure that it remains aligned with changing company objectives and external conditions.

RISK CULTURE

The company adopts a structured and proactive approach to identify, assess, mitigate and monitor all significant risks in the operations. While implementing a strong risk management framework is critical, developing a strong risk culture inside the company is equally important. The unwavering commitment from the top leadership has fostered open and clear communication throughout the organisation. The discussions on risk appetite, risk tolerance, quarterly financials, strategic plan and operational updates with the staff regularly have encouraged active participation from employees. The company's ongoing investments in risk education have helped to build risk awareness among the staff. The multiple channels of communication including the whistle-blower policy encourage the workforce to report risks and foster an environment of trust and accountability. These approaches have empowered them to make informed decisions and to take ownership of the risk management process. The continuous improvements and adaptation of risk strategies strengthen resilience in the face of evolving risks.

MANAGING CREDIT RISK

Credit risk originates from the potential that a borrower will fail to meet obligations in accordance with agreed terms, resulting in a negative impact on the profitability and capital. Effective credit risk management is part of a comprehensive risk management framework and it is crucial for long-term sustainable performance. The Board Credit Committee supervises the management of credit while the board approved risk policies and regulatory guidelines provide direction to risk owners.

The established credit approval structure with delegated authority limits for the approval of credit facilities, the periodic credit reviews, portfolio analysis, identification of risk elevated sectors, credit risk stress testing, internal credit limits, loan review mechanism and credit related training encompass the credit risk management structure. The loan granting process is managed properly and ensured that credit exposures are within regulatory prudential limits and internal standards. Periodic internal audits of credit risk processes are conducted to ensure compliance with policies and procedures, credit authorisation within approved guidelines and accurate reporting to senior management. The strategies and initiatives adopted during the year have favourably impacted the enhancement of the asset quality of the company.

MANAGING MARKET RISK

Market risk arises from movement in interest rates, exchange rates, share prices and commodity prices. The objective of market risk management is to manage risks within acceptable levels ensuring financial stability and optimising risk return. Improved macroeconomic conditions led to a more stable market environment in 2024. The market risk is effectively managed through the board approved market risk management framework including policies, procedures, limits, risk analysis and ongoing monitoring mechanism.

The Asset and Liability Committee [ALCO] plays a crucial role in managing risk exposures. The risk measurement through effective evaluation of stressful market conditions is periodically conducted and reports detailing the risk levels. Mitigation actions are provided on a timely basis to the board and risk committees to manage the risk exposures.

MANAGING OPERATIONAL RISK

The Basel Committee on banking supervision defines operational risk as the potential for loss due to inadequate or failed internal processes, procedures, people and systems or from external events. Operational risk is inherent in the operations of the company and significant progress has been made in implementing an operational risk management framework. It includes, policies, procedures, different operational risk management tools including insurance coverage for identified activities.

The Board approved Key Risk Indicators with tolerance levels are used to monitor risk

Enterprise Risk Management

exposures regularly. These indicators act as early warning signals allowing the company to take proactive measures to control risk exposures. The centrally maintained Loss Database under BASEL categories provide vital information in managing operational risk within the company.

The Board approved Business Continuity Plan (BCP) is reviewed annually or frequently as needed. The BCP safeguards against internal or external disruptions and ensure that the business can operate as a going concern and limit damages in the event of a significant business disruption. The business continuity management steering committee is in charge of managing business continuity plans to mitigate the effects of disruption. The effectiveness of the BCP is evaluated in a number of scenarios to identify areas for improvement and the BCP is updated with the necessary changes to preserve customer trust in the business and lessen the effects of service disruptions.

MANAGING LIQUIDITY RISK

It is essential that the company has sufficient liquidity to meet its obligations considering the size and complexity of the risk profile. The liquidity risk management framework focuses on ensuring compliance with CBSL's and internal liquidity requirements while maintaining diversified funding sources, cash flow monitoring, contingency funding planning and stress testing under various scenarios.

The objective of the company is to maintain its liquid assets at optimal levels in order to maximise the use and boost profitability. The policies and processes pertaining to liquidity risks are reviewed periodically to stay up to date with the evolving operating environment. The periodic stress testing calculations are carried out to ensure the availability of funds to fulfil commitments in both normal and stressful circumstances. This guarantees that the business can react to possible market difficulties and efficiently manage liquidity risk. Regularly monitoring cash flow forecasts and liquidity ratios also contributes in spotting any problems before they become significant.

MANAGING SUSTAINABILITY RISK

Since the concept of sustainability was introduced into the financial sector, the company has continued to strengthen its approach to managing sustainability and climate-related risks in line with emerging global standards and local requirements as part of its commitment

to sustainable growth. Key environmental risks include exposure to climate change-related impacts such as extreme weather, resource scarcity and policy shifts toward a low-carbon economy. Social risks may arise from financing activities that could affect community well-being, labour conditions or financial inclusion. Governance risks include lapses in ethical conduct, data privacy and oversight of ESG-sensitive sectors. The company has prioritised the adoption of complementary frameworks, such as pairing GRI and SLFRS S1 and S2, to create a complete picture of our sustainability disclosures through double materiality assessments while enhancing transparency and risk management practices during the year. The approach adopted by the company ensures that sustainability-related risks and opportunities and climate related risk and opportunities are identified and incorporated into decision-making processes across all organisational levels of strategic, tactical and operational. This system addresses both physical and transition risks associated with climate change and uses scenario analysis to assess potential impacts and identify opportunities presented by the shift toward a low-carbon economy.

LOLC Finance has incorporated sustainability and climate-related risks into its comprehensive risk management framework through its Sustainability Policy, Sustainable Finance Policy and Environmental and Social Management System (ESMS), giving them equal priority as traditional risk categories, not only to mitigate potential threats but also to uncover growth opportunities through resilience strategies. Key mitigation measures include ESG screening, stakeholder engagement and policy-aligned due diligence across lending activities. The company is committed to ensuring that the lending practices promote long-term environmental stewardship and social responsibility. The sustainability team is actively developing methodologies to assess environmental, social and governance risk exposures across key portfolios and continue to disclose the approach to climate governance, strategy, risk management and performance metrics, in alignment with the recommendations of the International Finance Corporation (IFC). The staff are provided various training and awareness programs to further enhance knowledge and capabilities in risk management.

MANAGING OTHER RISKS

COMPLIANCE RISK

Compliance risk refers to the possibility of legal or regulatory consequences, financial loss or negative publicity if the company fails to comply with laws, regulations, industry standards or internal policies. The company has enhanced compliance risk management framework to guarantee compliance with applicable laws, regulations and internal policies throughout the reporting period. Key measures included board approved compliance risk management framework, regular training, policy reviews and improved monitoring mechanisms. Regulatory and other new legal regulations are conveyed to relevant business units in a timely manner, providing the necessary direction for the implementation and compliance by embedding the compliance culture to manage the risk. This proactive strategy helps to reduce any legal concerns and preserve the brand name of the business.

STRATEGIC RISK

The risks that have an impact on a company's ability to effectively carry out its strategic plans and accomplish its goals are known as Strategic Risks. The company's strategy is continuously evaluated and adjusted to ensure alignment with changing stakeholder expectations and market conditions in order to effectively manage the risk. The risk is assessed with the support of predictive risk analysis. The proactive approach makes it possible to allocate resources and make decisions more effectively, protecting the achievement of company's strategic goals.

CONCENTRATION RISK

The possibility of a financial loss resulting from an excessive concentration of a company's exposure in one borrower, a group of borrowers, a geographic area, an industry or an asset type is known as concentration risk. The risk appetite statement establishes boundaries on concentration risk and a diversification approach. Concentration risk limits are used to control the risk. This approach seeks to minimise the impact of any specific exposure under performing by spreading over a variety of asset classes, industries and geographical areas. Regular monitoring and analysis are also carried out in order to make sure that concentration risk levels stay within acceptable risk levels.

MANAGING OTHER RISKS

LEGAL RISK

The company has adopted a proactive approach to identifying, controlling and limiting legal risk in all areas of business throughout the year. This involved regular legal evaluations, staff training to ensure compliance with new laws and regulations. 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 team 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.

REPUTATIONAL RISK

The company understands that reputation is an important asset that is directly related to stakeholder trust and long-term success. Therefore, the company proactively managed reputational risk through strong governance, open communication and consistent ethical standards during the year. It is addressed through established policies, processes, systems and training initiatives. A customer complaint handling process guarantees that the highlighted customer concerns are addressed appropriately and timely. In addition, client feedback and satisfaction levels are regularly monitored and assessed in order to handle any potential reputational problems ahead of time. Continuous evaluation and modifications to the complaint management procedure are also performed to ensure that it adapts to changing conditions and is effective in minimising reputational risk.

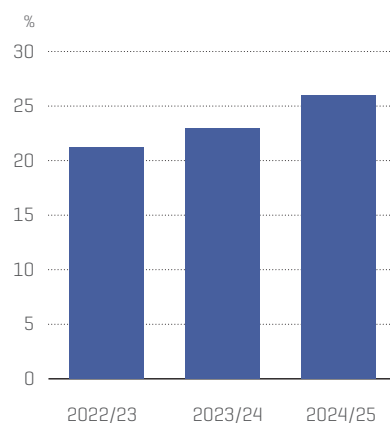
CYBERSECURITY RISK

Cybersecurity risk is the possibility of financial loss, operational disruption, reputational damage or regulatory penalties as a result of unauthorised access, cyberattacks, data breaches or other malicious actions targeting the company's information systems and digital infrastructure. The financial environment is protected by the use of cybersecurity solutions, security standards, third party risk management framework, data compliance management, encryption tools, AI fraud detection, anti-hacking software, access control and authentication, incident response & recovery plans. Regular staff awareness and training initiatives also contribute to a secure online environment and the prevention of security breaches. The company aims to continue to adapt and grow in a digital environment by being proactive and vigilant in the face of changing cyberthreats.

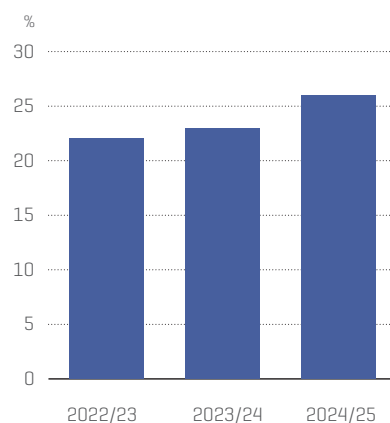
SOUND CAPITAL MANAGEMENT

The company must have adequate amounts of capital for the financial system and operations to be safe and healthy. Optimising the capital structure and adhering to regulatory requirements are both essential components of an effective capital management strategy. Such an effort necessitates a thorough understanding of the risk profile and how different risks could affect its capital position. The capital management plan, which considers the company's risk profile and exposures, guarantees that there is sufficient capital available to satisfy regulatory obligations and sustain company expansion. The company conducts scenario analysis and stress testing to assess how unfavourable circumstances can impact the capital levels and to find solutions to reduce possible risks.

Tier O1 capital ratio



Total capital ratio



STRESS TESTING

The company has a Board approved documented stress testing framework that is consistent with

the risk exposures, risk appetite and overall governance structure. Stress testing, which has the ability to shape the company's risk profile, allows for the integration of corporate strategy, risk management and capital planning, while identifying risk concentrations across different business lines, enabling management to create contingency strategies. The relevancy of the sensitivity and scenarios are reviewed periodically and the stress testing exercise is conducted quarterly or in anticipation of material stress events. Stress testing results are reported to the senior management and board committees in order to determine the company's ability to withstand an adverse scenario while continuing to support the real economy and to ensure that the company's ability to absorb shocks, and have the capacity to continue to operate without any disruption.

LOOKING AHEAD

Risk management is a cornerstone of the company's strategic framework to ensure its sustainable future, financial stability and regulatory compliance. The changing economic landscape necessitates adaptable risk management techniques and the company remains dedicated to improving the risk culture, upgrading risk systems and strengthening the resilience to emerging risks such as climate risk, cyber threats and geopolitical volatility.

The company's risk profiles and working methods are changing as they become more digital and automated. The new digital platforms are created to collect, analyse & process customer data and applications. The risks associated with the reliance on technology are increasing as the company continues to embrace digital transformation to improve efficiency and customer experience. Furthermore, the company is committed to investing in technology risk control measures to protect the operations and stakeholder trust. Climate change and sustainability pose serious issues for the financial services industry. The fresh guidelines are incorporated with new tools and capacities to assess the impact on the business and operations with the aim of improving ESG risk assessment practices.

The risk management framework will be streamlined and strengthened to manage these non-traditional risks. Continuous progress in risk analytics and data governance will be prioritised to ensure a sound risk-based decision-making. The company remains passionate about maintaining a strong risk management system that promotes informed decision-making, protects assets and assures long-term sustainability.

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 2025.

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.	[Mrs] K T C Priyangani	Independent Director [appointed w.e.f. 23.01.2025]
6.	S Lankathilake	Independent Director
7.	A J L Peiris	Independent Director
8.	K Sundararaj	Independent Director [resigned w.e.f. 23.01.2025]

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. F K C P N Dias and Mr P A Wijeratne 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 Directors 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.

DIRECTORS' SHAREHOLDING

Director's Name	As at 31.03.2025	As at 31.03.2024
1 F K C P N Dias	Nil	Nil
2 D M D K Thilakaratne	Nil	Nil
3 B C G De Zylva	Nil	Nil
4 P A Wijeratne	455,998	334,533
5 [Mrs] K T C Priyangani [appointed w.e.f. 23.01.2025]	Nil	Nil
6 S Lankathilake	Nil	Nil
7 A J L Peiris	Nil	Nil
8 K Sundararaj [resigned w.e.f. 23.01.2025]	Nil	Nil

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 page 84-85.

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. 19,694,894/- as Directors' remuneration for the financial year ended 31st March 2025 (Rs. 20,653,647/- for 31st March 2024).

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 Remuneration Committee is on page 90.

CAPITAL STRUCTURE

As at 31st March 2025, the stated capital of the Company is Rs. 44,078,915,852/- divided into 33,079,212,299 shares.

The debt capital of the company comprises unsecured, subordinated, redeemable debentures amounting to 50 million units, issued in September 2020. The debentures are listed on the Colombo Stock Exchange and are rated A [Positive] by Lanka Rating Agency.

The details of the Debentures in issue as at 31st March 2025 are set out in Note 30.4 to the Financial Statements on page 162 and further elaborated in other disclosures on page 219 of the Annual Report.

MEETINGS OF THE BOARD OF DIRECTORS

Twelve scheduled monthly meetings and two special meetings were held during the year. A schedule of Directors Attendance at Board Meetings and Sub Committee Meetings is on pages 73 to 75.

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 65 to 72.

Report of the Corporate Governance can be found on page 30 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:

- » Board Audit Committee
- » Board Integrated Risk Management Committee
- » Board HR & Remuneration Committee Board Related Party Transaction Review Committee

- » Board 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 80 to 93

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.

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 208 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

Report of the Board of Directors

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 99 to 201.

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 109 to 201.

TRANSACTIONS WITH RELATED PARTIES

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note 39 on pages 174

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 2025 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 Deloitte Partners, Chartered Accountants were appointed in September 2024.

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 133

The Report of the Auditors is given on page 99 to 102.

The Board of Directors recommends that Messrs. Deloitte Partners, Chartered Accountants take over as Auditors of the Company for the ensuing financial year 2025/26, subject to approval of the shareholders to be obtained at the forthcoming Annual General Meeting to be held on 29th September 2025.

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

Subject to clearance from Central Bank of Sri Lanka, the Company divested its 40% stake held in Commercial Insurance Brokers [Private] Limited for a consideration of Rs. 332,880,000.00 on 31st March 2025.

EVENTS AFTER THE REPORTING DATE

Share repurchase

In terms of Sec 64 of the Companies Act No.7 of 2007, the Board proposes to re-purchase 3,519,065,138 shares from its shareholders at a price of Rs. 6.00 per share, which allows the Company to purchase 05 shares out of every 47 shares held by shareholders, at a total cost of up to Rs. 21,114,390,828.00.

The number of shares in issue post-repurchase will decrease from the current 33,079,212,299 shares to 29,560,147,161 with no change to the stated capital of Rs. 44,078,915,852.00. The 3,519,065,138 shares repurchased will be cancelled.

If a shareholder do not accept or partially accepts the Repurchase, the consideration available for shares not accepted will be proportionately available to the shareholders who wish to accept additional shares above their entitlement.

FAIR TREATMENT FOR STAKEHOLDERS

The Board of Directors declares 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 29th September 2025 at 9.30 a.m. as a virtual meeting and the Notice of Meeting is on page 220.

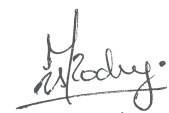
For and on behalf of the Board of Directors of
LOLC Finance PLC



D M D K Thilakaratne
Director/ CEO



F K C P N Dias
Chairman



M V S C Rodrigo
Company Secretary

30th June 2025
Rajagiriya

Report of the Board of Directors

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 Myanmar Microfinance Company Limited	Non-Executive
	oDoc (Private) Limited	Non-Executive
	LOLC Micro Finance Bank	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
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
	LOLC Myanmar Micro Finance Company Limited	Non-Executive
	LOLC Moliya 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
	Regional Development Bank	Non-Executive

Name of the Director	Directorates as at 31.03.2024	Nature of appointment
Mr S Lankathilake	LOLC Finance PLC	Non-Executive
	Board of Inquiries under Foreign Exchange Act	Non-Executive
	LOLC Asia (Private) Ltd	Non-Executive
	Banque Patronus Limited	Non-Executive
Mr A J L Peiris	LOLC Finance PLC	Non-Executive
	LOLC Life Assurance Limited	Non-Executive
Mrs K T C Priyangani	LOLC Finance PLC	Non-Executive
	University of Sri Jayewardenepura	Bursar

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 statement on internal controls over financial reporting and statement 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

STATEMENT IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 are 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 operating effectiveness on an on-going basis.

Processes applied in reviewing the design and effectiveness of the system of internal control

- » The Board has established Sub-committees to provide oversight of operations and to ensure that activities are carried out in line with the Company's objectives, strategies, and policies approved by the Board.
- » Comprehensive policies and procedures have been developed to cover all major functions of the Company. These are approved by the Board and reviewed periodically to ensure they remain up to date and effective.
- » The Internal Audit function independently reviews compliance with policies and procedures, while assessing the adequacy of the overall control environment.
- » Audit findings and recommendations are reported to the Audit Committee, which reviews the scope and quality of internal audit work and submits its observations to the Board for further consideration.
- » The Audit Committee also evaluates the effectiveness of internal controls over financial reporting by reviewing issues highlighted by Internal Audit, External Auditors, regulators, and management.

The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS in preparing its published financial statements. The Annual financial statements of the company are reviewed and recommended by the Board Audit Committee for Approval by the Board of Directors. These financial statements are also subjected to review by the external auditors.

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. Deloitte Partners, 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 2025. 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 87 of this annual report.

STATEMENT 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



Conrad Dias
Chairman/Non-Executive Director



Krishan Thilakaratne
Director/Chief Executive Officer

21st August 2025

Independent Assurance Report

Deloitte Partners
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REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

TO THE BOARD OF DIRECTORS OF LOLC FINANCE PLC

INTRODUCTION

We were engaged by the Board of Directors of LOLC Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Controls over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2025.

Management's responsibility for the statement of internal control

Management is responsible for the preparation and presentation of the Statement in accordance with the Guidance for Directors of Licensed Finance Companies on the Directors' Statement on Internal Control, issued in compliance with 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 Management

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 behaviour.

The firm applies Sri Lanka Standards on Quality Management 1 and accordingly maintains a comprehensive system of quality Management 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 Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, during 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 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 the practitioner's judgment, having regard to the practitioner's 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 have adopted in the review of the design and effectiveness of internal control of the Company.

DELOITTE PARTNERS
Chartered Accountants

Colombo
22nd August 2025

C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunaratne FCA, M P M T Gunasekara FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

Report of the Board Audit Committee

COMPOSITION

The Board Audit Committee was established for the purpose of assisting the Board in fulfilling their responsibilities related to financial reporting process, governance process, the Company's system of internal controls & compliance process. During the year under review, the Committee comprised the following members:

Mrs K T C Priyangani	Committee Chairman/ Independent Director (appointed w.e.f. 23.01.2025)
K Sundararaj	Committee Chairman/ Independent Director (resigned w.e.f. 23.01.2025)
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 March 2025. 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

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 (2023/24) audit.

The Committee reviewed the independence and objectivity of the External Auditors, M/s Deloitte Partners, 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 2025/26.

MEETINGS

The Committee meets once in two months and additional meetings are held as and when a need arises. Eight (08) meetings were held during the year and the members' attendance at Audit Committee meetings is provided on page 73-75. 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 three (03) meetings and on three (03) instances, the auditors were able to meet with the Audit Committee members without the presence of other directors and members of the management.



K T C Priyangani
Chairman, Board Audit Committee

Rajagiriya
30th June 2025.

Report of the Board Integrated Risk Management Committee

COMPOSITION

The Board Integrated Risk Management Committee (IRMC) was established to support the Board in performing its oversight responsibilities concerning various types of risks encountered 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 T C Priyangani	Independent Director (appointed w.e.f. 23.01.2025)
K Sundararaj	Independent Director (resigned w.e.f. 23.01.2025)

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

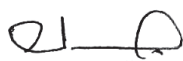
Credit, Operational, Market, Liquidity, Compliance, Technology and Regulatory and Reputational Risks are monitored by divisional heads and reported to ERM on a monthly basis. The Head of Risk Management in turn performs an independent and selective scrutiny of relevant matters and issues summarised reports 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 six (06) times every other month. The attendance of members at meetings is stated on page 73-75. Proceedings of meetings are also tabled at a subsequent meeting of the Board.



S Lankathilake

Chairman, Board Integrated Risk Management Committee

Rajagiriya
30th June 2025

Report of the Board HR & Remuneration Committee

COMPOSITION

The Board Human Resources and Remuneration Committee of the Board is formed to direct and supervise the Company's human capital strategy, including remuneration policies, executive performance assessments, talent development, and organisational culture. The Committee's composition complies with relevant corporate governance standards and regulations. The Committee consists of the following Members

P A Wijeratne	Committee Chairman/ Senior Independent Director
Mrs K T C Priyangani	Independent Director (appointed w.e.f. 23.01.2025)
F K C P N Dias	Non-Executive Director
K Sundararaj	Independent Director (resigned w.e.f. 23.01.2025)

TERMS OF REFERENCE

The Terms of Reference (TOR) for the HR & Remuneration Committee have been reviewed and revised in March 2024, in compliance with the Finance Companies Corporate Governance Direction No. 5 of 2021, as issued by the Monetary Board of the Central Bank of Sri Lanka, along with the updated stipulations outlined in the Listing Rules of the Colombo Stock Exchange.

The Committee has adopted a Board approved Remuneration Policy, granting it the powers to evaluate, assess, and recommend to the Board for approval of any fees, remuneration, and ex gratia payments to be disbursed to its Directors, including the Chief Executive Officer. This is based on the necessity for the Company to remain competitive, the requirement to attract, motivate, and retain talent, as well as the need to promote and reward exceptional performance and the attainment 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 recommended for board approval the restructuring of fees paid to independent directors, periodic updates to HR policies implemented by the Company, supported the Company to strengthen the talents particularly in critical business areas, reviewed and monitored succession planning for key roles including assessments to leadership and development initiative. Additionally, the Committee reviewed and ratified the criteria for awarding staff performance based ex-gratia payments for the year under review.

The total amount paid as directors' emoluments have been disclosed on page 133.

MEETINGS

Three meetings were held during the year under review. The attendance of members at the meeting is stated on page 73 to 75. Proceedings of this meeting were also tabled at a subsequent meeting of the Board.



P A Wijeratne

Chairman, Board Remuneration Committee

Rajagiriya
30th June 2025

Report of the Board 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 and to ensure that the interests of shareholders as a whole are considered by the Company when entering into related party transactions. During the year under review, the Committee comprised the following members:

A J L Peiris	Committee Chairman/ Independent Director
Mrs K T C Priyangani	Independent Director [appointed w.e.f. 23.01.2025]
S Lankathilake	Independent Director
S Sundararaj	Independent Director [resigned w.e.f. 23.01.2025]

TERMS OF REFERENCE

The Committee operates in accordance with its Terms of Reference [TOR], which include the stipulations outlined in the Code of Best Practice on Related Party Transactions [RPTs] published by the Securities and Exchange Commission of Sri Lanka.

POLICIES AND PROCEDURES ADOPTED

On behalf of the Board, the Committee has developed a Related Party Transaction Policy that aligns with the Company's business model, ensuring that all related party transactions are conducted in accordance with the stipulations outlined in its Terms of Reference [TOR], the Directions provided to Finance Companies by the Central Bank of Sri Lanka [CBSL] regarding Lending/Single Borrower Limits, and the Sri Lanka Accounting Standards, while maintaining principles of fairness and transparency. This Policy was last updated in July 2024, considering the relevant provisions set forth 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 conducts a quarterly review of all recurrent and non-recurrent Related Party Transactions [RPTs] of the Company. The Company has implemented a system that allows it to capture and retrieve data pertaining to RPTs. This system produces detailed reports for management evaluation and for the Committee's quarterly review, encompassing all RPTs, including expenses, income, lending, and outstanding amounts.

When reviewing facilities to RPTs, the Committee considers the nature of the transactions, 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 per cent of the equity or 5 per cent of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 39.

The aggregate value of the recurrent RPTs during the year, did not exceed 10 per cent 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 RPTs 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 RPTs is given on page 82 of this report

MEETINGS

Five Committee meetings were held during the year. The attendance of members at meetings is stated on page 73-75. 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, Board Related Party Transaction Review Committee

Rajagiriya
30th June 2025

Report of the Board Nominations and Governance Committee

COMPOSITION

Nominations & Governance Committee was formed to assist the Board in evaluating 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 monitor corporate governance practices, and ensure that the Board continues to function effectively.

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 Terms of Reference for Nominations & Governance were revised in March 2024, reflecting the updated 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 responsibilities and duties of the Committee include: assisting the Board in identifying suitable candidates for Board membership; establishing a formal and transparent process for appointing new Directors and Senior Managers; conducting an annual review of the Board of Directors' composition and its Committees; overseeing the evaluation of the Board, its Committees, and the Senior Management of the Company, including succession planning; ensuring that Directors and Senior Managers are qualified and suitable for their roles; and undertaking any other activities that align with this Charter and the objectives of the Nomination & Governance Committee, or as considered necessary and appropriate by the Committee and the Board.

During the year under review, the Committee assessed the membership of its subcommittees, considering the experience and expertise of each member in relation to the requirements of CBSL and CSE. Additionally, the Committee reviewed the officers designated as key responsible persons of the Company and

recommended to the Board and CBSL for approval the continuation/re-election of existing Board Members in accordance with the Finance Companies Fitness & Propriety of Directors & Officers Direction No. 6 of 2021.

MEETINGS

Two (02) Committee meetings were 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 73-75.



S Lankathilake
Chairman, Board Nomination & Governance Committee

Rajagiriya
30th June 2025

Report of the Board Credit Committee

COMPOSITION

The Board Committee ensures prudent management of the company's credit growth while aiming to maintain and improve credit quality. 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 responsibilities are; to successfully execute duties concerning credit directions, credit policy, and lending guidelines to foster a robust lending culture, standards, and practices, while ensuring adherence to the pertinent rules, regulations, and directives established by the relevant authorities.

The Committee considered the changes suggested by management from time to time regarding the Company's credit policy and lending guidelines, review the credit risk controls associated with lending, to ensure alignment with the market context and the internal policy regarding the prevailing regulatory framework to guarantee continuous maintenance and enhancement of the overall quality of the lending portfolio.

The Committee also evaluates and approves credit proposals that fall within the delegated authority limits established by the committee approved by the Board and recommend credit proposals that are within the scope of the Board's purview, review the credit risk controls associated with lending, ensuring alignment with the market context and the internal policy regarding the prevailing regulatory framework to guarantee the continuous maintenance and enhancement of the overall quality of the lending portfolio. The Committee decisions/recommendations are also facilitated through circular resolutions.

MEETINGS

Three meetings were held during the year under review. The attendance of members at the meeting is stated on page 73-75. Proceedings of this meeting were also tabled at a subsequent meeting of the Board.



P A Wijeratne
Chairman, Board Credit Committee

Rajagiriya
30th June 2025

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.7 of 2007, the Finance Business Act No.42 of 2011, Finance Leasing Act No. 56 of 2000, 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.

The Financial Statements and related disclosures presented in this Annual Report, as well as the interim Financial Statements, have been prepared in accordance with the formats and guidelines prescribed by the Central Bank of Sri Lanka.

The Company has prepared Financial Statements which comply with SLFRSs/ LKASs and related interpretations applicable for period ended 31 March 2025, together with the comparative period data as at and for the year ended 31 March 2025, as described in the accounting policies.

There are no changes to the accounting policies and the significant accounting policies have been applied consistently. The accounting policies of the Company are in compliance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.

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 its 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. Deloitte Partners, Chartered Accountants, the Independent Auditors. The report issued by them is included in page 99 to 102 of the Annual Report. The Audit Committee pre - approves the audit and non-audit services provided by Messrs. Deloitte Partners in order to ensure that the provision of such services does not impair Deloitte'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. Furthermore, all taxes, duties, levies, and other statutory payments due from the Company including those payable on behalf of employees have been duly paid or, where applicable, appropriately provided for as at the reporting date.



Mr. Buddhika Weeratunga
Head of Finance



Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
30th June 2025

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 2025, 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 2025, 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. Deloitte Partners, 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 99 to 102.



Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
30th June 2025

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TRUST,
EMPOWERING
EXCELLENCE

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Financial Calendar

Financial Calendar 2024/25

1st Quarter Results 2024/25 released on	Tuesday, July 30, 2024
2nd Quarter Results 2024/25 released on	Friday, November 01, 2024
3rd Quarter Results 2024/25 released on	Tuesday, February 11, 2025
4th Quarter Results 2024/25 released on	Friday, May 23, 2025
Annual report for 2024/25 released on	Friday, August 29, 2025
24th Annual General Meeting on	Monday, September 29, 2025

Proposed Financial Calendar 2025/26

1st Quarter Results 2025/26 will be released on	Friday, August 15, 2025
2nd Quarter Results 2025/26 will be released on	Friday, November 14, 2025
3rd Quarter Results 2025/26 will be released on	Friday, February 13, 2026
4th Quarter Results 2025/26 will be released on	Friday, May 29, 2026
Annual report for 2025/26 released on	Monday, August 31, 2026
25th Annual General Meeting on	Tuesday, September 30, 2026

Independent Auditor's Report



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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 statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards [SLAuSs]. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ["CA Sri Lanka Code of Ethics"] and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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.

