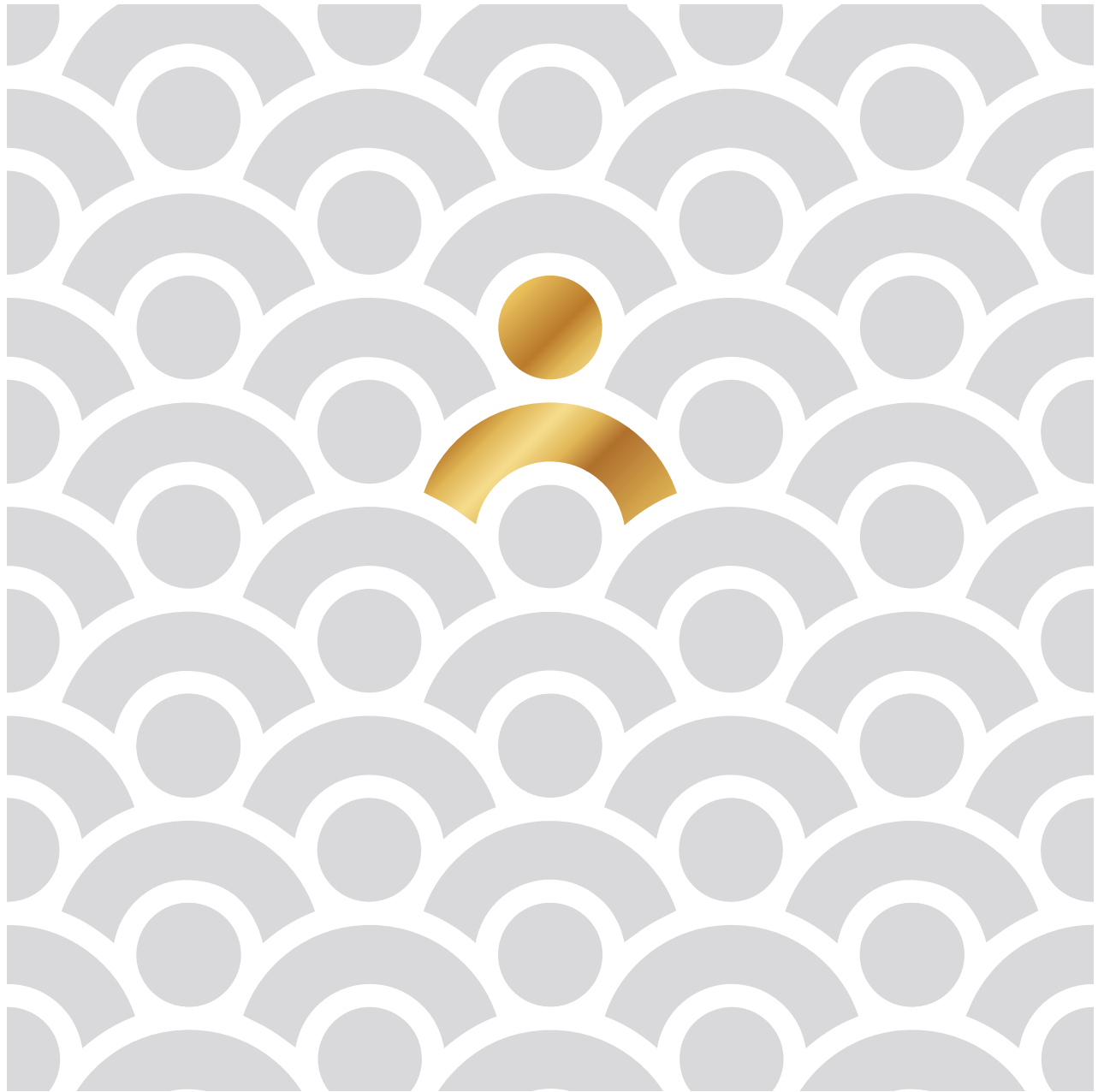




SAME . BUT DIFFERENT

ASIA ASSET FINANCE PLC ANNUAL REPORT 2023 | 2024

SAME. BUT DIFFERENT

To survive the last few years has been quite a challenge for all, and those who could adapt and innovate were able to keep striving on. We at Asia Asset Finance PLC geared ourselves and took a collective decision of breaking the norm and changing the game. While we are a fully equipped financial entity, we shifted our focus towards a more sustainable future and made our mark in the industry by adding various features to change the conventional methods of financial operational facilities. From launching a digitalised application such as mobile app for financial operation activities which gave all our customers the required freedom and ease in carrying out their transactions, to shifting to a paperless office which saved on time, transport and storage.

We won the hearts of many by being more than just a finance company. Specifically by catering to those who were not reachable by expanding our branch network and being accessible to each and every one across the island. We have customised products to better serve the women of our country and we make it our mission to uplift them in every way possible. By positioning ourselves as a trusted financial partner we have helped them turn their dreams into a reality.

Implementing modern and innovative strategies such as these has not only helped our customers but has also helped the company reach and exceed their targets. Our recent first-time National Long-Term Rating of 'A+(lka)' with a Stable outlook from Fitch Ratings further attests that the company is moving in the direction that is desired by all. By being a catalyst in our customer's growth, we too have grown as a company and are further motivated to keep doing things differently.

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ABOUT THIS REPORT

4th INTERGRATED ANNUAL REPORT

We are pleased to present to you the Integrated Annual Report of Asia Asset Finance PLC (“The Company”) for the year ended 31 March 2024.

In a concise yet transparent comprehensive, and an accurate manner, we have endeavored to place before you, our valued shareholders, a balanced review of financial, environmental, and social impacts of our operations, within a strong governance structure creating value for our communities while contributing positively to the national economy.



To view this report online, or for any other information please log on to www.asiaassetfinance.com

► SCOPE AND BOUNDARY

The Report encompasses the operations of Asia Asset Finance PLC, and reports on both, financial and non-financial aspects for the financial year 2023/24. Its primary intention is to present the information required by the Shareholders and conform to regulatory requirements, while giving an account of the many aspects of our operations to all our stakeholders.

► REPORTING IMPROVEMENT IN THE FY 2023/24

We have included the following, in improving our Report:

- Integrated Reporting Framework of the International Integrated Reporting Council (<IR >) Framework
- Adoption of the GRI tags
- Disclosure required by the Sustainability Accounting Standards Board (SASBs)
- Disclosures required under Task Force on Climate-Related Financial Disclosures (TCFD)

► REPORTING FRAMEWORK

Financial Reporting	Non-Financial Reporting
Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Global Reporting Initiative (GRI) Standards
The Companies Act No. 7 of 2007	Guidance on Environmental, Social and Governance (ESG) Reporting issued by Colombo Stock Exchange
Listing Rules of the Colombo Stock Exchange	Gender Parity Reporting Framework published by CA Sri Lanka
Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021, including directives and circulars	Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
Integrated Reporting Framework of the International Integrated Reporting Council	Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017), to the extent of business exigency and as required by the Group
Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka	Taskforce on Climate related Financial Declaration



ABOUT THIS REPORT

Regulatory	Voluntary
Companies Act No.7 of 2007	Integrated Reporting Framework of the International Integrated Reporting Council (<IR >) Framework
Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards	GRI Standards (2021)
Listing Requirements of the Colombo Stock Exchange	Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka
	TCFD Recommendations
	SASB Standards for Consumer Finance
	Gender Parity Reporting Framework published by CA Sri Lanka

GUIDING PRINCIPLES

- The following principles were applied in preparing the Report to provide a credible review of our performance and operations.
- ✓ **Reliability** – Internal controls and processes currently implemented deliver reliability of both financial and non-financial information.
 - ✓ **Conciseness** – We have covered all critical matters in a complete but a concise manner.
 - ✓ **Authentic presentation** – A balanced view, based on positive or negative outcomes are reported in a faithful manner.
 - ✓ **Materiality** – Material matters are identified and reported in a responsible manner.
 - ✓ **Ensuring Integrated Reporting** – Icons are used to integrate the variety of topics that are reporting, giving connectivity of information.
 - ✓ **Inclusion of International Standards in Reporting** – GRI tagging, SASB and TCFD are used to ensure compliance with the required international standards.

RESTATEMENT OF INFORMATION

GRI 2-4

There is no restatement of financial or non-financial information which was audited last year, unless otherwise related to 2023/24 operations.

FORWARD LOOKING STATEMENTS

Forward-looking statements included in this Report discuss the possible future financial position and results of the Company’s operations. These statements, however, involve an element of risk and uncertainty due to external and possible internal reasons that cannot be accurately predicted now. Therefore, the accuracy of these statements can vary as events unfold, and the impacts may at times be beyond the control of the Company.

We do not undertake to update or revise these statements publicly in the event of a change of circumstances nor does the Board or other preparers of the Annual Report undertake any liability towards the impacts of any unprecedented negative events arising out of the volatile global or local macroeconomic environment.

MATERIALITY

Material issues prioritise the matters that Significantly impact the Company’s ability to create and sustain value in the short, medium, and the long term. This Report is crafted on those parameters, having taken into consideration the way we interact with and manage our relationships with our stakeholders and determine the material factors that impact them and in turn impact our operations and sustainability.

AUDIT AND ASSURANCE

GRI 2-5

Assurance is provided through a combination of internal and external auditors. The content of the report has received the approval from respective business heads and was subjected to review by the Corporate Management Team, prior to submission to the Board of Directors for final approval. An independent review of the Company’s Financial Statements as of 31 March 2024 was conducted by the Company’s External Auditors, BDO Partners and Chartered Accountants. Their report is present at pages 183 to 186. The sustainability aspects contained herein however, are not externally assured.

THE BOARD RESPONSIBILITY

The Board of Directors is responsible for ensuring the integrity and the accuracy of this Integrated Report. The Board hereby confirms that in their opinion this Report provides all material issues and presents the Company's performance in a fair manner and is prepared in accordance with the Framework.

Signed on behalf of the Board:

V.A Prasanth

Chairman/Independent Non Executive

FEEDBACK AND INQUIRIES

GRI 2-3

We value your feedback which will help us improve the comprehensiveness of our report for the new financial year. Please contact the following person for inquiries regarding the Annual Report. You can also forward your suggestions to:

K.K Radhika Dilrukshi

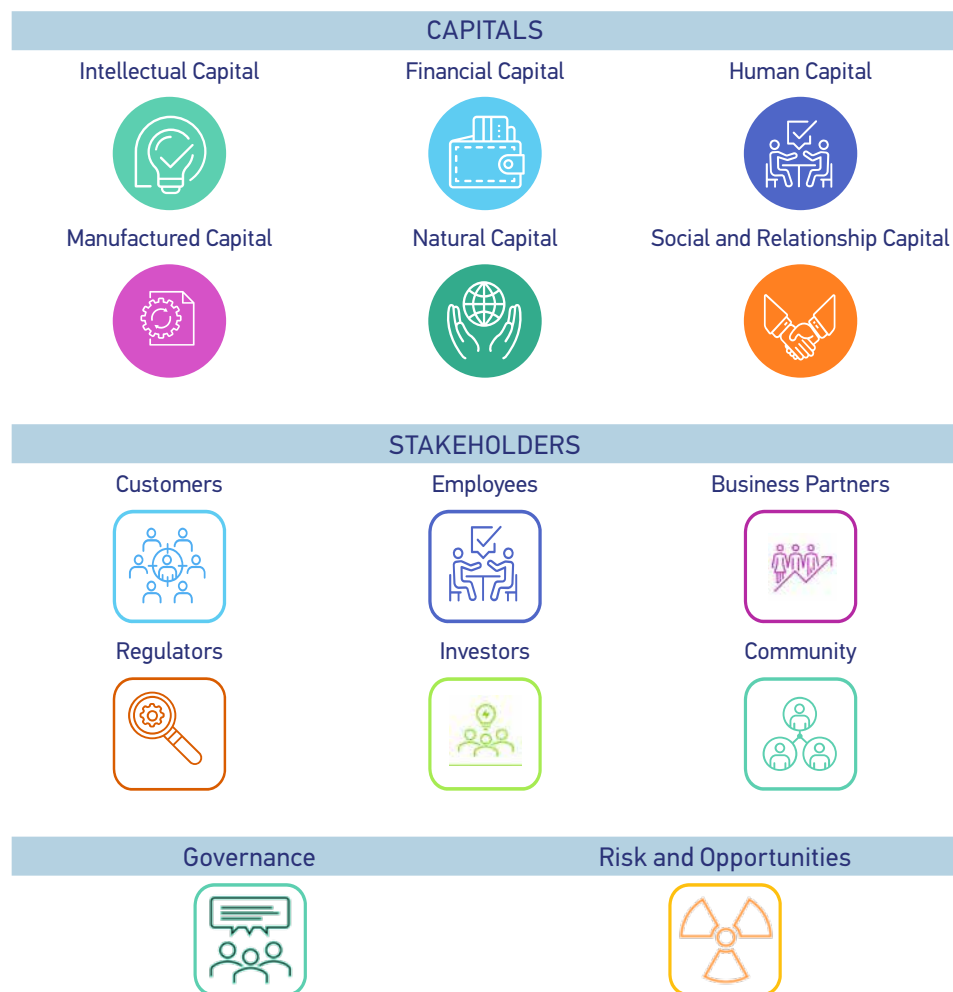
Compliance Officer

Compliance Department

Tel: 0117699020

E mail: Compliance@asiaassetfinance.lk

NAVIGATING OUR REPORT



ASIA ASSET FINANCE AT A GLANCE

53 Years

**LEGACY OF OVER FIVE
DECADES**

For over 53 years we of Asia Asset Finance PLC have invested our interests in countless individuals and business'. Be it in the Gold loans we provide for the most reasonable rates, leasing, mortgage loans or accepting your public deposits, we are proud to have nurtured communities to be sustainable economies.