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for expected credit losses on loans and advances to customers</p> <p>Refer accounting policy section 2.2.10 impairment losses on financial assets and Notes 8.1,19 and 46.2 to the financial statements.</p> <p>As at 31 March 2025, total gross amount of rentals receivable on lease assets, loans and advances, factoring receivable and margin trading receivable amounted to Rs. 305,240,662,250, with a total allowance for impairment of Rs. 7,731,522,493. Total net amount of loans and advances represent 68% of the total assets.</p> <p>Management's estimates relating to credit losses are highly subjective as a result of the significant uncertainty and judgement associated with the estimation of expected future credit losses. The complex assumptions in respect of the timing and measurement of expected credit losses (ECL), involved in this process include:</p> <ul style="list-style-type: none">» Determination of what constitutes significant increase in credit risk, and timely allocation of qualifying assets to the appropriate staged in accordance with SLFRS 9.» Modelling assumptions and data used to develop and run the models that calculate the ECL.» Judgements involved in the determination of the appropriateness of economic factors as forward-looking variables and the future forecasting of these variables.» Appropriateness, completeness and valuation of management overlays introduced to capture risks not identified by the impairment models.	<p>The audit procedures performed to assess the adequacy of the allowance for expected credit losses on loans and advances to customers, included the following:</p> <ul style="list-style-type: none">» Obtained understanding, evaluated, and tested the design of key controls in lending and credit risk mitigation process.» Assessed the appropriateness of the criteria used by management to determine whether customer credit exposures show significant increase in credit risk or are impaired.» Assessed the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgements made and assumptions used by management which included, cash flow estimates, discount rates, expected recoveries when defaults occur and management overlays.» Checked the reasonability of the macro-economic and other forward-looking variables used by management, by comparing those against reliable publicly available information.» Checked the underlying calculations and data on a sample basis for accuracy and completeness; and» Assessed the adequacy of impairment related disclosures in the financial statements.

C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunaratne FCA, M P M T Gunasekara FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA

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Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LOLC FINANCE PLC (Contd.)

Report on the Audit of the Financial Statements (Contd.)

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of provisioning for individually significant exposures including the assessment of expected future cashflows and the timing of these cashflows, probability weighting of cashflow scenarios and collateral valuations. The impairment of loans and advances to customers using the ECL model was considered as a key audit matter due to:</p> <ul style="list-style-type: none"> • The complex calculations with key variables used in the ECL model requiring significant management judgment and the use of assumptions; and • The magnitude of the reported amounts of loans and advances to customers and the impairment allowances thereof. 	<p>Based on our procedures, we found the methodology adopted to be appropriate, and the estimates and assumptions used in the ECL model to be reasonable.</p>
<p>Assessment of fair value of land buildings in investment properties and fair value of freehold land, buildings and motor vehicles in property, plant and equipment (PPE)</p> <p>Refer accounting policy section 2.4 investment property and 2.5 PPE respectively and Notes 7.1, 23 and Note 26 respectively to the financial statements.</p> <p>The Company engaged independent valuers to determine the fair values of its investment properties as well as freehold land, buildings and motor vehicles classified under property, plant and equipment.</p> <p>As at 31 March 2025, the investment properties was carried at a fair value of Rs. 55,029,900,000 and the freehold land, buildings and motor vehicles were carried at an aggregate revalued amount of Rs. 12,926,524,998. The fair value gain on investment properties amounting to Rs. 2,740,806,466 and gains on revaluation of freehold land, buildings and motor vehicles amounting to Rs. 2,037,975,138 had been recognised in the financial statements for the year ended 31 March 2025.</p> <p>The valuation of both investment properties and freehold land, buildings and motor vehicles involved significant judgement and were based on assumptions, including prices of comparable property transactions adjusted for differences in key attributes such as, property size, shape, legal restrictions, access to main roads, the physical condition of buildings and depreciated replacement cost per square foot.</p> <p>The valuation of investment properties and freehold land, buildings and motor vehicles were considered a key audit matter due to the significant judgement involved in the estimate of fair values and the significance of these assets to the financial statements.</p>	<p>Our audit approach included the following procedures:</p> <ul style="list-style-type: none"> » Assessed the competence and independence of the external valuer engaged by the management for the valuations. » Checked the completeness and accuracy of the data provided by management to the valuer. » Obtained the valuation reports and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with methods generally used in the valuation of similar properties; and » Evaluated the relevance and reasonableness of the significant assumptions used in the valuations by applying our knowledge and the publicly available information on the real estate market such as range of offer prices for real estates of similar nature and location. » Assessed the adequacy of the related disclosures made in the financial statements. <p>Based on the work performed, we found that the valuation methodology and assumptions used in the determination of fair value of both investment properties and freehold land, buildings and motor vehicles as at 31 March 2025 to be appropriate and reasonable.</p>



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Other Matter

The financial statements of the Company for the year ended 31 March 2024 were audited by another firm of auditors whose report, dated 27 June 2024, expressed an unmodified opinion on those statements.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do 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.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

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 judgement and maintain professional scepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant 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.

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.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

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 4084.

A handwritten signature in cursive script that reads "Deloitte Partners".

CHARTERED ACCOUNTANTS

COLOMBO

27th June 2025

Statement of Financial Position

As at 31 March	Note	2025 Rs.	2024 Rs.
ASSETS			
Cash and cash equivalents	15	8,578,933,549	11,486,913,701
Placements with banks	16	2,794,250,923	4,060,474,917
Securities purchased under resale agreements		280,245,481	2,318,268,248
Derivative financial instruments	17	6,499,209	-
Financial assets recognised through profit or loss – measured at fair value	18	33,324,963,786	32,215,625,057
Financial assets at amortised cost – loans and advances to customers	19	297,509,139,757	249,641,762,357
Financial assets at amortised cost – debt and other financial instruments	20	14,828,164,580	12,990,946,525
Financial assets measured at fair value through other comprehensive income	21	323,720,733	278,327,445
Investment in associate	22	-	249,943,293
Property, plant and equipment	23	14,238,536,560	11,062,853,827
Intangible assets	24	60,107,649	39,582,753
Right-of-use assets	25	1,481,201,306	1,260,180,730
Investment properties	26	55,029,900,000	48,313,343,393
Other assets	28	1,278,500,865	3,554,007,179
Total assets		429,734,164,397	377,472,229,425
LIABILITIES			
Bank overdraft	15.1	8,516,663,167	5,017,647,042
Derivative financial instruments	17	1,937,593	-
Financial liabilities at amortised cost – due to depositors	29	225,717,328,979	206,368,226,125
Financial liabilities at amortised cost – borrowings	30	15,680,980,318	19,711,407,427
Retirement benefit obligation	31	752,325,774	710,960,950
Current tax liabilities	32	2,011,921,307	2,681,710,125
Deferred tax liabilities	27	2,992,430,886	2,999,055,285
Other liabilities	33	24,536,628,015	17,637,751,273
Total liabilities		280,210,216,038	255,126,758,227
EQUITY			
Stated capital	34	44,078,915,852	306,993,805,501
Reserves			
Statutory reserve fund	35.1	7,545,403,163	6,291,146,123
Merger reserve	35.2	-	(262,914,889,649)
Other reserves	35.3	9,154,257,760	8,406,525,710
Retained earnings	36	88,745,371,584	63,568,883,513
Total equity		149,523,948,359	122,345,471,198
Total liabilities and equity		429,734,164,397	377,472,229,425
Contingent liabilities and commitments	37	32,967,663,778	30,509,028,757
Net asset value per share	38	4.52	3.70

The annexed notes to the financial statements on pages 109 through 201 form an integral part of these financial statements.

Certification:

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



[Mr.] Buddhika Weeratunga
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board,



[Mr.] Krishan Thilakarathne
Director / CEO

27th June 2025

Rajagiriya [Greater Colombo]



[Mr.] Conrad Dias
Chairman / Non Executive Director

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	2025 Rs.	2024 Rs.
Gross income	3	73,499,764,573	88,706,697,821
Interest income	4.1	68,317,633,361	74,993,922,946
Interest expense	4.2	(26,211,477,746)	(37,019,229,768)
Net interest income		42,106,155,615	37,974,693,177
Fee and commission income	5.1	3,594,541,578	2,968,229,844
Less: Fee and commission expense	5.2	(1,052,011,108)	(924,675,150)
Net fee and commission income		2,542,530,470	2,043,554,694
Net gains / [losses] from trading	6	2,011,227,986	3,349,401,120
Net other operating income			
Sundry and other operating income	7.1	3,286,842,106	7,395,143,911
Derecognition loss on restructuring of SLISBs	7.2	(3,710,480,458)	-
Other operating income		1,587,589,634	10,744,545,031
Total operating income		46,236,275,719	50,762,792,902
Less: Impairment [charges] / reversal			
Loans and advances	8.1	(62,165,013)	(1,625,715,141)
Sri Lanka International Sovereign Bonds	8.2	7,311,700,500	(2,767,992,904)
Other financial assets and credit related commitments	8.3	477,534,701	(263,002,225)
Total impairment [charge] / reversal		7,727,070,189	(4,656,710,270)
Net operating income		53,963,345,908	46,106,082,633
Less: Expenses			
Personnel expenses	9	(7,940,798,668)	(6,886,450,056)
Depreciation and amortisation	10	(1,304,748,285)	(1,186,105,705)
Other operating expenses	11	(13,918,828,787)	(13,054,155,223)
Total operating expenses		(23,164,375,740)	(21,126,710,984)
Profit from operations before VAT on financial services		30,798,970,168	24,979,371,648
Taxes on financial services	12	(5,736,663,732)	(3,465,809,949)
Profit from operating activities		25,062,306,435	21,513,561,699
Share of profit of equity accounted investee	22.2	22,834,362	33,933,617
Profit before income tax expense		25,085,140,797	21,547,495,316
Income tax expense	13	-	-
Profit for the period		25,085,140,797	21,547,495,316

For the year ended 31 March	Note	2025 Rs.	2024 Rs.
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Gains on remeasurement of defined benefit liability	31.2	53,275,540	27,395,624
Less: Deferred tax effect on actuarial gains	27.2	[15,982,662]	[8,218,687]
Net actuarial gains on defined benefit plans		37,292,878	19,176,937
Revaluation gain on property, plant and equipment	23	2,037,975,138	-
Less : Deferred tax effect on revaluation surplus	27.2	[27,324,939]	-
Net change in revaluation surplus		2,010,650,199	-
Net change in fair value (equity investments at FVOCI)	21	45,393,288	[29,428,973]
Total of items that will never be reclassified to profit or loss		2,093,336,365	[10,252,036]
Total other comprehensive income, net of tax		2,093,336,365	[10,252,036]
Total comprehensive income for the period		27,178,477,162	21,537,243,280
Basic earnings per share (Rs.)	14	0.76	0.65

Figures in brackets indicate deductions.

The annexed notes to the financial statements on pages 109 through 201 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March		Stated Capital	Statutory Reserve	Revaluation Reserve	
	Note	Rs.	Rs.	Rs.	
Balance as at 01 April 2023		306,993,805,501	5,213,771,358	1,247,187,997	
Total comprehensive income for the period					
Profit for the period		-	-	-	
Other comprehensive income, net of income tax					
Remeasurements of defined benefit liability	36	-	-	-	
Revaluation loss on fair value through OCI investments	35.3 [c]	-	-	-	
Total other comprehensive income for the period		-	-	-	
Total comprehensive income for the period		-	-	-	
Transactions recorded directly in equity					
Transfer to Statutory Reserve Fund	35.1	-	1,077,374,766	-	
Transferred to / (from) regulatory loss allowance reserve	35.3 [d]	-	-	-	
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	
Balance as at 01 April 2024		306,993,805,501	6,291,146,123	1,247,187,997	
Total comprehensive income for the period					
Profit for the period		-	-	-	
Other comprehensive income, net of income tax					
Remeasurements of defined benefit liability	36	-	-	-	
Revaluation gain on property, plant and equipment	35.3 [a]	-	-	2,010,650,199	
Revaluation gain on fair value through OCI investments	35.3 [c]	-	-	-	
Total other comprehensive income for the period		-	-	2,010,650,199	
Total comprehensive income for the period		-	-	2,010,650,199	
Transactions recorded directly in equity					
Transferred to stated capital during the year	34	(262,914,889,649)	-	-	
Transfer to Statutory Reserve Fund	35.1	-	1,254,257,040	-	
Revaluation surplus transferred to retained earnings upon the disposal of fixed assets	35.3 [a]	-	-	(91,911,123)	
Transferred to / (from) regulatory loss allowance reserve	35.3 [d]	-	-	-	
Transferred to retained earnings during the year	36	-	-	(424,641,896)	
Total transactions recorded directly in equity		(262,914,889,649)	1,254,257,040	(516,553,019)	
Balance as at 31 March 2025		44,078,915,852	7,545,403,163	2,741,285,176	

The annexed notes to the financial statements on pages 109 through 201 form an integral part of these financial statements.

	Cash flow Hedge Reserve	Fair Value Reserve	Regulatory loss allowance reserve	Merger Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	41,014,495	331,628,639	3,231,500,379	(262,914,889,649)	46,664,209,198	100,808,227,917
	-	-	-	-	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
	-	-	-	-	(1,077,374,766)	-
	-	-	3,584,623,173	-	(3,584,623,173)	-
	-	-	3,584,623,173	-	(4,661,997,939)	-
	41,014,495	302,199,666	6,816,123,553	(262,914,889,649)	63,568,883,512	122,345,471,198
	41,014,495	302,199,666	6,816,123,553	(262,914,889,649)	63,568,883,512	122,345,471,198
	-	-	-	-	25,085,140,798	25,085,140,798
	-	-	-	-	37,292,878	37,292,878
	-	-	-	-	-	2,010,650,199
	-	45,393,288	-	-	-	45,393,288
	-	45,393,288	-	-	37,292,878	2,093,336,365
	-	45,393,288	-	-	25,122,433,676	27,178,477,161
	-	-	-	262,914,889,649	-	-
	-	-	-	-	(1,254,257,040)	-
	-	-	-	-	91,911,123	-
	-	-	(572,244,483)	-	572,244,483	-
	(41,014,495)	(178,499,439)	-	-	644,155,830	-
	(41,014,495)	(178,499,439)	(572,244,483)	262,914,889,649	54,054,396	-
	-	169,093,515	6,243,879,069	-	88,745,371,584	149,523,948,359

Statement of Cash Flows

For the year ended 31 March	Note	2025 Rs.	2024 Rs.
Cash flows from operating activities			
Profit before income tax expense		25,085,140,797	21,547,495,317
Adjustments for:			
Net mark-to-market gains - government & debt securities	6	(1,889,356,450)	(3,790,705,927)
Change in fair value of derivatives - forward contracts	6	(4,561,616)	52,793,048
Dividend income	6	(2,513,505)	(11,978,302)
Profit / (loss) on disposal of property, plant & equipment	7.1	75,712,207	(109,661,812)
Profit / (loss) on disposal of investment property	7.1	(49,495,000)	34,211,000
Fair value change in investment properties	7.1	(2,740,806,466)	(7,065,106,338)
Derecognition loss on restructuring of SLISBs	7.2	3,710,480,458	-
Depreciation & amortisation expenses	10	1,304,748,285	1,186,105,705
Impairment charges / (reversal)	8	(7,727,070,189)	4,656,710,270
Provision for defined benefit plans	31.2 (b)	175,551,424	198,531,438
Share of (profit)/loss of associate, net of tax	22.2 (a)	(22,834,362)	(33,933,617)
Investment income	4.1	(4,204,282,232)	(5,126,324,142)
Interest expense	4.2	26,211,477,746	37,019,229,768
Operating profit before changes in operating assets & liabilities		39,922,191,098	48,557,366,409
Change in other assets		2,711,503,888	1,917,539,195
Change in trade payables		1,893,751,163	(155,866,759)
Change in other liabilities		4,162,102,041	5,080,014,547
Change in amounts due to / due from related parties		548,027,175	(791,140,880)
Change in financial assets at amortised cost - loans and advances		(47,929,542,413)	(5,154,185,945)
Change in financial liabilities at amortised cost - due to depositors		21,846,681,188	5,787,350,879
Cash from (used in) / generated from operations		23,154,714,138	55,241,077,445
Interest paid on deposits		(26,651,743,661)	(34,042,087,957)
Benefits paid on defined benefit plans	31	(80,911,060)	(81,019,419)
Income tax paid	32	(669,788,818)	-
Net cash from / (used in) operating activities		(4,247,729,400)	21,117,970,069
Cash flows from investing activities			
Purchase of property, plant and equipment / investment property		(7,826,438,197)	(3,575,071,475)
Proceeds from sale of property, plant & equipment / investment property		1,113,144,559	2,114,172,328
Purchase of government securities		(15,585,858,522)	(32,117,687,011)
Proceeds from sale of government securities		20,283,450,480	32,178,656,975
Net proceeds from placements with banks		1,167,980,595	(1,566,549,747)
Net proceeds from investments / debt securities		(183,423,165)	(10,337,484,909)
Net proceeds from the disposal of associate		272,777,655	-
Interest received from financial assets		4,370,399,315	5,126,324,142
Dividend received from financial assets		1,800,696	11,978,302
Net cash flows used in investing activities		3,613,833,414	(8,165,661,396)
Cash flows from financing activities			
Cash flows from interest bearing borrowings		31,937,195,314	18,031,078,347
Repayment of interest bearing borrowings	30.2 & 30.1	(35,133,919,467)	(23,940,533,941)
Proceeds from issue / (disposal) of debentures	30.4	-	(2,500,000,000)
Repayment of principal portion of lease liabilities		(414,378,532)	(522,561,601)
Interest paid on borrowings		(2,161,997,605)	(5,251,951,192)
Net cash flows from / (used in) financing activities		(5,773,100,292)	(14,183,968,388)
Net increase / (decrease) in cash and cash equivalents		(6,406,996,278)	(1,231,659,714)
Cash and cash equivalents at the beginning of the period		6,469,266,659	7,700,926,373
Cash and cash equivalents at the end of the period	15.1	62,270,382	6,469,266,659

The annexed notes to the financial statements on pages 109 through 201 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 Limited and ultimate parent undertaking and controlling entity is LOLC Holdings 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 2025 was 5,053 [March 2024 – 5,058].

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 27th June 2025.

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	17
Financial assets recognised through profit or loss – measured at fair value	Fair value	18
Financial assets measured at fair value through other comprehensive income	Fair value	21
Investment property	Fair value	26
Land, buildings and motor vehicle	Fair value	23
Retirement benefit obligation	Actuarially valued and recognised at the present value	31

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.

Notes to the Financial Statements

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

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 / 23.2 / 26.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on available for fair value through profit or loss	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 22 – Investment property;

Note 23 – Property, plant and equipment; and

Note 2.2 & 2.2.4 – Financial instruments;

1.4.2 Financial assets and liability classification

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 and liabilities, the Company applies the requirements of SLFRS 9. Financial assets are classified based on the business model for managing the assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Accordingly, financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets held for trading or managed on a fair value basis are classified as FVTPL, as described in Note 2.2.1(b). Financial assets that the Company intends and is able to hold to collect contractual cash flows, and which meet the SPPI criterion, are classified at amortised cost, as required by SLFRS 9."

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 assets measured at fair value through profit or loss

The Company reviews its debt securities classified as fair value through profit or loss 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 equity investments classified as fair value through profit or loss 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 fair value through profit or loss is disclosed in Note 2.2.10.

1.4.5 Impairment losses on other assets

The Company classifies certain debt and equity securities as fair value through profit or loss (FVTPL). These instruments are measured at fair value at each reporting date, and any gains or losses arising from changes in fair value are recognised directly in profit or loss. Accordingly, no separate impairment assessment is performed, as expected credit losses or value declines are reflected through fair value changes.

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.

Notes to the Financial Statements

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 transactions
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 yet effective as at 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.

MATERIAL ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES**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 staff loan below market rate

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.

Notes to the Financial Statements

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 comprises equity securities and debt securities. Fair value is used for all equity instruments, and cost may be used as a fair value estimate only in limited cases. 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 fair value 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.

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

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.

Notes to the Financial Statements

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 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 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 ECL 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
Exchange rates	

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

2.3.1 Company as a lessee

The Company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the incremental borrowing rate. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

Notes to the Financial Statements

2.3.2 Company as a lessor

A lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived at by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate of interest which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 19 "Financial assets at amortised cost – loans and advances to customers". The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

Operating leases

The Company recognises lease payments from operating leases as income on straightline basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are 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.

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. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The estimated useful lives of each class of assets for the current period are disclosed in Note 10.

2.5.4 Right-of-Use Assets

Right-of-use assets of the Company include land, buildings, motor vehicle and computer equipment 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.

Notes to the Financial Statements

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

At the commencement of a contract, the difference between the aggregate contract receivable and the cost of the underlying asset represents unearned income. In accordance with SLFRS 9, this unearned income is recognised as interest income over the term of the facility using the effective interest rate (EIR) method, starting from the month the facility is executed. Income is allocated in a manner that reflects a constant periodic rate of return on the net carrying amount of the receivable, resulting in a systematic recognition of interest income over the life of the facility.

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%.

2.16 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 32 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 27 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 14. 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 Note 14 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.

Notes to the Financial Statements

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 39 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 five reportable segments, SME Finance, Personal Finance, Alternate Finance, Gold Loans and Others, 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 43. 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 but 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.

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.

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Amendments to SLFRS 09 and SLFRS 07: Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended SLFRS 9 and SLFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application

permitted, and are related to settling financial liabilities using electronic payments system, and assessing contractual Cash Flow characteristics of financial assets, including those with sustainability linked features.

Notes to the Financial Statements

3. GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 4 - Net Interest Income, Note 5 - Fee and Commission Income, Note 6 - Net gains / [losses] from trading and Note 7 - Other Operating Income.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Interest income	4.1	68,317,633,361	74,993,922,946
Fee and commission income	5	3,594,541,578	2,968,229,844
Net gains / [losses] from trading	6	2,011,227,986	3,349,401,120
Net other operating income	7	(423,638,352)	7,395,143,911
		73,499,764,573	88,706,697,821

4. NET INTEREST INCOME

Accounting Policy

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method. Interest income and expense presented in the Income Statement include:

- » Interest income on financial assets measured at amortised cost (AC) calculated using EIR method;
- » Interest income on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- » Interest expense on financial liabilities measured at amortised cost calculated using EIR method;

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability. When calculating the EIR for financial instruments, the Company estimates future cash flows considering all contractual terms of the financial instrument. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR.

When a financial asset becomes credit-impaired, the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Overdue interest on loans and advances is recognised on cash basis.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Interest income	4.1	68,317,633,361	74,993,922,946
Interest expense	4.2	(26,211,477,746)	(37,019,229,768)
Net interest income		42,106,155,615	37,974,693,177

4.1 Interest income

For the year ended 31st March	2025 Rs.	2024 Rs.
Placements with banks	286,945,839	514,135,469
Securities purchased under resale agreements	274,066,571	770,418,824
Financial assets recognised through profit or loss – measured at fair value	2,350,751,971	2,178,216,446
Financial assets at amortised cost – loans and advances to customers		
Leases receivables	16,578,668,066	17,995,483,952
Loans and advances	36,526,927,745	40,689,064,405
Credit card receivables	1,290,267,573	1,353,200,335
Margin trading	1,123,765,731	1,817,522,499
Factoring receivables	437,741,018	470,711,577
Interest on overdue rentals and others	8,155,980,996	7,541,616,036
Financial assets at amortised cost – debt and other financial instruments		
Government securities	1,020,943,189	1,131,558,987
Commercial papers	271,574,662	531,994,416
	68,317,633,361	74,993,922,946

4.2 Interest expense

For the year ended 31st March	2025 Rs.	2024 Rs.
Financial liabilities at amortised cost – due to depositors		
Fixed deposits	21,269,845,892	28,843,824,490
Savings deposits	469,039,124	475,130,355
Foreign currency deposits	246,094,716	350,901,130
Profit distributed to alternative finance deposit holders	2,169,185,595	3,498,233,044
Financial liabilities at amortised cost – borrowings		
Interest on loans & bank overdraft	1,817,933,797	3,661,693,812
Interest on finance lease	27,763,074	5,474,136
Interest expense on right-of-use assets	211,615,548	183,972,801
	26,211,477,746	37,019,229,768

Notes to the Financial Statements

5. NET FEE AND COMMISSION INCOME

Accounting Policy

The Company generates fee and commission income from a wide range of services offered to its customers. These include credit-related fees and commission income. All such fees and commissions are recognised in the Income Statement on an accrual basis. Fees and commissions that form an integral part of the Effective Interest Rate (EIR) of a financial asset or liability are capitalised, incorporated into the EIR calculation, and recognised in the Income Statement over the expected life of the instrument. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Fee and commission income	5.1	3,594,541,578	2,968,229,844
Less: Fee and commission expense	5.2	(1,052,011,108)	(924,675,150)
Net fee and commission income		2,542,530,470	2,043,554,694

5.1 Fee and commission income

For the year ended 31st March	2025 Rs.	2024 Rs.
Loans and advances related services	1,123,539,075	953,907,196
Credit and debit cards related services	717,875,099	633,936,446
Deposits related services	185,550,445	239,856,288
Other financial services	1,567,576,960	1,140,529,914
Total	3,594,541,578	2,968,229,844

5.2 Fee and commission expense

For the year ended 31st March	2025 Rs.	2024 Rs.
Loans and advances related services	602,105,630	507,263,493
Credit and debit cards related services	292,912,881	202,724,661
Deposits related services	12,528,795	154,689,033
Other financial services	144,463,801	59,997,962
Total	1,052,011,108	924,675,150

6. NET GAINS / (LOSSES) FROM TRADING

Accounting Policy

Net trading income comprises all gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit or loss, along with dividend income. Dividend income is recognised when the Company's right to receive payment is confirmed. This category also includes foreign exchange differences arising from derivative contracts that are not designated as hedging instruments.

For the year ended 31st March	2025 Rs.	2024 Rs.
Financial assets recognised through profit or loss – measured at fair value		
Government Securities		
Net mark-to-market gains	139,495,367	2,811,984,417
Net capital gains	188,316,295	150,288,649
Equity / debt securities		
Net mark-to-market gains	1,749,861,083	978,721,510
Net capital gains	60,102,345	-
Dividend income	2,513,505	11,978,302
Exchange gain / [loss]		
Change in fair value of derivatives - forward contracts	4,561,616	[52,793,048]
Net exchange gain / [loss]	[133,622,223]	[550,778,710]
	2,011,227,986	3,349,401,120

7. NET OTHER OPERATING INCOME

Accounting Policy

Net other operating income includes gains / [losses] from disposal of property, plant and equipment, gains / [losses] from disposal of investment property, gains / [losses] from fair value change in investment properties, net [loss] / gain on derecognition of financial assets, rental income and other sundry income.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Sundry and other operating income	7.1	3,286,842,106	7,395,143,911
Derecognition loss on restructuring of SLISBs	7.2	[3,710,480,458]	-
		[423,638,352]	7,395,143,911

7.1 Sundry and other operating income

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
[Loss] / profit on disposal of property, plant & equipment		[75,712,207]	109,661,812
Profit / [loss] on disposal of investment property		49,495,000	[34,211,000]
Fair value change in investment properties	26	2,740,806,466	7,065,106,338
Rental & other income		572,252,846	254,586,761
		3,286,842,106	7,395,143,911

Notes to the Financial Statements

7. NET OTHER OPERATING INCOME CONTD.**7.2 Derecognition loss on restructuring of SLISBs**

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its Sri Lanka International Sovereign Bonds (SLISBs). Consequently, the Company recognised the newly issued bonds and derecognised the SLISBs held as at the date of restructuring. The Company elected to participate in the Local Option of the SLISB restructuring proposal, which was specifically offered to local bondholders by the Government. As part of this option, 30% of the face value of the SLISBs originally held by the Company was converted into rupee denominated Treasury Bonds. The remaining 70% of the face value was settled through a USD-denominated Step-Up Bond, with a capital haircut of 10%. Additionally, the accrued coupon (Past Due Interest) on the original SLISBs up to 31st March 2024 was settled through a USD-denominated bond (PDI Bond) at a haircut of 11%. The derecognition resulted in a loss of Rs 3,710 Mn, which is disclosed in Note 7.2 to the Financial Statements. The reversal of the brought forward impairment provision amounting to Rs 7,392 Mn is included in Note 8.2 to the financial statements.

Determination of fair value and classification of the new bonds

A discount rate of 7.44% was applied in determining the fair value of the PDI Bond and for the Step-Up Bond, a discount rate of 7.19% was used. The Government of Sri Lanka has reserved the right to settle the Step-Up Bond in Sri Lankan Rupees if it is unable to settle in US Dollars. As a result, a lower discount rate was applied to the Step-Up Bond, reflecting the rupee settlement option and the corresponding reduction in credit risk. Rupee-denominated Treasury Bonds are issued at the Standard Lending Facility Rate (SLFR) + 0.5%, with interest to be reset every six months. As these are market-linked instruments, the Company concluded that the market value accurately reflects the fair value of the bonds at the date of initial recognition.

The new bonds have been classified under amortised cost and considered under Stage 2. However, as of 31st March 2025, the Company has made an ECL provision of 5.3% on the amortised cost of the PDI Bond (Rupee equivalent of Rs. 1.5 Bn.), as there is no LKR settlement option. And no impairment provision has been recognised on other restructured bonds since the Government has the option to settle the USD-denominated bond in LKR if it is unable to settle the bonds in USD. Both USD and LKR bonds have been classified under Level 1 of the fair value hierarchy in Note 45 of the Financial Statements.

Sensitivity of the fair value of the bonds to discount rate

A 1% increase / decrease in the discount rate of both the Step-Up Bond and the PDI Bond would decrease / increase the fair value by approximately Rs 308 Mn. Consequently, the loss reported in Note 7 to the Financial Statements would have increased / decreased by Rs 308 Mn.

The breakdown of the new instruments received in settlement of SLISBs held as at the date of restructuring is as follows.

Type of Bond	Face Value Rs.	Maturity/ Amortisation	Coupon Rate %	Fair Value as at the date of Restructuring Rs.	Amortised Cost as at 31st December Rs.
USD denominated Step-Up Bond	8,413,172,208	2029 to 2038	1% to 3.5%	5,485,808,938	5,550,425,739
USD denominated PDI Bond	1,702,282,595	2024 to 2028	4.0%	1,596,962,371	1,506,685,701
Rupee denominated Treasury Bonds	4,006,272,480	2036 to 2043	SLFR + 0.5%	3,643,776,433	3,759,625,170

8. IMPAIRMENT CHARGES / (REVERSAL)

Accounting Policy

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard – SLFRS 09 [Financial Instruments].

For customers who are having exposures above the predefined threshold, the Company individually assesses for Significant Increase in Credit Risk [SICR]. If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairment along with the remaining portfolio.

The Company computes ECL using three main components; a Probability of Default [PD], a Loss Given Default [LGD] and the Exposure At Default [EAD] under the collective assessment. The Company updated its PD and LGD calculations using the most recent recovery data to determine the impairment provisions as of 31st March 2025. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information using the most recent data published by the Central Bank of Sri Lanka, the International Monetary Fund, and other relevant sources. Additionally, the weightings assigned to the best, base and worst-case scenarios were adjusted.

The methodology adopted by the Company is explained in the Note 2.2.10 to these Financial Statements. Additionally, recoveries of previously written off are offset against impairment charges.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Financial assets at amortised cost - loans & advances	8.1	62,165,013	1,625,715,141
Sri Lanka International Sovereign Bonds	8.2	(7,311,700,500)	2,767,992,904
Other financial assets and credit related commitments	8.3	(477,534,701)	263,002,225
		(7,727,070,189)	4,656,710,270

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

	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.
Leases receivables	587,211,452	1,120,639,540	(533,428,088)	(712,473,360)
Loans and advances	(628,646,869)	(17,946,728)	(610,700,141)	(934,270,373)
Credit card receivables	19,925,773	(544,540)	20,470,313	69,934,137
Gold loans	(17,792,932)	1,132,463	(18,925,395)	37,111,045
Margin trading	61,255,930	-	61,255,930	(18,278,275)
Factoring receivables	40,211,658	(42,242,471)	82,454,129	(945,347)
Sri Lanka International Sovereign Bonds	(7,311,700,500)	-	(7,311,700,500)	(7,311,700,500)
Other financial assets	(477,534,701)	-	(477,534,701)	(489,730,263)
	(7,727,070,189)	1,061,038,264	(8,788,108,453)	(9,360,352,937)

Notes to the Financial Statements

8. IMPAIRMENT CHARGES / (REVERSAL) CONTD.**8.1 Financial assets at amortised cost - loans & advances**

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Leases receivables	8.1 [a]	587,211,452	2,437,675,017
Loans and advances	8.1 [a]	[628,646,869]	[869,502,800]
Credit card receivables	8.1 [a]	19,925,773	[6,335,478]
Gold loans	8.1 [a]	[17,792,932]	133,771,592
Margin trading	8.1 [a]	61,255,930	23,438,497
Factoring receivables	8.1 [a]	40,211,658	[93,331,687]
		62,165,013	1,625,715,141

8.1 [a] Analysis of impairment charges / (reversal)

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Leases receivables	19,772,894	50,655,721	516,782,838	587,211,452
Loans and advances	[3,491,459]	124,900,430	[750,055,840]	[628,646,869]
Credit card receivables	[314,415]	1,613,491	18,626,696	19,925,773
Gold loans	1,604,478	[5,171,168]	[14,226,242]	[17,792,932]
Margin trading	-	-	61,255,930	61,255,930
Factoring receivables	2,707,018	[239,697]	37,744,337	40,211,658
	20,278,516	171,758,778	[129,872,281]	62,165,013

For the year ended 31st March 2024	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Leases receivables	[124,470,690]	[61,776,966]	2,623,922,674	2,437,675,017
Loans and advances	[358,926,185]	[112,752,020]	[397,824,595]	[869,502,800]
Credit card receivables	[1,493,454]	[8,521,259]	3,679,235	[6,335,478]
Gold loans	[14,304,454]	[31,072,583]	179,148,629	133,771,592
Margin trading	[29,785,385]	-	53,223,882	23,438,497
Factoring receivables	[7,648,246]	[3,003,874]	[82,679,567]	[93,331,687]
	[536,628,414]	[217,126,702]	2,379,470,257	1,625,715,141

8.2 Sri Lanka International Sovereign Bonds

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its Sri Lanka International Sovereign Bonds (SLISBs). Consequently, the Company recognised a Day 1 loss of Rs. 3,710 Mn, disclosed under Note 7 – Derecognition loss on restructuring of SLISBs. The impact on the financial statements also includes the reversal of previously recognised impairment provisions amounting to Rs. 7,392 Mn.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Stage 1	20.1	-	-
Stage 2	20.1	81,227,434	-
Stage 3	20.1	(7,392,927,934)	2,767,992,904
		(7,311,700,500)	2,767,992,904

8.3 Other financial assets and credit related commitments

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Other financial assets			
Stage 1	28.2	64,597,906	-
Stage 3	28.2	(554,328,169)	263,721,255
Credit related commitments			
Stage 2	37.1	12,195,563	(719,029)
		(477,534,701)	263,002,225

9. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses comprise salaries, bonuses, contributions to defined contribution and benefit plans, as well as other staff-related costs. These other costs include medical and hospitalisation expenses, training and recruitment costs, and staff welfare activities. Short-term employee benefits are recognised on an undiscounted basis and expensed as the related services are rendered. A liability for short-term bonuses is recognised when the company has a legal or constructive obligation and the amount can be reliably measured. The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

Defined Contribution Plans - In a defined contribution plan, the company makes fixed contributions to a separate entity with no further obligation. Contributions to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) are 12% and 3% of salaries, respectively, and are recognised as expenses in the relevant period.

Defined Benefit Plans - A defined benefit plan covers post-employment benefits other than defined contributions. The company's obligation is actuarially assessed and discounted to present value using the projected unit credit method. Actuarial gains and losses are recorded in other comprehensive income. As per the Payment of Gratuity Act No. 12 of 1983, gratuity liability arises after five years of continuous service and is not externally funded.

For the year ended 31st March 2025	Note	2025 Rs.	2024 Rs.
Salaries & bonus		6,588,271,836	5,667,293,983
Contributions to EPF & ETF	31.1	485,575,401	411,215,835
Amortisation of pre-paid staff cost	28.1	21,649,811	12,323,801
Provision on gratuity	31.2 (b)	175,551,424	198,531,438
Staff welfare and others		669,750,197	597,084,999
		7,940,798,668	6,886,450,056

Notes to the Financial Statements

10. DEPRECIATION AND AMORTISATION

Accounting Policy

Depreciation of Property, Plant and Equipment

Depreciation is charged from the date the asset is available for use until the date of disposal or derecognition. It is calculated on a straight-line basis over the estimated useful lives of the assets, reflecting the pattern in which the Company expects to consume the future economic benefits. Depreciation rates are reviewed periodically to reflect any changes in the expected pattern of consumption. Freehold land is not depreciated.

Amortisation of Intangible Assets

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful economic lives, commencing from the date the asset is available for use. The amortisation reflects the pattern in which the asset's economic benefits are expected to be consumed by the Company. The Company assumes no residual value for intangible assets. Useful lives are reviewed periodically, and adjustments are made where appropriate.

Amortisation of Right-of-Use Assets

Right-of-use assets are amortised from lease commencement to the earlier of the asset's useful life or lease term, consistent with the useful lives of comparable owned assets.

Class of asset	Depreciation % Per Annum	Useful lives [years]
Freehold and leasehold buildings	2.00 - 2.50	40 - 50 Years
Motor vehicles	12.50 - 25.00	4 - 8 Years
Furniture & fixtures	10.00 - 20.00	5 - 10 Years
Office equipment	12.50 - 25.00	4 - 8 Years
Computer equipment	12.50 - 25.00	4 - 8 Years
Computer software	20.00	5 Years

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Depreciation of property, plant and equipment	23	819,733,126	760,930,661
Amortisation of intangible assets	24	2,268,551	3,725,911
Amortisation of right-of-use assets	25	482,746,608	421,449,133
		1,304,748,285	1,186,105,705

11. OTHER OPERATING EXPENSES

Accounting Policy

These expenses are recognised in the Statement of Profit or Loss when there is a direct correlation between the costs incurred and the generation of specific income items. All operating expenses, including those related to running the business and in maintenance of property, plant and equipment to ensure operational efficiency, are charged to the Statement of Profit or Loss as incurred.

Directors' Emoluments

Directors' emoluments comprise remuneration paid to both Executive and Non-Executive Directors, including fees and other benefits attributable to their roles within the Company.

Crop Insurance Levy

In accordance with Section 14 of the Finance Act No. 12 of 2013, the Company is liable to pay a Crop Insurance Levy effective from 1 April 2013. This levy, currently applicable at a rate of 1% on profit after tax, is payable to the National Insurance Trust Fund.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Directors' emoluments		19,694,894	20,653,647
Auditors' remuneration	11.1	22,820,000	6,175,000
Operating lease expenses		98,261,631	184,076,483
Crop insurance levy		219,873,422	207,600,000
Professional & legal expenses		738,973,895	664,348,885
Insurance expenses		1,335,902,237	1,218,518,490
Marketing & business promotion expenses		4,549,784,952	4,139,930,382
Office administration expenses		6,496,677,180	6,137,790,194
Other overhead expenses		436,840,576	475,062,142
		13,918,828,787	13,054,155,223

11.1 Auditors' remuneration

For the year ended 31st March	2025 Rs.	2024 Rs.
Audit fees	17,750,000	4,475,000
Audit related fees & expenses	5,070,000	1,700,000
	22,820,000	6,175,000

During the year, auditors' remuneration increased significantly compared to the previous year. This increase was primarily due to the appointment of a new external audit firm in accordance with the requirements of Section 10.2 [d] [ii] of the Finance Business Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, which mandates the rotation of the external auditor after serving a maximum period of ten consecutive years.

In addition, the increase reflects fees incurred for additional audit engagements, including interim audit-related work conducted during the year.

Notes to the Financial Statements

12. TAXES ON FINANCIAL SERVICES

Accounting Policy

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 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%.

For the year ended 31 st March	2025 Rs.	2024 Rs.
Value Added Tax (VAT)	5,033,498,000	3,043,150,199
Social Security Contribution Levy (SSCL)	703,165,732	422,659,750
	5,736,663,732	3,465,809,949

13. INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises of current taxation and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, at the rates specified in Note 13.1 to the Financial Statements.

Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities as per Statement of Financial Position and the amount of such assets or liabilities considered for taxation purposes. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are recognised for deductible temporary, carried forward unused tax losses and carried forward unused tax credits to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date. The measurement of deferred tax reflects the tax consequences to the Company as at the reporting date in relation to temporary difference in carrying amount of its assets and liabilities recorded in the Statement of Financial Position and the tax base.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Current tax expense			
Current tax based on profit for the year	13.1	-	-
Dividend tax paid on disposal of investment	13.1	49,932,000	-
[Over] / under provision in respect of previous years	13.1	-	-
Total current tax expense		49,932,000	-
Deferred tax expense			
Due to change in temporary differences	13.1	[49,932,000]	-
Total deferred tax expense		[49,932,000]	-
Total income tax expense		-	-
Effective tax rate		0.00%	0.00%

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Profit before tax		25,085,140,797	21,547,495,316
Income tax expense at the statutory income		7,525,542,239	6,464,248,595
Tax effect on			
Disallowable expenses		2,160,504,490	1,322,121,235
Tax deductible expenses		[494,500,697]	[411,651,032]
Exempt income		[947,242,934]	[2,998,262,632]
Qualifying payments		[8,244,303,098]	[4,376,456,165]
Current tax based on profit for the year		-	-
Dividend tax paid on disposal of investment		49,932,000	-
[Over] / under provision in respect of previous years		-	-
Deferred tax expense due to change in temporary differences	27.2	[49,932,000]	-
Total income tax expense		-	-
Applicable income tax rate		30.00%	30.00%

Notes to the Financial Statements

14. EARNINGS PER SHARE

Accounting Policy

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 equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, as per the Sri Lanka Accounting Standard - LKAS 33 [Earnings Per Share]. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. The Company did not have any dilutive potential ordinary shares as at 31st March 2025.

For the year ended 31 st March	Note	2025 Rs.	2024 Rs.
Amount used as the numerator			
Profit after tax for the year attributable to equity holders		25,085,140,797	21,547,495,317
No. of ordinary shares used as the denominator			
Weighted average number of ordinary shares	14.1	33,079,212,299	33,079,212,299
Basic / diluted earnings per ordinary share [*]		0.76	0.65

[*] There were no potential dilution at the year end. Therefore, diluted earnings per share is the same as basic earnings per share shown above.

14.1 Weighted Average Number of Ordinary Shares for Basic / Diluted EPS

For the year ended 31 st March	Outstanding No. of Shares		Weighted Average No. of Shares	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Number of shares in issue as at 1st April	33,079,212,299	33,079,212,299	33,079,212,299	33,079,212,299
Add : Number of ordinary shares issued	-	-	-	-
Number of shares in issue as at 31st March	33,079,212,299	33,079,212,299	33,079,212,299	33,079,212,299

15. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand, balances with banks that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and used by the Company in the management of its short-term commitments.

For the year ended 31st March	2025 Rs.	2024 Rs.
Notes and coins held	2,333,386,205	2,273,536,000
Balances with banks	6,245,547,344	9,213,377,701
Cash and cash equivalents	8,578,933,549	11,486,913,701

15.1 Net cash and cash equivalents for the purpose of the cash flow statement

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Cash and cash equivalents	15	8,578,933,549	11,486,913,701
Bank overdraft		(8,516,663,167)	(5,017,647,042)
Net cash and cash equivalents		62,270,382	6,469,266,659

16. PLACEMENTS WITH BANKS

For the year ended 31st March	2025 Rs.	2024 Rs.
Placements with banks	2,794,250,923	4,060,474,917
Less: Provision for impairment	-	-
Net placements with banks	2,794,250,923	4,060,474,917

17. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

The Company uses forward foreign exchange contracts as derivatives. Derivative financial instruments are recorded at fair value. Changes in the fair value of derivatives are included in "Net gains / (losses) from trading" in the Income Statement.

The Company entered into forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. Forward contracts involve an agreement to exchange financial instruments at a future date for a predetermined price. These forward contracts are recognised as derivative assets or liabilities in the Statement of Financial Position, depending on the net position at the reporting date. The Company measures these contracts at fair value, with changes in fair value recognised in Income Statement, consistent with the accounting treatment of derivatives under SLFRS 9. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Forward foreign exchange contracts			
Derivative financial assets		6,499,209	-
Derivative financial liabilities		(1,937,593)	-
Net derivative assets / (liabilities)		4,561,616	-
Notional amount		865,838,050	-

Notes to the Financial Statements

18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE**Accounting Policy**

Under SLFRS 9, financial assets are classified based on the business model for managing the assets and the contractual cash flow characteristics. Financial assets that are held for short-term profit-taking, actively traded, or managed on a fair value basis are classified as measured at fair value through profit or loss (FVTPL).

Financial assets measured at fair value through profit or loss are presented in fair value in the SOFP. Interest and dividend income are recorded in "Interest income" and "Net gains / [losses] from trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established. This includes instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling in the near term. Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Government securities	18.1	14,238,507,080	14,770,775,280
Equity securities	18.2	2,179,234,036	2,172,461,487
Unit trusts	18.3	16,907,222,669	15,272,388,291
Total		33,324,963,786	32,215,625,057

18.1 Government securities**Treasury bonds**

For the year ended 31st March	2025 Rs.	2024 Rs.
Amortised cost	11,287,027,296	11,958,790,862
Gain / [loss] from mark to market valuation as at 1st April 2024, 2023	2,811,984,417	-
Movement during the year	139,495,367	2,811,984,417
Gain / [loss] from mark to market valuation as at 31st March	2,951,479,785	2,811,984,417
Market value	14,238,507,080	14,770,775,280

18.2 Equity securities

For the year ended 31st March Company name	2025			2024		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Equity securities - Quoted						
Access Engineering PLC	10,000	269,990	396,000	10,000	269,990	226,000
ACL Cables PLC	55,160	1,653,448	6,839,840	55,160	1,653,448	4,638,956
Aitken Spence Hotel Holdings PLC	3,800	403,468	304,000	3,800	403,468	251,560
Chemical Industries Colombo PLC (NV)	36	-	2,912	36	-	1,890
Colombo Dockyard PLC	600	106,682	46,200	600	106,682	29,160
Commercial Bank of Ceylon PLC	6,190	713,656	889,813	6,076	713,656	593,625
Commercial Bank of Ceylon PLC (NV)	5,596	125,982	665,924	5,480	125,982	466,896
Expo Lanka Holdings PLC	-	-	-	-	1,212,328	16,990,955
Laugfs Gas PLC (NV)	21,500	798,342	406,350	21,500	798,342	535,350
Merchant Bank of Sri Lanka	5,000	79,874	30,500	5,000	79,874	25,500
Nations Lanka Finance PLC	81,000	181,666	24,300	81,000	181,666	32,400
Nations Trust Bank PLC (NV)	20,178	1,528,176	3,843,909	19,893	1,528,176	2,138,498
Nestle Lanka PLC	-	-	-	86	171,819	96,342
Peoples Leasing & Finance PLC	205,907	2,443,373	3,747,507	205,907	2,443,373	2,264,977
Piramal Glass Ceylon PLC	141,000	603,484	5,104,200	141,000	603,484	4,159,500
Renuka Agri Foods PLC	172,675	790,758	604,363	172,675	790,758	638,898
Sampath Bank PLC	7,381	469,738	852,506	7,381	469,738	590,480
Seylan Bank PLC (NV)	159,855	1,876,908	8,184,576	154,206	1,876,908	5,859,828
Softlogic Finance PLC	23,900	1,233,775	126,670	23,900	1,233,775	136,230
Swisstek (Ceylon) PLC	51,790	602,195	2,501,457	51,790	602,195	989,189
The Lanka Hospitals Corporation PLC	10,000	502,566	770,000	10,000	502,566	1,160,000
Union Bank of Colombo Limited	700	17,500	7,280	700	17,500	6,580
United Motors Lanka PLC	5,000	495,407	448,000	5,000	495,407	290,000
Total equity securities - Quoted		14,896,988	35,796,306		16,281,135	42,122,813
Equity securities - Unquoted*						
LOLC Myanmar Micro Finance Co. Ltd	6,584,931	861,125,000	1,805,739,090	6,584,931	861,125,000	1,782,263,402
LOLC El-Oula Microfinance Egypt	152,750	348,075,272	337,698,640	152,750	348,075,272	348,075,272
Total equity securities - Unquoted		1,209,200,272	2,143,437,730		1,209,200,272	2,130,338,674
Total equity securities		1,224,097,260	2,179,234,036		1,225,481,407	2,172,461,487
Gain / (loss) from mark to market valuation as at 1st April 2024, 2023		946,980,080			935,554,755	
Mark to market gains / (losses)		8,156,697			11,425,325	
Gain / (loss) from mark to market valuation as at 31st March		955,136,777			946,980,080	
Market value		2,179,234,036			2,172,461,487	

Notes to the Financial Statements

18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE CONTD.**18.2 Equity securities contd.****Valuation technique – Equity securities [Unquoted]**

The fair value measurement of the above unquoted equity securities has been classified under Level 3 of the fair value hierarchy, as it is based on unobservable inputs used in valuation techniques. The Company has applied the Residual Income Approach to determine the fair value of these investments. The key unobservable inputs used in the valuation include; cost of equity, terminal growth rate, exchange rate and forecasted cash flows. These inputs reflect management's best estimates based on historical data, market trends, and internal projections. The interrelationships between significant unobservable inputs and the fair value measurement are as follows:

- » A lower / [higher] cost of equity increases / [decreases] the fair value.
- » A higher / [lower] terminal growth rate, exchange rate or forecasted cash flows increases / [decreases] the fair value.

18.3 Unit trusts

For the year ended 31st March	2025 Rs.	2024 Rs.
Amortised cost	16,500,000,000	15,000,000,000
Gain / [loss] from mark to market valuation as at 1st April	272,388,291	132,246,284
Movement during the year	134,834,378	140,142,007
Gain / [loss] from mark to market valuation as at 31st March	407,222,669	272,388,291
Market value	16,907,222,669	15,272,388,291

19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS**Accounting Policy**

Financial assets at amortised cost – loans and advances to customers includes, Loans and Advances and Lease Receivables of the Company. As per SLFRS 9, "Loans and advances to customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Company is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within "Loans and advances to customers" in the Statement of Financial Position.

After initial measurement, "Loans and advances to customers" are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Company designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income", while the losses arising from impairment are recognised in "Impairment [charges] / reversal" in the Income Statement.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Gross loans and advances		305,240,662,250	258,372,158,102
Stage 1		208,074,151,860	177,933,791,182
Stage 2		69,260,581,114	40,288,417,162
Stage 3		27,905,929,277	40,149,949,758
Less: Provision for impairment		(7,731,522,493)	(8,730,395,745)
Stage 1	19.2	(336,811,868)	(316,533,353)
Stage 2	19.2	(418,726,450)	(246,967,672)
Stage 3	19.2	(6,975,984,175)	(8,166,894,720)
Net loans and advances		297,509,139,757	249,641,762,357

19.1 Analysis of financial assets at amortised cost – loans and advances to customers

19.1 [a] By product

For the year ended 31st March	2025 Rs.	2024 Rs.
Overdrafts/ Speed drafts	63,732,794,336	55,653,646,519
Finance lease receivable	71,107,219,176	65,242,402,181
Credit cards	6,889,568,113	5,501,021,267
Gold Loan	39,367,336,123	28,667,096,843
Staff loans	435,481,449	451,545,297
Housing development loans	2,231,365,078	2,297,819,978
Personal loans	17,002,768,157	11,538,458,694
Individual loans / Group loans	6,125,200,232	6,234,301,115
Factoring	3,727,382,041	3,292,478,754
Loans against fixed deposits	8,563,109,648	9,084,145,207
Margin trading	4,184,372,895	6,478,066,443
Alternate finance portfolio - Other receivables (Murabaha, Musharakah etc.)	28,578,336,533	27,844,181,987
Term loans		
Short term	68,642,074	629,446,945
Long term	53,227,086,394	35,457,546,872
Total	305,240,662,250	258,372,158,102

Notes to the Financial Statements

19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS CONTD.**19.1 Analysis of financial assets at amortised cost – loans and advances to customers Contd.****19.1 [b] By industry**

For the year ended 31st March	2025 Rs.	2024 Rs.
Agriculture and fishing	35,572,454,587	30,465,711,826
Arts, entertainment and recreation	1,000,843,676	667,298,572
Construction	30,838,953,159	12,840,326,152
Education	4,733,328,675	3,669,521,757
Financial services	12,182,113,077	8,823,625,298
Healthcare, social services and support services	20,816,428,136	57,009,998,031
Information technology and communication services	2,325,462,367	1,353,987,439
Infrastructure development	2,594,822,533	2,820,988,249
Consumption	39,367,336,123	28,667,096,843
Manufacturing	19,304,054,383	17,365,053,076
Plantation	14,088,311,388	10,800,005,283
Professional, scientific and technical activities	7,163,270,929	583,255,217
Tourism	7,423,188,760	3,621,197,101
Transport and storage	33,022,322,625	28,819,636,034
Wholesale and retail trade	52,103,547,658	47,078,893,412
Others	22,704,224,175	3,785,563,812
Total	305,240,662,250	258,372,158,102

19.2 Movement in provision for impairment during the year

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Charge / [reversal] to the Income Statement	20,278,516	171,758,778	[129,872,281]	62,165,013
Net write-off during the year	-	-	[1,061,038,264]	[1,061,038,264]
Balance as at March 31, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493

For the year ended 31st March 2024	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2023	853,161,767	464,094,374	10,575,589,854	11,892,845,995
Charge / [reversal] to the Income Statement	[536,628,414]	[217,126,702]	2,379,470,257	1,625,715,141
Net write-off during the year	-	-	[4,788,165,391]	[4,788,165,391]
Balance as at March 31, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745

19.3 Finance lease receivable

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Total lease rentals receivable		94,678,052,801	88,263,334,151
Unearned lease interest income		(23,570,833,625)	(23,020,931,971)
Gross lease receivable		71,107,219,176	65,242,402,181
Less: Provision for impairment		(3,753,286,355)	(3,893,911,156)
Stage 1		(122,511,771)	(102,738,877)
Stage 2		(155,528,042)	(104,872,321)
Stage 3		(3,475,246,542)	(3,686,299,958)
Net lease receivable		67,353,932,821	61,348,491,025
Gross lease receivable within one year	19.3 [a]	32,537,683,554	28,699,704,623
Gross lease receivable after one year	19.3 [b]	34,816,249,267	32,648,786,402
		67,353,932,821	61,348,491,025

19.3 [a] Finance lease receivable within one year

For the year ended 31st March	2025 Rs.	2024 Rs.
Total lease rentals receivable within one year from reporting date	47,321,772,890	42,156,146,907
Unearned lease interest income	(12,863,932,065)	(11,511,356,266)
Gross lease receivable within one year	34,457,840,825	30,644,790,641
Less: Provision for impairment	(1,920,157,270)	(1,945,086,019)
Net lease receivable within one year	32,537,683,554	28,699,704,623

19.3 [b] Finance lease receivable after one year

For the year ended 31st March	2025 Rs.	2024 Rs.
Total lease rentals receivable after one year from reporting date	47,356,279,911	46,107,187,245
Unearned lease interest income	(10,706,901,560)	(11,509,575,705)
Gross lease receivable after one year	36,649,378,351	34,597,611,539
Less: Provision for impairment	(1,833,129,085)	(1,948,825,137)
Net lease receivable after one year	34,816,249,267	32,648,786,402

Additional information on loans and advances are given in Note 46 to the Financial Statements (Risk Management), including the movement of the gross carrying amount of amortised cost and expected credit losses (ECL), sensitivity of ECL to key variables used in the ECL calculation etc.

Notes to the Financial Statements

20. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER FINANCIAL INSTRUMENTS

Accounting Policy

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment [charges] / reversal" in the Income Statement.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Government securities		14,268,464,890	18,284,763,573
Treasury bills		345,567,000	488,479,000
Treasury bonds		6,658,815,674	3,010,428,705
Sri Lanka International Sovereign Bonds	20.1	7,264,082,216	14,785,855,868
Commercial papers		640,927,123	2,099,110,886
Gross debt & other financial instruments		14,909,392,014	20,383,874,459
Less: Provision for impairment	20.1 [a]	(81,227,434)	(7,392,927,934)
Total		14,828,164,580	12,990,946,525

20.1 Sri Lanka International Sovereign Bonds

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its International Sovereign Bonds [SLISBs]. As a result, the Company reversed the impairment provision of Rs 7.4 Bn, pertains to the SLISBs classified under amortised cost is disclosed in Note 8.2 to the financial statements. Further information on the restructuring of SLISBs, including the Day 1 loss on the initial recognition of the new bonds issued in settlement of the original SLISBs, presented in Note 7.2 to the financial statements.

20.1 [a] Movement in provision for impairment during the year

For the year ended 31st March 2025	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024		-	-	7,392,927,934	7,392,927,934
Charge / [reversal] to the Income Statement	20.1	-	81,227,434	(7,392,927,934)	(7,311,700,500)
Balance as at March 31, 2025		-	81,227,434	-	81,227,434

For the year ended 31st March 2024	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2023		-	-	4,624,935,030	4,624,935,030
Charge / [reversal] to the Income Statement	20.1	-	-	2,767,992,904	2,767,992,904
Balance as at March 31, 2024		-	-	7,392,927,934	7,392,927,934

20.2 Analysis of debt and other financial instruments based on exposure to credit risk

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Government securities	7,004,382,674	7,264,082,216	-	14,268,464,890
Treasury bills	345,567,000	-	-	345,567,000
Treasury bonds	6,658,815,674	-	-	6,658,815,674
Sri Lanka International Sovereign Bonds	-	7,264,082,216	-	7,264,082,216
Commercial papers	640,927,123	-	-	640,927,123
Gross debt & other financial instruments	7,645,309,797	7,264,082,216	-	14,909,392,014
Less: Provision for impairment	-	[81,227,434]	-	[81,227,434]
Total	7,645,309,797	7,182,854,783	-	14,828,164,580

For the year ended 31st March 2024	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Government securities	3,498,907,705	-	14,785,855,868	18,284,763,573
Treasury bills	488,479,000	-	-	488,479,000
Treasury bonds	3,010,428,705	-	-	3,010,428,705
Sri Lanka International Sovereign Bonds	-	-	14,785,855,868	14,785,855,868
Commercial papers	2,099,110,886	-	-	2,099,110,886
Gross debt & other financial instruments	5,598,018,591	-	14,785,855,868	20,383,874,459
Less: Provision for impairment	-	-	[7,392,927,934]	[7,392,927,934]
Total	5,598,018,591	-	7,392,927,934	12,990,946,525

20.3 Analysis of debt and other financial instruments

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
By collateralisation		14,909,392,014	20,383,874,459
Pledged as collateral		-	-
Unencumbered		14,909,392,014	20,383,874,459
By currency		14,909,392,014	20,383,874,459
Sri Lankan Rupee		7,645,309,797	5,598,018,591
Other currency		7,264,082,216	14,785,855,868

Notes to the Financial Statements

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

As per SLFRS 9, this comprises equity instruments designated at FVOCI. Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

For the year ended 31st March Company name	2025			2024		
	No. of Shares	Cost of Investment	Market Value	No. of Shares	Cost of Investment	Market Value
		Rs.	Rs.		Rs.	Rs.
Equity securities - Unquoted						
Credit Information Bureau of Sri Lanka	510	608,468	608,468	510	608,468	608,468
Finance House Association of Sri Lanka	40,000	200,000	200,000	40,000	200,000	200,000
Equity Investments Lanka Limited	16,875	168,750	168,750	16,875	168,750	168,750
LOLC Global (Pvt) Ltd	1,000,000	153,650,000	322,743,515	1,000,000	153,650,000	277,350,227
Total equity securities - Quoted		154,627,218	323,720,733		154,627,218	278,327,445
Gain / [loss] from mark to market valuation as at 1st April 2024 & 2023		123,700,227			153,129,200	
Mark to market gains / [losses]		45,393,288			[29,428,973]	
Gain / [loss] from mark to market valuation as at 31st March		169,093,515			123,700,227	
Market value		323,720,733			278,327,445	

Except for the equity investment in LOLC Global (Pvt) Ltd, the Company has used cost as the best approximation of fair value for its unquoted equity securities, due to the absence of recent market transactions or observable exit prices.

22. INVESTMENT IN ASSOCIATE

Accounting Policy

Associates are those entities in which the Company has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on “Investments in Associates and Joint Ventures”.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Accordingly, under the Equity Method, investments in associates are carried at cost plus post acquisition changes in the Company's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Company's share of the results of operations of the associates.

For the year ended 31st March Company name	Ownership interest %	No. of Shares Rs.	2025		2024	
			Cost of Investment Rs.	Carrying Value	Cost of Investment Rs.	Carrying Value Rs.
Unquoted						
Commercial Insurance Brokers (Pvt) Ltd	40.00	240,000	-	-	800,000	249,943,293
Total			-	-	800,000	249,943,293

On March 31, 2025, the Company disposed of its entire equity stake in Commercial Insurance Brokers (Pvt) Ltd for a total consideration of Rs. 332,880,000.

22.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Statements is as follows:

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Cost of investments		-	800,000
Add: Share of profit applicable to the Company			
Investment in associate – as at April 01, 2024 & 2023		249,943,293	236,138,354
Total comprehensive income		22,834,362	24,004,939
Share of profit/(loss) of associate, net of tax	22.2	16,155,187	15,700,501
Share of other comprehensive income/(expense) of associate, net of tax	22.2	6,679,175	8,304,437
Dividend received		-	[10,200,000]
Disposal of investment		[272,777,655]	-
Balance as at March 31,		-	249,943,293

Notes to the Financial Statements

22. INVESTMENT IN ASSOCIATE CONTD.**22.2 Summarised financial information in respect of the associate is set out below:****22.2 [a] Summarised Income Statement**

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Revenue		258,127,814	240,629,511
Expenses		[198,471,312]	[181,524,192]
Income tax		[19,268,534]	[19,854,065]
Profit/(loss) from continuing operations, net of tax		40,387,967	39,251,254
Company's share of profit/(loss) from continuing operations, net of tax		16,155,187	15,700,501
Other comprehensive income/(expense), net of tax		16,697,937	20,761,093
Company's share of Other Comprehensive Income/(expense) from continuing operations, net of tax		6,679,175	8,304,437
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income		22,834,362	33,933,617

22.2 [b] Summarised Statement of Financial Position

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Non-current assets		-	542,860,649
Current assets		-	276,714,973
Non-current liabilities		-	[160,432,187]
Current liabilities		-	[52,796,457]
Net assets		-	606,346,978
Company's share of net assets		-	242,538,791
Goodwill		-	7,404,502
Carrying amount of interest in associate		-	249,943,293

The Company recognises the share of net assets of the associate under the Equity Method to arrive at the Directors' valuation.

23. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, plant and equipment” in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

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

Basis of measurement – An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs directly attributable to bringing the asset to a working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 applies the revaluation model for the entire class of land, buildings and motor vehicles for measurement after initial recognition. These are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset. The Company revalued its land, buildings and motor vehicles as at March 31, 2025. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value are given in Note 23.2 and Note 23.3.