Asia Asset Finance PLC is a fully owned subsidiary of Muthoot Finance Ltd and a fully licensed, deposit-taking institution registered with the Central Bank of Sri Lanka.

Society's financial needs are ever growing and Asia Asset grew over the years, in a simple quest to cater to these needs. Our efforts have always been to aid our customers to achieve growth in the way they live and in the way they do business.

The story of Asia Asset Finance PLC is one of "Empowering People and Transforming Lives.



**ASIA ASSET
FINANCE PLC**

A Finance Company with a Golden Heritage

Muthoot Group Company



OUR GOAL
TO BECOME A PREMIER
FINANCE COMPANY IN SRI
LANKA



OUR VISION
"EMPOWERING PEOPLE,
TRANSFORMING LIVES"



PROUDLY AWARDED

FitchRatings **A+** (lka)
WITH A STABLE OUTLOOK





“Let us not judge ourselves by the profit we make but by the trust and the confidence that people have in us. Let us cherish and nurture that trust and ensure that every person who deals with us deals with the confidence that he will not be misguided but his interests will be carefully protected..”

*Shri M. George Muthoot
Founder chairman – Banking (1911 – 1993)*



OUR MISSION

► TOWARDS THE CUSTOMERS

The solutions we provide for our customers financial needs would be unconventional, innovative and relevant for their needs to improve their quality of life whilst maintaining superior levels of customer service which would go well beyond their expectations.

► TOWARDS THE SHAREHOLDERS

Build shareholder value and provide substantial shareholder returns through relentlessly improving our performance and operations with sustainable effective strategies.

► TOWARDS OUR FAMILY OF EMPLOYEES

A Company that fosters and harnesses equality amongst employees along with personnel development and to create the perfect work-life balance in the organisation.

► TOWARDS SOCIETY

To be an ethical financial service provider, promoting the betterment of the societies we work and live in while maintaining transparent financial records and practices. We aim to provide financial solutions to all segments in our society and eliminate financial exclusion in our society.



OUR VALUES

► HONESTY AND INTEGRITY

► FLEXIBILITY

► INNOVATION

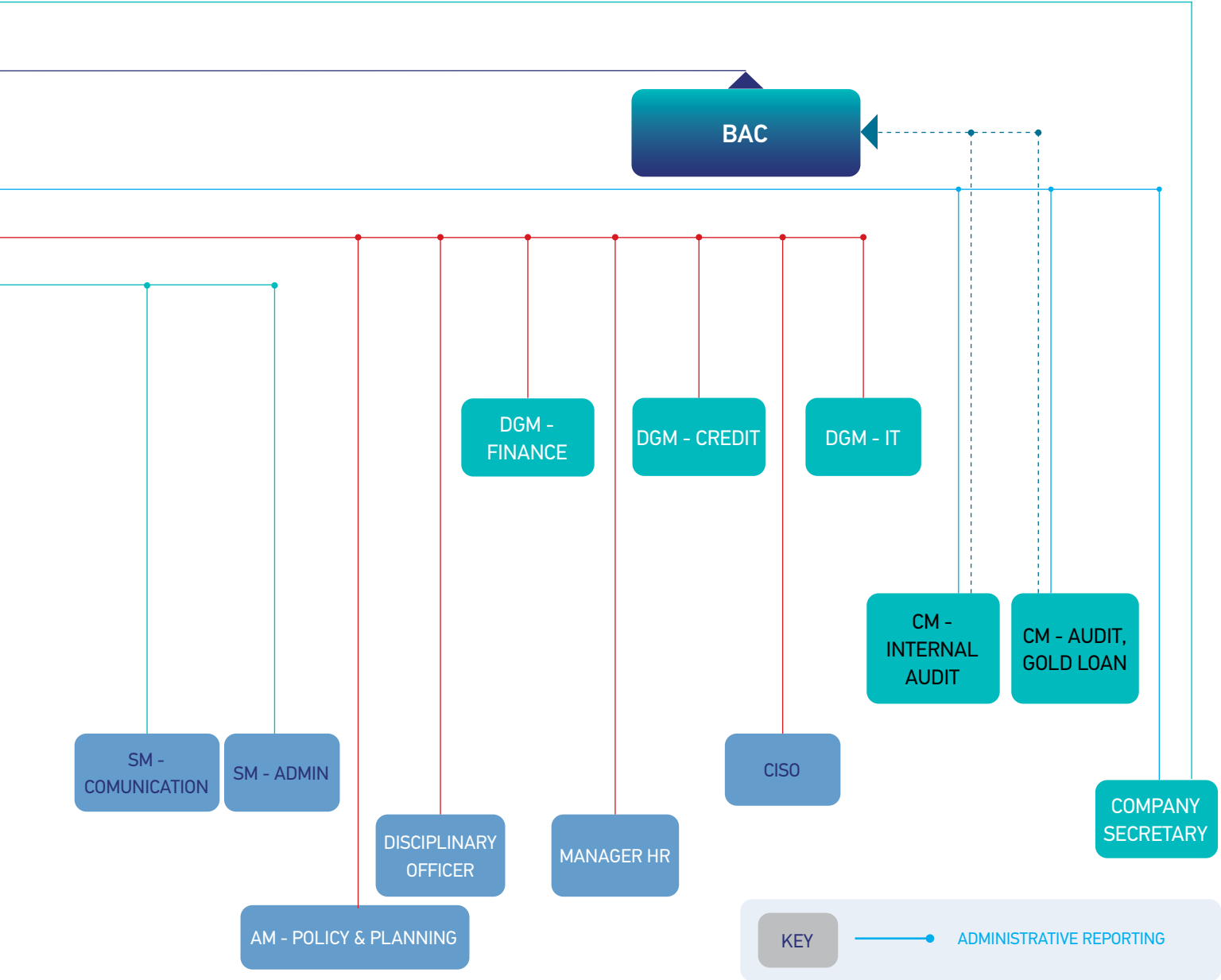
► PASSION FOR EXCELLENCE

► PEOPLE ORIENTED

► GENUINE CONCERN FOR THE CLIENT

RM C - RM, Central Province
RM N1 - RM, Northern Province 1
RM N2 - RM, Northern Province 2
RM E - RM, Eastern Province

SMBS & MBS WILL REPORT TO RESPECTIVE RM



RM S - RM, Southern Province
RM U - RM, Uva Province
RM SAB - RM, Sabaragamuwa Province
AM - Assistant Manager

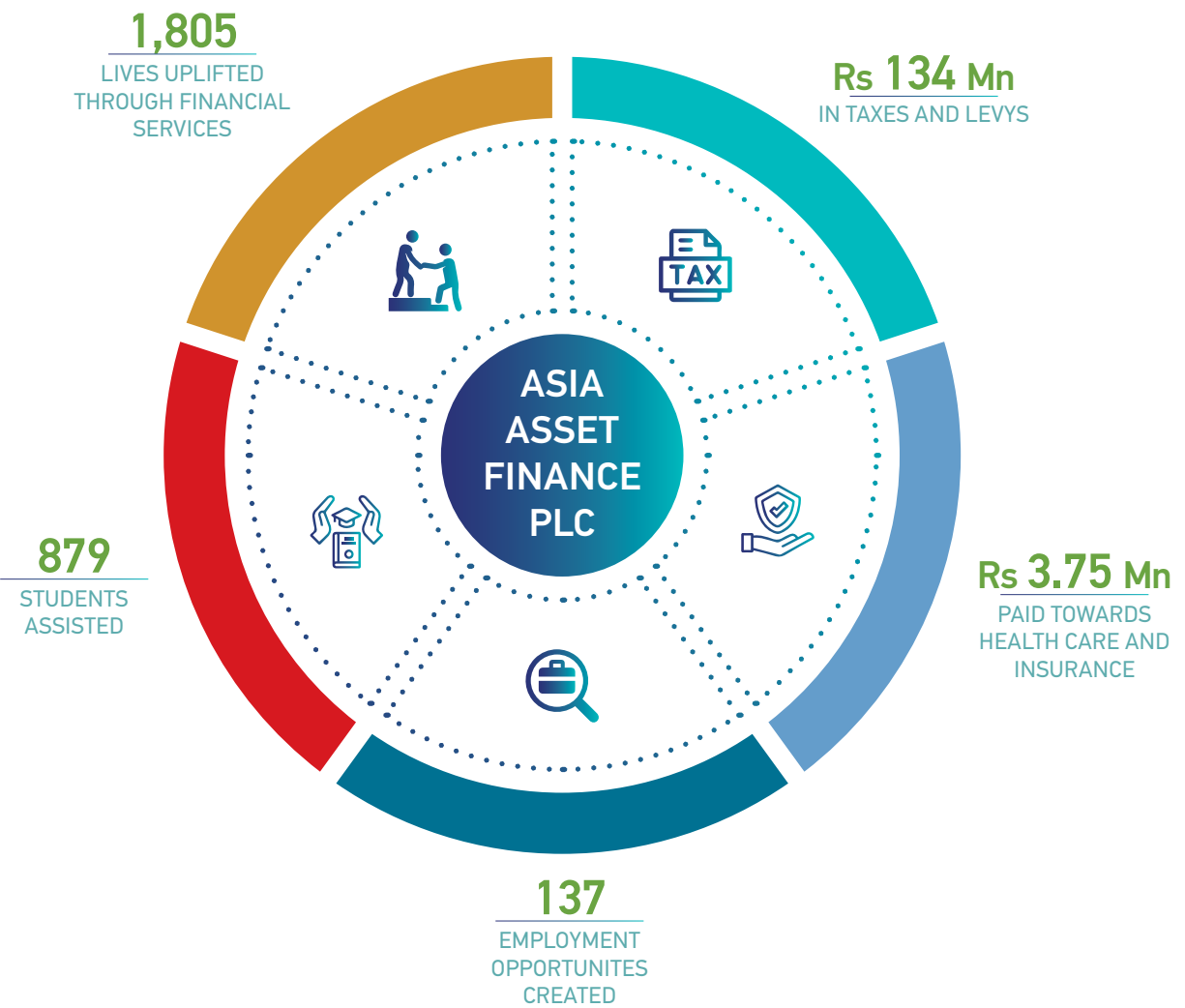
DGM IT - DGM Information Technology
GL OPERATION - CM Gold Loan Operations
MANAGER HR - Manager Human Resources
IRMC - Integrated Risk Management Committee

BAC - Board Audit Committee
CISO - Chief Information Security Officer
SMBS - SM Branch Supervision
MBS - Manager Branch Supervision

NON-FINANCIAL HIGHLIGHTS



OUR ECONOMIC CONTRIBUTION



FINANCIAL HIGHLIGHTS

	2023/2024	2022/2023
FINANCE PERFORMANCE(RS MN)		
Gross Revenue	6,604	6,006
Net Interest Income	1,432	1,741
Profit Before Tax	373	360
Taxation	(29)	(64)
Profit After Tax	344	295
POSITION AS AT THE YEA END (RS.MN)		
Cash and Cash Equivalents	3,888	2,063
Loans and Recivables	19,058	19,478
Total assets	25,843	25,013
Fixed Depoit	14,485	13,275
FINANCIAL RATIOS (%)		
Profitability Perspective		
Profit for the year(Mn)	344	295
Net Interest Margin	5.94	8.94
Return on Assets (ROA)	1.33	1.18
Equity Holders		
Earnings per share(Rs)	2.77	2.38
Net Asset Value per share (Rs.)	27.10	24.24
Return on equity (%)	10.82	9.81
DEBT HOLDERS		
Debt to Equity ratio (Times)	6.43	7.15
Interest Cover (Times)	1.12	1.10
STATUTORY RATIO		
Tier 1 (Minimum requireemnt 8.5%)	21.22	27.43
Available Liquid Assets to Required Liquid Assets (g)	213	243
Non Performing Ratio	22.11	12.79
QUALITY OF LOAN PORTFOLIO) (%)		
Gross Non-Performing Loans Ratio %	22.11	12.79
Net-Non-Performing Loans Ratio %	15.43	5.84
Provision Coverage Ratio,	30.16	63.52

OUR PRODUCT AND SERVICES



► GOLD LOANS

Gold loan, also known as loan against gold, is a secured loan where the borrower pledges gold articles as collateral to obtain funds from a lender.



► FOREIGN EXCHANGE

Forex, or foreign exchange, is the global market for trading currencies, enabling the exchange of one currency for another. It's the largest and most liquid financial market, crucial for international trade and investment.



► MORTGAGE LOANS

Mortgage loans are financial products that allow you to borrow money for purchasing a property, upgrading your business, financing migration, or leveraging the equity in a home you already own.



► FIXED DEPOSITS

A Fixed Deposit is an investment where an individual deposits a lump sum with a bank or NBFI for a set period, earning interest at a fixed rate. Interest can be received monthly, quarterly, half-yearly, or annually, based on the holder's preference.



► VEHICLE LEASING

Vehicle leasing is a financial arrangement where a motor vehicle is leased for a fixed period at an agreed price. Mortgage loans are financial products that allow you to borrow money for purchasing a property, upgrading your business, financing migration, or leveraging the equity in a home you already own.