Subsequent expenditure – Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Derecognition – The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings awaiting capitalisation. Capital work-in-progress is transferred to the relevant asset when it is in condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

Notes to the Financial Statements

23. PROPERTY, PLANT AND EQUIPMENT CONTD.

	Freehold lands	Freehold buildings	Freehold motor vehicles	Office equipment, furniture and fixtures	Computer equipment	Capital work-in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation							
Balance as at April 01, 2024	5,574,150,000	2,914,382,639	2,193,614,896	2,669,116,994	1,775,999,078	32,280,218	15,159,543,824
Additions & improvements	-	103,026,810	629,225,266	654,171,887	120,012,246	191,614,034	1,698,050,242
Surplus on revaluation	623,050,000	275,293,752	344,629,836	-	-	-	1,242,973,587
Transfer from / (to) investment properties	452,000,000	-	-	-	-	-	452,000,000
Disposals during the year	-	-	(194,245,000)	(35,314,236)	(85,675,000)	(32,280,218)	(347,514,454)
Transfers / adjustments	-	13,296,800	(1,900,000)	176,757,426	(97,124)	(191,614,034)	(3,556,932)
Balance as at March 31, 2025	6,649,200,000	3,306,000,000	2,971,324,998	3,464,732,071	1,810,239,199	-	18,201,496,268
Accumulated depreciation							
Balance as at April 01, 2024	-	145,957,768	479,721,106	2,232,349,236	1,238,661,887	-	4,096,689,997
Charge for the year	-	91,233,066	142,227,229	275,047,397	311,225,435	-	819,733,126
Depreciation on revaluation	-	(237,190,834)	(557,810,716)	-	-	-	(795,001,550)
Disposals during the year	-	-	(64,137,619)	(26,485,677)	(67,838,570)	-	(158,461,866)
Transfers / adjustments	-	-	-	97,124	(97,124)	-	-
Balance as at March 31, 2025	-	-	-	2,481,008,081	1,481,951,627	-	3,962,959,708
Net book value as at March 31, 2025	6,649,200,000	3,306,000,000	2,971,324,998	983,723,991	328,287,572	-	14,238,536,560
Net book value as at March 31, 2024	5,574,150,000	2,768,424,871	1,713,893,790	436,767,757	537,337,191	32,280,218	11,062,853,827

	Freehold lands	Freehold buildings	Freehold motor vehicles	Office equipment, furniture and fixtures	Computer equipment	Capital work-in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation							
Balance as at April 01, 2023	5,372,650,000	2,767,955,690	1,892,101,906	1,344,961,066	636,396,875	-	12,014,065,536
Additions & improvements	-	-	67,677,990	1,324,165,665	1,166,256,858	32,280,218	2,590,380,731
Transfer from / (to) investment properties	201,500,000	123,000,000	-	-	-	-	324,500,000
Disposals during the year	-	-	(8,500,000)	(9,736)	(26,654,655)	-	(35,164,391)
Transfers / adjustments	-	23,426,949	242,335,000	-	-	-	265,761,949
Balance as at March 31, 2024	5,574,150,000	2,914,382,639	2,193,614,896	2,669,116,994	1,775,999,078	32,280,218	15,159,543,824
Accumulated depreciation							
Balance as at April 01, 2023	-	63,493,294	108,513,508	1,016,061,760	496,408,675	-	1,684,477,237
Additions	-	-	-	1,070,495,436	547,595,012	-	1,618,090,448
Charge for the year	-	82,464,474	311,351,556	145,801,776	221,312,855	-	760,930,661
Disposals during the year	-	-	(1,431,070)	(9,736)	(26,654,655)	-	(28,095,461)
Transfers / adjustments	-	-	61,287,111	-	-	-	61,287,111
Balance as at March 31, 2024	-	145,957,768	479,721,106	2,232,349,236	1,238,661,887	-	4,096,689,997
Net book value as at March 31, 2024	5,574,150,000	2,768,424,871	1,713,893,790	436,767,757	537,337,191	32,280,218	11,062,853,827
Net book value as at March 31, 2023	5,372,650,000	2,704,462,396	1,783,588,398	328,899,305	139,988,200	-	10,329,588,298

- 23.1** The carrying amount of Company's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

For the year ended 31st March	2025			2024		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of asset						
Freehold lands	3,766,173,802	-	3,766,173,802	3,314,173,802	-	3,314,173,802
Freehold buildings	1,907,436,408	214,509,547	1,692,926,862	1,804,409,599	165,158,271	1,639,251,327
Freehold motor vehicles	2,050,945,548	1,511,629,037	539,316,511	1,773,634,032	1,441,715,688	331,918,344
Total	7,724,555,758	1,726,138,584	5,998,417,175	6,892,217,433	1,606,873,959	5,285,343,474

23.2 Measurement of fair values

The fair value of the freehold land, buildings and motor vehicles were assessed by independent, professionally qualified external valuers with expertise in the relevant class of assets and geographic locations. The valuation, completed as of 31 March 2025, was carried out in accordance with recognised valuation standards. All freehold land, buildings and motor vehicles were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

23.3 Valuation techniques and sensitivity of the fair value measurement of the freehold land, buildings and motor vehicles of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation Technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	» Price per perch for land » The value of a perch ranges from Rs.44,000 to Rs.28,500,000 in the Colombo area and Rs.25,000 to Rs.13,000,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per perch for land would increase / (decrease)
Depreciated replacement cost method The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	» Price per square foot for building » Depreciation rate for building » The value per sq.ft ranges from Rs.2,000 to Rs.180,000 in the Colombo area and Rs.1,500 to Rs.16,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per square foot for building would increase / (decrease) » Depreciation rate for building would (decrease) / increase

23.4 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

23.5 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

Notes to the Financial Statements

23. PROPERTY, PLANT AND EQUIPMENT CONTD.**23.6 Fully-depreciated property, plant and equipment**

The cost of fully-depreciated property, plant and equipment of the Company which are still in use is as follows:

For the year ended 31st March	2025 Rs.	2024 Rs.
Class of asset		
Office equipment, furniture and fixtures	2,050,050,602	1,719,157,142
Computer equipment	924,848,549	884,951,767

23.7 Temporarily idle property, plant and equipment

There were no temporary idle property, plant and equipment of the Company as at the reporting date.

24. INTANGIBLE ASSETS**Accounting Policy**

The Company's intangible assets include computer software. Cost of purchased all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortisation.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets". Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation.

Subsequent expenditure - Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. There were no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities for liabilities.

For the year ended 31st March	2025 Rs.	2024 Rs.
Cost		
Balance as at April 01, 2024 & 2023	72,116,765	40,325,760
Additions & improvements	26,643,650	31,791,005
Disposals during the year	[30,141,860]	-
Balance as at March 31,	68,618,555	72,116,765
Accumulated amortisation		
Balance as at April 01, 2024 & 2023	32,534,012	28,808,101
Charge for the year	2,268,551	3,725,911
Disposals during the year	[26,291,657]	-
Balance as at March 31,	8,510,906	32,534,012
Net book value as at March 31,	60,107,649	39,582,753

25. RIGHT-OF-USE ASSETS

Accounting Policy

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.

	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2024	14,963,050	2,325,939,329	54961000	227,660,267	2,623,523,647
Additions & improvements	23,188,936	824,697,744	-	-	847,886,681
Expiration / write off during the year	(9,069,030)	(812,334,994)	-	-	(821,404,024)
Transfers / adjustments	-	-	-	-	-
Balance as at March 31, 2025	29,082,957	2,338,302,080	54,961,000	227,660,267	2,650,006,303
Accumulated amortisation					
Balance as at April 01, 2024	9,408,657	1,307,891,631	8,845,067	37,197,562	1,363,342,917
Charge for the year	5,075,295	372,455,580	2,768,612	102,447,120	482,746,608
Expiration / write off during the year	(8,163,727)	(669,120,800)	-	-	(677,284,527)
Transfers / adjustments	-	-	-	-	-
Balance as at March 31, 2025	6,320,226	1,011,226,411	11,613,679	139,644,682	1,168,804,997
Net book value as at March 31, 2025	22,762,731	1,327,075,669	66,574,679	88,015,585	1,481,201,306
Net book value as at March 31, 2024	5,554,393	1,018,047,699	46,115,933	190,462,705	1,260,180,730
	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2023	16,824,091	1,737,822,349	297,296,000	-	2,051,942,439
Additions & improvements	962,809	949,789,269	-	227,660,267	1,178,412,345
Expiration / write off during the year	(2,823,849)	(361,672,289)	-	-	(364,496,138)
Transfers / adjustments	-	-	(242,335,000)	-	(242,335,000)
Balance as at March 31, 2024	14,963,050	2,325,939,329	54,961,000	227,660,267	2,623,523,647
Accumulated amortisation					
Balance as at April 01, 2023	9,218,942	923,017,196	67,363,566	-	999,599,704
Charge for the year	2,772,196	378,710,764	2,768,612	37,197,562	421,449,133
Expiration / write off during the year	(2,582,481)	(129,869,388)	-	-	(132,451,869)
Transfers / adjustments	-	136,033,059	(61,287,111)	-	74,745,948
Balance as at March 31, 2024	9,408,657	1,307,891,631	8,845,067	37,197,562	1,363,342,917
Net book value as at March 31, 2024	5,554,393	1,018,047,699	46,115,933	190,462,705	1,260,180,730
Net book value as at March 31, 2023	7,605,149	814,805,153	229,932,434	-	1,052,342,735

Notes to the Financial Statements

25. RIGHT-OF-USE ASSETS**25.1 Lease liability**

Set out below are the carrying amounts of lease liabilities (included under "Other liabilities" in Note 33) and the movements.

For the year ended 31st March	2025 Rs.	2024 Rs.
Balance at the beginning of the year	1,201,205,928	1,082,655,242
Additions	612,029,267	424,727,686
Accretion of interest	211,615,548	183,972,801
Payments	(509,005,577)	(490,149,801)
Balance as at March 31,	1,515,845,166	1,201,205,928

25.2 Future minimum lease payments under non-cancellable leases

For the year ended 31st March	2025 Rs.	2024 Rs.
Maturity analysis of contractual undiscounted cash flows		
Less than 1 year	492,452,520	408,018,893
1 to 5 years	1,257,156,406	1,039,973,723
More than 5 years	456,880,702	259,416,192
Total undiscounted lease liabilities	2,206,489,628	1,707,408,808

25.3 Sensitivity of right-of-use assets / lease liability to key assumptions**25.3 [a] Sensitivity to discount rates**

1% increase / [decrease] in discount rate as at 31st March 2025 would have [decreased] / increased the lease liability by approximately Rs. 35 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. 0.6 Mn.

25.3 [b] 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 2025 would have increased by Rs. 310 Mn, with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 10 Mn.

26. INVESTMENT PROPERTIES**Accounting Policy**

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. This includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the net other operating income.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		48,313,343,393	41,252,661,174
Additions and improvements			
Additions		4,847,050,141	83,000,000
Additions from foreclosure contracts		78,000,000	454,967,286
Improvements		-	7,919,596
Disposals		(497,300,000)	(225,811,000)
Transfer [to] / from PPE	23	(452,000,000)	(324,500,000)
Change in fair value during the year	7.1	2,740,806,466	7,065,106,338
Balance as at March 31,		55,029,900,000	48,313,343,393

During the year ended 31 March 2025, the Company earned rental income of Rs. 202.2 million [2023/24: Rs.156.6 million] from its investment properties. Correspondingly, property maintenance expenses amounted to Rs. 134.5 million [2023/24: Rs.79.9 million].

26.1 Measurement of fair values

The fair value of the investment property portfolio was assessed by independent, professionally qualified external valuers with expertise in the relevant property types and geographic locations. The valuation, completed as of 31 March 2025, was carried out in accordance with recognised valuation standards. All investment properties were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

26.2 Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	» Price per perch for land » The value of a perch ranges from Rs.44,000 to Rs.28,500,000 in the Colombo area and Rs.25,000 to Rs.13,000,000 outside Colombo.	Estimated fair value would increase / [decrease] if; » Price per perch for land would increase / [decrease]
Depreciated replacement cost method The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	» Price per square foot for building » Depreciation rate for building » The value per sq.ft ranges from Rs.2,000 to Rs.180,000 in the Colombo area and Rs.1,500 to Rs.16,000 outside Colombo.	Estimated fair value would increase / [decrease] if; » Price per square foot for building would increase / [decrease] » Depreciation rate for building would [decrease] / increase

Notes to the Financial Statements

27. DEFERRED TAX ASSETS AND LIABILITIES

Accounting Policy

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority. Therefore, net deferred tax assets and liabilities of different entities / authorities are separately recognised in the Statement of Financial Position.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Recognised under deferred tax assets	27.2	9,485,561,344	8,175,617,235
Recognised under deferred tax liabilities	27.2	[12,477,992,230]	[11,174,672,520]
Net deferred tax assets / [liabilities]		[2,992,430,886]	[2,999,055,285]

27.1 Summary of net deferred tax assets / [liabilities]

For the year ended 31st March	2025		2024	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Balance at the beginning of the year	[9,996,850,951]	[2,999,055,285]	[9,969,455,327]	[2,990,836,598]
Impact on origination / [reversal] of temporary differences to Statement of Profit or Loss	166,440,000	49,932,000	-	-
Impact on origination / [reversal] of temporary differences to Statement of Other Comprehensive Income	[144,358,670]	[43,307,601]	[27,395,624]	[8,218,687]
Balance as at March 31,	[9,974,769,621]	[2,992,430,886]	[9,996,850,951]	[2,999,055,285]

27.2 Reconciliation of net deferred tax assets / (liabilities)

As at 31 March	Statement of financial position		Profit or loss		Other comprehensive income	
	2025	2024	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred tax assets on:						
Post employment benefit obligation	225,697,732	213,288,285	28,392,109	7,184,277	[15,982,662]	[8,218,687]
Provision for impairment charges	219,146,653	156,294,130	62,852,524	[1,973,036,050]	-	-
Lease liability	454,753,550	360,361,778	94,391,771	35,565,206	-	-
Carried forward qualifying payment [Note 27.3]	8,585,963,409	7,445,673,042	1,140,290,367	3,457,443,257	-	-
	9,485,561,344	8,175,617,235	1,325,926,771	1,527,156,691	[15,982,662]	[8,218,687]
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	383,472,888	[3,973,770]	387,446,659	[427,730,138]	-	-
Lease receivables	1,717,829,277	1,717,829,277	-	[864,343]	-	-
Right-of-use assets	444,360,392	378,054,219	66,306,173	[147,942,815]	-	-
Revaluation surplus on freehold buildings	169,686,099	637,972,844	-	-	[468,286,745]	-
Revaluation surplus on freehold land	299,852,100	-	-	-	299,852,100	-
Revaluation surplus on freehold motor vehicle	565,970,652	370,211,069	-	-	195,759,584	-
Forward exchange contracts [net]	-	-	-	[15,837,914]	-	-
Revaluation gain on investment property	8,896,820,822	8,074,578,882	822,241,940	2,119,531,901	-	-
	12,477,992,230	11,174,672,520	1,275,994,771	1,527,156,691	27,324,939	-
Deferred tax effect on profit or loss and other comprehensive income for the year			49,932,000	-	[43,307,601]	[8,218,687]
Net deferred tax assets / (liabilities) as at March 31,	[2,992,430,886]	[2,999,055,285]				

27.3 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. 27,481,010,327 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. 8,585,963,409 was recognised during the year.

The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Notes to the Financial Statements

27. DEFERRED TAX ASSETS AND LIABILITIES CONTD.**Unrecognised deferred tax asset**

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Remaining amount to be claimed at the beginning of the year		264,624,944,578	279,426,786,756
Consideration paid to acquire subsidiary		-	-
Previous year adjustment		890,883,146	[213,654,963]
Amount claimed during the year		[27,481,010,327]	[14,588,187,216]
Remaining amount to be claimed in future years		238,034,817,396	264,624,944,578
Tax rate		30.00%	30.00%
Deferred tax asset on remaining amount		71,410,445,219	79,387,483,373
Recognised deferred tax asset	27.2	[8,585,963,409]	[7,445,673,042]
Unrecognised deferred tax asset		62,824,481,810	71,941,810,331

28. OTHER ASSETS

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Other financial assets			
Amount due from related companies		56,700,133	111,145,631
Insurance premium receivables		982,319,226	1,052,494,427
Sundry debtors		86,499,133	34,232,142
Less: Provision for impairment	28.2	[590,163,054]	[1,079,893,318]
		535,355,437	117,978,883
Other non-financial assets			
Deposits and prepayments		294,528,449	718,385,796
Pre-paid staff cost	28.1	29,830,589	37,318,316
Other receivables		418,786,389	2,680,324,183
		743,145,428	3,436,028,296
Net other assets		1,278,500,865	3,554,007,179

28.1 The movement in the Pre-paid staff cost

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		37,318,316	28,156,756
Add: Adjustment for new grants [net of settlements]		14,162,083	21,485,361
Charge to personnel expenses	9	[21,649,811]	[12,323,801]
Balance as at March 31,		29,830,589	37,318,316

28.2 Movement in provision for impairment during the year

For the year ended 31st March	2025 Rs.	2024 Rs.
Balance at the beginning of the year	1,079,893,318	816,172,063
Charge / [reversal] to the Income Statement	(489,730,263)	263,721,255
Stage 1	64,597,906	-
Stage 2	-	-
Stage 3	(554,328,169)	263,721,255
Balance as at March 31,	590,163,054	1,079,893,318

The impairment allowance was recognised against insurance premium receivable and other financial assets.

29. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS

Accounting Policy

These include savings deposits and fixed deposits. Subsequent to initial recognition deposits are measured at amortised cost using the EIR method. Interest paid / payable on these deposits is recognised in "Interest expense" in the Income Statement.

For the year ended 31st March	2025 Rs.	2024 Rs.
Local currency deposits	221,927,067,305	201,735,644,015
Savings deposits	14,031,260,049	9,941,177,565
Fixed deposits	207,895,807,256	191,794,466,450
Foreign currency deposits	3,790,261,673	4,632,582,110
Savings deposits	272,704,508	262,794,966
Fixed deposits	3,517,557,165	4,369,787,144
Total	225,717,328,979	206,368,226,125

The maturity analysis of financial liabilities at amortised cost – due to depositors is given in Note 44.

29.1 Analysis of due to depositors

29.1 [a] By product

For the year ended 31st March	2025 Rs.	2024 Rs.
Savings deposits - Conventional	11,941,713,277	8,291,978,954
Savings deposits - Alternate finance	2,089,546,772	1,649,198,610
Savings deposits - Foreign currency	272,704,508	262,794,966
Fixed deposits - Conventional	186,175,997,244	170,464,256,177
Fixed deposits - Alternate finance	21,719,810,012	21,330,210,273
Fixed deposits - Foreign currency	3,517,557,165	4,369,787,144
Total	225,717,328,979	206,368,226,125

Notes to the Financial Statements

29. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS CONTD.**29.1 Analysis of due to depositors Contd.****29.1 [b] By currency**

For the year ended 31st March	2025 Rs.	2024 Rs.
Sri Lankan Rupee	221,929,875,805	201,738,452,515
United States Dollar	2,170,567,812	2,913,378,823
Great Britain Pound	697,624,276	905,732,444
Euro	377,525,795	363,331,532
Australian Dollar	541,735,291	447,330,812
Total	225,717,328,979	206,368,226,125

29.1 [c] By institution / customers

For the year ended 31st March	2025 Rs.	2024 Rs.
Deposits from banks	1,012,721,611	506,649,341
Deposits from other customers	224,704,607,368	205,861,576,784
Total	225,717,328,979	206,368,226,125

30. FINANCIAL LIABILITIES AT AMORTISED COST – BORROWINGS**Accounting Policy**

This includes interest-bearing borrowings from banks and financial institutions. Subsequent to initial recognition, these are measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost reflects the impact of any discounts, premiums, or directly attributable transaction costs. The EIR amortisation is recognised under interest expenses in the Income Statement.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Short-term borrowings	30.1	6,096,436,048	5,379,596,823
Long-term borrowings	30.2	4,444,723,945	9,075,079,559
Finance leases	30.3	127,745,867	244,734,370
Debentures	30.4	5,012,074,458	5,011,996,675
Total		15,680,980,318	19,711,407,427

30.1 Short-term loans

For the year ended 31st March	2025 Rs.	2024 Rs.
Balance at the beginning of the year	5,379,596,823	385,513,255
Loans obtained	30,000,000,000	13,000,000,000
Repayments	[29,749,091,498]	[8,183,919,004]
Interest accrued during the year	465,930,723	178,002,572
Balance as at March 31,	6,096,436,048	5,379,596,823

30.2 Long-term borrowings

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		9,075,079,559	20,618,010,036
Loans obtained		-	1,631,900,000
Repayments		(5,384,827,970)	(15,756,614,937)
Interest accrued during the year		754,472,356	2,581,784,460
Balance as at March 31,		4,444,723,945	9,075,079,559
Long-term borrowings - current		3,479,665,243	4,634,250,184
Long-term borrowings - non-current	30.2 [a]	965,058,702	4,440,829,375
Total		4,444,723,945	9,075,079,559

30.2 [a] Analysis of non-current portion of long-term borrowings

For the year ended 31st March	2025 Rs.	2024 Rs.
Repayable within 1-3 years	842,400,000	4,300,195,000
Repayable after 3 years	122,658,702	140,634,375
Total	965,058,702	4,440,829,375

30.3 Finance leases

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Gross lease rentals payable at the beginning of the year		282,495,962	38,945,681
Lease obtained		-	275,962,081
Interest accrued during the year		27,763,074	5,474,136
Lease rentals paid		(172,610,540)	(37,885,936)
Gross lease rentals payable at the end of the year		137,648,496	282,495,962
Less: Interest in suspense		(9,902,630)	(37,761,591)
Balance at the end of the year / present value of minimum lease payments		127,745,867	244,734,370

30.3 [a] Analysis of finance leases

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Repayable within one year	30.3 [b]	120,999,524	115,100,050
Repayable within 1-5 years	30.3 [c]	6,746,342	129,634,320
Total		127,745,867	244,734,370

Notes to the Financial Statements

30. FINANCIAL LIABILITIES AT AMORTISED COST – BORROWINGS CONTD.**30.3 [b] Repayable within one year**

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Gross lease rentals payable		130,639,513	142,796,633
Less: interest in suspense		[9,639,989]	[27,696,582]
		120,999,524	115,100,050

30.3 [c] Repayable within 1-5 years

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Gross lease rentals payable		7,008,983	139,699,329
Less: interest in suspense		[262,641]	[10,065,009]
		6,746,342	129,634,320

30.4 Debentures

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		5,011,996,675	8,230,218,328
Debenture redeemed		-	[2,500,000,000]
Interest accrued during the year		593,706,762	891,958,691
Interest paid		[593,628,979]	[1,610,180,343]
Balance as at March 31,		5,012,074,458	5,011,996,675

30.4 [a] Details of debentures issued

These represent unsecured, subordinated, redeemable debentures amounting to 50 million units, issued in September 2020. The debentures are listed on the Colombo Stock Exchange and are rated A [Positive] by Lanka Rating Agency.

Instrument type	No. of debentures	Face value Rs.	Rate of interest % [p.a]	Interest frequency	Maturity date	2025 Rs.	2024 Rs.
Type A - 5 Years Tenor	33,712,500	3,371,250,000	10.50	Semi-Annually	23-Sep-25	3,379,008,493	3,378,038,682
Type B - 5 Years Tenor	16,287,500	1,628,750,000	19.63	Semi-Annually	23-Sep-25	1,633,065,965	1,633,957,993
	50,000,000	5,000,000,000				5,012,074,458	5,011,996,675

31. RETIREMENT BENEFIT OBLIGATION

Accounting Policy

The accounting policies pertaining to “Retirement benefit obligation” are given in Note 9 to the Financial Statements.

31.1 Defined contribution plans

For the year ended 31st March	2025 Rs.	2024 Rs.
Employees' Provident Fund		
Employers' contribution	385,690,229	329,912,838
Employees' contribution	257,126,820	219,941,892
Employees' Trust Fund	99,885,171	81,302,997

31.2 Defined benefit plan

31.2 [a] Movement of defined benefit obligation during the year

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Provision for Gratuity			
Balance at the beginning of the year		710,960,950	652,806,770
Transfers during the year		-	[31,962,215]
Expense recognised in Profit or Loss	31.2 [b]	175,551,424	198,531,438
Benefits paid from plan		[80,911,060]	[81,019,419]
Actuarial [gains] / losses recognised during the year	31.2 [c]	[53,275,540]	[27,395,624]
Balance as at March 31,		752,325,774	710,960,950

31.2 [b] Expense recognised in Profit or Loss

For the year ended 31st March	2025 Rs.	2024 Rs.
Current service cost	83,126,501	107,138,491
Interest cost	92,424,923	91,392,947
Total expense recognised in profit or loss	175,551,424	198,531,438

Notes to the Financial Statements

31. RETIREMENT BENEFIT OBLIGATION CONTD.**31.2 Defined benefit plan Contd.****31.2 [c] Actuarial [gains] / losses recognised in other comprehensive income**

For the year ended 31st March	2025 Rs.	2024 Rs.
Cumulative [gain] / loss at the beginning of the year	73,050,306	100,445,930
Actuarial [gains] / losses due to changes in assumptions	(8,276,549)	29,864,899
Actuarial experience [gains] / losses during the year	(44,998,991)	(57,260,523)
Cumulative [gain] / loss as at March 31,	19,774,766	73,050,306

An actuarial valuation of the gratuity fund of the Company was carried out as at 31st March 2025 by Mr Piyal S Goonetilleke (Fellow of Society of Actuaries - USA) of Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the Projected Unit Credit Method, as recommended by Sri Lanka Accounting Standard - LKAS 19 [Employee Benefits].

31.2 [d] Actuarial assumptions

For the year ended 31st March	2025 Rs.	2024 Rs.
Financial assumptions		
Discount rate	12.00%	13.00%
Future salary increment rate	10.00%	11.00%
Demographic assumptions		
Mortality [Mortality Table]	RP 2000	RP 2000
Retirement age	60 years	60 years

The expected average future working life of the active participants is 11.2 years (2023/24: 10.4 years).

The discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. The future salary increment rate was also revised to align with the decrease in market interest rates. The Company adjusted the staff turnover rates used in 2025 based on the actual turnover rates during the period.

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.

31.2 [e] Sensitivity of assumptions employed in defined benefit obligation

Reasonably possible changes to one of the significant actuarial assumptions at the reporting date, while holding other assumptions constant, would have affected the gratuity liability / Statement of Comprehensive Income by the amounts shown below.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
The defined benefit obligation under current assumptions	31.2 [a]	752,325,774	710,960,950
The defined benefit obligation if the discount rate increased by 100 basis points		681,278,288	650,037,957
The defined benefit obligation if the discount rate reduced by 100 basis points		834,376,728	781,311,138
The defined benefit obligation if the salary increment rate increased by 1%		842,947,813	784,361,390
The defined benefit obligation if the salary increment rate reduced by 1%		673,385,357	646,636,025
The change in the defined benefit obligation if the discount rate increased by 100 basis points		[71,047,486]	[60,922,993]
The change in the defined benefit obligation if the discount rate reduced by 100 basis points		82,050,955	70,350,189
The change in the defined benefit obligation if the salary increment rate increased by 1%		90,622,040	73,400,441
The change in the defined benefit obligation if the salary increment rate reduced by 1%		[78,940,417]	[64,324,925]

31.2 [f] The expected payouts in the future years on defined benefit obligation

For the year ended 31st March	2025 Rs.	2024 Rs.
Within the next 12 months	82,532,261	66,876,949
Between 1 - 2 years	82,461,389	84,379,016
Between 2 - 5 years	297,292,060	287,285,417
Beyond 5 Years	833,903,267	826,605,155
Total	1,296,188,977	1,265,146,537

Notes to the Financial Statements

32. CURRENT TAX LIABILITIES

Accounting Policy

The accounting policies pertaining to "Current tax liabilities" are given in Note 13 to the Financial Statements.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		2,681,710,125	2,681,710,125
Provision for the year	13.1	-	-
Payment of tax		(669,788,818)	-
Balance as at March 31,		2,011,921,307	2,681,710,125

33. OTHER LIABILITIES

Accounting Policy

The accounting policies pertaining to "Current tax liabilities" are given in Note 13 to the Financial Statements.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Other financial liabilities			
Trade payables		1,996,620,605	102,869,442
Insurance premium payables		381,699,446	362,287,309
Amount due to related companies		825,663,740	332,082,064
Lease liability	25.1	1,515,845,166	1,201,205,928
Payable on matured deposits		59,469,840	201,762,598
		4,779,298,797	2,200,207,342
Other non-financial liabilities			
Excess payments received from clients		1,548,910,940	1,271,264,162
Stamp duty payable		33,759,347	14,689,405
Value Added Tax (VAT) / other tax payable		15,655,778,063	12,066,250,416
Crop Insurance Levy Payable		175,860,350	201,461,882
Other payables		2,329,116,094	1,882,169,205
Impairment provision in respect of off-balance sheet credit exposures	37.1	13,904,423	1,708,861
		19,757,329,218	15,437,543,931
Net other liabilities		24,536,628,015	17,637,751,273

34. STATED CAPITAL

Accounting Policy

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

For the year ended 31st March	Note	2025		2024	
		Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year		33,079,212,299	306,993,805,501	33,079,212,299	306,993,805,501
Issue of shares		-	-	-	-
Capital reduction - transfer from merger reserve	34.1	-	[262,914,889,649]	-	-
Balance as at March 31,		33,079,212,299	44,078,915,852	33,079,212,299	306,993,805,501

Rights, preferences and restrictions of classes of capital

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

34.1 Capital reduction

At the Extraordinary General Meeting held on July 29, 2024, the shareholders of the Company approved a resolution for a capital reduction in accordance with the Companies Act No. 7 of 2007. The purpose of this capital reduction was to eliminate the negative merger reserve arising from amalgamations conducted in previous years. The capital reduction involved offsetting the negative merger reserve of Rs. 262,914,889,649 against the existing stated capital of Rs. 306,993,805,501. This adjustment did not affect the company's equity, and it entailed no movement of cash or assets. Additionally, there was no impact on the number of shares outstanding for the Company.

35. RESERVES

Accounting Policy

Several statutory and voluntary reserves are maintained by the Company in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given below.

35.1 Statutory reserve fund

In accordance with Direction No. 1 of 2003 issued under the Finance Business Act No. 42 of 2011, the Company is required to maintain a statutory reserve fund and transfer a percentage of its net profits after tax and provisions each year, based on its capital adequacy position. The Company is transferring annually 5% of its net profits, after making provision for taxation and bad and doubtful debts, to a statutory reserve fund, as the capital funds exceed 25% of its total deposit liabilities.

For the year ended 31st March	Note	2025	2024
		Rs.	Rs.
Balance at the beginning of the year		6,291,146,123	5,213,771,358
Transfer during the year	36	1,254,257,040	1,077,374,766
Balance as at March 31,		7,545,403,163	6,291,146,123

Notes to the Financial Statements

35. RESERVES CONTD.**35.2 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 net assets of the acquiree. During this year as mentioned in the Note 34.1, this reserve is transferred to stated capital through a resolution of a capital reduction.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		[262,914,889,649]	[262,914,889,649]
Transfer during the year	34	262,914,889,649	-
Balance as at March 31,		-	[262,914,889,649]

35.3 Other reserves

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Revaluation reserve	35.3 [a]	2,741,285,176	1,247,187,997
Cash flow hedge reserve	35.3 [b]	-	41,014,495
Fair value reserve	35.3 [c]	169,093,515	302,199,666
Regulatory loss allowance reserve	35.3 [d]	6,243,879,069	6,816,123,553
		9,154,257,760	8,406,525,710

35.3 [a] Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land, buildings and motor vehicles and represents the fair value changes of the land, buildings and motor vehicles, as at the date of revaluation.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		1,247,187,997	1,247,187,997
Surplus on revaluation of freehold land, buildings and motor vehicles	23	2,037,975,138	-
Deferred tax effect on revaluation surplus on freehold land, buildings and motor vehicles	27.2	[27,324,939]	-
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	36	[91,911,123]	-
Transfer to retained earnings	36	[424,641,896]	-
Balance as at March 31,		2,741,285,176	1,247,187,997

During the year, the Company identified that deferred tax related to the revaluation reserve had been over-provided in the previous financial year. Accordingly, a net deferred tax adjustment of Rs. 27,324,939 was recognised in equity during the current year, in accordance with the relevant accounting requirements. In addition, a prior year deferred tax amount of Rs. 424,641,896, which had previously been recorded in retained earnings, was reclassified to the revaluation reserve to ensure appropriate presentation within equity.

35.3 [b] Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		41,014,495	41,014,495
Transfer to retained earnings	36	[41,014,495]	-
Balance as at March 31,		-	41,014,495

The Company does not currently maintain a cash flow hedge reserve, as there were no active cash flow hedging instruments in place during the current financial year. The balance of Rs. 41,014,495 previously recorded in the hedge reserve related to hedging activities undertaken in prior periods. As these hedging relationships have concluded, the remaining reserve balance was transferred to retained earnings during the year.

35.3 [c] 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.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		302,199,666	331,628,639
Net fair value gains / [losses] on remeasuring equity investments at FVOCI	21	45,393,288	[29,428,973]
Transfer to retained earnings	36	[178,499,439]	-
Balance as at March 31,		169,093,515	302,199,666

During the year, the Company identified that the fair value reserve related to government securities previously classified under FVOCI and derecognised in a prior period had not been reclassified to profit or loss as required by SLFRS 9. Accordingly, the cumulative fair value reserve amounting to Rs. 178,499,439 was transferred to retained earnings during the year.

35.3 [d] Regulatory loss allowance reserve

In accordance with Section 7.1.3 of the Finance Business Act Direction No. 01 of 2020, where the loss allowance for expected credit losses under SLFRS 9 falls below the regulatory provision, the Company is required to maintain the difference as an additional loss allowance in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings. In compliance with this requirement, the Company has transferred the required additional loss allowance from retained earnings to the RLAR during the year.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		6,816,123,553	3,231,500,379
Transfer from / [to] retained earnings	36	[572,244,483]	3,584,623,173
Balance as at March 31,		6,243,879,069	6,816,123,553

Notes to the Financial Statements

36. RETAINED EARNINGS

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		63,568,883,513	46,664,209,198
Profit for the year		25,085,140,797	21,547,495,317
Gains on remeasurement of defined benefit liability	31.2	53,275,540	27,395,624
Deferred tax effect on remeasurement of defined benefit liability	27.2	[15,982,662]	[8,218,687]
Transfer to statutory reserve fund	35.1	[1,254,257,040]	[1,077,374,766]
Transfer from / (to) regulatory loss allowance reserve	35.3 [d]	572,244,483	[3,584,623,173]
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	35.3 [a]	91,911,123	-
	35.3 [a]		
Transfer during the year	[b] & [c]	644,155,830	-
Balance as at March 31,		88,745,371,584	63,568,883,513

37. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting Policy

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. These mainly consist of financial guarantees and undrawn loan commitments to lend. Additionally, the contingencies include nominal amounts related to forward exchange contract commitments to purchase.

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Contingencies			
Guarantees issued to banks and other institutions - backed by deposits held with the Company		577,980,000	521,902,870
Commitments			
Forward exchange contracts (commitment to purchase)		865,838,050	-
Undrawn credit facilities		31,537,750,151	29,988,834,748
Provision for impairment - Undrawn credit facilities	37.1	[13,904,423]	[1,708,861]
Total		32,967,663,778	30,509,028,757

37.1 Movement in provision for impairment during the year

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024	-	1,708,861	-	1,708,861
Charge / [reversal] to the Income Statement	-	12,195,563	-	12,195,563
Net write-off during the year	-	-	-	-
Balance as at March 31, 2025	-	13,904,423	-	13,904,423

For the year ended 31st March 2024	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2023	-	2,427,890	-	2,427,890
Charge / [reversal] to the Income Statement	-	[719,029]	-	[719,029]
Net write-off during the year	-	-	-	-
Balance as at March 31, 2024	-	1,708,861	-	1,708,861

38. NET ASSET VALUE PER SHARE

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Amount used as the numerator			
Total equity attributable to equity holders of the Company		149,523,948,358	122,345,471,198
No. of ordinary shares used as the denominator			
Total number of shares as at March 31,	34	33,079,212,299	33,079,212,299
Net asset value per share		4.52	3.70

39. RELATED PARTY DISCLOSURES

Accounting Policy

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures", other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

39.1 Parent and ultimate controlling party

The Company's immediate parent is LOLC Ceylon Holdings Limited and ultimate parent undertaking and controlling entity is LOLC Holding PLC.

39.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, KMP comprise the members of the Board of Directors and identified senior management personnel of the Company, as well as those of its ultimate parent, LOLC Holdings PLC. Close Family Members (CFM) of a KMP are defined as those family members who may be expected to influence, or be influenced by, that individual in their transactions with the Company.

Notes to the Financial Statements

39. RELATED PARTY DISCLOSURES CONTD.**39.2 [a] Compensation to KMP**

For the year ended 31st March	2025 Rs.	2024 Rs.
Short-term employment benefits [*]	222,996,980	200,073,079
Total	222,996,980	200,073,079

[*] The short-term employment benefits include only the directors fees and emoluments paid to Directors & KMPs. This is also included under Note 9 & 11.

39.2 [b] Transactions, arrangements and agreements involving KMP and their Close Family Members [CFM]

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. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM too have been identified as Related Parties of the Company. All transactions have been carried out on an arm's length basis, and the details of such transactions are disclosed below.

For the year ended 31st March	Reported Under	Note	2025 Rs.	2024 Rs.
Statement of Financial Position				
Assets				
Outstanding on facilities granted to KMPs	Financial assets at amortised cost – loans and advances		158,194,811	90,303,198
Liabilities				
Deposits held with the Company	Financial liabilities at amortised cost – due to depositors		1,758,096,101	1,091,123,253
Interest payable	Financial liabilities at amortised cost – due to depositors		167,890,521	79,654,829
Statement of Profit or Loss				
Interest income	Interest income		120,987,389	13,075,066
Interest expense	Interest expense		262,019,061	61,267,605
Compensation to KMP	Other operating expenses	39.2 [a]	222,996,980	200,073,079
Other Information				
Loans granted during the period			132,614,525	76,790,364
Rental collections			280,909,594	66,502,838
Accommodation outstanding as a percentage of the Company's Capital Funds			0.15%	0.10%

No impairment losses have been recorded against balances outstanding with KMP and CFM. There were no significant transactions, arrangements and agreements during the year involving entities that are controlled, and/or jointly controlled by KMP or their CFM.

39.3 Transactions with related entities

Aggregate value of transactions with related entities are disclosed below.

For the year ended 31st March		2025	2024
Description of Transaction	Reported Under	Rs.	Rs.
[a] Ultimate Parent			
Statement of Financial Position			
Liabilities			
Inter-company payable	Other liabilities	579,863,972	148,894,353
Deposits	Financial liabilities at amortised cost – due to depositors	302,007,197	-
Statement of Profit or Loss			
Income			
Rent income	Sundry and other operating income	62,842,522	34,396,920
Expenses			
Interest expense	Interest expense	4,967,996	-
Fund transfer interest	Interest expense	20,160,478	105,452,808
Reimbursement of expenses	Other operating expenses	3,472,210,006	2,842,038,087
Asset hire charges	Other operating expenses	6,835,818	194,414,320
Show back charges	Other operating expenses	541,032,485	735,940,032
Rent expense	Other operating expenses	167,510,544	-
Other Information			
Net funds granted / [settled] to the Parent during the period [excluding opening balance]		(3,713,937,190]	806,789,422

Notes to the Financial Statements

39. RELATED PARTY DISCLOSURES CONTD.

For the year ended 31st March		2025	2024
Description of Transaction	Reported Under	Rs.	Rs.
(b) Fellow Subsidiaries			
Statement of Financial Position			
Assets			
Outstanding on facilities granted	Financial assets at amortised cost – loans and advances	9,818,173,881	7,683,969,353
Inter-company receivable	Other Assets	56,700,133	111,145,631
Liabilities			
Deposits	Financial liabilities at amortised cost – due to depositors	256,785,079	228,955,094
Long term loan	Financial liabilities at amortised cost – borrowings	328,782,000	333,022,200
Interest payable	Financial liabilities at amortised cost – borrowings	60,167,106	43,246,693
Inter-company payable	Other Liabilities	245,799,768	183,187,711
Statement of Profit or Loss			
Income			
Interest income	Interest income	2,134,190,928	1,759,618,806
Rent Income	Sundry and other operating income	118,673,509	54,628,907
Franchise fee income	Sundry and other operating income	880,439,503	692,434,705
Expenses			
Interest expense	Interest expense	8,922,503	58,627,175
IT service fee	Other operating expenses	1,143,787,597	1,254,344,470
Services / Maintenance fee	Other operating expenses	125,354,792	157,361,491
Other operating expenses	Other operating expenses	375,433,553	97,736,271
Insurance premium expense	Other operating expenses	619,539,480	104,885,835
Other Information			
Loan / lease granted	Disbursements	6,300,000,000	5,598,330,683
Rental collections	Collections	10,134,861,962	6,984,339,536
Accommodation outstanding as a percentage of the Company's Capital Funds		9.03%	8.83%

39.4 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross revenue of the Company.

39.5 Non-recurrent related party transactions

There are no non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, which ever is lower.

40. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

For the year ended 31st March		2025	2024
Nature of Assets	Nature of Liability	Rs.	Rs.
	Nature of Liability		
	Short-term borrowing	10,007,103,744	20,567,201,260

The financial assets have been pledged as collateral against the borrowings obtained by the Company. In the event of non-payment or default, the lender retains the right to claim against the pledged lease receivables to recover the outstanding obligations.

41. COMPARATIVE INFORMATION

Comparative information has been reclassified to conform to the current year presentation, where necessary. No information has been restated.

42. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below.

Proposed Share Repurchase

Subsequent to the reporting date, the Board of Directors of the Company approved a proposal to undertake a share repurchase at a repurchase price of Rs. 6.00 per share, subject to the necessary regulatory approvals. The maximum number of shares to be repurchased under this offer is 3,519,065,138. The offer period will commence on 30th June 2025 and close on 8th July 2025.

The repurchase will be carried out in accordance with the provisions of Section 64 of the Companies Act No. 07 of 2007 and the guidelines issued by the Central Bank of Sri Lanka relating to profit distributions of Licensed Finance Companies. The Company has obtained a solvency certificate and a fair value opinion from its external auditors, as required under Section 64(2) of the Companies Act No. 07 of 2007. The Board of Directors has confirmed that the proposed repurchase is in the best interest of the Company and that the consideration offered is fair and reasonable.

In accordance with Sri Lanka Accounting Standard – LKAS 10 Events After the Reporting Period, this proposed share repurchase has not been recognised in the financial statements as at 31 March 2025, as it constitutes a non-adjusting event.

43. OPERATING SEGMENTS

Accounting Policy

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 the following strategic divisions, which are identified as reportable operating segments:

- » SME Finance
- » Personal Finance
- » Alternate Finance
- » Gold Loan
- » Others

Segment performance is evaluated based on operating profits or losses, which, in certain respects, may be measured differently from those presented in the Financial Statements. The following table presents the income, profit, and asset and liability information of the Company's strategic business divisions for the year ended March 31, 2025, along with comparative figures for the year ended March 31, 2024.

Notes to the Financial Statements

43. OPERATING SEGMENTS CONTD.

For the year ended 31 st March 2025

Item	SME Finance Rs.	Personal Finance Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations) / Unallocated Rs.	Total / Consolidated Rs.
Interest income	47128,896,422	7545,014,958	7054,981,214	5907,090,814	5,171,618,925	(4,489,968,972)	68,317,633,361
Interest expense	(17,263,420,963)	(2,071,013,210)	(2,233,625,831)	(2,924,156,716)	(1,610,252,765)	(109,008,261)	(26,211,477,746)
Net interest income	29,865,475,459	5,474,001,748	4,821,355,384	2,982,934,098	3,561,366,160	(4,598,977,233)	42,106,155,615
Net fee and commission income	976,945,627	117,522,251	541,659,219	173,036,512	76,397,529	656,969,331	2,542,530,470
Net gains / (losses) from trading	-	-	-	-	-	2,011,227,986	2,011,227,986
Net other operating income	378,631,838	45,547,740	25,183,672	67,063,233	29,609,157	(969,673,992)	(423,638,352)
Total other operating income	1,355,577,465	163,069,991	566,842,891	240,099,745	106,006,687	1,698,523,326	4,130,120,104
Net operating income	31,221,052,924	5,637,071,739	5,388,198,274	3,223,033,842	3,667,372,847	(2,900,453,908)	46,236,275,719
Less: Expenses							
Impairment (charge) / reversal	(1,102,906,550)	1,211,440,201	(138,698,939)	17,919,997	(49,919,722)	7,789,235,201	7,727,070,189
Total operating expenses	(14,487,362,863)	(2,782,261,416)	(2,203,376,901)	(1,981,976,624)	(135,505,565)	(1,573,892,371)	(23,164,375,740)
VAT and other taxes on financial services	(3,367,042,399)	(875,516,055)	(638,628,563)	(262,148,199)	(381,091,948)	(212,236,567)	(5,736,663,732)
Profit from operating activities	12,263,741,112	3,190,734,469	2,407,493,871	996,829,017	3,100,855,611	3,102,652,355	25,062,306,435
Share of profit of equity accounted investee	-	-	-	-	-	22,834,362	22,834,362
Profit before income tax expense	12,263,741,112	3,190,734,469	2,407,493,871	996,829,017	3,100,855,611	3,125,486,717	25,085,140,797
Other information							
Depreciation	566,367,820	70,968,952	155,009,765	107,711,216	43,386,921	361,303,611	1,304,748,285
Capital expenditure - Property Plant and equipment	759,994,492	95,231,421	155,245,528	144,534,926	58,219,800	484,824,075	1,698,050,242
Total assets	192,335,650,616	24,100,697,504	39,288,771,029	36,578,184,781	14,733,979,338	122,696,881,128	429,734,164,397
Total liabilities	123,170,106,665	15,433,880,681	30,172,323,458	23,424,356,882	9,435,514,430	78,574,033,923	280,210,216,038

For the year ended 31st March 2024

Item	SME Finance Rs.	Personal Finance" Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations)/ Unallocated Rs.	Total / Consolidated Rs.
Interest income	55,564,194,047	6,940,278,001	6,606,315,881	8,736,538,297	6,061,028,215	[8,914,431,495]	74,993,922,946
Interest expense	[24,050,246,061]	[2,702,089,454]	[3,498,233,581]	[4,142,531,259]	[2,196,379,388]	[429,750,024]	[37,019,229,768]
Net interest income	31,513,947,986	4,238,188,547	3,108,082,300	4,594,007,037	3,864,648,827	[9,344,181,520]	37,974,693,177
Net fee and commission income	754,083,407	78,577,901	451,752,552	133,350,547	65,793,117	559,997,171	2,043,554,694
Net gains / (losses) from trading	-	-	-	-	-	3,349,401,120	3,349,401,120
Net other operating income	220,623,576	22,989,682	28,160,485	39,014,616	19,249,214	7,065,106,338	7,395,143,911
Total other operating income	974,706,983	101,567,583	479,913,037	172,365,162	85,042,331	10,974,504,629	12,788,099,725
Net operating income	32,488,654,969	4,339,756,130	3,587,995,337	4,766,372,200	3,949,691,158	1,630,323,109	50,762,792,902
Less: Expenses							
Impairment (charge) / reversal	[2,451,360,599]	405,251,177	[242,868,019]	[133,228,869]	796,491,169	[3,030,995,129]	[4,656,710,270]
Total operating expenses	[14,210,620,347]	[2,523,720,374]	[1,710,923,945]	[1,924,060,478]	[1,448,091,319]	690,705,478	[21,126,710,984]
VAT and other taxes on financial services	[2,533,408,534]	[354,807,846]	[332,686,669]	[432,723,858]	[411,375,948]	599,192,907	[3,465,809,949]
Profit from operating activities	13,293,265,489	1,866,479,087	1,301,516,704	2,276,358,995	2,886,715,060	[110,773,635]	21,513,561,699
Share of profit of equity accounted investee	-	-	-	-	-	33,933,617	33,933,617
Profit before income tax expense	13,293,265,489	1,866,479,087	1,301,516,704	2,276,358,995	2,886,715,060	[76,840,018]	21,547,495,316
Other information							
Depreciation	535,654,555	61,349,598	77,903,517	86,827,513	42,871,206	381,499,315	1,186,105,705
Capital expenditure - Property Plant and equipment	1,147,278,563	131,400,132	216,805,070	185,969,378	91,822,641	817,104,946	2,590,380,731
Total assets	167,182,295,587	19,147,726,088	31,592,997,978	27,099,597,779	13,380,464,297	119,069,147,696	377,472,229,425
Total liabilities	111,288,860,274	12,746,138,015	24,884,044,278	18,039,490,008	8,907,023,416	79,261,202,237	255,126,758,227

Notes to the Financial Statements

44. MATURITY ANALYSIS

Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets employed by the Company is detailed below:

Item	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total as at 31.03.2025	Total as at 31.03.2024
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets							
Cash and cash equivalents	8,578,933,549	-	-	-	-	8,578,933,549	11,486,913,701
Placements with banks	2,699,465,246	94,785,677	-	-	-	2,794,250,923	4,060,474,917
Securities purchased under resale agreements	280,245,481	-	-	-	-	280,245,481	2,318,268,248
Derivative financial instruments	6,499,209	-	-	-	-	6,499,209	-
Financial assets recognised through profit or loss - measured at fair value	19,942,280,119	748,942,867	3,693,830,323	5,895,582,587	3,044,327,889	33,324,963,786	32,215,625,057
Financial assets at amortised cost - loans and advances to customers	59,682,264,222	82,828,934,991	121,645,391,616	33,209,013,321	143,535,607	297,509,139,757	249,641,762,357
Financial assets at amortised cost - debt and other financial instruments	1,367,462,869	615,971,392	1,253,600,119	1,594,040,619	9,997,089,580	14,828,164,580	12,990,946,525
Financial assets measured at fair value through other comprehensive income	-	-	-	-	323,720,733	323,720,733	278,327,445
Investment in associate	-	-	-	-	-	-	249,943,293
Property, plant and equipment	-	-	-	-	14,238,536,560	14,238,536,560	11,062,853,827
Intangible assets	-	-	-	-	60,107,649	60,107,649	39,582,753
Right-of-use assets	71,679,546	221,420,973	505,081,811	341,962,853	341,056,124	1,481,201,306	1,260,180,730
Investment properties	-	-	-	-	55,029,900,000	55,029,900,000	48,313,343,393
Other assets	82,806,034	1,195,694,831	-	-	-	1,278,500,865	3,554,007,179
Total assets as at 31.03.2025	92,711,636,274	85,705,750,730	12,709,790,870	41,040,599,380	83,178,274,142	429,734,164,397	377,472,229,425
Total assets as at 31.03.2024	94,418,385,522	89,837,773,842	90,476,153,632	26,491,795,455	76,248,120,973		377,472,229,425

(ii)

Remaining contractual period to maturity as at the date of Statement of Financial Position of the liabilities and equity employed by the Company is detailed below:

Item	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total as at 31.03.2025	Total as at 31.03.2024
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Liabilities							
Bank overdraft	8,516,663,167	-	-	-	-	8,516,663,167	5,017,647,042
Derivative financial instruments	1,937,593	-	-	-	-	1,937,593	-
Financial liabilities at amortised cost – due to depositors	112,413,378,196	74,127,680,240	35,440,761,244	3,735,509,299	-	225,717,328,979	206,368,226,125
Financial liabilities at amortised cost – borrowings	4,238,263,757	9,783,439,109	1,536,618,750	122,658,702	-	15,680,980,318	19,711,407,427
Retirement benefit obligation	-	-	-	752,325,774	-	752,325,774	710,960,950
Current tax liabilities	-	2,011,921,307	-	-	-	2,011,921,307	2,681,710,125
Deferred tax liabilities	-	-	2,992,430,886	-	-	2,992,430,886	2,999,055,285
Other liabilities	5,193,822,727	18,120,110,671	221,420,973	660,217,520	341,056,124	24,536,628,015	17,637,751,273
Total liabilities as at 31.03.2025	130,364,065,440	104,043,151,327	40,191,231,853	5,270,711,294	341,056,124	280,210,216,038	255,126,758,227
Total liabilities as at 31.03.2024	139,506,949,042	59,876,210,664	34,213,779,492	21,381,565,930	148,253,098		255,126,758,227
Equity							
Stated capital	-	-	-	-	44,078,915,852	44,078,915,852	306,993,805,501
Reserves							
Statutory reserve fund	-	-	-	-	7,545,403,163	7,545,403,163	6,291,146,123
Merger reserve	-	-	-	-	-	-	(262,914,889,649)
Other reserves	-	-	-	-	9,154,257,760	9,154,257,760	8,406,525,710
Retained earnings	-	-	-	-	88,745,371,584	88,745,371,584	63,568,883,513
Total equity as at 31.03.2025	-	-	-	-	149,523,948,359	149,523,948,359	122,345,471,198
Total equity as at 31.03.2024	-	-	-	-	122,345,471,198		122,345,471,198
Total liabilities and equity as at 31.03.2025	130,364,065,440	104,043,151,327	40,191,231,853	5,270,711,294	149,865,004,483	429,734,164,397	377,472,229,425
Total liabilities and equity as at 31.03.2024	139,506,949,042	59,876,210,664	34,213,779,492	21,381,565,930	122,493,724,296		377,472,229,425

Notes to the Financial Statements

45. FAIR VALUE OF ASSETS & LIABILITIES

Accounting Policy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) 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, 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 prices 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 financial instruments valued using techniques that rely on significant unobservable inputs. These may involve adjustments to quoted prices of similar instruments or models such as discounted cash flows. Key inputs and assumptions include interest rates, risk premiums, market prices, exchange rates, and price volatilities.

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 Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values

For the year ended 31st March 2025

Item	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.	Total carrying amount Rs.
Financial Assets					
Cash and cash equivalents	-	8,578,933,549	-	8,578,933,549	8,578,933,549
Placements with banks	-	2,794,250,923	-	2,794,250,923	2,794,250,923
Securities purchased under resale agreements	-	280,245,481	-	280,245,481	280,245,481
Derivative financial instruments	-	6,499,209	-	6,499,209	6,499,209
Financial assets - fair value through profit or loss	31,181,526,056	-	2,143,437,730	33,324,963,786	33,324,963,786
Financial assets at amortised cost - loans and advances	-	297,486,139,772	-	297,486,139,772	297,509,139,757
Financial assets at amortised cost - debt instruments	13,263,650,655	640,927,123	-	13,904,577,778	14,828,164,580
Financial assets - fair value through OCI	-	323,720,733	-	323,720,733	323,720,733
Other financial assets	-	535,355,437	-	535,355,437	535,355,437
Total financial assets	44,445,176,710	310,646,072,227	2,143,437,730	357,234,686,667	358,181,273,454
Financial Liabilities					
Bank overdraft	-	8,516,663,167	-	8,516,663,167	8,516,663,167
Derivative financial instruments	-	1,937,593	-	1,937,593	1,937,593
Financial liabilities at amortised cost - due to depositors	-	230,572,571,747	-	230,572,571,747	225,717,328,979
Financial liabilities at amortised cost - borrowings	-	15,542,959,060	-	15,542,959,060	15,680,980,318
Other financial liabilities	-	4,779,298,797	-	4,779,298,797	4,779,298,797
Total financial liabilities	-	259,413,430,364	-	259,413,430,364	254,696,208,854

Notes to the Financial Statements

45. FAIR VALUE OF ASSETS & LIABILITIES CONTD.

For the year ended 31st March 2024

Item	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.	Total carrying amount Rs.
Financial Assets					
Cash and cash equivalents	-	11,486,913,701	-	11,486,913,701	11,486,913,701
Placements with banks	-	4,060,474,917	-	4,060,474,917	4,060,474,917
Securities purchased under resale agreements	-	2,318,268,248	-	2,318,268,248	2,318,268,248
Derivative financial instruments	-	-	-	-	-
Financial assets - fair value through profit or loss	30,085,286,383	-	2,130,338,674	32,215,625,057	32,215,625,057
Financial assets at amortised cost - loans and advances	-	253,061,218,389	-	253,061,218,389	249,641,762,357
Financial assets at amortised cost - debt instruments	12,890,937,180	2,099,110,886	-	14,990,048,066	12,990,946,525
Financial assets - fair value through OCI	-	278,327,445	-	278,327,445	278,327,445
Other financial assets	-	117,978,883	-	117,978,883	117,978,883
Total financial assets	42,976,223,563	273,422,292,469	2,130,338,674	318,528,854,706	313,110,297,133
Financial Liabilities					
Bank overdraft	-	5,017,647,042	-	5,017,647,042	5,017,647,042
Derivative financial instruments	-	-	-	-	-
Financial liabilities at amortised cost - due to depositors	-	211,227,572,754	-	211,227,572,754	206,368,226,125
Financial liabilities at amortised cost - borrowings	-	20,105,433,551	-	20,105,433,551	19,711,407,427
Other financial liabilities	-	2,200,207,342	-	2,200,207,342	2,200,207,342
Total financial liabilities	-	238,550,860,688	-	238,550,860,688	233,297,487,936

46. FINANCIAL RISK MANAGEMENT

As a licensed finance company, we are exposed to following risks from its use of financial instruments:

- » Credit risk
- » Liquidity risk and
- » Market risks

Effective risk management is essential for maintaining financial stability and optimising value within our defined risk appetite. The Company's risk management function is focused on identifying, assessing, and mitigating key risks, while also ensuring sound capital management practices.

46.1 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.

46.2 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.

46.2 [a] Management of credit risk

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.

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.

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 2025 [March 2024: no collateral held].

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46. FINANCIAL RISK MANAGEMENT CONTD.**46.2 Credit Risk Contd.****46.2 [b] Assessment of Expected Credit Losses****46.2 [b] [i] Analysis of the total impairment for expected credit losses**

For the year ended 31st March 2025	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Finance lease receivable	19.3	122,511,771	155,528,042	3,475,246,542	3,753,286,355
Loans and advances		214,300,098	263,198,408	3,500,737,632	3,978,236,138
Financial assets at amortised cost – debt and other financial instruments		-	81,227,434	-	81,227,434
Sri Lanka International Sovereign Bonds	20.1	-	81,227,434	-	81,227,434
Other debt securities	20.1	-	-	-	-
Other financial assets and credit related commitments		-	13,904,423	590,163,054	604,067,478
Insurance premium receivables	28.2	-	-	590,163,054	590,163,054
Credit related commitments	37.1	-	13,904,423	-	13,904,423
		336,811,868	513,858,307	7,566,147,229	8,416,817,404

For the year ended 31st March 2024	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19.0	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Finance lease receivable	19.3	102,738,877	104,872,321	3,686,299,958	3,893,911,156
Loans and advances		213,794,476	142,095,351	4,480,594,762	4,836,484,589
Financial assets at amortised cost – debt and other financial instruments		-	-	7,392,927,934	7,392,927,934
Sri Lanka International Sovereign Bonds	20.1	-	-	7,392,927,934	7,392,927,934
Other debt securities	20.1	-	-	-	-
Other financial assets and credit related commitments		-	1,708,861	1,079,893,318	1,081,602,178
Insurance premium receivables	28.2	-	-	1,079,893,318	1,079,893,318
Credit related commitments	37.1	-	1,708,861	-	1,708,861
		316,533,353	248,676,533	16,639,715,972	17,204,925,857

46.2 [b] (ii) Movement of the total allowance for expected credit losses during the period

For the year ended 31st March	Note	2025 Rs.	2024 Rs.
Balance at the beginning of the year		17,204,925,857	17,336,380,979
Charge / [reversal] to the Income Statement		[7,727,070,189]	4,656,710,270
Stage 1	19.2, 20.1, 28.2 & 37.1	20,278,516	[536,628,414]
Stage 2	19.2, 20.1, 28.2 & 37.1	265,181,774	[217,845,731]
Stage 3	19.2, 20.1, 28.2 & 37.1	[8,012,530,479]	5,411,184,416
Net write-off during the year	19.2	[1,061,038,264]	[4,788,165,391]
Balance as at March 31,		8,416,817,404	17,204,925,857

46.2 [b] (iii) Sensitivity of factors used to determine impairment provisions

Determination of impairment allowance for loans and advances involves significant management judgement. Key assumptions such as PD, LGD and property foreclosure periods for individually significant exposures are subject to estimation uncertainty. Variations in these assumptions could materially impact the level of impairment recognised. The tables below illustrate the sensitivity of the Company's impairment allowance to changes in these key variables as at 31st March 2025 and 31st March 2024.

For the year ended 31st March 2025

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss [increase/(decrease) in impairment provision]

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Probability of Default (PD)				
Increase existing PD by 1% across all age buckets	3,368,119	4,187,265	-	7,555,383
Decrease existing PD by 1% across all age buckets	[3,368,119]	[4,187,265]	-	[7,555,383]
Loss Given Default (LGD)				
5% increase	16,270,120	20,933,804	248,888,718	286,092,643
5% decrease	[16,270,120]	[20,933,804]	[248,888,718]	[286,092,643]
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	9,514,268	135,924,444	145,438,713
Decrease by 1 year	-	-	[88,143,800]	[88,143,800]

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.2 Credit Risk Contd.****46.2 [b] Assessment of Expected Credit Losses Contd.****46.2 [b] [iii] Sensitivity of factors used to determine impairment provisions****For the year ended 31st March 2024**

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss (increase/(decrease) in impairment provision)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Probability of Default [PD]				
Increase existing PD by 1% across all age buckets	3,165,334	2,469,677	-	5,635,010
Decrease existing PD by 1% across all age buckets	[3,165,334]	[2,469,677]	-	[5,635,010]
Loss Given Default [LGD]				
5% increase	21,553,265	2,519,593	314,501,827	338,574,685
5% decrease	[21,553,265]	[2,519,593]	[314,501,827]	[338,574,685]
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	-	13,604,899	13,604,899
Decrease by 1 year	-	-	[7,531,389]	[7,531,389]

46.2 [b] [iv] Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Company as at 31st March 2025 would have reduced by approximately 4% [2024 - 1%]. The total loans and advances in stage 2 as at 31st March 2025 amounts to Rs 152 Bn.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Company as at 31st March 2025 would have further increased by approximately 8% [2024 - 8%]. The total loans and advances in stage 1 as at 31st March 2025 amounts to Rs 680 Bn. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is remote, based on current credit risk assessments and portfolio performance.

The increase/decrease in impairment has been calculated excluding the allowance for overlay recognised as at the reporting date.

46.2 [c] Collateral and Other Credit Enhancements

46.2 [c] [i] Net exposure to credit risk

The Company does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by treasury bills and treasury bonds. Except for the above, the Company has recognised ECL for all other financial assets measured at amortised cost, wherever necessary.

The following table shows the maximum exposure and net exposure [net of fair value of any collaterals held] to credit risk by class of financial asset, before netting off impairment for expected credit losses.