EARNINGS PER PRODUCT & SERVICE



4.05 Bn

GOLD LOANS



2.66 Bn

FIXED DEPOSITS



619.4 Mn

OTHER LOANS



1.02 Bn

TREASURY

HOW WE CREATE VALUE

VISION : EMPOWERING PEOPLE, TRANSFORMING LIVES

INPUT



FINANCIAL CAPITAL

Financial resources that are available to drive strategy and expansion plans
Optimum Product Mix
Liquid Asset Maintenance, Customer Deposits
Pricing



HUMAN CAPITAL

The skills, competencies and dedication of our employees. Outsourced Service Providers
People Development
Talent Management
Rewards and Retention
Disciplinary Monitoring



SOCIAL AND RELATIONSHIP CAPITAL

Relationships maintained throughout the branch networks and communities. Building relationships with all stakeholders



MANUFACTURED CAPITAL

Our constantly improving physical infrastructure. Expansion in branch network



INTELLECTUAL CAPITAL

Knowledge and innovation in systems, processes and standards
The strength of our brands
Brand building
Compliance
Building corporate culture



NATURAL CAPITAL

Sustainable energy and water consumption
Reduce energy and water wastage and minimise consumption.

BRANCH EXPANSION

ENHANCED DIGITAL CAPABILITIES

DATA AND CYBERSECURITY

- Digital Transformation
- Ethical and Compliant Business

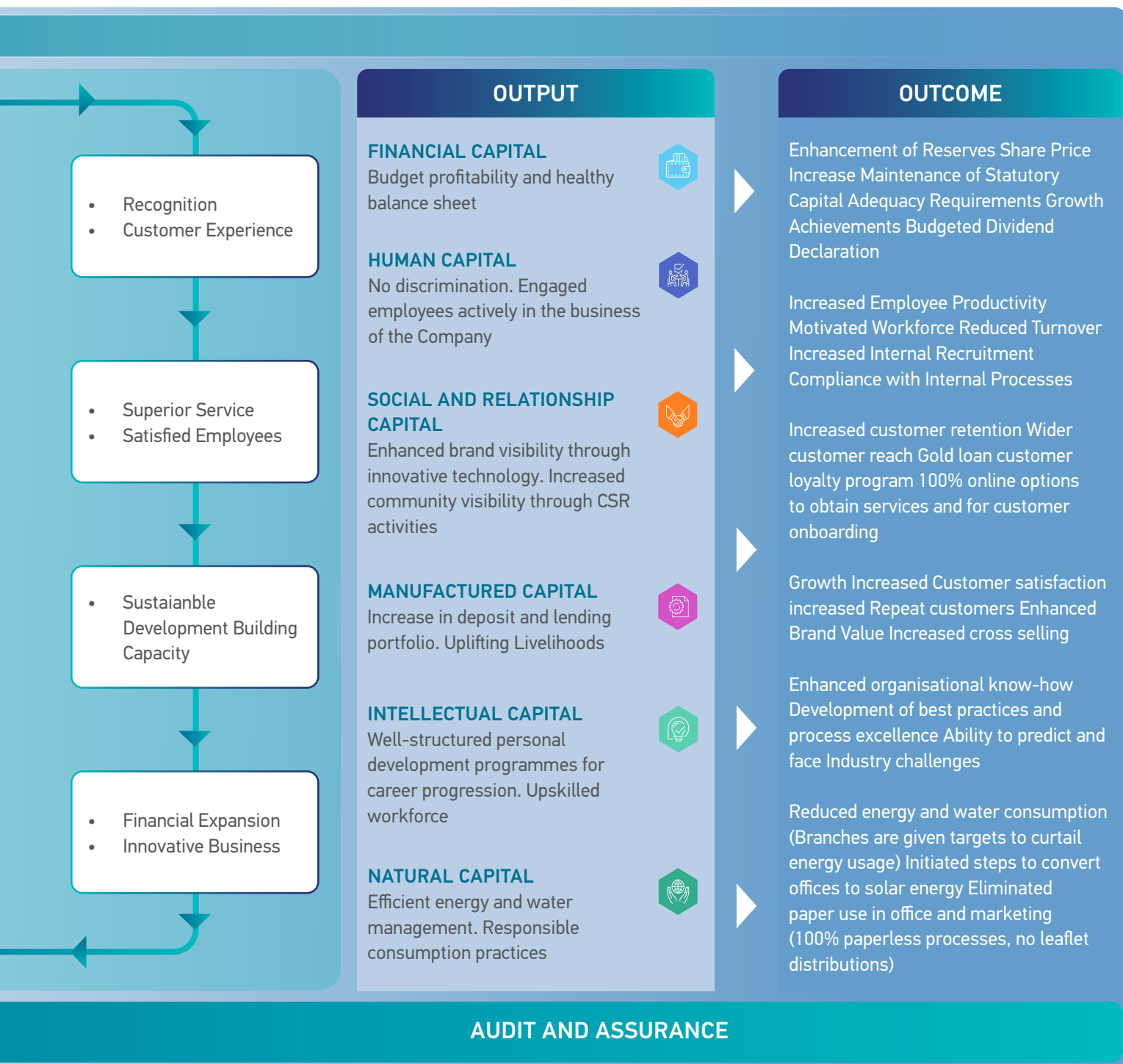
- Strong Corporate Culture and Risk Management

- Identify Risks and Opportunities
- Current Trends

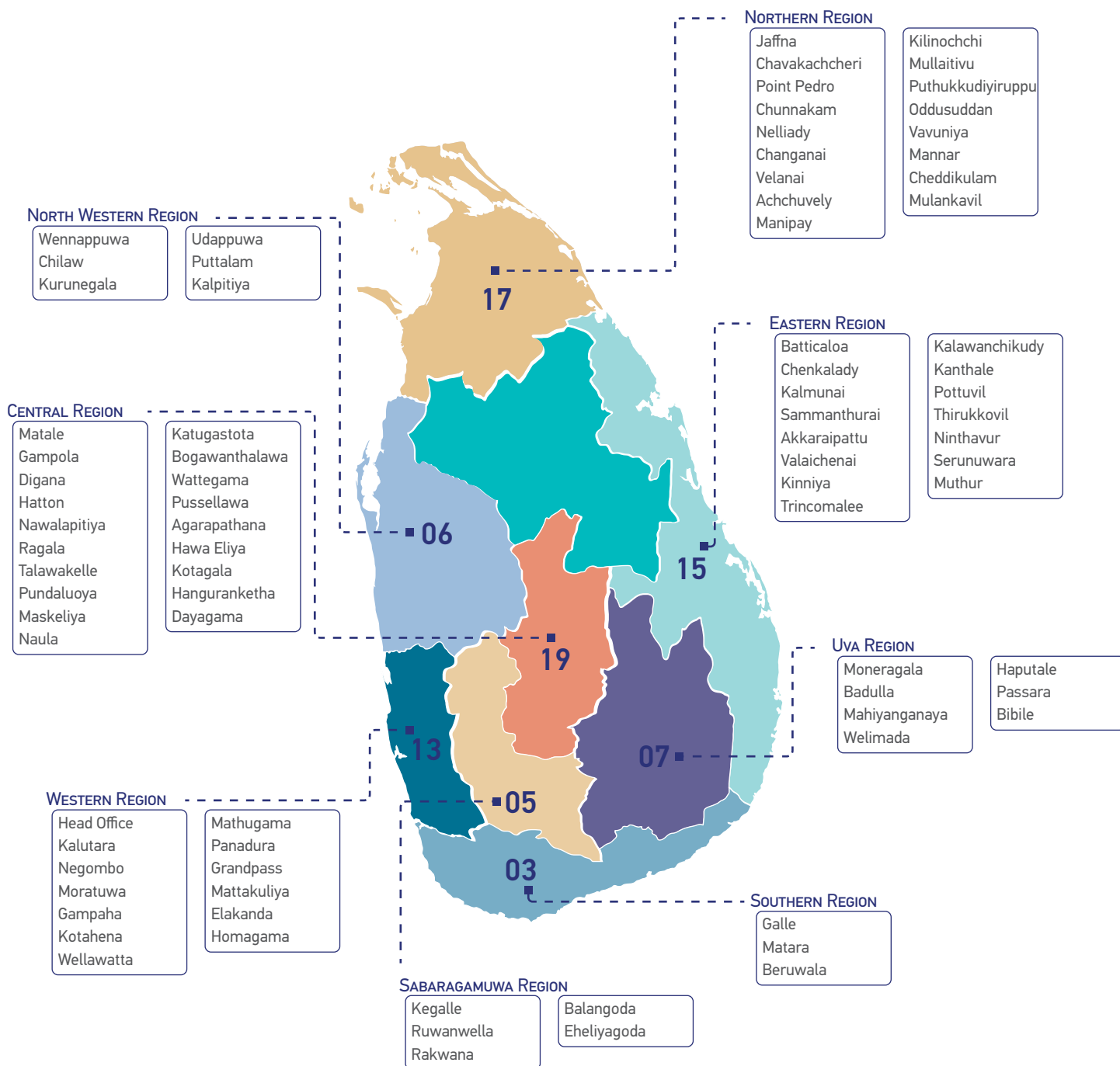
- Strong Financial Performant
- Corporate Social Responsibility

CORPORATE GOVERNANCE

RISK MANAGEMENT



BRANCH NETWORK



NOT JUST ANOTHER FINANCE COMPANY

yet a finance company



As the sole Sri Lankan subsidiary of the global giant Muthoot Finance, Asia Asset Finance PLC is empowered to deliver innovative financial solutions with unmatched reliability. Our connection with Muthoot Finance enhances our ability to serve the evolving needs of our clients, solidifying our position as a leader in Sri Lanka's financial sector.

MESSAGE FROM THE GROUP MANAGING DIRECTOR



I am incredibly proud of what the Company has achieved in 2023/24 and look forward to the future with great expectations and positivity. I am aware of the commitment to growth, sustainability and superior customer services while ensuring its human capital is well equipped and empowered.

George Alexander Muthoot

Group Managing Director
Muthoot Finance Ltd

Dear Stakeholder,

FY 2023/24 was a year of strong performance for Asia Asset Finance PLC, marked by a 3.32% growth in Sri Lankan business marking a total asset base of an impressive Rs 25.8 Bn, exceeding previous records and creating a milestone year for the Company. We also achieved a 16.54% growth YoY in profitability, and increased the Sri Lankan branch network by another 10 branches, to bring the total network to 85 branches. The Significant growth the Company achieved also translates into the contribution to the Sri Lankan economy by way of paying taxes and statutory dues, thus participating well in the nation's wider aspirations and objectives.

While the record profit performance was supported by favourable market conditions, it is an evidence to the dedication and hard work of the Sri Lankan employees. I would like to extend my sincere gratitude to the entire team for their unwavering commitment to serving their customers.

A STRONG PERFORMANCE

Despite challenging macroeconomic conditions and industry-wide systemic

shocks, the business achieved a commendable performance in FY 2023/24. With a balanced structure and dynamic approach, coupled with strategic portfolio adjustments, effective risk management, and operational efficiency, the business consistently overcame challenges to deliver exceptional results. This resulted in a Net Interest Income of 1.4bn. The Deposit base grew by 9.12% and shareholder equity by Rs 3.36Bn. This is a reflection of the Company's strong financial position and ability to generate and retain earnings.

A ROBUST GOVERNANCE AND POLICY FRAMEWORK

The risk management framework was strengthened in both governance and policy structures. Additionally, the second line of defense was bolstered for Information Technology & Security by establishing a twenty four hour Security Operations Centre (SOC).

MANAGING THE NON PERFORMING LOANS

We navigated the challenging economic landscape and the tightened regulatory NPL classification norms of reduction in

the number of past due days from 120 to 90 days in an effective and efficient manner.

The gross NPL ratio recorded 22.11% in FY 2023/24 with signs of improvement. Net NPL ratio was much lower at 15.43% due to adequate provision coverage for non-performing loans. We recognized and addressed the unique needs of the customers, especially those at the bottom of the pyramid that require deep understanding of their difficulties and the market dynamics in tandem with their cash flows. By investing in technology, introducing innovative products, and addressing repayment bottlenecks, the business displayed a strong commitment to responsible lending and supportive customer service. Our intention is to build sustainable business models that benefit both the customer and the Company.

CREATING A SUSTAINABLE IMPACT IN THE COMMUNITIES

The entity further displayed a commitment to the community by engaging in Corporate Social Responsibility (CSR) activities as an ethical corporate citizen keen on overall growth. Creating a

ripple effect that benefits the immediate communities and also setting a precedent for industry-wide transformation, the business contributed towards positively impacting the environment for a preserved planet and prosperity of all people. The integration of CSR into the core business strategy ensures that the company's pursuit of innovation and leadership is aligned with the broader goal of societal advancement. This holistic approach to CSR demonstrates a forward-thinking mindset that prioritises long-term value over short-term gains.

VALUE ADDING BUSINESS PARTNERSHIPS

Understanding that mutual success is driven by fostering enduring partnerships, the business provided comprehensive support to its wider business partnerships. As Sri Lankan requirements were met through our Sri Lankan business partners, it was ensured that commitments towards the business partners were met with ease and in time, to reinforce a cycle of continuous growth and shared prosperity.

ENVIRONMENTAL STEWARDSHIP

We recognise the urgency of climate change and are committed to mitigating the environmental impact although activities of our business do not directly create any environmental hazards. Going beyond simply reducing the operational carbon footprint, the business took steps to safeguard ecosystems and integrate green financing principles into the lending strategy. This commitment translates into practical action through energy-efficient practices, resource conservation, and biodiversity conservation measures. Moreover, as it nurtures a workforce of

environmentally conscious individuals, the business continuously strives to improve its digitalization, embrace sustainable green practices, and contribute to the conservation of the planet. By doing so, it has aimed to build a bright future for generations to come.

REGULATORY EXCELLENCE

Beyond financial contributions and timely regulatory reporting with absolute transparency, the Sri Lankan business dedicated itself to ethical and responsible business practices. Continuously strengthening the corporate governance and risk management frameworks, upholding the high standards of transparency and integrity, the business proactively adopted industry best practices and compliance with standards even beyond regulatory requirements, underscoring its commitment to this vital area.

FUTURE FOCUS

I am incredibly proud of what the business has achieved in 2023/24 and look forward to the future with great expectations and positivity. I am aware of the commitment to growth, sustainability and superior customer services while ensuring its human capital is well equipped and empowered. I am cognizant of the Company's commitment to ensure it consistently delivers value to all stakeholders while operating an ethical business that contributes positively to Sri Lanka's growth objectives. As a company built on empowering individuals from all walks of life, it is geared to foster a future of inclusivity, empowerment and equality, positively impacting every stakeholder group for the foreseeable future. With a customer oriented business

model, talented and dedicated team at every level, a proven strategy for value creation, a commitment for innovation and a sound financial position, the business is well-positioned to create long-term value for stakeholders and strengthen its position as a top-tier financial services organisation in Sri Lanka.

Supported by the strength of the world's largest Gold Financing company, Muthoot Finance Ltd as its parent entity, Asia Asset Finance PLC will continue to capitalise on its synergistic capabilities to reinforce and enhance its overall value proposition, pursuing strategies of branch expansion and digitalisation, to deliver greater levels of convenience and accessibility for its customers.

ACKNOWLEDGEMENTS

I value and appreciate the support the business received from the Board and the dedicated employees of the Company that made the year 2023/24 a great success.

I am also grateful for the support the business received from the regulators, statutory bodies and auditors. As I look forward to even greater success in 2024/25, I have no doubt that the commitment to transparent and ethical operations will be the hallmark of Asia Asset Finance PLC in coming years.



George Alexander Muthoot
Group Managing Director
Muthoot Finance Ltd

CHAIRMAN'S MESSAGE



The highlight was that the quarter ending September 2023 recorded a positive GDP growth of 1.6% after six quarters of negative growth, that brought in cautious optimism among the consumers and businesses alike. GDP growth continued to grow up to 4.5% in the third quarter strengthening the progress.

V. A. Prasanth

Chairman/Independent Non Executive Director

Dear Stakeholder,

Asia Asset Finance PLC delivered its best ever performance in history for the financial year 2023/24, recording a business growth of 3.32% and Profit After Tax of Rs.344.2 Mn, amidst uncertainty and unprecedented changes in the ecosystem. As such, with great pleasure I present to you the Annual Integrated Report and Financial Statements which present a concise and balanced view of the performance of the Company for the financial year 2023-24

CAUTIOUS OPTIMISM

The financial year began with inflation at 49.2% exerting extreme pressure on household budgets. The inflation which touched 73.7% in September of 2022 had elevated the price levels in the economy, but thereafter declined as tight monetary policy measures were implemented to arrest the trend. Stabilising the economy was the priority for regulators as the first quarter of the financial year recorded negative growth for the Sri Lankan economy, as were the previous five quarters.

As domestic debt optimisation took place, the macroeconomic uncertainties in the financial markets reduced, paving the way towards gradual growth. Liquidity improved with receipt of foreign exchange and import restrictions were gradually eased from June to October 2023.

By September 2023, the inflation reduced to single digits. International tourist arrivals exponentially increased boosting foreign exchange inflows that was further augmented by migrant worker remittances. The highlight was that the quarter ending December 2023 recorded a positive GDP growth of 4.5% after six quarters of negative growth, which brought in cautious optimism among the consumers and businesses alike. GDP growth continued to grow up to 5.3% in the first quarter of 2024 strengthening the progress.

REVIEW OF THE SECTOR

The cautious optimism resulted in moderate growth for the Licensed Finance Companies (LFC) in the Non-Banking Financial Institutions segment as well,

as the sector recorded resilience despite the challenging operating environment. Attractive interest rates had customer deposits increase by 8.7% during 2023 which continues to be the main source of funding for this sector as deposits accounted for 55.3% of total funding of LFCs.

A lack of appetite for credit growth combined with high interest rates however deterred borrowing, leading to a 3.2% contraction of the Loans and Advances portfolio. Despite this, the total assets of LFCs increased by 5.1% to Rs.1.69 Tn as at end December 2023, largely driven by increased investments in government securities. Loans and advances accounted for 68.8% of total assets with Finance leases and Motor Vehicle loans accounted for a total of 83.1% of the sector. Asset quality of the LFC sector weakened as Gross Stage 3 loans moved up from 17.4% to 17.8% reflecting both a deterioration in credit quality and a change in the classification of Stage 3 loans which was tightened from 120 days to 90 days in April 2023. The sector, however, remained

well capitalised and liquid throughout the calendar year buoyed by the investments in government securities.

A RESILIENT PERFORMANCE

The Company recorded a modest top line revenue growth of 9.94% which was influenced by various economic challenges and the lack of appetite for credit. Net interest margins remained virtually unchanged from the previous year. It is noteworthy that the Company strengthened recovery mechanisms to reverse impairment charges for the second consecutive year with a recovery write back of Rs.47.5 Mn in 2023/24 compared to Rs.49.7 Mn in the previous year. The Company recorded a figure of LKR 1.4 Bn in Net Operating Income for the year, reflecting careful Asset & Liability management and achieved a 3.85% increase in Profit Before Tax figure of Rs.373.5 Mn, leading to a Profit After Tax of Rs.344.2 Mn – a 16.5% increase compared to the previous year.

Balance sheet growth of 3.32% was cautious across all asset classes and Cash & Cash Equivalents increased to Rs 5.6 Bn as at end March 2024. Total Loan receivable marginally decreased to 73.6% of total assets compared to 77.9% in the previous year, mainly due to the increase in investments in government securities. Capital Adequacy ratios remained well above the regulatory minimum as well as the average for LFCs.

I am also happy to inform that the Company was awarded an external rating of A+ by Fitch Ratings during the year.

STEWARDSHIP

Managing Risk

In response to heightened uncertainty, the Board, the Board Integrated Risk Management Committee and the Board Audit Committee maintained vigilance throughout the year, to identify early warning signs and take proactive measures to strengthen recoveries, risk management and internal controls. Towards addressing Cybersecurity concerns, steps were taken to strengthen threat monitoring through cutting-edge technology and continuous analysis through implementation of a Security Operations Centre(S.O.C). In this challenging operational risk environment, Internal Audit also remained vigilant in assessment of internal controls, systems and procedures.

Governance

Listing Rule 9 of the Colombo Stock Exchange was noted and complied. The Board also noted the revised Code of Best Practice on Corporate Governance in December 2023 with a compliance deadline of 1st January 2025 where amendments were noted in Sustainability Reporting. The Company is compliant with CBSL Directions and provisions thereof. The launch of IFRS Sustainability Reporting Standards in 2023 and its adoption by the Institute of Chartered Accountants of Sri Lanka is also relevant as it has a number of provisions that affect corporate governance. The new provisions relating to Sustainability will be reviewed and implemented within the timeframe prescribed.

Integrating Environmental, Social and Governance(ESG)

The ESG Framework of Company aligns with the UN Sustainable Development Goals (SDGs) and as a financial services entity we had considered its impact on long term resilience and reputation. Our contribution is focused towards managing energy consumption levels and our objective is to move towards paperless office operations to ensure preservation of the planet. Our compliance with the environmental and social aspects of ESG are set out more fully in the report.

OUTLOOK

The GDP growth trend that was seen in the second half of F.Y 2023-2024, is forecasted to continue in 2024 as well, with stability in pricing, lower interest rates, increased international tourist arrivals and easing of foreign exchange restrictions. We are confident that this will create a more conducive environment for business growth, with due care to be exercised over quality of credit.

The Company added 10 branches to its network in 2023/24, and plans are afoot to further increase branch network to expand its customer reach and portfolio growth. It is noteworthy that Asia Asset Finance PLC has helped in augmenting financial inclusion in the Country, especially in areas where banking penetration is low. Our flagship product of Gold loan, with its salient feature of easy and immediate credit, will continue to be a potential area of growth in the coming year as well. The Board is mindful of the increased exposure to Commodity risk and therefore

CHAIRMAN'S MESSAGE

and have set up mechanisms to monitor the same accordingly. The Company is also promoting products like Micro Mortgages and Motor Vehicle leasing, towards product diversification as well as customer value addition.

We are aware that the country's recovery is in its early stages but are quite confident that the challenges could be converted as opportunities for the benefit of our customers. The Board will continue to monitor the evolving landscape to identify early warning signs and initiate precautionary and remedial measures in a timely manner.

ACKNOWLEDGEMENTS

I would like to place on record my gratitude towards the staff and the senior management for their dedication and passion that enabled us to deliver a yet another exceptional result in the face of uncertainty and challenges. I thank the Board Members for their continued guidance and support in navigating a turbulent year.

I also place my gratitude towards the regulatory bodies and auditors who provided valuable guidance for our operations.

Finally, I thank our valued customers for the loyalty and trust placed on us over the years, that shaped our destiny to become one of the most trusted finance companies in Sri Lanka. I look forward to your continued patronage and pledge our commitment to exceed your expectations going forward.



V. A. Prasanth

Chairman/Independent Non Executive Director

20 August 2024

CHIEF EXECUTIVE OFFICER'S REVIEW



“As a result of our steadfast activities towards financial inclusion and efficient operational activities we ensured the achievement of the Company's highest profitability in its 54 year old history recording a revenue growth of Rs 598 Mn (10% Growth) and a Profit After Tax of Rs 344.2 Mn. “

Rajiv J. A. Gunawardena

Director/Chief Executive Officer

Dear Stakeholder,

I am pleased to share with you the financial performance of Asia Asset Finance PLC (The Company), for the Financial year 2023/24 which reflects yet another year of resilience and success, despite the economic challenges the Company faced during the year under review.

Asia Asset Finance continued to focus on increasing its financial reach in both rural and semi urban sectors to support the much-needed communities to help prevent financial exploitation from unregulated entities. As a result of our steadfast activities towards financial inclusion and efficient operational activities we ensured the achievement of the Company's highest profitability in its 54 year old history recording an Operating Profit Before Tax of LKR 478 Mn and a Profit After Tax of LKR 344.2 Mn.

The strength and stability of Asia Asset Finance was further endorsed when we received the A+ rating with a stable outlook by Fitch Rating Sri Lanka

OPERATING ENVIRONMENT

By the last quarter of 2022, the country had experienced several quarters of economic degrowth, and an economic crisis almost in catastrophic proportions, which prompted the government and the CBSL to implement drastic macroprudential measures to prevent a total collapse. The inflation soared to 73.7% by September 2022, but decelerated to a 49.2% at the commencement of 2023 and moved to 4.5% thereafter.

With disinflation, the economic activities in the country showed signs of improvement combined with successful discussions with the IMF and on the domestic debt optimization. Furthermore, improved foreign remittance and tourism contributed to gradual easing of the liquidity position of the country. The GDP displayed positive numbers during the latter stages of the fiscal year.

Despite these slow but optimistic signs of revival of the economy, the financial sector continued to witness considerable

challenges due to the after effects of COVID-19 and Financial collapse of the economy. Customer repayment ability continues to be strained with prohibitive cost of living and high taxation which have eroded their net income. Furthermore, the continuing uncertainties in the macroeconomic platforms of interest rate fluctuations and currency fluctuations, contribute in creating a volatile business environment negatively impacting the implementation of initiatives resulting in decreasing the credit growth in the country. Furthermore, the prohibition on vehicle imports has constricted leasing that in turn has a negative impact on credit growth.

**HIGHEST EVER PROFITABILITY IN
53 YEARS**

**A+ (lka)
FITCH RATINGS**

CHIEF EXECUTIVE OFFICER'S REVIEW

The final stretch of the fiscal year, however, gave way to optimism as the policy decisions created a conducive environment for accelerated economic activity, albeit at a slower pace, but gradually changing the country's economic landscape.

OUR STRATEGY

Asia Asset Finance continues to focus on financial inclusion and empowering women to achieve success through our product portfolio. The Company has been successful in achieving these milestones with our gold financing and Micro Mortgage products which has enabled our Customers to achieve their objectives. The company will continue to focus on the expansion of the Secured portfolio and adopting one of the most time-tested business models of Muthoot group.

Furthermore, we continue to expand our reach through the expansion of the branch network, allowing us to access communities that have no access to institutionalized financing forcing them to seek financial assistance through informal sources. The branch expansion has enabled these communities to reach us conveniently at their locations and helped us improve operational efficiencies leading to significant cost savings. By the end of the year under review, the Company has a branch network of 85, spread over 8 districts in Sri Lanka.

DIGITAL TRANSFORMATION FOR A SUSTAINABLE OPERATION

The launch of the Lukewallet app has enabled our customers to conduct transactions at their convenience at any given time or location. This user-friendly application provides the customer with a secure platform to conduct transactions. In addition, reincorporating the leasing product will also be digitalised to enhance customer convenience. Aligning ourselves with our strategy, we develop financial products that suit the latent and emergent needs of our customers, within the financial landscape of Sri Lanka.

Asia Asset Finance has dedicated its resources to building a sustainable business model which is driven through technology. The automation of our operations has been pivotal in the success of our organisation and approximately 60% of our operations are now automated. The digitisation of our operations has enabled flexibility in our workplace which allows a better work life balance for our employees allowing them time to engage in more value adding activities of the Company. Furthermore, digitization has been a key tool in cost reduction and reducing our contribution to the carbon footprint. Continuous collaboration with our parent company has afforded us the benefit of creating unique and innovative processes to optimise our delivery in our core lending products.