For the year ended 31st March	Note	2025		2024	
		Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
Financial Assets					
Cash and cash equivalents	15	8,578,933,549	8,578,933,549	11,486,913,701	11,486,913,701
Placements with banks	16	2,794,250,923	2,794,250,923	4,060,474,917	4,060,474,917
Securities purchased under resale agreements		280,245,481	-	2,318,268,248	-
Derivative financial instruments	17	6,499,209	6,499,209	-	-
Financial assets recognised through profit or loss – measured at fair value	18	33,324,963,786	19,086,456,705	32,215,625,057	17,444,849,777
Financial assets at amortised cost – loans and advances	19	305,240,662,250	3,036,628,382	258,372,158,102	10,364,639,362
Financial assets at amortised cost – debt and other financial instruments	20	14,909,392,014	7,905,009,339	20,383,874,459	16,884,966,754
Other financial assets	28	1,125,518,492	1,125,518,492	117,978,883	117,978,883
		366,583,209,217	42,856,040,114	329,232,643,594	60,637,173,622
Credit related commitments and contingencies		32,981,568,201	19,254,065,452	30,510,737,618	21,493,117,799

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.2 Credit Risk Contd.****46.2 [c] Collateral and Other Credit Enhancements Contd.****46.2 [c] (ii) Stage-wise analysis of collateral held against loans & advances**

The following table sets out the principle types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

For the year ended 31st March	2025		2024	
	Mix %	Amortised Cost Rs	Mix %	Amortised Cost Rs
Stage 1	2.49	4,016,648,588	3.56	6,044,992,916
Deposits held with the Company	22.39	36,103,512,109	13.86	23,509,839,988
Gold	59.10	95,322,074,683	69.70	118,235,602,570
Motor vehicle	4.05	6,532,153,265	5.07	8,596,917,816
Immovable property	2.52	4,067,101,342	3.82	6,478,066,443
Quoted & unquoted shares	9.19	14,826,102,856	3.77	6,392,800,474
Other securities [*]	0.25	409,475,075	0.22	381,166,355
Unsecured	100.00	161,277,067,918	100.00	169,639,386,562
Stage 2	3.94	4,532,287,418	5.42	2,169,972,462
Deposits held with the Company	2.55	2,931,101,891	6.28	2,515,527,799
Gold	77.86	89,536,137,610	80.48	32,244,005,774
Motor vehicle	7.82	8,991,970,023	3.73	1,492,871,938
Immovable property	-	-	-	-
Quoted & unquoted shares	7.80	8,966,564,641	4.03	1,616,034,087
Other securities [*]	0.04	43,495,622	0.07	28,225,729
Unsecured	100.00	115,001,557,206	100.00	40,066,637,790
Stage 3	1.70	449,090,345	4.43	1,716,848,008
Deposits held with the Company	1.26	332,722,123	6.82	2,641,729,055
Gold	69.18	18,263,877,171	64.96	25,158,401,070
Motor vehicle	20.80	5,491,707,765	14.61	5,659,800,445
Immovable property	0.44	117,271,553	-	-
Quoted & unquoted shares	6.53	1,723,710,485	9.12	3,534,107,893
Other securities [*]	0.09	23,670,439	0.05	19,225,912
Unsecured	100.00	26,402,049,880	100.00	38,730,112,384

[*] Other securities include inventories, trade receivable, personal guarantees and corporate guarantees etc.

46.2 [c] (iii) Concentrations of credit risk

The Company actively monitors credit risk concentrations by large exposures, industry, product etc, as detailed in Note 19.1 & 46.2 [c] (iii) to the financial statements. In order to manage and mitigate potential credit concentration risks, the Company maintains an acceptable level of risk diversification across its lending portfolio. These risk concentrations limits are continuously monitored to ensure adherence and alignment with the Company's overall risk management strategy.

Provincial breakdown for loans & advances

For the year ended 31st March	2025 Rs.	2024 Rs.
Central	34,041,654,932	28,044,416,424
Eastern	22,313,272,926	18,323,841,048
North Central	26,512,123,995	20,422,437,070
North Western	25,568,006,568	20,245,824,822
Northern	23,596,757,485	17,436,097,407
Sabaragamuwa	16,648,038,435	13,540,229,477
Southern	27,907,149,411	23,094,517,993
Uva	11,571,787,457	9,714,425,154
Western	117,081,871,041	107,550,368,707
Total	305,240,662,250	258,372,158,102

46.2 [d] Stage-wise movement of loans & advances

Changes in the gross carrying amount of loans & advances and commitments & contingencies during the period that contributed to the changes in impairment provisions is given below.

46.2 [d] [i] Stage -wise movement of gross values of loans and advances

	Stage 01 12-month ECL Rs.	Stage 02 Lifetime ECL but not credit impaired Rs.	Stage 03 Lifetime ECL credit impaired Rs.	Total Rs.
Balance as at April 01, 2024	177,933,791,182	40,228,417,162	40,149,949,758	258,372,158,102
New assets originated or purchased	281,772,538,249	48,912,245,269	2,208,881,482	332,893,665,000
Changes in the gross carrying amount				
Transfer to stage 1	6,201,397,832	(5,214,560,885)	(986,836,947)	-
Transfer to stage 2	(17,934,851,727)	19,231,271,649	(1,296,419,922)	-
Transfer to stage 3	(7,339,432,705)	(5,597,085,623)	12,936,518,328	-
Financial assets that have been derecognised	(271,251,593,105)	(41,271,234,720)	(26,567,949,601)	(339,090,777,426)
Write-offs during the year	-	-	(3,713,966,624)	(3,713,966,624)
Changes to contractual cash flows due to modifications	38,692,302,134	12,911,528,261	5,175,752,803	56,779,583,198
Balance as at March 31, 2025	208,074,151,860	69,260,581,114	27,905,929,277	305,240,662,250
Balance as at April 01, 2023	197,596,473,615	23,227,656,729	37,636,974,490	258,461,104,835
New assets originated or purchased	224,832,363,134	20,485,597,972	7,093,417,345	252,411,378,451
Changes in the gross carrying amount				
Transfer to stage 1	4,910,996,820	(3,354,914,913)	(1,556,081,907)	-
Transfer to stage 2	(20,972,532,442)	22,242,068,555	(1,269,536,113)	-
Transfer to stage 3	(12,602,568,170)	(6,185,265,886)	18,787,834,056	-
Financial assets that have been derecognised	(259,242,200,000)	(25,962,718,117)	(22,776,022,269)	(307,980,940,386)
Write-offs during the year	-	-	(7,572,059,453)	(7,572,059,453)
Changes to contractual cash flows due to modifications	43,411,258,225	9,835,992,822	9,805,423,609	63,052,674,656
Balance as at March 31, 2024	177,933,791,182	40,288,417,162	40,149,949,758	258,372,158,102

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.2 Credit Risk Contd.**

46.2 [d] Stage-wise movement of loans & advances Contd.

46.2 [d] [ii] Stage-wise movement of impairment for loans and advances

	Stage 01 12-month ECL Rs.	Stage 02 Lifetime ECL but not credit impaired Rs.	Stage 03 Lifetime ECL credit impaired Rs.	Total Rs.
Provision for impairment as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Net impairment charge for the year due to:				
New assets originated or purchased	205,676,328	498,252,842	467,722,487	1,171,651,657
Changes in the gross carrying amount				
Transfer to stage 1	127,496,218	[42,413,607]	[85,082,611]	-
Transfer to stage 2	[65,403,809]	150,616,936	[85,213,127]	-
Transfer to stage 3	[50,568,982]	[73,835,231]	124,404,213	-
Net remeasurement of impairment	[52,921,030]	[237,563,695]	3,262,436,692	2,971,951,967
Financial assets that have been derecognised	[144,000,209]	[123,298,467]	[3,814,139,935]	[4,081,438,611]
Net write-offs during the year	-	-	[1,061,038,264]	[1,061,038,264]
Provision for impairment as at March 31, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Provision for impairment as at April 01, 2023	853,161,767	464,094,374	10,575,589,854	11,892,845,995
Net impairment charge for the year due to:				
New assets originated or purchased	218,953,317	126,667,816	286,389,689	632,010,822
Changes in the gross carrying amount				
Transfer to stage 1	369,297,801	[68,847,646]	[300,450,155]	-
Transfer to stage 2	[114,635,735]	298,331,055	[183,695,320]	-
Transfer to stage 3	[91,205,503]	[136,371,237]	227,576,740	-
Net remeasurement of impairment	[569,884,769]	[258,771,161]	7,723,595,016	6,894,939,087
Financial assets that have been derecognised	[349,153,526]	[178,135,530]	[5,373,945,712]	[5,901,234,768]
Net write-offs during the year	-	-	[4,788,165,391]	[4,788,165,391]
Provision for impairment as at March 31, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745

46.2 [d] (iii) Credit-impaired loans and advances

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired [Stage 3] loans and advances as detailed below:

For the year ended 31st March	2025 Rs.	2024 Rs.
Balance of credit impaired loans and advances to other customers at the beginning of the year	40,149,949,758	37,636,974,490
Newly classified as impaired loans and advances during the year	15,145,399,810	25,881,251,401
Net change in already impaired loans and advances during the year	(28,851,206,470)	(25,601,640,289)
Net payment, write-off and recoveries and other movements during the year	1,461,786,179	2,233,364,156
Balance of credit impaired loans and advances to customers as at March 31,	27,905,929,277	40,149,949,758

46.3 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. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations, make sure receipt of funds when they are due and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, under both normal and stressed conditions.

46.3 [a] 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.

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.3 Liquidity Risk Contd.****46.3 [b] Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments****46.3 [b] (i) Contractual maturities of undiscounted cash flows of financial assets and financial liabilities**

The tables below summarise the maturity profile of the undiscounted cash flows of the Company's financial assets and financial liabilities as at 31st March 2025 and 31st March 2024. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	8,578,933,549	-	-	-	-	8,578,933,549
Placements with banks	2,671,093,632	93,241,940	-	-	-	2,764,335,572
Securities purchased under resale agreements	280,245,479	-	-	-	-	280,245,479
Derivative financial instruments	375,505,100	-	-	-	-	375,505,100
Financial assets - fair value through profit or loss	19,889,551,544	720,475,973	3,123,930,389	5,324,961,000	2,438,774,637	31,497,693,544
Financial assets at amortised cost - loans and advances	65,903,228,926	102,532,035,303	141,424,972,015	35,689,281,592	154,719,797	345,704,237,633
Financial assets at amortised cost - debt and other financial instruments	2,025,352,170	596,852,878	2,092,870,432	3,497,726,143	11,985,673,818	20,198,475,441
Financial assets measured at fair value through other comprehensive income	-	-	-	-	323,720,733	323,720,733
Other financial assets	56,700,133	86,499,133	982,319,226	-	-	1,125,518,492
Total financial assets	99,780,610,533	104,029,105,227	147,624,092,063	44,511,968,735	14,902,888,985	410,848,665,542
Financial Liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	8,516,663,167
Derivative financial instruments	490,332,950	-	-	-	-	490,332,950
Financial liabilities at amortised cost - due to depositors	112,052,082,575	76,002,091,052	39,106,748,544	4,131,063,564	-	231,291,985,736
Financial liabilities at amortised cost - borrowings	4,492,353,325	10,317,817,531	1,627,257,942	-	-	16,437,428,797
Other financial liabilities	3,388,758,303	367,147,848	773,382,296	483,774,110	456,880,702	5,469,943,259
Total financial liabilities	128,940,190,319	86,687,056,431	41,507,388,782	4,614,837,674	456,880,702	262,206,353,909
Total net financial assets/(liabilities)	(29,159,579,786)	17,342,048,796	106,116,703,280	39,897,131,061	14,446,008,283	148,642,311,633

For the year ended 31st March 2024

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	11,486,913,701	-	-	-	-	11,486,913,701
Placements with banks	1,999,443,480	2,867,947,557	-	-	-	4,867,391,037
Securities purchased under resale agreements	2,318,676,527	-	-	-	-	2,318,676,527
Derivative financial instruments	-	-	-	-	-	-
Financial assets - fair value through profit or loss	17,649,683,926	2,946,722,168	5,619,934,819	7,188,527,010	5,827,823,300	39,232,691,223
Financial assets at amortised cost - loans and advances	79,866,694,005	84,967,398,292	105,470,287,170	22,869,210,749	95,926,554	293,269,516,770
Financial assets at amortised cost - debt and other financial instruments	3,095,308,133	1,047,240,288	3,122,967,327	2,974,723,854	14,568,599,579	24,808,839,181
Financial assets measured at fair value through other comprehensive income	-	-	-	-	278,327,445	278,327,445
Other financial assets	111,145,631	34,232,142	1,052,494,427	-	-	1,197,872,201
Total financial assets	116,527,865,404	91,863,540,448	115,265,683,744	33,032,461,613	20,770,676,877	377,460,228,086
Financial Liabilities						
Bank overdraft	5,017,647,042	-	-	-	-	5,017,647,042
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at amortised cost - due to depositors	102,567,059,698	67,566,575,064	24,671,343,298	22,230,497,491	-	217,035,475,551
Financial liabilities at amortised cost - borrowings	7,333,965,450	4,695,568,797	12,022,004,379	391,684,705	-	24,443,223,330
Other financial liabilities	1,100,189,747	306,830,560	616,164,715	423,809,008	259,416,192	2,706,410,222
Total financial liabilities	116,018,861,937	72,568,974,421	37,309,512,392	23,045,991,204	259,416,192	249,202,756,145
Total net financial assets/(liabilities)	509,003,467	19,294,566,027	77,956,171,352	9,986,470,409	20,511,260,685	128,257,471,941

46.3 [b] [ii] Contractual maturities of commitments & contingencies

The table below shows the remaining 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.

For the year ended 31st March 2025

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	577,980,000	-	-	-	-	577,980,000
Commitments						
Forward exchange contracts - [commitment to purchase] loans and advances	-	865,838,050	-	-	-	865,838,050
Undrawn credit facilities profit or loss - measured at fair value	31,537,750,151	-	-	-	-	31,537,750,151
Total	32,115,730,151	865,838,050	-	-	-	32,981,568,201

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.3 Liquidity Risk Contd.****46.3 [b] Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments****46.3 [b] (ii) Contractual maturities of commitments & contingencies Contd.**

The table below shows the remaining 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.

For the year ended 31st March 2024

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	521,902,870	-	-	-	-	521,902,870
Commitments						
Forward exchange contracts - [commitment to purchase]	-	-	-	-	-	-
Undrawn credit facilities	29,988,834,748	-	-	-	-	29,988,834,748
Total	30,510,737,618	-	-	-	-	30,510,737,618

46.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company 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.

46.4 [a] Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

For the year ended 31st March 2025	Note	Carrying amount	Market risk measurement	
Item			Trading portfolios	Non-trading portfolios
Assets subject to market risk				
Cash and cash equivalents	15	8,578,933,549	-	8,578,933,549
Placements with banks	16	2,794,250,923	-	2,794,250,923
Securities purchased under resale agreements		280,245,481	-	280,245,481
Derivative financial instruments	17	6,499,209	6,499,209	-
Financial assets recognised through profit or loss – measured at fair value	18	33,324,963,786	33,324,963,786	-
Financial assets at amortised cost – loans and advances	19	297,509,139,757	-	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	20	14,828,164,580	-	14,828,164,580
Financial assets measured at fair value through other comprehensive income	21	323,720,733	-	323,720,733
Other financial assets	28	535,355,437	-	535,355,437
Total		358,181,273,454	33,331,462,995	324,849,810,459
Liabilities subject to market risk				
Bank overdraft	15.1	8,516,663,167	-	8,516,663,167
Derivative financial instruments	17	1,937,593	1,937,593	-
Financial liabilities at amortised cost – due to depositors	29	225,717,328,979	-	225,717,328,979
Financial liabilities at amortised cost – borrowings	30	15,680,980,318	-	15,680,980,318
Other financial liabilities	33	4,779,298,797	-	4,779,298,797
Total		254,696,208,854	1,937,593	254,694,271,261

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.4 Market risk Contd.****46.4 [a] Exposure to market risk – Trading and non-trading portfolio Contd.**

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

For the year ended 31st March 2024 Item	Note	Carrying amount	Market risk measurement	
			Trading portfolios	Non-trading portfolios
Assets subject to market risk				
Cash and cash equivalents	15	11,486,913,701	-	11,486,913,701
Placements with banks	16	4,060,474,917	-	4,060,474,917
Securities purchased under resale agreements		2,318,268,248	-	2,318,268,248
Derivative financial instruments	17	-	-	-
Financial assets recognised through profit or loss – measured at fair value	18	32,215,625,057	32,215,625,057	-
Financial assets at amortised cost – loans and advances	19	249,641,762,357	-	249,641,762,357
Financial assets at amortised cost – debt and other financial instruments	20	12,990,946,525	-	12,990,946,525
Financial assets measured at fair value through other comprehensive income	21	278,327,445	-	278,327,445
Other financial assets	28	117,978,883	-	117,978,883
Total		313,110,297,133	32,215,625,057	280,894,672,075
Liabilities subject to market risk				
Bank overdraft	15.1	5,017,647,042	-	5,017,647,042
Derivative financial instruments	17	-	-	-
Financial liabilities at amortised cost – due to depositors	29	206,368,226,125	-	206,368,226,125
Financial liabilities at amortised cost – borrowings	30	19,711,407,427	-	19,711,407,427
Other financial liabilities	33	2,200,207,342	-	2,200,207,342
Total		233,297,487,936	-	233,297,487,936

46.4 [b] Exposure to interest rate risk – Sensitivity analysis

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments and hence expose the Company to fluctuations of Net interest income [NII] give rise to interest rate risk. The Company's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

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. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	2,699,465,246	94,785,677	-	-	-	2,794,250,923
Securities purchased under resale agreements	280,245,481	-	-	-	-	280,245,481
Financial assets - fair value through profit or loss	19,942,280,119	748,942,867	3,693,830,323	5,895,582,587	3,044,327,889	33,324,963,786
Financial assets at amortised cost - loans and advances	59,682,264,222	82,828,934,991	121,645,391,616	33,209,013,321	143,535,607	297,509,139,757
Financial assets at amortised cost - debt and other financial instruments	1,367,462,869	615,971,392	1,253,600,119	1,594,040,619	9,997,089,580	14,828,164,580
Total interest earning assets	83,971,717,937	84,288,634,926	126,592,822,059	40,698,636,528	13,508,673,809	349,060,485,259
Interest bearing liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	8,516,663,167
Financial liabilities at amortised cost - due to depositors	112,413,378,196	74,127,680,240	35,440,761,244	3,735,509,299	-	225,717,328,979
Financial liabilities at amortised cost - borrowings	4,238,263,757	9,783,439,109	1,536,618,750	122,658,702	-	15,680,980,318
Total interest bearing liabilities	125,170,242,713	83,911,119,348	36,977,379,994	3,858,168,001	-	249,916,910,057
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(41,198,524,776)	377,515,578	89,615,442,064	36,840,468,527	13,508,673,809	99,143,575,202
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualised effect	(411,985,248)	3,775,156	896,154,421	368,404,685	135,086,738	991,435,752
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualised effect	411,985,248	(3,775,156)	(896,154,421)	(368,404,685)	(135,086,738)	(991,435,752)

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.

46.4 Market risk contd.

46.4 [b] Exposure to interest rate risk – Sensitivity analysis Contd.

For the year ended 31st March 2024

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	1,306,634,591	2,753,840,326	-	-	-	4,060,474,917
Securities purchased under resale agreements	2,318,268,247	-	-	-	-	2,318,268,247
Financial assets - fair value through profit or loss	17,444,849,777	1,209,387,085	2,595,706,067	5,233,648,069	5,732,034,060	32,215,625,058
Financial assets at amortised cost - loans and advances	73,319,571,360	68,283,999,019	87,276,873,043	20,656,051,741	105,267,195	249,641,762,357
Financial assets at amortised cost - debt and other financial instruments	2,388,289,333	192,874,650	602,085,741	602,085,741	9,206,588,277	12,991,923,743
Total interest earning assets	96,777,613,308	72,440,101,079	90,474,664,851	26,491,785,551	15,322,216,977	301,506,381,766
Interest bearing liabilities						
Bank overdraft	5,017,647,042	-	-	-	-	5,017,647,042
Financial liabilities at amortised cost - due to depositors	111,554,617,998	53,316,350,940	21,215,137,480	20,282,119,708	-	206,368,226,125
Financial liabilities at amortised cost - borrowings	6,880,193,292	3,117,537,255	9,573,042,505	140,634,375	-	19,711,407,427
Total interest bearing liabilities	123,452,458,331	56,433,888,195	30,788,179,985	20,422,754,083	-	231,097,280,594
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(26,674,845,023)	16,006,212,884	59,686,484,866	-	15,322,216,977	70,409,101,172
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualised effect	(266,748,450)	160,062,129	596,864,849	-	153,222,170	704,091,012
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualised effect	266,748,450	(160,062,129)	(596,864,849)	-	(153,222,170)	(704,091,012)

46.5 Currency risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Company has established limits on position by currency and these positions are monitored on a daily basis. The table below indicates the currencies to which the Company had significant exposures as at March 31, 2025 and March 31, 2024 and the exposure as a percentage of the total capital funds.

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its Sri Lanka International Sovereign Bonds (SLISBs). As a result, the Company's foreign currency exposure reduced significantly by approximately Rs. 7 billion, primarily due to the conversion of certain bonds to Sri Lanka Rupee (LKR) denominated instruments and the derecognition of previously held ISBs, as further detailed in Note 7.2.

Foreign exchange position as at March 31, 2025

Currency	Spot assets in FCY	Spot liabilities in FCY	Net spot assets / (liabilities) in FCY	Forward contracts in FCY	Net open position in FCY	Overall exposure in Rs.
United States Dollar	30,757,354	17,753,361	13,003,993	(1,000,000)	12,003,993	3,555,582,759
Great Britain Pound	580,949	1,821,616	(1,240,667)	1,506,000	265,333	101,614,456
Euro	1,067,794	1,182,947	(115,153)	-	(115,153)	(36,750,082)
Australian Dollar	2,641,721	2,906,305	(264,584)	-	(264,584)	(49,318,549)
Total exposure						3,571,128,585
Total capital funds (capital base) as per the audited computation						108,785,840,868
Total exposure as a percentage of total capital funds (%)						3.28%

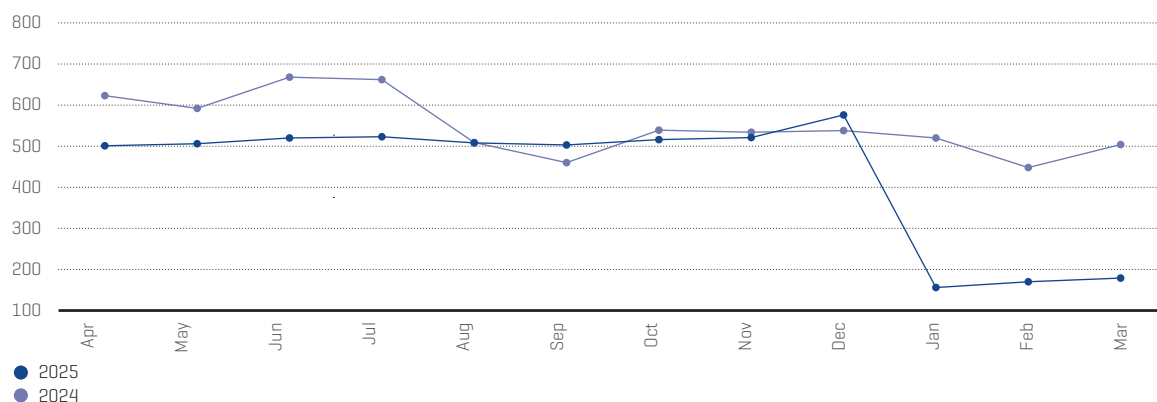
Foreign exchange position as at March 31, 2024

Currency	Spot assets in FCY	Spot liabilities in FCY	Net spot assets / [liabilities] in FCY	Forward contracts in FCY	Net open position in FCY	Overall exposure in Rs.
United States Dollar	60,819,423	27,165,210	33,654,213	-	33,654,213	10,096,937,075
Great Britain Pound	2,431,404	2,397,196	34,208	-	34,208	12,924,782
Euro	1,112,157	1,123,231	(11,074)	-	(11,074)	(3,581,971)
Australian Dollar	2,147,902	2,298,129	(150,227)	-	(150,227)	(29,241,629)
Total exposure						10,077,038,258
Total capital funds [capital base] as per the audited computation						87,033,259,273
Total exposure as a percentage of total capital funds [%]						11.58%

The Company regularly carries out sensitivity analysis on Net Open Position [NOP] to assess the exposure to foreign exchange [Fx] risk due to possible changes in the exchange rates. An appropriate shock based on historical exchange rates are applied on the NOP which is measured against the approved threshold limits.

Sensitivity of Fx Position – Impact of 5% change in exchange rates

+ / - Rs. Million



46.6 Equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Company conducts mark-to-market calculations on a daily, quarterly and on a need basis to identify the impact due to changes in equity prices.

The table below summarises the impact [both to Income Statement and to equity] due to a change of 10% on equity prices.

	2025			2024		
	Financial assets recognised through profit or loss Rs.	Financial assets at fair value through other comprehensive income Rs.	Total Rs.	Financial assets recognised through profit or loss Rs.	Financial assets at fair value through other comprehensive income Rs.	Total Rs.
Market value of equity securities as at March 31,	2,179,234,036	323,720,733	2,502,954,769	2,172,461,487	278,327,445	2,450,788,932

Notes to the Financial Statements

46. FINANCIAL RISK MANAGEMENT CONTD.**46.6 Equity price risk Contd.**

Stress Level	Impact on Income Statement Rs.	Impact on OCI Rs.	Impact on Equity Rs.	Impact on Income Statement Rs.	Impact on OCI Rs.	Impact on Equity Rs.
Shock of 10% on equity prices						
Upward	217,923,404	32,372,073	250,295,477	217,246,149	27,832,745	245,078,893
Downward	(217,923,404)	(32,372,073)	(250,295,477)	(217,246,149)	(27,832,745)	(245,078,893)

46.7 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.

46.7 [a] Regulatory Capital

The Company manages its capital in line with regulatory capital requirements set by the Central Bank of Sri Lanka (CBSL). As of 31st March 2025, the Company is required to maintain a minimum Total Tier I Capital Adequacy Ratio of 10% and a minimum Total Capital Adequacy Ratio of 17%.

For the year ended 31st March	2025 Rs.	2024 Rs.
Tier I capital	111,007,759,231	87,085,423,936
Stated capital	44,078,915,852	306,993,805,501
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	7,545,403,163	6,291,146,123
Audited retained earnings/[losses]	63,660,230,787	[220,893,501,452]
[less] Revaluation gains/surplus of investment property	[29,361,931,368]	[26,853,521,552]
General and other disclosed reserves	-	-
Current year's profit[losses]	25,085,140,797	21,547,495,316
Total Adjustments to Tier I capital	1,141,013,006	45,873,708
Goodwill [net]	-	-
Other intangible assets [net]	60,107,649	39,582,753
Other comprehensive Income losses	-	-
Deferred tax assets [net]	-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,080,905,357	6,290,955
Shortfall of capital in financial subsidiaries	-	-
Tier I Capital [after adjustments]	109,866,746,225	87,039,550,228
Tier 2 Capital	-	-
Instruments Qualified as Tier 2 Capital	-	-
Revaluation gains	-	-
General provisions / collective impairment allowances	-	-
Eligible Tier 2 Capital	-	-
Total Adjustments to eligible Tier 2 Capital	1,080,905,357	6,290,955
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,080,905,357	6,290,955
Eligible Tier 2 Capital after adjustments	1,080,905,357	6,290,955
Total Capital	108,785,840,868	87,033,259,273
Total Risk Weighted Assets [RWA]	419,673,370,979	378,334,582,666
Risk Weighted Assets Amount for Credit Risk	374,493,187,081	333,361,771,888
Risk Weighted Assets Amount for Operational Risk	45,180,183,898	44,972,810,777
Tier I Capital Ratio, %	26.18%	23.01%
Total Capital Ratio, %	25.92%	23.00%

STATEMENT OF PROFIT OR LOSS

As at	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest income	58,317,633	74,993,923	69,039,674	30,569,863	33,761,594	38,081,709	42,663,318	23,818,183	18,489,741	13,137,597
Interest expense	(26,211,478)	(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)
Net interest income	42,106,156	37,974,693	32,915,079	21,589,871	21,314,744	18,810,345	21,771,563	9,916,047	7,030,467	6,638,122
Net other operating income	4,130,120	12,788,100	9,982,265	8,602,642	5,262,483	4,074,993	3,205,380	1,619,727	2,130,105	1,085,925
Total operating income	46,236,276	50,762,793	42,897,344	30,192,513	26,577,227	22,885,338	24,976,943	11,535,774	9,160,572	7,724,047
Impairment reversal / (charges)	7,727,070	(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)
Total operating expenses	(23,164,376)	(21,126,711)	(18,961,057)	(10,540,249)	(10,218,891)	(11,114,762)	(11,585,848)	(5,589,796)	(5,508,666)	(4,019,508)
Profit from operations	30,798,970	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
Value added tax on financial service	(5,736,664)	(3,465,810)	(4,023,911)	(1,837,501)	(556,146)	(892,210)	(1,389,654)	(348,841)	(364,835)	(275,891)
Profit from operating activities	25,062,306	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
Share of profit / (loss) of equity accounted investee	22,834	33,934	(895,111)	-	-	-	-	-	-	-
Profit before tax	25,085,141	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
Income tax [expense] / reversal	-	-	-	(130,845)	(130,845)	(99,975)	(1,144,944)	116,686	(589,759)	(582,663)
Profit for the year	25,085,141	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

STATEMENT OF FINANCIAL POSITION

As at	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
ASSETS										
Cash and cash equivalents	8,578,934	11,486,914	16,484,822	12,282,960	13,422,690	8,333,561	17,595,538	11,323,366	4,924,112	3,497,994
Placements with banks	2,794,251	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
Securities purchased under resale agreements	280,245	2,318,268	7,007,081	7,756,178	720,085	1,182,245	8,233,594	6,490,720	5,420,174	6,209,705
Derivative financial instruments	6,499	-	64,428	3,450,266	325,029	273,195	568,530	133,541	23,840	98,163
Financial assets recognised through profit or loss	33,324,964	32,215,625	4,424,824	5,993,197	5,298,367	2,769,277	2,324,116	1,744,987	258,161	1,017,003
Financial assets at amortised cost – loans and advances	297,509,140	249,641,762	246,568,259	206,810,085	104,648,917	133,955,850	136,191,346	151,316,544	90,512,277	84,263,235
Financial assets at amortised cost – debt instruments	14,828,165	12,990,947	24,445,632	16,083,305	-	-	3,340,438	-	1,305,877	-
Financial assets measured at fair value through OCI	323,721	278,327	307,756	295,369	15,318,003	9,797,520	7,062,077	4,601,361	1,193,594	2,254,260
Investment in associate	-	249,943	564,085	1,833,661	-	-	-	-	-	-
Property, plant and equipment	14,238,537	11,062,854	10,565,862	7,238,125	1,151,407	1,344,684	1,559,025	1,714,491	2,621,022	1,210,407
Intangible assets	60,108	39,583	5,176	36,198	11,811	6,523	-	-	-	-
Right-of-use assets	1,481,201	1,260,181	981,943	1,052,413	-	-	-	-	-	-
Investment properties	55,029,900	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
Other assets	1,278,501	3,554,007	5,681,283	1,559,743	1,036,641	979,329	948,322	1,164,484	1,296,167	697,327
Total assets	429,734,164	377,472,229	360,847,738	311,567,068	170,224,996	191,888,346	211,035,373	211,114,232	122,623,092	110,385,065