Rs **598** Mn

REVENUE
GROWTH



85

BRANCHES IN 8
DISTRICTS

RECOGNISING OUR PEOPLE

Despite the advancements in technology, Human capital continues to be our most valuable resource. Their contribution has ensured our goals and objectives are met successfully. The Company promotes a diversified work force with almost equal distribution of female to male ratio. The diversity of our ethnicities is commendable with over 45% of our staff representing minority communities making us an excellent employer for people to perform and excel.

CORPORATE GOVERNANCE

We are compliant with all laws and regulations that are implemented by the CBSL, Article of Association, Companies Act No. 7 of 2007, Listing Rules of Colombo Stock Exchange ("CSE") and Code of best practice. We stringently adhere to the internal corporate governance structure, which is a blend of rule-orientation and empathic implementation. Diversity in the leadership team, who possess skills, knowledge, and expertise in a variety of disciplines drive the Company to its success, while the management team works well to deliver on our strategic

imperatives. Staff grievances are swiftly addressed and resolved through the established channels.

Integrated reporting and disclosure carry authenticity and transparency, while our adherence to sustainable development is exemplary. CBSL's focus on strengthening Corporate governance has ensured the stability of the industry while the continuous progress expected in the new fiscal year, no doubt will ensure sustainability of the industry.

Corporate Social Responsibility of our company has been evolving over the years, with each branch committing to conduct initiatives for educational and livelihood uplifting. Our environmental responsibility was seen in the beach cleanup activities, while blood donation and the health camps we conducted are a testament to our contribution in uplifting the health of our communities.

PERFORMANCE DURING THE YEAR

We performed under increasing competitiveness on our core product and interest volatility costs. Higher taxation and lack of imports restricted the ability to expand our lending to the expected levels. Despite the challenges we were able to record a profit of LKR 344.2Mn which was a 16.54% growth YOY and the highest profitability of the Company, in its 54-year history. Our annual revenues have been recorded as LKR 6603 Mn. Our interest Cost reported as LKR 4250Mn allowing us to maintain a NIM of 5.94%

The company continued to maintain a healthy CAR well above the statutory limit confirming stability and the strength of the company. The ROE and ROA also have shown progress during the year confirming trajectory of our progress.

The Gold Loan base however, remained stagnant due to the volatile prices in Gold and increased competition.

The company also ensured continued provisions for the legacy portfolio to ensure a transparent balance sheet. The NPA increased to 22.11 due to the change in NPA recognition criteria introduced by the Central Bank of Sri Lanka.

Despite the unprecedented prohibitive costs, Asia Asset Finance was successful in maintaining a healthy Cost to income ratio of 58%. This enabled the company to maintain its profitability.

FUTURE FOCUS

The Global economy is continuing to be challenged with escalating geopolitical tensions, risk impacts to the Red Sea shipping routes, volatility in commodity prices, trade wars between major players, and the BRICS alliance of nations posing a nuanced threat to the US dollar as a trading currency. The Sri Lankan economy, however, is showing signs of growth, with the combined efforts of the government and IMF's recommendations for a healthy economy. We are hopeful that the elections that are expected to be held this year will not hamper this growth but add momentum in the right direction for the economy to flourish.

Continued migration of human capital is a challenge that is faced by most businesses as recruitment of best fit talent is an issue.

Asia Asset Finance will continue to expand its branch network and adopt innovative technological advancements to further improve our operations. We will continue to support the grassroots level customers and improve their livelihoods, while aggressively pursuing equality in the workplace and in our product offering to the customer base, to build a resilient society.

We will focus on sustainable financing with plans to convert to renewable energy in our branch network while financing energy saving product needs of the customer base.

Our strategic imperatives have delivered well for us, with success and value to the Company and to our stakeholders. We are committed to delivering value in the current fiscal year and beyond, evolving and adapting where necessary, to maintain our strong position as a financially sound customer-centric organisation.

APPRECIATION

At Asia Asset Finance PLC it is all about teamwork. Staff contribution during the year has been tremendous, despite the challenges of the macro-economic conditions the staff continued to focus on the objectives and delivered to the timelines. Human capital continues to be our strongest foundation.

CHIEF EXECUTIVE OFFICER'S REVIEW

The Chairman and Board of Directors, continued to support the management of the Company to make decisions to support the developments and strengthening of our operations. The continued dedication of our Board members has ensured our governance framework improves from strength to strength.

The Company is fortunate to have one of the most stable and strongest shareholders in the industry. With their continued commitment to Asia Asset Finance PLC, we look forward to celebrating ten years of success in the folds of evermore strong as Muthoot group. We are thankful to the Muthoot group and the Managing Director of Muthoot group for the support always extended to us.

We extend our sincere appreciation to the regulators of our industry and the support we receive always, especially in times of challenge.

Finally, we thank our customers who have stayed a long and strong with Asia Asset Finance. We are grateful for their continued trust in us.

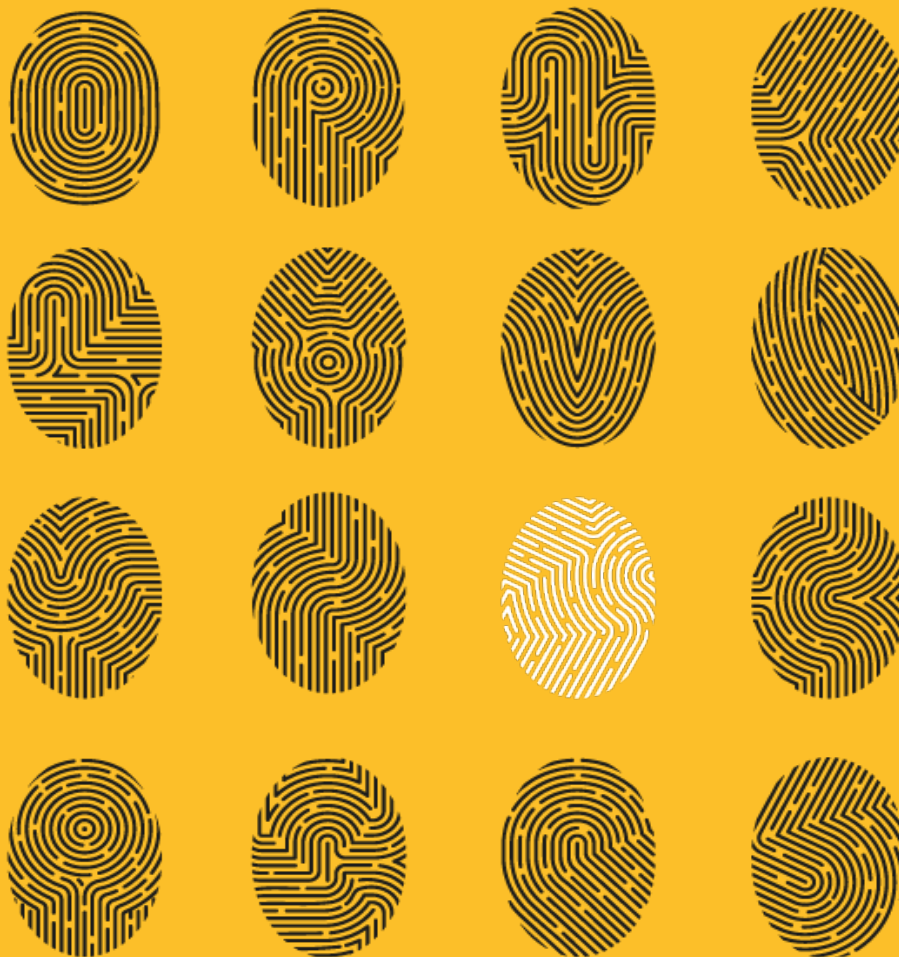


Rajiv Gunawardena
Chief Executive Officer

20 August 2024

SAME, BUT DIFFERENT

with unique value proposition



With 85 branches across Sri Lanka, Asia Asset Finance PLC is dedicated to providing accessible financial services to all, supporting communities nationwide and contributing to the country's economic growth.

OPERATING ENVIRONMENT

GLOBAL

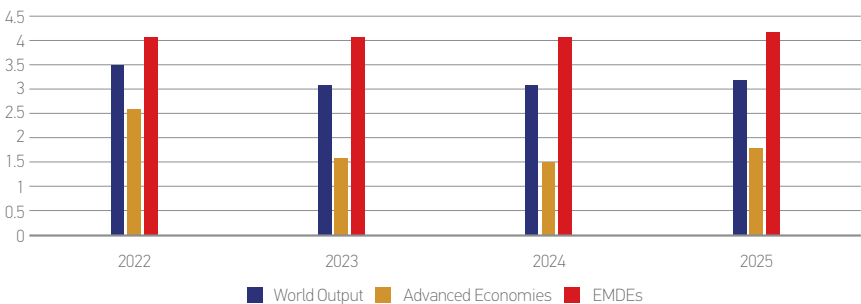
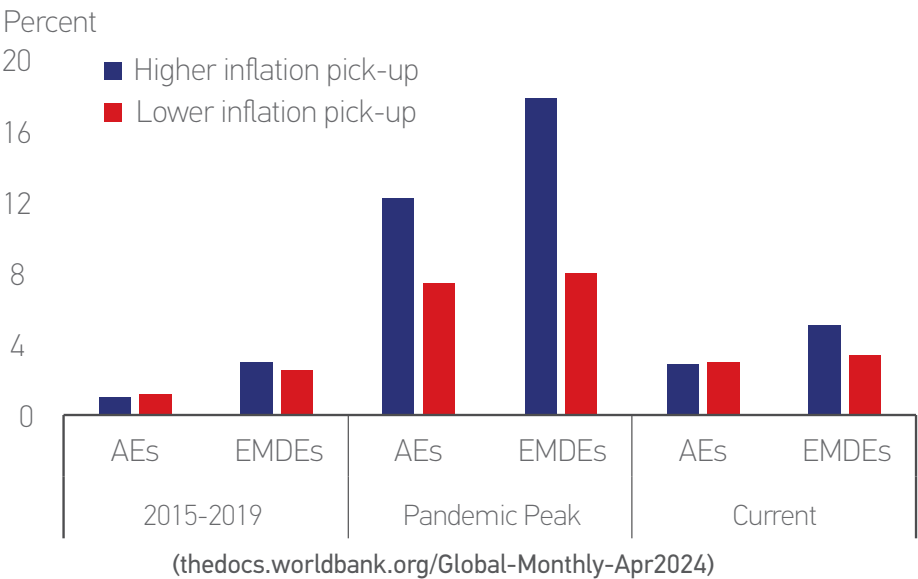
The global economy in 2023 experienced a period of growth, albeit at a slower pace than was expected, post-pandemic. According to the Organisation for Economic Co-operation and Development (OECD), the world's GDP was projected to grow by 2.7% in 2023, with a slight improvement to 2.9% in 2024. This growth rate, while reflecting a recovery, was still below the average growth rate prior to the COVID-19 pandemic. OECD's forecast for inflation rates that soared undeterred to 9.4% in 2022, increased to 6.6% in 2023 and decelerated to 4.3% in 2023. While the United Nations reported a forecast of 2.7% global economic growth the International Monetary Fund (IMF) provided a similar outlook, of 2.9% in 2024.

Emerging markets and developing economies were projected to see a modest decline in growth from 4.1% in 2022 to 4.0% in both 2023 and 2024, indicating a stabilisation after the more volatile years. Advanced economies were expected to experience a more pronounced slowdown due to policy tightening, with growth rates decreasing from 2.6% in 2022 to 1.5% in 2023, and then to 1.4% in 2024.

Global economic activity, however, has had an uptick in recent months, indicating further momentum in the times ahead, with the global compost PMI (Purchasing Manager's Index), rising further in March 2024. This is mainly due to the enhanced activities in the Emerging Markets and Developing Economies (EMDEs). The global service sector, however, remained

sluggish, and the median inflation fell to 3.2% in March, the lowest since mid-2021. (Global Monthly April 2024.pub (worldbank.org))

Headline inflation, by the degree of post-pandemic pick-up



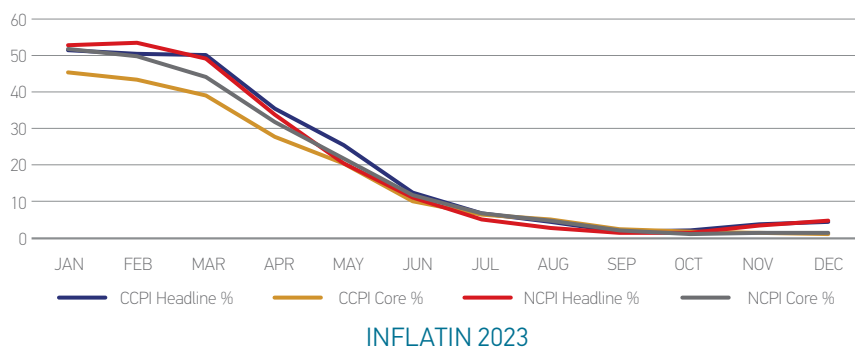
INFLATIN 2022 - 2025

(World Bank: World Economic Output January 2024)

The United States of America, Germany and China exerted Significant influence on the global economic landscape. Cautious optimism was and is largely evident in the recovery trends which depends on the delicate balance of managing inflation, supporting wage growth, and navigating geopolitical uncertainties.

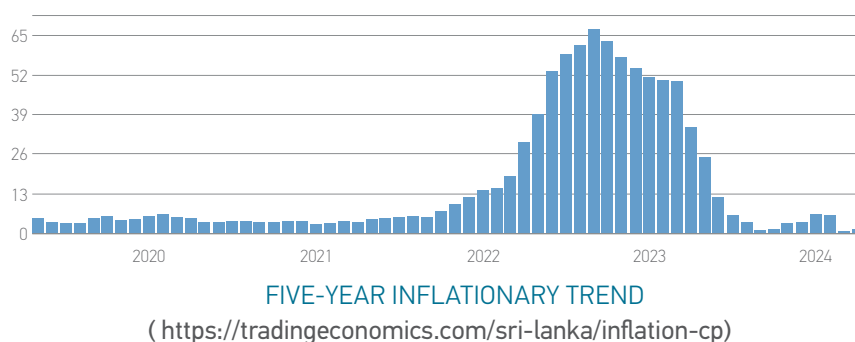
SRI LANKA

Sri Lanka's economic landscape showed signs of mending towards the latter part of the year, reporting a growth of 4.5% in the fourth quarter. although the nation indicated a contraction of 7.9% in the first half. Inflation, which had peaked at an alarming 69.8% in September 2022, saw a sharp decline to providing some relief to households and helping to curb further increases in food insecurity and malnutrition, particularly among the poorer segments of the population. This deceleration in inflation allowed the Central Bank to cut policy rates, which in turn, contributed to a reduction in the 91-day T-bill rates to below 20% for the first time since April 2022.



Source: CBSL

Sri Lanka's Five-year inflationary trend

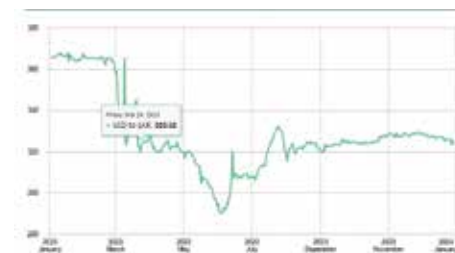


(<https://tradingeconomics.com/sri-lanka/inflation-cpi>)

The exponential rise in interest rates widened the fiscal deficit despite an increase in total revenues. The merchandise trade deficit, however, contracted by US\$1Bn driven by import restrictions and subdued import demands despite a reduced export demand due to global issues.

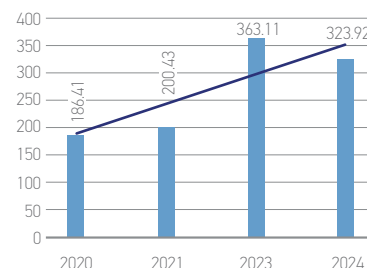
The Sri Lankan Rupee, after depreciating by 81% against the US Dollar in 2022, appreciated by 12.1% in 2023 and continued to show appreciate of 6.7% up until April 2024. This currency appreciation, along with easing foreign exchange liquidity

pressures, accumulation of usable foreign reserves, and stronger remittance flows, suggested a stabilizing economic environment.



(<https://www.exchange-rates.org/exchange-rate>)

SLR to USD in Value



EXCHANGE RATE MOVEMENT

Source: Central Bank of Sri Lanka

While Sri Lanka's economy in 2023 experienced significant hurdles, there were also indicators of resilience and potential for recovery. The government and central bank's measures to stabilise the economy, alongside the gradual improvement in key economic indicators, suggest a cautious but hopeful outlook for Sri Lanka's economic growth in the coming years.

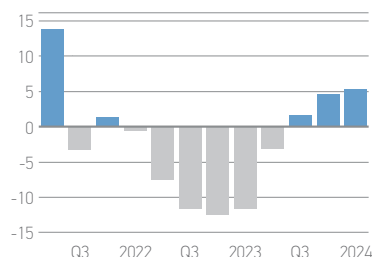
The GDP growth for 2023 was reported as -2.3%, indicating a contraction, according to the Department of Census

OPERATING ENVIRONMENT

and Statistics (DCS). On a positive note, however, a growth of 4.5% was seen in the fourth quarter of 2023, compared to the same period in 2022, while January 2024 recorded a GDP growth of 4.5%.

The macroprudential measures implemented by the government and the IMF bailout package played a crucial role in monitoring and mitigating systemic risks while the Central Bank of Sri Lanka (CBSL) closely monitored the overall credit quality and the financial intermediaries. Non-Bank Finance Sector (NBFIs) The NBFIs play a crucial role in financing the unbanked and those that seek financial assistance from informal sources, often subjecting themselves to deepening financial pressure. The sector has been instrumental in reaching the unbanked and often creating financial literacy and encouraging them to seek assistance through established and licensed financial institutions that adhere to CBSL rules and regulations.

To guarantee the stability and dependability of the NBFI sector, the CBSL took initiative-taking measures to regulate and consolidate, while safeguarding the public interest and preserving financial stability. The blend of tight fiscal policies and consolidation combined with ensuring the stability and health of the financial sector, clearly turned the economic trajectory of Sri Lanka to that of growth, away from the brink of collapse.



LK GDP ANNUAL GROWTH RATE
- PERCENT

Source: tradingeconomics.com | Department of Census and Statistics - Sri Lanka

OUTLOOK

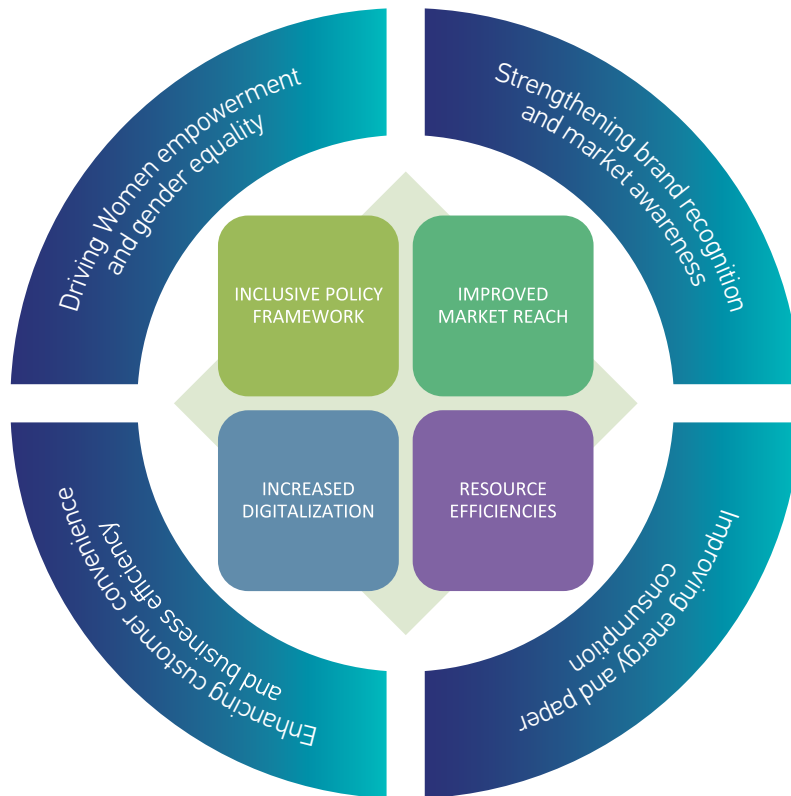
Sri Lanka's economic landscape has been resilient and challenging. The growth, albeit modest, is a positive sign against the backdrop of the previous years' contractions. Significant hurdles, however, remain, including elevated poverty levels, income inequality, and labor market concerns.

Signs of stabilization are a testament to the resilience of its people and the government's efforts to navigate through these turbulent times. The focus now shifts to sustaining this recovery trajectory, addressing the structural issues that have long hampered economic progress, and fostering an environment conducive to equitable growth. We are optimistic that with the inflation stabilizing, tourism gathering momentum, relaxing of imports, and the demand for credit on the rise, we as a finance institutions in the forefront of financing the populace on many fronts, will have great opportunity to deliver sustainable growth for our Company, in 2024 and the beyond.

STRATEGY

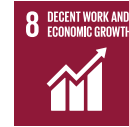
The strategy we adopted under challenging headwinds was that of visionary decision making, based on our experience of navigating turbulent macroprudential environment, for over two years. Our focus was driving value to all our stakeholder groups while ensuring our commitment to achieve its corporate goals and objectives.

MANAGEMENT APPROACH



INCLUSIVE POLICY FRAMEWORK

Our interactions are strictly non-discriminatory, with all internal and external stakeholders. We encourage diversity to gain wider and deeper insights, experience, skill levels, and capabilities which contributes to wider reach in the market and our ability and agility towards meeting diverse needs of our customer base. The comprehensive training and development opportunities we offer pave the way for our employees' career progression enhancing their overall value proposition and achieve personal development.



WOMEN EMPOWERMENT

Gender equality and women empowerment are themes that underscore the contribution of women in the workplace as well as in other broader streams. Women empowerment is a core value in our Company, whether in career progression with us or through the many products we offer to our customer where a large percentage of females are present.

WORKFORCE

47.5%
Females

5%
Senior Leadership
Team

CUSTOMER BASE

56.67%
Females

Rs. 11,820 Bn
Facilities
Offered

Female empowerment is an overarching theme that underscores the company's strategy and decision making. We primarily engage in empowering women within the workforce and across our customer base.

□ Empowering a Female Workforce

At present, Asia Asset Finance PLC relies on a female workforce that comprises of 47% of our staff, with three women in key leadership positions; the Head of Finance,

STRATEGY

Head of Human Resources and the Head of Compliance, who hail from Kurunegala, Jaffna and Galle respectively.

□ Empowering Female Customers

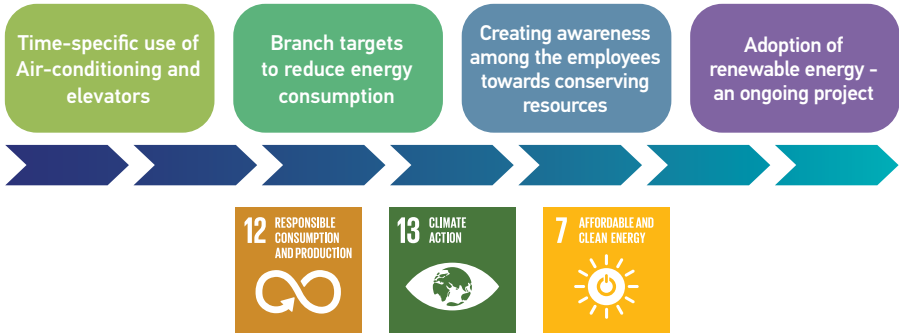
We as a finance company, provide financial solutions to Sri Lankan community mainly through two products, that is Gold Loans and Micro Mortgage loans. The target market of each said product will be women and over 50% of the loan base consist of women. Further it should be noted that the intention of these loans was mainly to support agricultural and self-employment purposes. As our main product is Gold Loans and Mortgage loans, a Significant proportion of our customer base is female. We offer an unmatched customer proposition, which was further strengthened during the year through the implementation of a loyalty card program for our Gold Loan customers.

In Sri Lanka, women own only 25% of SMEs. AAF has always led the way by promoting women entrepreneurs to achieve business success. By lending to women-led businesses we create business opportunities and help women achieve financial independence.

RESOURCE EFFICIENCIES

We are fully committed to sustainable business practices and function as a 100% paperless operation, thereby contributing to a preserved planet. To achieve this we restructured our processes, adopted innovative digital platforms and inculcated the need to preserve our planet among our employees. Further, our marketing material is digital, and we stringently apply a no-paper approach at our promotional campaigns.

We continued to adhere to the initiatives we had previously applied across our branch network to ensure that our consumption of scarce resources is responsible.



IMPROVED MARKET REACH

As a subsidiary of Muthoot Finance, the largest global gold loan financier, Asia Asset Finance PLC enjoys an exceptional brand strength. Gold loan product continues to gather momentum with exponential growth over the past years. We, however, invested in an aggressive brand campaign to expand visibility and embed the brand in customer minds.



INCREASED DIGITALISATION

We are committed to reducing our footprint and increasing our handprint across the communities we serve through the way in which we conduct business. Significant investments were made towards this to innovate and launch. We continued with the following:

Marketing Campaigns	While there is no greenwashing of material, we only adopt digital methods to carry our message to the community
Luckewallet	A fully automated native mobile application spanning all key functionalities that support digital customer onboarding, e-savings processing, online FD processing, loan processing, customer interaction with the Company, loan payments and top-ups, daily banking needs, utility payments, and allowing customers to perform their transactions in real-time at their convenience.
Increased Cybersecurity	The Security Operating Center (SOC) with 24-hour operation is set up to monitor and alert internal and external cyber threats. External Auditors conduct Annual IT audit and assurance including systems and security processes, annually.
Automated Disaster Recovery	Installation of a state-of-the-art hardware platform that uses virtualisation technology to drive zero operation down-time. This is a fully functional automated disaster recovery and online real-time hardware infrastructure monitoring facility.
Value added processes	Generating fully digitalised and automated receipts, e-Documents and real-time SMS notifications to customers. Generating Customer Loyalty card to Gold Loan customers to enable customer identification and to access the digital equivalent of their documents. Introduction of information dashboards for the management to make real-time decision.

VALUE ADDING BUSINESS LINES

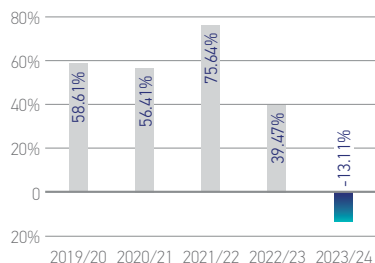
STRATEGIC PRODUCT OFFERING AND MARKET PERFORMANCE

Our strategy focuses on providing high-value financial products tailored to meet the diverse and evolving needs of our customer base. We aim to distinguish ourselves in the market by offering solutions that cater to both the latent and emergent financial needs of our customers, positioning ourselves as the preferred choice over the competition. To achieve this, we have carefully developed a portfolio of products that blend seamlessly with the expectations and aspirations of our target segments.