As at	2025 Rs '000	2024 Rs '000	2023 Rs '000	2022 Rs '000	2021 Rs '000	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000	2016 Rs '000
LIABILITIES										
Bank overdraft	8,516,663	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
Derivative financial instruments	1,938	-	11,635	13,176	-	114,349	661,931	482,464	18,978	17,859
Financial liabilities at amortised cost - due to depositors	225,717,329	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
Financial liabilities at amortised cost - borrowings	15,680,980	19,711,407	30,346,759	43,110,443	16,437,442	51,558,593	61,086,897	70,490,432	24,456,314	35,070,152
Retirement benefit obligation	752,326	710,961	652,807	565,709	332,532	298,142	87,061	70,303	17,018	12,249
Current tax liabilities	2,011,921	2,681,710	2,681,710	2,525,556	857,903	960,255	1,501,293	813,718	268,932	309,888
Deferred tax liabilities	2,992,431	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
Other liabilities	24,536,628	17,637,751	13,300,966	13,896,350	5,323,197	5,234,785	5,051,192	5,478,871	2,733,105	2,653,233
Total liabilities	280,210,216	255,126,758	260,039,510	228,014,165	134,336,462	160,598,693	188,268,784	194,008,598	111,596,835	101,186,931
EQUITY										
Stated capital	44,078,916	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
Statutory reserve fund	7,545,403	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
Merger reserve	-	(262,914,890)	(262,914,890)	(169,284,517)	-	-	-	-	-	-
Other reserves	9,154,258	8,406,526	4,851,332	1,562,684	401,892	176,175	180,712	228,028	104,982	(137,406)
Retained earnings	88,745,372	63,568,884	46,684,209	35,249,180	19,127,563	14,972,696	11,516,579	7,000,882	7,364,836	6,096,465
Total equity	149,523,948	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
Total liabilities and equity	429,734,164	377,472,229	360,847,738	311,567,068	170,224,996	191,888,346	211,035,373	211,114,232	122,623,092	110,385,065

Quarterly Statement of Financial Position

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30-Jun-24	30-Jun-23	30-Sep-24	30-Sep-23	31-Dec-24	31-Dec-23	31-Mar-25	31-Mar-24
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS								
Cash and cash equivalents	7843987	16,221,780	10897869	15,910,632	9,860,992	11,655,120	8,578,994	11,486,914
Placements with banks	5,862,032	3,273,509	3,759,592	8,854,279	2,410,318	5,189,708	2,794,251	4,060,475
Securities purchased under resale agreements	1,521,798	7,477,054	2126452	9,707,166	3,916,095	6,637,209	280,245	2,318,268
Derivative financial instruments		1,37,967	-	-	760	-	6,499	-
Financial assets recognised through profit or loss – measured at fair value	36,265,424	2,226,142	33,629,564	4,810,920	36,026,570	27,324,895	33,324,964	32,215,625
Financial assets at amortised cost – loans and advances to customers	254,562,519	239,053,591	263,71,7945	241,493,639	273,257,192	241,877,420	297,509,140	249,641,762
Financial assets at amortised cost – debt and other financial instruments	15,51,7000	26,340,496	12,947,754	27,138,711	16,723,266	17,462,768	14,828,165	12,990,947
Financial assets measured at fair value through other comprehensive income	278,327	307,756	278,327	307,756	278,327	307,756	323,721	278,327
Investment in associate	254,464	239,240	257,459	242,538	259,394	243,596	-	249,943
Property, plant and equipment	11,371,306	10,830,600	11,078,413	10,772,280	11,117,773	11,338,365	14,238,537	11,062,854
Intangible assets	38843	2,888	34,388	575	34,376	13,748	60,108	39,583
Right-of-use assets	1,267,760	909,729	1,193,461	1,156,948	1,205,509	989,441	1,481,201	1,260,181
Investment properties	48,591,675	41,264,446	48,789,754	41,152,575	51,324,512	45,127,175	55,029,900	48,313,343
Other assets	3,656,746	7049,048	4,064,728	4,468,301	3,735,003	4,335,072	1,278,501	3,554,007
Total assets	387,031,880	355,334,246	392,775,708	366,016,320	410,150,026	372,502,273	429,734,164	377,472,229
LIABILITIES								
Bank overdraft	4,999,352	12,262,989	5,145,009	9,554,969	5,404,818	6,798,268	8,516,663	5,017,647
Derivative financial instruments	-	13,349	-	-	2,592	-	1,938	-
Financial liabilities at amortised cost – due to depositors	212,192,690	187,634,504	212,057,715	205,997,360	222,683,463	203,173,408	225,717,329	206,368,226
Financial liabilities at amortised cost – borrowings	19,887,058	33,293,486	18,587,545	22,609,359	18,248,890	23,583,688	17,196,825	20,912,613
Retirement benefit obligation	751,793	645,053	771,972	666,053	752,880	644,727	752,326	710,961
Current tax liabilities	2,681,710	2,681,710	2,565,976	2,681,710	2,062,739	2,681,710	2,011,921	2,681,710
Deferred tax liabilities	2,999,055	2,990,837	2,999,055	2,990,837	3,012,241	2,990,837	2,992,431	2,999,055
Other liabilities	17,307,352	12,743,250	20,157,816	15,145,580	19,967,905	16,113,301	23,020,783	16,436,545
Total liabilities	260,819,010	252,265,177	262,285,089	259,645,867	272,135,528	255,985,938	280,210,216	255,126,758
EQUITY								
Stated capital	306,993,806	306,993,806	440,789,916	306,993,806	440,789,916	306,993,806	440,789,916	306,993,806
Reserves								
Statutory reserve fund	6,291,146	5,213,771	6,291,146	5,213,771	6,291,146	5,213,771	7,545,403	6,291,146
Merger reserve	7,089,856	7,649,080	8,555,621	8,910,592	6,751,445	8,596,217	9,154,258	8,406,526
Other reserves	(262,914,890)	(262,914,890)	-	(262,914,890)	-	(262,914,890)	-	(262,914,890)
Retained earnings	68,752,952	46,127,301	71,564,937	48,167,174	80,892,990	58,627,431	88,745,372	63,588,884
Total equity	126,212,870	103,069,068	130,490,620	106,370,453	138,014,498	116,516,335	149,523,948	122,345,471
Total liabilities and equity	387,031,880	355,334,246	392,775,708	366,016,320	410,150,026	372,502,273	429,734,164	377,472,229

Quarterly Statement of Profit or Loss

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30-Jun-24 Rs000	30-Jun-23 Rs000	30-Sep-24 Rs000	30-Sep-23 Rs000	31-Dec-24 Rs000	31-Dec-23 Rs000	31-Mar-25 Rs000	31-Mar-24 Rs000
Gross income	18,517,255	19,143,711	17,936,973	20,566,541	15,837,361	26,602,185	21,208,175	22,394,260
Interest income	16,967,895	19,116,032	17,245,516	19,140,230	17,340,630	18,649,207	16,763,593	18,088,454
Interest expense	(7,140,201)	(10,516,587)	(6,442,697)	(9,587,263)	(6,430,597)	(8,904,036)	(6,197,983)	(8,011,343)
Net interest income	9,827,694	8,599,445	10,802,819	9,552,966	10,910,032	9,745,171	10,565,610	10,077,111
Fee and commission income	809,192	529,985	911,758	685,328	913,908	844,270	959,684	908,647
Less: Fee and commission expense	(197,106)	(324,347)	(92,535)	102,313	(64,237)	(79,699)	(698,132)	(622,941)
Net fee and commission income	612,085	205,638	819,223	787,640	849,671	764,571	261,551	285,705
Net gains / (losses) from trading	637,006	(555,438)	(308,441)	695,108	1,252,490	2,999,809	430,172	209,923
Net other operating income	103,163	53,132	88,139	45,876	40,814	4,108,899	3,054,726	3,187,237
Sundry and other operating income	-	-	-	-	(3,710,480)	-	-	-
Derecognition loss on restructuring of SLISBs	-	-	-	-	-	-	-	-
Other operating income	740,169	(502,306)	(220,302)	740,984	(2,417,176)	7,108,708	3,484,899	3,397,160
Total operating income	11,179,948	8,302,777	11,401,740	11,081,590	9,342,527	17,618,450	14,312,060	13,759,976
Less: Impairment (charges) / reversal	-	-	-	-	-	-	-	-
Loans and advances	(1,935,843)	(753,683)	(125,664)	(1,524,038)	(1,136,148)	(996,689)	3,135,490	1,648,695
Sri Lanka International Sovereign Bonds	580,907	-	-	-	6,812,020	-	(81,227)	(2,767,993)
Other financial assets and credit related commitments	331,013	24,571	(657)	(50,422)	-	-	147,179	(237,151)
Total impairment (charge) / reversal	(1,023,923)	(729,111)	(126,322)	(1,574,460)	5,675,873	(996,689)	3,201,442	(1,356,449)
Net operating income	10,156,026	7,573,665	11,275,419	9,507,130	15,018,400	16,621,760	17,513,502	12,403,527
Less: Expenses	-	-	-	-	-	-	-	-
Personnel expenses	(1,736,416)	(1,582,783)	(1,944,522)	(1,593,182)	(1,813,646)	(1,464,291)	(2,446,215)	(2,246,195)
Depreciation and amortisation	(326,170)	(222,039)	(310,257)	(277,215)	(335,410)	(316,141)	(332,911)	(370,711)
Other operating expenses	(3,230,686)	(2,854,220)	(3,540,345)	(3,296,625)	(3,581,815)	(3,756,861)	(3,565,963)	(3,146,449)
Total operating expenses	(5,293,273)	(4,659,042)	(5,795,124)	(5,167,021)	(5,730,871)	(5,537,292)	(6,345,108)	(5,763,355)
Profit from operations before VAT on financial services	4,862,753	2,914,623	5,480,295	4,340,109	9,287,528	11,084,468	11,168,394	6,640,171
Taxes on financial services	(999,875)	(648,018)	(1,205,541)	(1,071,017)	(1,796,350)	(939,645)	(1,734,898)	(807,131)
Profit from operating activities	3,862,878	2,266,606	4,274,754	3,269,092	7,491,178	10,144,824	9,433,496	5,833,041
Share of profit of equity accounted investee	4,521	(5,765)	2,995	32,293	1,934	1,058	13,384	6,348
Profit before income tax expense	3,867,399	2,260,840	4,277,749	3,301,385	7,493,113	10,145,882	9,446,880	5,839,388
Income tax expense	-	-	-	-	-	-	-	-
Profit for the period	3,867,399	2,260,840	4,277,749	3,301,385	7,493,113	10,145,882	9,446,880	5,839,388

Investor Information

1. MARKET PRICE PER SHARE AS AT 31 MARCH

	2025 Rs.	2024 Rs.
Highest during the year	6.60	6.60
Lowest during the year	3.90	3.90
Last traded as at the end of the year	5.60	5.50

2. COMPOSITION OF SHAREHOLDERS AS AT 31ST MARCH

	2025		2024	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Institutions				
Resident	30,430,808,946	91.99375	30,420,101,614	91.96
Non-Resident	1,892,905,178	5.7223	1,829,905,176	
Individuals				
Resident	16813	2.2649	759,673,544	2.30
Non-Resident	6268149	0.0189	6,531,965	0.02
	32,329,999,086	99.99985	33,079,212,299	100

3. DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH

Range		2025			2024		
		No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1	1,000	5786	2081920	0.0063	5,663	2,082,806	0.01
1,001	10,000	5735	24391368	0.0737	6,254	26,912,574	0.08
10,001	100,000	4342	158855024	1.2444	4,939	177,364,453	0.53
100,001	1,000,000	1462	411660082	2.4506	1,576	432,945,092	1.13
Over 1,000,000 Shares		139	32482223905	98.1952	138	32,439,907,374	98.07
Total		17464	33079212299	100	18,570	33,079,212,299	100

4. TOP 20 SHAREHOLDERS

Name of Shareholder	2025		2024	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
LOLC CEYLON HOLDINGS LTD	30,089,519,216	90.96	29,179,995,406	88.212
LOLC ASIA PRIVATE LIMITED	1,892,235,176	5.72	1,892,235,176	5.72
PHANTOM INVESTMENTS (PVT) LTD	98,161,208	0.3	909,523,810	2.75
DIALOG FINANCE PLC/ANDARADENIYA ESTATE PRIVATE LIMITED	23,809,524	0.07	108,430,628	0.328
MR. V.R. RAMANAN	20,400,000	0.06	25,059,524	0.076
MERCHANT BANK OF SRI LANKA & FINANCE PLC/MAWELI FINANCE (PVT) LTD	13,078,988	0.04	20,917,827	0.063
MR. A.J. TISSERA	8,850,000	0.03	20,900,000	0.063
CIC HOLDINGS PLC/CIC CHARITABLE & EDUCATIONAL TRUST FUND	8,707,200	0.03	10,091,295	0.031
MR. R.E. RAMBUKWELLE	8,073,752	0.02	9,758,752	0.03
MR. W.A.S.P. DE SARAM	7,425,033	0.02	9,257,480	0.028
PEOPLE'S LEASING & FINANCE PLC/MR.R.KANNAN	7,012,146	0.02	8,707,200	0.026
HATTON NATIONAL BANK PLC/ANUJA CHAMILA JAYASINGHE	6,387,674	0.02	7,913,276	0.024
MR. B.W. KUNDANMAL	6,306,465	0.02	7,500,000	0.023
PEOPLE'S LEASING & FINANCE PLC/MR.D.M.P.DISANAYAKE	5,833,647	0.02	6,500,000	0.02
MR. A.A. SUNIL	5,665,468	0.02	6,500,000	0.02
MR. W.D.N.H. PERERA	5,047,335	0.02	5,665,468	0.017
SENKADAGALA FINANCE PLC/S.GOBINATH	4,790,000	0.01	5,317,739	0.016
MISS S.S.P. KANDAMBI	4,693,837	0.01	4,925,360	0.015
MRS. M. ARUDPRAGASAM & MR A.M.ARUDPRAGASAM	4,426,858	0.01	4,859,326	0.015
MR. G. RAMANAN	4,344,562	0.01	4,790,000	0.014
	32,220,423,527	97.40	32,248,848,267	97.491
Others	858,788,772	2.60	830,364,032	2.509
Total	33,079,212,299	100.00	33,079,212,299	100.00

Investor Information

5. MARKET PRICE OF LISTED DEBENTURES -

	HIGHEST		LOWEST		END OF THE YEAR	
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
Semi Annually 14.75% D0445 LOFC-BD C2408	NIL	112.75	NIL	103.11	NIL	103.45
Date	06.08.2021		22.02.2022		23.02.2022	

	HIGHEST		LOWEST		END OF THE YEAR	
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
D0446-Type B [LOFC-BD- 31/07/23-C2409-0]	NIL	84.49	NIL	83.94	NIL	84.49
Date	01.02.2022		11.01.2022		01.02.2022	

6. PUBLIC SHAREHOLDING

	2025 %	2024 %
Public Holding percentage	3.3142%	3.31
Number of public shareholders	17,450	18,555
Float adjusted market capitalisation	Rs.6,468,309,641.20	Rs.6,029,694,610.50

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 17.14.1.i[b] [Option 1] of the Colombo Stock Exchange. Your Board is in the process of exploring options available for complying with the said rule.

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
1	Sanguine Garment Property-2	Colombo	Western	35.06P	31,000,000	1
2	Hendala, Wattala / Hekithth Watththa	Gampaha	Western	0A-0R-9P & 2606Sq	36,700,000	1
3	Wewala, Piliyandala	Colombo	Western	0A-0R-20P	14,000,000	
4	Gothatuwa Property	Colombo	Western	0A-3R-35P	248,000,000	
5	Wickremasinghepura,	Colombo	Western	0A- 3R- 33.83P	492,300,000	
6	Shady Grove Property	Colombo	Western	0A- 0R- 35.75P	983,300,000	1
7	Land In Kosgoda	Kaluthara	Western	9A- 0R- 00.00P	112,300,000	
8	Thalaheena Property	Colombo	Western	1A- 3R- 13.47P & 2543Sq	107,500,000	1
9	Horana Property	Kaluthara	Western	0A-3R-06.83P	228,300,000	
10	No-296 Horana Property	Kaluthara	Western	0A- 0R- 10.1P	32,800,000	
11	Badulla Property	Badulla	Uva	0A-1R-19.15P	189,300,000	
12	Mannar Property	Mannar	Nothern	0A-0R-23.5P	51,700,000	
13	Beruwala Property	Kaluthara	Western	0A - 1R - 06.00P	128,500,000	1
14	Jethawana Property	Colombo	Western	0A-2R-19.90 P & 18250Sq	1,192,800,000	1
15	Nawala 2Nd Lane Property	Colombo	Western	0A-0R-08.70 P & 9630Sq	230,200,000	1
16	Piliyandala Property - Thumbowila	Colombo	Western	0A-0R-30.50 P	167,800,000	
17	Rajagiriya Land (Valuation Unit)	Colombo	Western	0A- 1R- 12.50P	721,900,000	
18	Colombo 14 - Grandpass - Vincent Perera Mw	Colombo	Western	4A- 3R- 8.6P	6,917,400,000	
19	Grandpass Property- Deed 220	Colombo	Western	A2-R3-14.5P	4,165,900,000	5
20	Kiribathgoda Property	Gampaha	Western	0A- 0R- 30.57P	156,700,000	1
21	Watinapaha Property - Pannala	Gampaha	Western	19A-0R-35.85P	161,500,000	
22	Ebert Silva Property - Chilaw	Puttalam	North Western	0A- 0R- 40.0P	151,200,000	
23	No 72 Galle Road ,Kaluwamodara,Beruwala	Kaluthara	Western	0A- 1R- 22.55P	156,400,000	
24	Wellampitiya Yard	Colombo	Western	5A- 0R- 3.11P	1,766,800,000	
25	Land & Building - Kotta Road	Colombo	Western	0A- 0R- 10.00P	273,000,000	1
26	Investment Property Dampe - Kesbewa	Colombo	Western	0A-0R-40P	35,000,000	
27	Malabe Property	Colombo	Western	0A-0R-12P	49,800,000	1
28	Battaramulla Land	Colombo	Western	0A-0R-38.71P	173,300,000	
29	Ip Gamunu Mw, Rajagiriya	Colombo	Western	AO-R0-P30.25 & 2782Sq	124,600,000	1
30	Investment Property Biyagama	Gampaha	Western	AO-R0-P23.70	49,800,000	1
31	Gnanendra Mawatha Property ? Nawala	Colombo	Western	AO-R01-P04	337,900,000	3
32	Yakkala Property (Plan - 4897)	Gampaha	Western	A7-R02-P9.20	223,700,000	
33	Dambulla Property (Padeniya)	Dambulla	Central	AO-R0-P35.96	151,000,000	
34	Waskaduwa Property (Desatara, Kalutara)	Kaluthara	Western	AO-R02-P39.5	125,500,000	
35	Kadawatha Property	Gampaha	Western	AO-R01-P3	403,000,000	
36	Kadawatha Property (No 348)	Gampaha	Western	AO-R0-P12.85	109,200,000	
37	Baththaramulla Property (Plan -8248)	Colombo	Western	AO-R0-P16.1	85,300,000	
38	Rathnapura Property -Kataliyanpala	Rathnapura	Sabaragamuwa	AO-R0-P15	6,000,000	
39	Panadura Property -No.224,Gorakana,Panadura	Kaluthara	Western	AO-R0-P39.63 & 11972Sq	156,900,000	1
40	Panadura Property -No.222,Gorakana,Panadura	Kaluthara	Western	3960Sq	56,000,000	1
41	Panadura Property-No.12/4,Gorakana,Panadura	Kaluthara	Western	AO-R01-P07	40,000,000	
42	Moratuwa Property -No,24,1St Lane,Angulana	Colombo	Western	AO-R0-P19.84	60,300,000	1

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
43	Horana Property-Villa Resident	Kaluthara	Western	A0-R01-P25.73 & 9485Sq	204,600,000	1
44	Matara Property -Deed 1285	Matara	Southern	A0-R2-P11.299	232,800,000	
45	Matara Property	Matara	Southern	A0-R2-P26.30	244,500,000	
46	Excellent Property - Deed No 37 (Lenadora)	Dambulla	Central	A1-R1-P2	50,500,000	
47	Kahatagahawatta Property -Deed 131 - Kandana	Gampaha	Western	A0-OR-4.2P & 2800Sq	44,700,000	1
48	Delgahawatta Pannipitiya Property -Deed 105	Colombo	Western	A0-OR-32.62P	166,400,000	
49	Colombo 13 - Bluemendhal - Cyril C Perera Mw	Colombo	Western	1A- 3R- 16.5P & 11,063 Sq /11,063 Sq	1,803,900,000	9
50	Pahadamulla Property -Deed 9767	Kaluthara	Western	A0-R0-20P	45,500,000	1
51	Welabodawila Property -(Nawala, Senanayaka)	Colombo	Western	A0-R0-9P & 3163Sq	75,600,000	1
52	Mahara Property -Deed No.7179B	Gampaha	Western	A0-R1-19.80P & 7612 Sq & 7612 Sq	93,000,000	1
53	Property Malwana No -68/2014	Gampaha	Western	A0-R0-P 30	43,500,000	
54	Malwana Sunflower Construction Property	Gampaha	Western	A5-R0-32.67P	262,700,000	
55	Property Kiribathgoda	Gampaha	Western	A0-R0-P23.30 & 2950Sq	53,800,000	1
56	Merigam Kanda Property	Gampaha	Western	A0-R03 -4.50P	35,000,000	1
57	Damugahawatta Property - Kottawa	Colombo	Western	A0-R0- 40P	94,900,000	1
58	Ranmuthugala Property 37.P	Gampaha	Western	A0-R0 -37 P & 1064Sq	89,200,000	1
59	Eriyagaha Kumbura Property 20-P - Kotikawatta	Colombo	Western	A0-R0 -20 P & 4268Sq	60,900,000	1
60	Madangahawatta Property 16.77P - Uyana, Moratuwa	Colombo	Western	A0-R0 -10.77 P	38,500,000	1
61	Thalagahawatta Kolonnawa Property	Colombo	Western	A0-R0 -10.62P	34,500,000	
62	Abagahawatta Maharagama Property 12.5P	Colombo	Western	A0-R0 -12.5P	36,200,000	1
63	Horana Property 28.5P (Dikheha)	Kaluthara	Western	A0-R0-P29.50	30,000,000	1
64	Nuwaraeliya Property 10.8P	Nuwaraeliya	Central	A0-R0-P10.8 & 1450Sq	21,200,000	1
65	Walgama Property	Colombo	Western	A0-R2-P34	120,800,000	1
66	Kurunegala Property	Kurunegala	North Western	A0-R0-P10.90	56,200,000	
67	Paragahakotuwe Kumbura Property Lot B [368]	Kurunegala	North Western	A0-R0-P12.5	63,800,000	
68	Paragahakotuwe Kumbura Property[367]	Kurunegala	North Western	A0-R0-P23	111,600,000	
69	Kurunegala Property	Kurunegala	North Western	A0-R3-P20.5	683,500,000	
70	Malawatta Estate	Gampaha	Western	A0-R2-P5.6	91,200,000	
71	Waragoda Property	Gampaha	Western	A0-R2-P15	166,300,000	
72	Millagahawatta Property - Nawala	Colombo	Western	A0-R0-P15.6 & 5680Sq	208,800,000	1
73	Hettiyana Property[Matara]	Matara	Southern	A0-R0-P39 & 8820Sq	182,900,000	1
74	Thalahena Malabe [787]	Colombo	Western	A0-R0-P38.27	61,200,000	
75	Minuwangoda Property[Boragodawatta]	Gampaha	Western	A0-R0-P22	20,900,000	
76	Kandy Rd Thalahena Malabe - Thalahena Bunglow	Colombo	Western	A0-R0-P29.42 & 5040 Sq	160,900,000	1
77	Pattinigewatta Property	Colombo	Western	A0-R0-P20	32,800,000	
78	Erewwala Property[Kesbawa]	Colombo	Western	A0-R0-P15	16,500,000	
79	Damparagahawatta Peoperty	Colombo	Western	A0-R0-P9.7	8,200,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
80	Udagama Property	Kandy	Central	A0-R0-P11.83	11,600,000	1
81	Pitakotte Property	Colombo	Western	A0-R0-P25.4	57,200,000	
82	Kotabodawatta Awissavelle Property D267	Kaluthara	Western	A0-R1-P38.5	23,600,000	
83	Siriyaipulla, Mahara, Kadawatha	Gampaha	Western	A0-R0-P20	21,000,000	
84	Bandarawatta Estate [Yakkala]	Gampaha	Western	A0-R0-P38.8 & 7840Sq	79,000,000	1
85	No 114/21, Sooriyapaluwa, Mawatha, Kandana	Gampaha	Western	A0-R0-P10.84	12,500,000	
86	Horagala Property	Colombo	Western	A1-R1-P26.5	105,300,000	
87	Kirigalpotta Property	Matale	Central	A1-R3-P25.3	155,200,000	1
88	Kesbawa Property Monarch Ltd	Colombo	Western	A0-R0-P11.75	37,000,000	1
89	Ladhubima Property-Malabe Athurugiriya	Colombo	Western	A0-R2-P23.15	130,300,000	
90	Bogahawaththa Property-Sharmila Amidon	Gampaha	Western	A0-R0-P9.8	17,200,000	
91	Kosgahalanda Property [Rag Priyani]	Colombo	Western	A0-R0-P19.8	86,600,000	1
92	Topuwewatta Property- Rickey Skylark[Pvt] Ltd	Kaluthara	Western	A1-R0-P0	131,200,000	
93	Watarappola .Rabangewatta Property Guadian	Colombo	Western	A0-R0-P6.13	46,900,000	1
94	Kadawatha Property-S.D.D. Gunawardena / Ihala Karagahamuna, Kadawatha	Gampaha	Western	A0-R0-P38.5 & 2075 Sq	65,300,000	1
95	Malwattha Property-Hokandara-Sanduma Lanka	Colombo	Western	A0-R0-P10.15	35,500,000	1
96	Anuradhapura Property [W.H.Hettiarachchi]	Anuradhapura	North Central	A0-R2-P4.17 & 3425Sq	67,600,000	1
97	Kelanimulla Property M/S Hanco Investment	Colombo	Western	A0-R2-P38.10 & 6150Sq	609,100,000	1
98	Udahamulla Village Property [Zabir]	Colombo	Western	A0-R0-P9.75	47,000,000	1
99	Malamulla Property Rld Wasantha Kumar Property	Kaluthara	Western	A0-R3-P15.40	63,800,000	1
100	Rathmalana Gnanasiri Abeywickrama Property	Colombo	Western	A0-R0-P9.67	58,600,000	
101	Welisara Property Blue Mountain Properties [Pvt] Ltd	Gampaha	Western	A0-R0-P20.5	30,800,000	
102	Galigamuwa P.P.N. Perera Property	Kegalle	Sabaragamuwa	A0-R0-P72.18 & 3850 Sq	56,400,000	1
103	C R S R Trading Attanagalla Property	Gampaha	Western	A0-R0-P10	5,000,000	
104	Ambalanthota A Muthumala Property	Hambanthota	Southern	A0-R0-P17.20	72,200,000	
105	Pathadumbura Kandy Land Ex[Pvt]Ltd Property	Kandy	Central	A0-R3-P34.4	18,200,000	
106	Walawage Nishantha Kumara Jamburaliya Property	Colombo	Western	A0-R3-P0	67,200,000	
107	N S C International Pvt [Ltd] Moratuwa Property	Colombo	Western	A0-R0-P9.72	12,600,000	
108	Bogahawatu Kotasa Hapugoda Kadana	Gampaha	Western	A0-R0-P10	16,900,000	1
109	Sanguine Garment Property[H D Jagath Jayasundara]	Gampaha	Western	A0-R0-P20	36,100,000	1
110	Golden Links International, Pragathi Mw Kotte Property	Colombo	Western	A0-R0-P13.99	17,500,000	
111	Ravindra Dayasiri Kumarage Thalangama Property	Colombo	Western	A0-R0-P15	33,800,000	
112	S Vishvalingam Arugambay Property	Ampara	Eastern	A5-R2-P15	232,700,000	
113	S Vishvalingam Pothuwil Property	Ampara	Eastern	A12-R3-P18.8	96,800,000	
114	Buddhi Metals [Pvt] Ltd Habangewatta Property	Colombo	Western	A0-R2-P5	40,100,000	1
115	Horizon Tour-Inn Property Pugoda	Gampaha	Western	A4-R1-P2	36,500,000	
116	W U Senavirathna Company [Pvt] Ltd Property Godigamuwa.	Colombo	Western	A0-R0-P18.83	116,700,000	
117	Nisansala Boralesgamuwa Land	Colombo	Western	A0-R0-17P	51,800,000	1
118	Kolitha Amarasekara Kundasale Property	Kandy	Central	A0-R2-P31.1	67,500,000	
119	Asp Construction Nawala Property	Colombo	Western	A1-R0-P3.5 & 7260Sq	1,235,700,000	1
120	Pinwatta-Panadura Property-Creative Entertainment	Colombo	Western	A0-R0-P21.14	57,000,000	1
121	G N Jayawardena Wattala Property	Gampaha	Western	665Sq	47,500,000	1