GOLD LOANS

Gold Loans offer customers easy access to cash by leveraging their gold assets as collateral. This product is designed to meet urgent financial needs, making it popular during times of economic uncertainty. Customers can quickly obtain funds without selling their gold, and the loan is secured against the value of the gold provided.

Being a subsidiary of Muthoot Group; the world's largest Gold Loan company; Asia Asset Finance's main product offer is Gold Loans. We are synonyms with Gold Loans



GOLD LOANS PERFORMANCE
2019-2024

with our cheer line – Ran Nayanam – Asia Asset [If its Gold Loans – Its Asia Asset]. The Gold Loan product has been one of the most popular and successful offerings in our portfolio, across our branch network as a easy quick source and reliable access to cash. However, with the significant dip in gold prices throughout 2023/2024, the product experienced a marginal loss. In response, we have recalibrated our strategy to focus on long-term gold loan products that minimize auctioning while offering competitive interest rates. This shift aligns with the evolving needs of our customers, allowing them to retain their gold assets for longer periods while still addressing their financial requirements. The Gold Loan base stood at LKR 14.3 Billion receivable as of 31st March 2024.

FUTURE - GOLD LOANS

Moving forward, we plan to introduce differentiated gold loan products that cater to the diverse financial needs of our customer segments. This includes offering more flexible interest rates, extended repayment terms, and innovative loan structures that balance as well as gold purchase plans; where customers can buy gold with monthly payments over a period of time.

MORTGAGE LOANS

Mortgage Loans are designed to facilitate the purchase of real estate or property by providing customers with long-term financing options. Further mortgage loans are also a means of working capital funding and consumption funding for foreign education; foreign employment

and house repair/ renovation and refurbishment. These loans are secured by the property itself and typically offer fixed or variable interest rates. Mortgage loans support customers in achieving homeownership, wealth accumulation, and meeting other financial needs.

Our Mortgage Loan product has been revitalized, now encompassing a diverse portfolio valued at Rs. 2.3 Bn with a customer base of 1,281 borrowers. This product was designed to facilitate real estate purchases, working capital needs, education, agriculture funding, and other consumer purposes. By making homeownership more accessible, mortgage loans foster long-term wealth accumulation, stimulate economic activity, and contribute to community development. Our strategic approach includes targeted marketing campaigns, educational content, referral programs, and partnerships with real estate professionals, all aimed at expanding the reach of our mortgage products and solidifying our reputation as a trusted financial partner.

With our specialized Mortgage Loan for Women - "Home Loan" we have empowered many women to own property and develop their businesses with Capital Expenditure [Cap Ex] and Working Capital funding from Asia Asset Finance PLC.

Further, our Mortgage Loans have enable many customers across the country to redeem from the crushers of money lenders [Poli Mudalalis] empowering people and ensuring banking of the unbanked especially in rural areas.

FUTURE - MORTGAGE LOANS

Our future focus for mortgage loans will include intensifying our efforts in customer education and community engagement to promote homeownership and financial empowerment. We will leverage partnerships with real estate professionals and offer tailored mortgage solutions that align with the evolving financial needs of our customers. Our goal is to strengthen our market presence while driving long-term economic and social benefits through increased homeownership and wealth accumulation in Sri Lanka.

LEASING

Leasing products enable customers to finance their vehicle or asset purchases without paying the full cost upfront. Asia Asset Finance offer finance leases where all risks and rewards of ownership is passed to the lessee whereas the ownership [absolute ownership] is retained with the lessor. The customer makes regular payments for the use of the vehicle or asset, eventually gaining ownership or renewing the lease depending on the terms. The leasing product is tailored to both individuals and businesses.

Recently added to our suite of products, Leasing has rapidly gained traction, particularly within the secondhand vehicle market due to government-imposed import restrictions. Our focus is on offering a range of vehicle leasing options tailored to individual, commercial, and SME customers. With an emphasis on transparency, customer-centric

service, and digital innovation, we have established ourselves as a trusted partner for leasing solutions. Moving forward, we will continue to leverage our extensive branch network and strategic partnerships to expand our market presence and enhance customer experience through the use of advanced digital tools and marketing initiatives.

FUTURE – LEASING

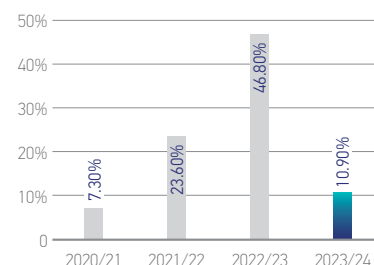
The future of our leasing product will be centered around enhancing customer convenience through digital tools and personalized services. With the tagline “Digital Karaliyata – Leasing Pereliya” we have pioneered the digitalization of the leasing product in the financial services market. We will focus on expanding our geographic reach and product range, including specialized leasing options for commercial and SME clients. Strategic partnerships with dealers, manufacturers, and relevant businesses will also be crucial to widening our market reach. Furthermore, we will integrate AI and business intelligence tools to better understand market trends and adjust our strategies accordingly.

With the extended branch network of 88+ branches Asia Asset Finance plan to take the leasing to the nook and corners of the country.

FIXED DEPOSITS

Fixed Deposits are a secure, low-risk investment product where customers deposit money for a predetermined period at a fixed interest rate. FDs guarantee returns and are often chosen by

individuals looking for financial stability and assured growth of their savings over time.



FD PERFORMANCE FROM
2020-2024

Fixed Deposits have consistently performed well, with customer deposits reaching LKR 13.8Bn, marking a 10.87% growth over the previous year. Despite regulatory challenges and industry competition, we have successfully differentiated ourselves by offering superior customer service and innovative technological solutions. Our mobile application, Luckewallet, enables customers to open Fixed Deposits remotely, further enhancing convenience and operational efficiency. With the anticipated economic recovery in Sri Lanka and our strong Fitch rating of A+ (stable outlook), with over 53 years of strength and stability and unblemished track record, we are confident that Fixed Deposit mobilization will continue to grow, underpinned by our robust customer retention strategies and expanding digital infrastructure.

FUTURE - FIXED DEPOSITS

As the economy recovers and consumer confidence improves, we anticipate increased demand for fixed deposit

VALUE ADDING BUSINESS LINES

products. We will continue to capitalize on our technological innovations, such as the Luckewallet app, to offer seamless, customer-centric services. Additionally, our commitment to maintaining regulatory compliance and preserving our Fitch A+ rating will reinforce customer trust, driving further growth in fixed deposit mobilization.

Going forward, we are committed to offer fully digitalized FD product to the customers, keeping in mind the changing demographics of the customer base where most of the new customers are from GenZ and Gen Alpha.

LUKEWALLET SAVINGS ACCOUNTS

Luckewallet Savings Accounts are digital accounts accessible through the Luckewallet mobile app. These accounts allow customers to manage their savings and other financial transactions, such as fixed deposits and loan payments, directly through the app, offering convenience and efficiency.

Introduced in mid-2022, Luckewallet has quickly become a leading digital payment platform, with users now conducting over 24 million transactions monthly. The platform's unique ecosystem, which integrates customer and merchant services, continues to evolve, offering more convenience and value to our customers. The introduction of digital savings accounts and other financial services within the app has empowered customers to manage their finances seamlessly from anywhere. With over 5,000 new customers onboarded during

the last year, we are confident that Luckewallet will continue to expand its reach, becoming a central hub for digital banking in Sri Lanka. Future developments will include additional financial products and features, further enhancing customer engagement and satisfaction.

FUTURE - LUCKEWALLET SAVINGS ACCOUNTS

As we move forward, our future focus remains on refining and expanding our product portfolio to meet the changing demands of the market. For Gold Loans, we will introduce differentiated products with attractive interest rates and flexible repayment terms. In the Mortgage Loan sector, we will continue to drive growth through strategic marketing and community engagement. For Leasing, our focus will be on enhancing our digital capabilities and forming strategic partnerships with dealers and manufacturers to offer a wider range of leasing options. Finally, we will continue to capitalize on our strong customer relationships and innovative technological solutions to further increase Fixed Deposit mobilization.

FUTURE ENDEAVORS FOR THE PRODUCT OFFERS:

Across all products, our commitment to leveraging technology, expanding our branch network, and maintaining strong partnerships will drive our growth, ensuring we continue to deliver unparalleled value to our customers in the years to come.

We are confident that our well-crafted strategies, driven by innovation, customer-centricity, and technological advancements, will allow us to maintain a competitive edge in the market. By continuing to adapt to macroeconomic changes and aligning with evolving customer needs, we aim to capture a growing share of the financial services market across Sri Lanka. Our commitment to delivering excellence through our product suite, from Gold Loans and Fixed Deposits to Leasing and Mortgage Loans, will ensure sustained growth, resilience, and customer trust in the years to come.

Our commitment is to have fully digitalized green offers for all products and services in the future reducing our carbon footprint and making Asia Aset Finance PLC a responsible corporate citizen with focus on triple bottom lines People, Planet and Profit.

ENGAGING WITH STAKEHOLDERS

Stakeholder Engagement is a pivotal aspect of our Company's strategic planning and extends beyond planning, ensuring open communication, and adaptation throughout the lifecycle of a stakeholder relationship. It is hinged upon identifying, categorizing, and understanding the many needs of our stakeholders. To this end, we conduct a stakeholder mapping exercise and tailor our interaction strategies to suit the needs of each suite of stakeholders.

MANAGEMENT APPROACH

Transparency and mutual value addition is the way in which we approach this aspect of our business, valuing long-standing relationships and proactively seeking to build new relationships that can be fostered to derive mutual value. We have therefore identified several key stakeholders that are mapped in the matrix below, as their input and engagement has a direct impact on the bottom-line of the Company.

STAKEHOLDER ENGAGEMENT FRAMEWORK

We implement a five-pronged method in managing our key relationships.



STAKEHOLDER ENGAGEMENT

STAKEHOLDER MANAGEMENT METHOD

Stakeholder Category	Purpose of Engagement	Mechanism of Engagement	Frequency	Strategic Imperative	Priority
Shareholders and Investors	To provide timely and relevant information to existing/potential investors ensuring competitive returns to their investments	Interim Financial Reports Annual Report Company website Corporate disclosures Online platforms Press Releases and/or Press Conference	Quarterly Annually Ongoing Quarterly Ongoing As and when necessary	Deliver sustainable and profitable growth. Comply with laws, regulations, listing rules and corporate governance	HIGH
Customers	Create product awareness To provide a high level of service Obtaining customer feedback (customer complaints/suggestions) Maintain customer relations	Personalized interactions Customer complaint handling process Customer Satisfaction Surveys Market Surveys Communication through multiple media platforms Corporate Website	Continuous Continuous Quarterly Bi-annual Continuous Continuous	Expand and deepen customer relationships with a view to providing exemplary products and ensure financial inclusion	HIGH
Employees	To engage in value proposition	Management meetings Communications via memos and e-mails Employee networking events Performance appraisals Workplace improvement meetings Meetings to review goal achievements	As required Continuous As required Annual As required As required	To build and retain best talent for sustainable development of the Company and the individual	HIGH TO MEDIUM
Government and Regulatory bodies	To ensure compliance with Corporate Governance best practices and all other regulatory requirements	Discussions through online platforms Off-site surveillances with periodic returns. By visiting, where necessary Through correspondence Dedicated personnel for continuous, personalised interaction	Weekly, Monthly, Quarterly, Annually, As and when necessary Continuous	To ensure the provision for operating a finance company is continued without any breach or penalty To function as a legal entity that abides by the law of the land	HIGH

Stakeholder Category	Purpose of Engagement	Mechanism of Engagement	Frequency	Strategic Imperative	Priority
Community	To foster mutually beneficial partnerships that support business growth	Communicating through online platforms and digital communication tools Corporate website and social media page. Establishment of a CSR Committee Company website Media releases Implementing projects to benefit the society and the environment	Continuous Continuous Ongoing Continuous As required As planned	To continue towards a sustainable society where livelihoods are uplifted and to encourage financial inclusion	MEDIUM TO LOW
Business Partners and Value Added Service Providers	To foster mutually beneficial partnerships that support business growth	Communicating through digital communication tools Dedicated personnel to interact with different types of suppliers and service providers. Prioritised engagement with local suppliers Mutually beneficial, long term relationships being the focus during contractual negotiations	Continuous Continuous Continuous Continuous	To ensure the extension of continuous services to all stakeholders and to ensure our economic contribution to the national economy	MEDIUM TO LOW