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
122	Manik Tea Enterprises Ltd Property	Kaluthara	Western	A2-R1-P19.55	38,600,000	1
123	Buddhi Metals [Pvt] Ltd Homagama Property 02	Colombo	Western	A1-R2-P15	91,000,000	
124	Buddhi Metals [Pvt] Ltd Homagama Property 01	Colombo	Western	A0-R0-P9.82	8,800,000	
125	I C Nanayakkara No 730, Havelock Rd , Colombo 06 Property	Colombo	Western	A0-R0-P29.10	483,100,000	
126	Panadura Jayanthi Mala Abeyrathne Property	Kaluthara	Western	A0-R0-P16.5	39,300,000	1
127	Ja Ela Beedee Mervin Property/Nimshi Auto Kandana Property	Gampaha	Western	A0-R0-P12.5	6,500,000	
128	M K D D Wijayarathna Mathugama Property	Kaluthara	Western	A0-R0-P27 & 3280Sq	43,500,000	1
129	S T C Pathiraja Wennappuwa Property	Gampaha	Western	A0-R1-P31.6 & 7045Sq	43,000,000	1
130	Oru Mix Asphalt [Pvt] Ltd Delwala Property[Meerigama]	Gampaha	Western	A10-R3-P6	125,500,000	
131	P C P Jayasinghe Padeniya Village Property[Dambulla]	Dambulla	Central	A0-R1-P17 & 9373Sq	107,500,000	1
132	W D N Perera'S Biyagama Property	Gampaha	Western	A0-R0-P12	19,200,000	
133	M M Saalim Makola Property	Gampaha	Western	2476Sq	23,900,000	1
134	I D S Champika Kaduwela Property	Colombo	Western	A0-R0-P21.4 & 1226Sq	35,600,000	1
135	Central Homes & Real Estate Ja Ela Property	Gampaha	Western	A0-R0-P13.25	27,000,000	
136	D W Ajith Aluthwala Property	Galle	Southern	A0-R0-P55	24,000,000	
137	Aquacleen International Angoda Property	Colombo	Western	A0-R0-P19	53,500,000	1
138	Wi Mudalige Kotte Property	Colombo	Western	A0-R0-P18.5	222,000,000	
139	Ranaviru Prabath Cooray Mw Property	Colombo	Western	A0-R2-P17.25	632,100,000	
140	W U Senavirathna Kahathuduwa Property	Colombo	Western	A0-R0-P10.1	20,900,000	1
141	W U Senavirathna Maharagama Property	Colombo	Western	A0-R0-P12.1 & 2930Sq	71,200,000	1
142	Sadara Senavirathna Depanama 11.55P Property	Colombo	Western	A0-R0-P16.8 & 3648.6Sq	65,200,000	1
143	Sadara Senavirathna Depanama 12.40P Property	Colombo	Western	A0-R0-P10.8 & 2550Sq	52,200,000	1
144	Sadara Senavirathna Depanama 17.20P Property	Colombo	Western	A0-R0-P17.75	109,400,000	1
145	Orumex Pvt Ltd Kolonnawa Property [Jayalath Trades & Transport]	Colombo	Western	A0-R0-P86.76	433,800,000	
146	Liyanagemulla Seeduwa Property [K.A.D.A.G Damayanthi]	Gampaha	Western	A0-R0-P28.78	55,400,000	1
147	Gothatuwa Manigamulla Rd. Property	Colombo	Western	0A-0R-25.90P	35,000,000	
148	A R A Lathif Rohini Rd. Property	Colombo	Western	0A-0R-03.00P	93,600,000	1
149	Artigala Property 01	Colombo	Western	0A-1R-19.00P & 0A-0R-34.20P & 1468Sq	16,500,000	1
150	Artigala Gonawala Property 02	Colombo	Western	0A - 0R - 34.20P	29,100,000	
151	Rajapihilla Rd Kurunegala Property	Kurunegala	North Western	0A-0R-01.1P	5,000,000	
152	Ahangama Property	Galle	Southern	0A-2R-13.00P & 0A-2R-P11.50	102,000,000	1
153	Meegahathenna Property-Lucky Tea Factory	Kaluthara	Western	1A-0R-14.20P	54,300,000	
154	Weerapana Property-Lucky Tea Factory	Kaluthara	Western	0A-3R- 10.08P	128,400,000	
155	Waterfront Cinnamon Life Apartments	Colombo	Western	1270 Sq	160,100,000	
156	Havelock Apt. Tower-Edmonton-324/1 13/4,	Colombo	Western	1442 Sq	106,900,000	
157	Havelock Apt. Tower-Edmonton-324/1 17/4,	Colombo	Western	1442 Sq	106,900,000	
158	Havelock Apt. Tower-Edmonton-324/1 18/4,	Colombo	Western	1442 Sq	106,900,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
159	Havelock Apt. Tower-Melford-324/3 16/1,	Colombo	Western	1690 Sq	129,300,000	
160	Havelock Apt. Tower-Melford-324/3 22/3,	Colombo	Western	1345 Sq	106,200,000	
161	Havelock Apt. Tower-Melford-324/3 24/3,	Colombo	Western	1345 Sq	106,200,000	
162	Havelock Apt. Tower-Melford-324/3 25/3,	Colombo	Western	1345 Sq	109,600,000	
163	Havelock Apt. Tower-Peterson-324/2, 21/3,	Colombo	Western	1259 Sq	100,100,000	
164	Havelock Apt. Tower-Peterson-324/2, 22/3,	Colombo	Western	1259 Sq	100,100,000	
165	Havelock Apt. Tower-Peterson-324/2, 23/6,	Colombo	Western	1367 Sq	107,900,000	
166	Havelock Apt. Tower-Peterson-324/2, 24/2,	Colombo	Western	1302 Sq	102,800,000	
167	Havelock Apt. Tower-Peterson-324/2, 24/3,	Colombo	Western	1259 Sq	100,100,000	
168	Havelock Apt. Tower-Peterson-324/2, 25/2,	Colombo	Western	1302 Sq	100,400,000	
169	Havelock Apt. Tower-Peterson-324/2, 25/3,	Colombo	Western	1259 Sq	100,100,000	
170	Havelock Apt. Tower-Peterson-324/2, 26/2,	Colombo	Western	1302 Sq	102,800,000	
171	Havelock Apt. Tower-Peterson-324/2, 26/1,	Colombo	Western	1023 Sq	80,700,000	
172	Havelock Apt. Tower-Peterson-324/2, 27/1,	Colombo	Western	1023 Sq	83,800,000	
173	Havelock Apt. Tower-Peterson-324/2, 27/2,	Colombo	Western	1302 Sq	102,800,000	
174	Havelock Apt. Tower-Peterson-324/2, 27/6,	Colombo	Western	1367 Sq	112,000,000	
175	Havelock Apt. Tower-Peterson-324/2, 28/1,	Colombo	Western	1023 Sq	83,800,000	
176	Havelock Apt. Tower-Peterson-324/2, 28/6,	Colombo	Western	1367 Sq	112,000,000	
177	Havelock Apt. Tower-Peterson-324/2, 29/1,	Colombo	Western	1023 Sq	83,800,000	
178	Havelock Apt. Tower-Peterson-324/2, 29/6,	Colombo	Western	1367 Sq	114,700,000	
179	Havelock Apt. Tower-Straford-324/4 19/2,	Colombo	Western	1173 Sq	92,600,000	
180	Havelock Apt. Tower-Straford-324/4 21/5,	Colombo	Western	1109 Sq	87,500,000	
181	Havelock Apt. Tower-Straford-324/4 27/6,	Colombo	Western	1345 Sq	109,600,000	
182	Sillicon Technologies Property	Colombo	Western	0A- 0R- 35.18P & 1647Sq	130,000,000	1
183	LOMO Gaurage Property	Colombo	Western	1A- 1R- 33.71P & 39,940Sq	1,175,300,000	1
184	N'Elia Bunglow Property	Nuwaraeliya	Central	21.03P & 5,426Sq	174,700,000	1
185	Nawala Riyapola Property	Colombo	Western	0A-3R-19.14P	1,530,500,000	
186	Mr.O.C Baduge Property	Gampaha	Western	0A-1R-14.21	176,200,000	
187	M/S Hilltop Global (Private) Limited Property	Puttalam	North Western	0A-0R-20.40P	105,000,000	
188	Mr Ajs Jayakody Property	Puttalam	North Western	0A-2R-22.94P	63,800,000	
189	Kanthavel Vinothan Property	Batticaloa	Eastern	0A-R0-08.78P	3,200,000	
190	Design Print Property	Colombo	Western	0A-R0-19.1P	554,000,000	1
191	Ms Mc Tit Associates Property	Colombo	Western	0A-0R-13.32P	43,300,000	
192	Thamalu Transport Services [Pvt] Ltd Property	Hambanthota	Southern	1A-2R-38.70P	86,400,000	
193	M/S Orient Gold Plus [Pvt] Ltd Property	Colombo	Western	0A-0R-06.47P	48,500,000	
194	M/S Raveena Garment Property	Dambulla	Central	0A-0R-36P & 3440Sq	51,200,000	1
195	Dharini Impex (Factoring) Property	Gampaha	Western	0A-0R-06.01P	17,100,000	
196	G.A.U Nishantha Property	Gampaha	Western	11920Sq	141,900,000	1
197	Mihinthale Yard Property	Anuradhapura	North Central	0A-2R-0.0P & 3990 Sq	43,200,000	1
198	Hewage Holding-{Factoring} Property	Kurunegala	North Western	0A-3R-27.68P	156,900,000	1
199	Mr G P A G C R Chandrasena Property	Dambulla	Central	0A-0R-09.50P	51,200,000	1
200	Universal Paper Products [Pvt] Ltd Property	Gampaha	Western	0A-0R-20.20P	36,900,000	1
201	Mr S S Samaranayake Property	Gampaha	Western	0A-1R-39.7P	22,300,000	
202	Dishara Export S-{Factoring} Property	Galle	Southern	6A-2R-18.5P	64,800,000	

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
203	M/S Dht Cement [Pvt] Ltd Property	Colombo	Western	0A-0R-19.00P & 4000Sq	116,000,000	
204	M/S Dht Cement [Pvt] Ltd Property	Colombo	Western	0A-0R-28.00P	192,500,000	
205	Smart Metals-[Factoring] Property	Colombo	Western	0A-0R-64.10P	83,300,000	
206	Civimec Contraction Pvt Ltd Property	Colombo	Western	0A-1R-16.10P & 2425Sq	33,300,000	1
207	S S Impex-[Factoring] Property	Nuwaraeliya	Central	0A- 0R- 24P	37,200,000	
208	Ceylon & Foreign Traders Plc-[Factoring] Property	Colombo	Western	141 Sq	17,800,000	1
209	Isuru Traval & Tours Pvt Ltd Property	Colombo	Western	0A- 0R- 47.60P	115,600,000	
210	D G K Krishantha Property	Kurunegala	North Western	1A-0R-03.0P	27,400,000	
211	Kandy Property	Kandy	Central	0A-0R-10.40P & 5000Sq	47,700,000	1
212	Rahula Road Angoda Property	Colombo	Western	0A-1R-03.75P & 5400Sq	77,100,000	1
213	Ishara Traders Property-Kurunegala	Kurunegala	North Western	0A-1R-04.06P & 1850Sq	432,200,000	
214	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-13.25P	174,000,000	
215	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-07.45P & 225 Sq	98,600,000	
216	Ishara Traders Property-Kelaniya	Gampaha	Western	0A-0R-39.05P	319,900,000	
217	R.A.A. Rupasinghe Property	Nuwaraeliya	Central	3536Sq & 12.8P	100,500,000	1
218	Kandy Tyre House Pvt Ltd [Sampath Gunathilaka] Property	Colombo	Western	10.98P	162,300,000	1
219	P.G.S . Senadheera Property	Kandy	Central	38P & 1580Sq	38,600,000	1
220	K.H.G.P.A.K. Jayawardane Property	Kandy	Central	10.5P	3,200,000	
221	P.D.G.D.Gunawardane Property	Dambulla	Central	40P	14,400,000	
222	S.G.N. Ariyaratne Property	Kandy	Central	63.5P	15,900,000	
223	P.R.M.Perera Property	Kurunegala	North Western	66P	11,600,000	
224	K.M.P.A.I.B. Bandara Onwin Project Property	Matale	Central	131.9P	148,500,000	1
225	R.P.K Amarajeewa Property	Kandy	Central	3780Sq & 12P	30,100,000	1
226	Cinnamon Life Apartment -17-B2C	Colombo	Western	1270 Sq	130,000,000	
227	Cinnamon Life Apartment -36 B2C	Colombo	Western	1270 Sq	142,600,000	
228	Cinnamon Life Apartment -15 B2C	Colombo	Western	1270 Sq	122,200,000	
229	Cinnamon Life Apartment -11 B2A	Colombo	Western	1270 Sq	122,200,000	
230	K A S Premalal Property	Gampaha	Western	0A-0R-10.00P	8,500,000	
231	A E Dissanayaka Battaramulla Property	Colombo	Western	0A-0R-15.00P	75,000,000	
232	Jampata Street Property-R.S Wijerathna	Colombo	Western	0A-0R-04.50P	39,400,000	
233	Hashihran Property	Trincomalee	Eastern	0A-0R-08.10P & 2822Sq	49,600,000	1
234	Senuri Auto Property	Gampaha	Western	0A-0R-17.09P	25,000,000	
235	Bandaragama Property	Kaluthara	Western	0A-0R-30P & 1000Sq	12,300,000	1
236	Buddhi Metal International [Pvt] Ltd Property	Colombo	Western	0A-0R-35P	77,000,000	
237	M.P.M.S. Jayawardena Property	Colombo	Western	0A-0R-7.25P	23,200,000	
238	V R K Perera Property	Gampaha	Western	0A-1R-11.4P	82,200,000	
239	Capital Towers Apartments	Colombo	Western	843 Sq	92,600,000	
240	Capital Towers Apartments	Colombo	Western	867 Sq	96,700,000	
241	Capital Towers Apartments	Colombo	Western	867 Sq	96,700,000	
242	Capital Towers Apartments	Colombo	Western	867 Sq	96,700,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
243	Capital Towers Apartments	Colombo	Western	867 Sq	98,400,000	
244	Capital Towers Apartments	Colombo	Western	1,214 Sq	104,700,000	
245	Capital Towers Apartments	Colombo	Western	1,045 Sq	103,000,000	
246	Capital Towers Apartments	Colombo	Western	1,045 Sq	103,000,000	
247	Capital Towers Apartments	Colombo	Western	1,045 Sq	106,200,000	
248	Capital Towers Apartments	Colombo	Western	1,045 Sq	106,200,000	
249	Capital Towers Apartments	Colombo	Western	1,045 Sq	108,600,000	
250	Capital Towers Apartments	Colombo	Western	1,425 Sq	108,600,000	
251	Capital Towers Apartments	Colombo	Western	1,319 Sq	121,300,000	
252	Capital Towers Apartments	Colombo	Western	843 Sq	89,700,000	
253	Capital Towers Apartments	Colombo	Western	988 Sq	104,700,000	
254	A D A K Karunaratne - Moratuwa Property	Colombo	Western	0A-2R-14.82P	41,800,000	1
255	Ja-Ela Property - Brac	Gampaha	Western	1A-4R-63.15P	55,600,000	
256	Chaminda Asitha Kulathunga Property - Gonatuwewatta & Gonatuweyaya Alias Gotuwehena	Matale	Central	0A-0R-39.00P	49,600,000	1
257	Ampara Property - Hairu Eng	Ampara	Eastern	02A-0-R-35P	130,800,000	1
258	Bakmeekotuwa Kumbura - Narasinghe Arachchilage	Kegalle	Sabaragamuwa	0A-0R-20P	8,100,000	1
259	Ambakote Watta Land	Kandy	Central	0A-0R-20.4P	2,600,000	
260	Makulethannawatta Land	Kandy	Central	0A-1R-04.528P	6,700,000	
261	Lional Kumarasiri Ekanayake Property	Kegalle	Sabaragamuwa	0A-1R-26P	9,300,000	1
262	New Ratna H/W Property - Polonnaruwa	Polonnaruwa	North Central	AO-0R-14P	74,200,000	1
263	J G B Epakanda - Kandy Land	Kandy	Central	0A-0R-33.34P	5,200,000	
264	Dolapihilla Land - Kandy	Kandy	Central	AO-1R-5P	3,200,000	
265	Kalagedihena Land	Gampaha	Western	AO-RO-P31	27,500,000	
266	Oyapahala Estate - M M Ashan	Matale	Central	AO-0R-20P	7,400,000	
267	Suduganga Estate - M M Ashan	Matale	Central	A1-RO-29P	6,600,000	
268	J G B Epakanda - Kandy Land	Kandy	Central	0A-1R-11.69P	2,200,000	
269	Ganemulla Property	Gampaha	Western	AO-0R-12P	9,000,000	
270	Haputhale Pallegama Property	Kandy	Central	AO-R2-P13.80	4,000,000	
271	Havelock Apt. Tower-Melford	Colombo	Western	109Sq	91,100,000	
272	Millagahawatta Property -Wattala	Gampaha	Western	0A-0R-19P	18,600,000	1
273	Kalagedihena Property	Gampaha	Western	0A-2R-20P	70,000,000	
274	Yakkala Property	Gampaha	Western	4A-2R-1.5P	18,000,000	
275	Unagasptiye Thubakome Hena Property	Kurunegala	North Western	0A-1R-0P	13,000,000	
276	Tittawalgolla Property	Dambulla	Central	1A-3R-10P	24,700,000	
277	Kahatagaha Hinna Watta Property	Kandy	Central	0A-1R-4.15P/0A- 0R-12P	8,400,000	
278	Nugagahawatte Property- Land & Vehicle Yard	Gampaha	Western	0A-0R-32.81P	57,400,000	
279	Wariyapola Estate	MATALE	Central	3A-0R-15P	12,400,000	
280	Orient Residencies	Colombo	Western	1758Sq	46,200,000	
281	Galabodawatta Walgama Property	GAMPAHA	Western	0A-0R-10P	3,200,000	1
282	TRIZEN ApartmentTRI/1/L46/U3	Colombo	Western	716Sq	66,300,000	
283	TRIZEN ApartmentTRI/1/L47/U3	Colombo	Western	716Sq	66,400,000	
284	TRIZEN ApartmentTRI/1/L48/U3	Colombo	Western	716Sq	66,700,000	
285	TRIZEN ApartmentTRI/1/L49/U3	Colombo	Western	716Sq	67,000,000	
286	TRIZEN ApartmentTRI/1/L50/U3	Colombo	Western	716Sq	67,300,000	
287	TRIZEN ApartmentTRI/1/L39/U6	Colombo	Western	726Sq	67,400,000	
288	TRIZEN ApartmentTRI/1/L41/U6	Colombo	Western	726Sq	68,600,000	

Other Disclosures

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
289	TRIZEN ApartmentTRI/1/L42/U6	Colombo	Western	726Sq	72,000,000	
290	TRIZEN ApartmentTRI/1/L43/U6	Colombo	Western	726Sq	72,300,000	
291	TRIZEN ApartmentTRI/1/L46/U6	Colombo	Western	726Sq	73,100,000	
292	TRIZEN ApartmentTRI/1/L47/U6	Colombo	Western	726Sq	73,400,000	
293	TRIZEN ApartmentTRI/1/L49/U6	Colombo	Western	726Sq	73,900,000	
294	TRIZEN ApartmentTRI/1/L34/U1	Colombo	Western	989Sq	74,400,000	
295	TRIZEN ApartmentTRI/1/L35/U1	Colombo	Western	989Sq	75,000,000	
296	TRIZEN ApartmentTRI/1/L36/U1	Colombo	Western	989Sq	75,900,000	
297	TRIZEN ApartmentTRI/1/L37/U1	Colombo	Western	989Sq	76,700,000	
298	TRIZEN ApartmentTRI/1/L38/U1	Colombo	Western	989Sq	77,400,000	
299	TRIZEN ApartmentTRI/1/L39/U1	Colombo	Western	989Sq	78,200,000	
300	TRIZEN ApartmentTRI/1/L40/U1	Colombo	Western	989Sq	79,000,000	
301	TRIZEN ApartmentTRI/1/L41/U1	Colombo	Western	989Sq	79,900,000	
302	TRIZEN ApartmentTRI/1/L42/U1	Colombo	Western	989Sq	84,600,000	
303	TRIZEN ApartmentTRI/1/L43/U1	Colombo	Western	989Sq	85,000,000	
304	TRIZEN ApartmentTRI/1/L44/U1	Colombo	Western	989Sq	85,200,000	
305	TRIZEN ApartmentTRI/1/L46/U1	Colombo	Western	989Sq	86,000,000	
306	TRIZEN ApartmentTRI/1/L47/U1	Colombo	Western	989Sq	86,500,000	
307	TRIZEN ApartmentTRI/1/L48/U1	Colombo	Western	989Sq	86,900,000	
308	TRIZEN ApartmentTRI/1/L49/U1	Colombo	Western	989Sq	87,100,000	
309	TRIZEN ApartmentTRI/1/L50/U1	Colombo	Western	989Sq	87,500,000	
310	TRIZEN ApartmentTRI/1/L40/U4	Colombo	Western	1011Sq	98,600,000	
311	TRIZEN ApartmentTRI/1/L47/U4	Colombo	Western	1011Sq	101,600,000	
312	TRIZEN ApartmentTRI/1/L48/U4	Colombo	Western	1011Sq	102,000,000	
313	TRIZEN ApartmentTRI/3/L38/U3	Colombo	Western	720Sq	63,000,000	
314	TRIZEN ApartmentTRI/3/L39/U3	Colombo	Western	720Sq	63,400,000	
315	TRIZEN ApartmentTRI/3/L43/U3	Colombo	Western	720Sq	65,800,000	
316	TRIZEN ApartmentTRI/3/L44/U3	Colombo	Western	720Sq	66,000,000	
317	TRIZEN ApartmentTRI/3/L45/U3	Colombo	Western	720Sq	66,400,000	
318	TRIZEN ApartmentTRI/3/L46/U3	Colombo	Western	720Sq	66,400,000	
319	TRIZEN ApartmentTRI/3/L47/U3	Colombo	Western	720Sq	66,900,000	
320	TRIZEN ApartmentTRI/3/L48/U3	Colombo	Western	720Sq	67,100,000	
321	TRIZEN ApartmentTRI/3/L49/U3	Colombo	Western	720Sq	67,500,000	
322	TRIZEN ApartmentTRI/3/L50/U3	Colombo	Western	720Sq	67,500,000	
323	TRIZEN ApartmentTRI/3/L51/U3	Colombo	Western	720Sq	67,900,000	
324	TRIZEN ApartmentTRI/3/L41/U6	Colombo	Western	759Sq	80,600,000	
325	TRIZEN ApartmentTRI/3/L42/U6	Colombo	Western	759Sq	80,800,000	
326	TRIZEN ApartmentTRI/3/L46/U6	Colombo	Western	759Sq	82,100,000	
327	TRIZEN ApartmentTRI/3/L26/U4	Colombo	Western	1011Sq	73,200,000	
328	TRIZEN ApartmentTRI/3/L27/U4	Colombo	Western	1011Sq	73,600,000	
329	TRIZEN ApartmentTRI/3/L28/U4	Colombo	Western	1011Sq	74,100,000	
330	TRIZEN ApartmentTRI/3/L29/U4	Colombo	Western	1011Sq	74,500,000	
331	TRIZEN ApartmentTRI/3/L30/U4	Colombo	Western	1011Sq	75,000,000	
332	TRIZEN ApartmentTRI/3/L31/U4	Colombo	Western	1011Sq	75,400,000	
333	TRIZEN ApartmentTRI/3/L32/U4	Colombo	Western	1011Sq	75,600,000	
334	TRIZEN ApartmentTRI/3/L33/U4	Colombo	Western	1011Sq	76,300,000	
335	TRIZEN ApartmentTRI/3/L34/U4	Colombo	Western	1011Sq	76,700,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
336	TRIZEN ApartmentTRI/3/L35/U4	Colombo	Western	1011Sq	76,900,000	
337	TRIZEN ApartmentTRI/3/L36/U4	Colombo	Western	1011Sq	77,500,000	
338	TRIZEN ApartmentTRI/3/L37/U4	Colombo	Western	1011Sq	78,000,000	
339	TRIZEN ApartmentTRI/3/L38/U4	Colombo	Western	1011Sq	78,200,000	
340	TRIZEN ApartmentTRI/3/L49/U1	Colombo	Western	1041Sq	101,600,000	
341	TRIZEN ApartmentTRI/3/L49/U2	Colombo	Western	1041Sq	101,400,000	
342	TRIZEN ApartmentTRI/1/L35/U4	Colombo	Western	1011Sq	96,400,000	
343	TRIZEN ApartmentTRI/1/L43/U4	Colombo	Western	1011Sq	99,900,000	
344	TRIZEN ApartmentTRI/1/L44/U4	Colombo	Western	1011Sq	100,300,000	
345	TRIZEN ApartmentTRI/3/L40/U1	Colombo	Western	1041Sq	96,900,000	
346	TRIZEN ApartmentTRI/3/L43/U1	Colombo	Western	1041Sq	99,200,000	
347	TRIZEN ApartmentTRI/3/L44/U1	Colombo	Western	1041Sq	99,600,000	
348	TRIZEN ApartmentTRI/3/L45/U1	Colombo	Western	1041Sq	99,900,000	
349	TRIZEN ApartmentTRI/3/L46/U1	Colombo	Western	1041Sq	100,300,000	
350	TRIZEN ApartmentTRI/3/L47/U1	Colombo	Western	1041Sq	100,900,000	
351	TRIZEN ApartmentTRI/3/L48/U1	Colombo	Western	1041Sq	101,400,000	
352	TRIZEN ApartmentTRI/1/L25/U4	Colombo	Western	1011Sq	92,300,000	
353	TRIZEN ApartmentTRI/1/L27/U4	Colombo	Western	1011Sq	92,900,000	
354	TRIZEN ApartmentTRI/1/L30/U4	Colombo	Western	1011Sq	94,200,000	
355	TRIZEN ApartmentTRI/1/L32/U4	Colombo	Western	1011Sq	95,100,000	
356	TRIZEN ApartmentTRI/1/L34/U4	Colombo	Western	1011Sq	96,000,000	
357	TRIZEN ApartmentTRI/3/L12A/U6	Colombo	Western	759Sq	67,000,000	
358	TRIZEN ApartmentTRI/3/L12A/U1	Colombo	Western	1041Sq	80,100,000	
359	TRIZEN ApartmentTRI/3/L33/U1	Colombo	Western	1041Sq	93,700,000	
360	TRIZEN ApartmentTRI/3/L35/U1	Colombo	Western	1041Sq	94,300,000	
361	TRIZEN ApartmentTRI/3/L36/U1	Colombo	Western	1041Sq	94,700,000	
362	TRIZEN ApartmentTRI/3/L12A/U2	Colombo	Western	1041Sq	79,400,000	
363	TRIZEN ApartmentTRI/3/L29/U2	Colombo	Western	1041Sq	91,700,000	
364	TRIZEN ApartmentTRI/3/L30/U2	Colombo	Western	1041Sq	92,100,000	
365	TRIZEN ApartmentTRI/3/L31/U2	Colombo	Western	1041Sq	92,600,000	
366	TRIZEN ApartmentTRI/3/L33/U2	Colombo	Western	1041Sq	93,200,000	
367	TRIZEN ApartmentTRI/3/L35/U2	Colombo	Western	1041Sq	93,900,000	
368	TRIZEN ApartmentTRI/3/L41/U2	Colombo	Western	1041Sq	97,900,000	
369	TRIZEN ApartmentTRI/3/L42/U2	Colombo	Western	1041Sq	98,400,000	
370	TRIZEN ApartmentTRI/3/L43/U2	Colombo	Western	1041Sq	98,800,000	
371	TRIZEN ApartmentTRI/3/L44/U2	Colombo	Western	1041Sq	99,200,000	
372	TRIZEN ApartmentTRI/3/L45/U2	Colombo	Western	1041Sq	99,600,000	
373	TRIZEN ApartmentTRI/3/L46/U2	Colombo	Western	1041Sq	99,900,000	
374	TRIZEN ApartmentTRI/3/L47/U2	Colombo	Western	1041Sq	100,300,000	
375	TRIZEN ApartmentTRI/3/L48/U2	Colombo	Western	1041Sq	100,900,000	

Other Disclosures

2. 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 39.

3. 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 39.

All the transactions with related parties which are disclosed under note 39 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.

4. SELECTED KEY PERFORMANCE INDICATORS

Regulatory Capital Adequacy		31.03.2025	31.03.2024
Total Tier 1 Core Capital	Rs.'000	109,866,746	87,039,551
Total Capital Base	Rs.'000	108,785,841	87,033,260
Core Capital Adequacy Ratio (Minimum Requirement 10%)		26.18%	23.01%
Total Capital Adequacy Ratio (Minimum Requirement 17%)		25.92%	23.00%
Asset Quality Ratios		31.03.2025	31.03.2024
Net Non-Performing Loans Ratio		4.81%	10.48%
Regulatory Liquidity		31.03.2025	31.03.2024
Available Liquid Assets	Rs.'000	33,973,375	40,662,288
Required Liquid Assets	Rs.'000	24,236,615	22,312,296
Liquid Assets to Deposits Ratio		15.05%	19.70%

5. 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%	10.33%
Type B - 5 Years Tenor	Semi-annually	19.63%	19.63%	19.63%	10.33%

Market prices & issue prices of debentures recorded during the quarter ended 31st March 2025 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 31.03.2025	As at 31.03.2024
Debt to equity ratio (With Deposits)	1.67 times	1.89 times
Quick asset ratio	0.7 times	0.94 times
Interest cover	1.96 times	1.58 times

6 STATEMENT OF VALUE ADDED

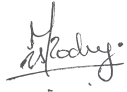
	2024/25 Rs.	2023/24 Rs.
Value added		
Interest income	68,317,633,361	74,993,922,946
Other Income	4,152,954,466	12,822,033,342
Cost of Borrowing	[26,211,477,746]	[37,019,229,768]
General and administration Expenses	[13,918,828,787]	[13,054,155,223]
Allowance for impairment & write-offs	7,727,070,189	[4,656,710,270]
	40,067,351,482	33,085,861,026
Distribution of value added		
To Employees	7,940,798,668	6,886,450,056
Remuneration and other benefits	7,940,798,668	6,886,450,056
To Government	5,736,663,732	3,465,809,949
Indirect Taxes	5,736,663,732	3,465,809,949
To Expansion and Growth	26,389,889,082	22,733,601,021
Retained Profits	25,085,140,797	21,547,495,316
Depreciation and amortisation	1,304,748,285	1,186,105,705
	40,067,351,482	33,085,861,026

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 24th ANNUAL GENERAL MEETING of the Company will be held on Thursday, 29th September 2025 at 09.30 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 2025, with the Report of the Auditors thereon.
2. To re-elect as Director Mr. F K C P N Dias who retires by rotation in terms of Article 75 of the Articles of Association of the Company.
3. To re-elect as Director Mr P A Wijeratne who retires by rotation in terms of Article 75 of the Articles of Association of the Company.
4. To re-elect as Director Mrs K T C Priyangani who retires in terms of Article 70 of the Articles of Association of the Company.
5. To re-elect as Director Mr S Lankathilaka who retires in terms of Article 70 of the Articles of Association of the Company.
6. To appoint Auditors Messrs Deloitte partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.
7. 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

29th August 2025
Rajagiriya [in the Greater Colombo]

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
Mrs K T C Priyangani	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, 29th September 2025 at 09.30 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. F K C P N Dias who retires by rotation in terms of Article 75 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director Mr. P A Wijeratne who retires by rotation in terms of Article 75 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To appoint Auditors Messrs Deloitte Partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as Director Mrs K T C Priyangani who retires in terms of Article 70 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as Director Mr S Lankathilaka who retires in terms of Article 70 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. 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.	<input type="checkbox"/>	<input type="checkbox"/>

dated this day of, Two Thousand Twenty-Five.

.....
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. This form is designed to gather comments and constructive criticism from our stakeholders to help us improve our governance, operations, financial condition, and future prospects. Please fill out the form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of enhancing our stakeholder communication and overall performance.

CONTACT INFORMATION

Name : _____

Email : _____

Phone : _____

Company/Organisation : _____

WHICH STAKEHOLDER GROUPS DO YOU BELONG TO? (YOU MAY TICK MORE THAN ONE)

- » ☐ Shareholder
- » ☐ Customer
- » ☐ Community
- » ☐ Public Authority
- » ☐ Investor
- » ☐ 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
 - » ☐ Very Inaccessible

3. How well do the Company's communications address your concerns and queries?

- » ☐ Very Well
- » ☐ Well
- » ☐ Neutral
- » ☐ Poorly
- » ☐ Very Poorly

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
 - » ☐ Very Not Useful

Stakeholder Feedback Form

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
 - » ☐ Very Not Confident
2. How well does the Company maintain the confidentiality of sensitive information?
- » ☐ Very Well
 - » ☐ Well
 - » ☐ Neutral
 - » ☐ Poorly
 - » ☐ Very Poorly

ADDITIONAL COMMENTS

Please provide any additional comments or suggestions you have for improving the Company’s communication practices.

SUBMISSION

Please return the completed form to:
Investor Relations, LOLC Finance PLC, 100/1 Sri Jayawardenepura
Mawatha, Rajagiriya, Sri Lanka

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 stable outlook.

REGISTERED OFFICE AND HEAD OFFICE

No. 100/1, Sri Jayawardenepura 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
Mrs. K T C Priyangani
S Lankathilake, Independent Director
A J L Peiris, Independent Director

THE COMPANY SECRETARY

Mrs M V S C Rodrigo
100/1, Sri Jayawardenepura Mawatha, Rajagiriya
Tel: 0117 248 578
Email: veronicac@lolcfinance.com

AUDITORS

Deloitte Partners Chartered Accounts

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 11 571 5555 [General]