MATERIAL MATTERS

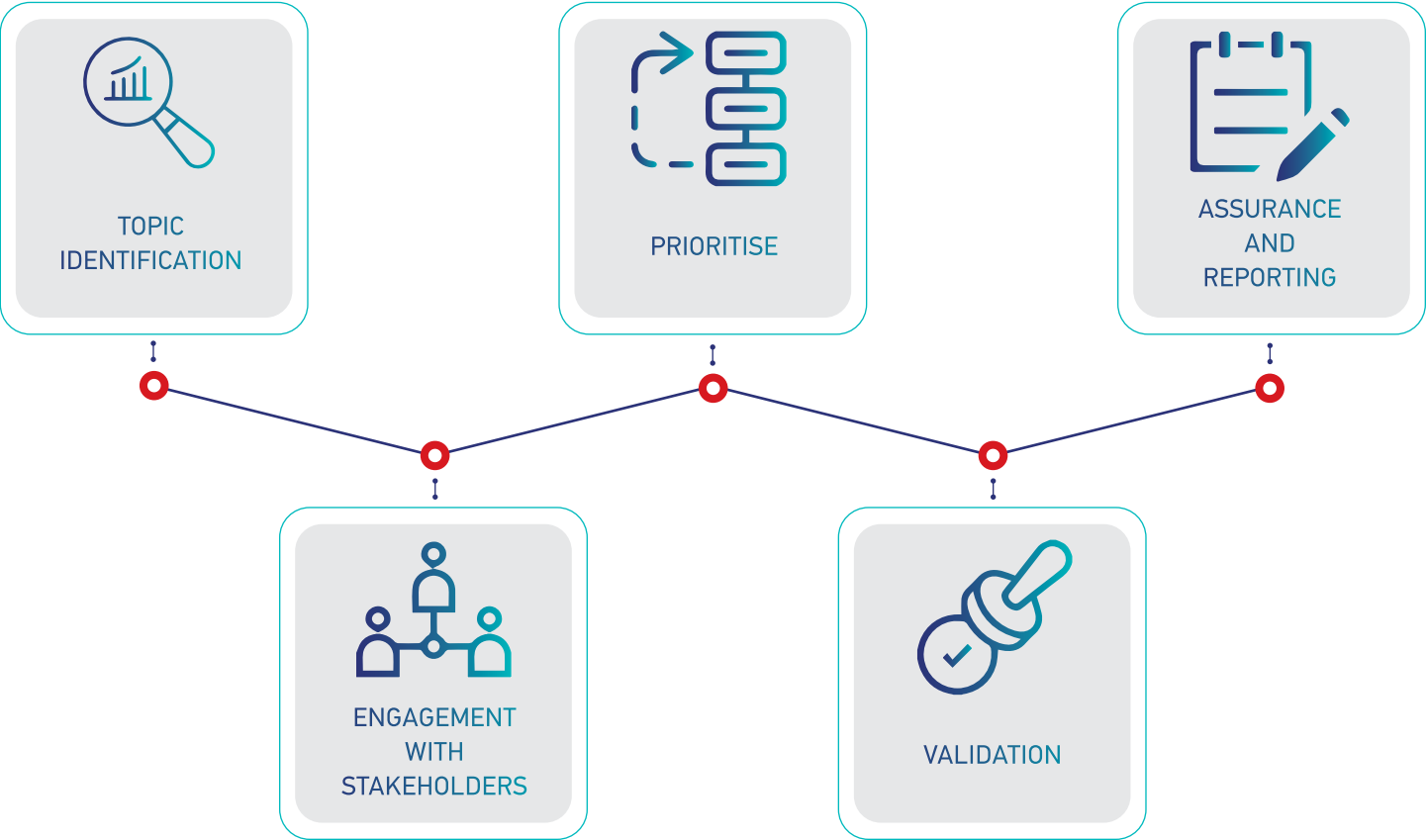
Material matters are represented by issues that significantly impact on the Company’s ability to create value and alter its trajectory. Identifying and aligning our strategy, governance and reporting processes with the material matters, helps the Company to achieve its objectives and fulfill the expectations of the stakeholders who are increasingly attentive as to how the Company addresses these. As such, material matters assessment and application is the compass that guides the Company towards sustainable development and stakeholder satisfaction.

DETERMINING MATERIALITY

Our approach to identifying material issues has evolved over the years, as our focus on sustainability strengthened. We consider both internal and external stakeholders in determining material aspects which play a Significant role in shaping our operational activities and strategic goals.

MATERIALITY DETERMINATION PROCESS

The materiality determination processes seek to address key topics based on their potential ability to create value. This crucial requirement drives performance and strengthens our commitment to sustainability practices. It commences with effective engagement with all stakeholder groups that we identify through our Stakeholder Engagement process and their concerns are further analyzed to arrive at the probability of occurrence and the magnitude of impact.



Appended below is how we evaluated the material topics and the impact thereof on the Company, in the year under review.

Rank	Material Topics	Materiality to the Company	Level of Importance	
			To the Company	To the Stakeholders
1	Economic Performance	Economic performance has been marked as a high priority item to both internal and external shareholders as the performance will determine the return from conducting business in terms of revenue and profitability to us and increase in the returns payable to shareholders. It also measures our performance in relation to the prevailing market conditions and helps us to maintain optimum operational costs	HIGH	HIGH
2	Market Presence	As our market presence increases and our share of the market increases, we can expand our locations and provide employment opportunities to individuals from the local communities and provide them with industry standard remuneration. As such this matter is of high importance to both parties	HIGH	HIGH
3	Indirect Economic Impacts	Our investments in infrastructure to support our growing network gives benefits of a medium level priority to both internal and external stakeholders.	MEDIUM	MEDIUM
4	Procurement Practices	We ensure to support local suppliers by obtaining our services from them. It is of a high priority to us as our goals include ensuring the wellbeing of the community	HIGH	MEDIUM
5	Anti-corruption	Risk assessment of operations and related awareness training and communication, compliance with CG best practices & internal controls	HIGH	HIGH
6	Sustainable financing	Environmental, Social and Governance (ESG) considerations have come to dominate many investment decisions in recent years, and we are increasingly focusing on offering financing solutions for green energy projects, agriculture, as well as other social inclusion and entrepreneurship ventures.	HIGH	HIGH
7	Energy	The efficient consumption of energy is of vital importance to us and our stakeholders as it has an overall impact on the resources of the country and global pollution rates.	HIGH	HIGH
8	Water	We endeavor to minimise water wastage and water conservation as part of our best practices concerning the environment.	HIGH	MEDIUM
9	Waste management through digitalisation	Managing and minimising waste is a part of our sustainability agenda and we continuously improve our processes through digitalisation, going paperless and responsible management of waste	HIHG	MEDIUM

MATERIAL MATTERS

Rank	Material Topics	Materiality to the Company	Level of Importance	
			To the Company	To the Stakeholders
10	Employees	Our employees are our biggest strength as our performance depends on them, so it is highly material to our business. Under this topic we are concerned about employee recruitment and retention and the provision of benefits for full time employees.	HIGH	HIGH
11	Occupational Health and Safety	The safety and health of our employees within the work environment is critical to maintaining high levels of performance. We ensure to maintain a safe and healthy work environment by educating employees on health and safety and give high importance to maintaining compliance with all safety measures.	HIGH	HIGH
12	Training and Education	The development of the skills and knowledge of the employees who work with us is given high importance as their performance and general job satisfaction will improve as they grow. We conduct skill development programs regularly to develop employee skills and knowledge.	HIGH	MEDIUM
13	Diversity and Equal Opportunity	We are in a stage of giving high importance to equality and women's empowerment. In all our practices we have a high number of women leaders when compared to other organizations and we ensure equal basic salary and remuneration to both men and women in our employment.	HIGH	MEDIUM
14	Non-discrimination	We have a strict non-discrimination policy, and this not only applies to employees but all our stakeholders.	HIGH	HIGHN
15	Local Communities	We have aligned all our practices which have a direct and indirect impact on local communities to support their general wellbeing and improve their quality of life and maintain better relations.	MEDIUM	MEDIUM
16	Marketing and Labeling	We maintain accurate and easily comprehensible details in our marketing communications which contributes to a wider reach	HIGH	MEDIUN
17	Accessibility	Customer service enhancement through remote channels.	HIGH	HIGH
18	Customer Privacy	We are highly conscious of the privacy of our customers and always maintain strict confidentiality.	HIGH	HIGH
19	Compliance	Ensure full compliance with all applicable laws and regulations by maintaining strong governance and oversight framework	HIGH	HIGH

CONTINUOUS ASSESSMENT OF MATERIAL MATTERS

When assessing the issues material to the Company, we consider stakeholder involvement, data analytics and information, the macroeconomic trends, and regulatory landscape to conduct our business in a manner that creates value and derives value. This is an annual exercise which takes priority in our strategic discussions and decision making.

NOT JUST ANOTHER FINANCE COMPANY

exceptional success and growth



Our Fitch A+ rating underscores Asia Asset Finance PLC's commitment to financial stability, excellence, and trust. This prestigious rating reflects our robust financial health and solidifies our position as a reliable partner in the financial sector. As we continue to innovate and grow, this rating reinforces our dedication to providing secure, high-quality financial solutions.

FINANCIAL CAPITAL

Asia Asset Finance ended the year under review with a concrete operational performance, having navigated the storm with a series of forward-looking strategies. The company continues to rely on its financial capital to manage daily operations, while engaging in farsighted investments to drive future growth and long-term value generation.

Strategy	Purpose	Material issues addressed	Impacted Stakeholders
Prudent management of equity	To enable business stability, manage risks and ensure consistent returns	GRI 201: Economic Performance	Shareholders
Optimising performance	To ensure business development and improve profitability	GRI 201: Economic Performance	Customers Employees Shareholders

OUR FINANCIAL CAPITAL

Financial capital comprises the funds available to the organisation for the production of services, and is usually obtained from shareholders' equity, debt, or revenue generated from operations or investments.

- The collective resources and equity
- The profitability and income generated by a company's operations

SIGNIFICANCE TO THE COMPANY:

The stability and performance of a company operating within the financial services industry is key towards gaining the public's trust and promoting investor confidence. Prudent management, farsighted investment and good governance ensure long-term business continuity, while enabling the delivery of consistent returns.

PRUDENT MANAGEMENT OF EQUITY TOTAL ASSETS

Total assets as at 31 March 2024, stood at Rs. 25.84 Bn, following a growth of 3.3% from the Rs. 25.01 Bn recorded in the previous year. Consequently, the asset base grew by Rs. 830 Mn during the period under review. A majority of the company's total assets include interest earning assets which consist of cash and cash equivalents, loans and receivables, lease rentals receivables and stock out on hire, and other financial assets, which accounted for Rs. 24.7 Bn, in comparison to the previous year's figure of Rs. 23.98 Bn.



Rs.25,843 Mn

TOTAL ASSETS



Rs.6,604 Mn

REVENUE GENERATED



Rs.344 Mn

PROFIT AFTER TAX

CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 March 2024 amounted to Rs.5.6 Bn compared to the Rs. 4.51 Bn achieved as at 31 March 2023, and includes notes and coins, bank balances and investments. The company primarily funded monetary requirements utilising cash inflows generated from customer deposits, owing to the thriving market conditions and high interest rates that prevailed during the period in question. Furthermore, the company settled its contractual liabilities such as debentures and long-term borrowings throughout the year and particularly towards the latter part of the financial

year. The company commenced borrowing at variable rates with future expectations of a gradual decrease in market interest rates that would align with the recovery of prevailing economic conditions.

LENDING PORTFOLIO

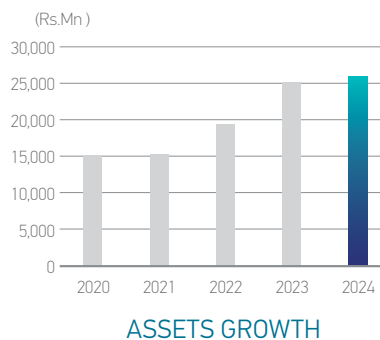
The lending portfolio refers to a collection of loans and receivables, lease rentals receivables held by the company. Maintaining a well-secured lending portfolio is essential towards mitigating the adverse impacts that may arise from a potential loss experienced in particularly volatile sectors.

The company's lending base stood at Rs. 20.56 Bn as at the close of the year, displaying a decrease of 3% over the previous year. The gold loan product continued to hold its position as the key contributor towards the loan portfolio.

CREDIT QUALITY

The company successfully maintained a Significantly lower non-performing loan (NPL) ratio compared to the overall performance of the Non-Banking Financial Institution (NBFI) sector. Consequently, in the financial year ending 31 March 2024, the company reported a gross NPL ratio of 22.11% and a net non-performing loan ratio of 16.48%. The aforementioned ratios serve as Significant indicators of the company's credit quality. The relatively NPL ratio showcases the company's ability to manage and mitigate credit risk, while the negative net non-performing loan ratio implies that the company has fully provided for the non-performing loans it has accumulated.

These results reflect the company's robust credit management practices and highlight its strong position in maintaining far better credit quality against industry players. The overall credit quality of assets was improved despite the challenging macroeconomic conditions as we enhance the accuracy of our forecasting and ensure that the company sufficiently provides for delinquent facilities. We employ an Expected Credit Loss (ECL) model that considers default risk, and make provisions accordingly.

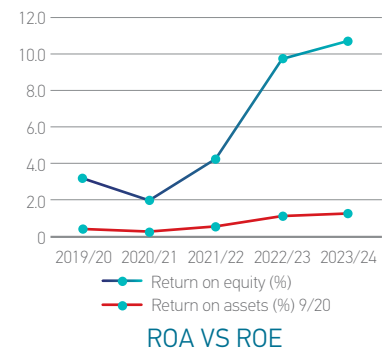


LIABILITY OVERVIEW

As at 31 March 2024, the company's liabilities amounted to Rs. 22.47 Bn, representing a 11.6% increase from the Rs. 22.002 Bn recorded as at 31 March 2023. The liabilities of the company consist of funds due to banks, funds due to depositors, debt instruments and other borrowed funds, and other financial liabilities. The increase in liability was primarily driven by a 9.16% increase in funds due to depositors, which amounted to Rs. 14.5 Bn compared to Rs. 13.3 Bn in the previous year.

DUE TO DEPOSITORS

The total amount of customer deposits held by the company stood at Rs. 14.46 Bn, representing an increase of Rs. 1.21 Bn compared to the previous financial year. The growth in customer deposits indicates a strong level of customer confidence and loyalty towards the company. The company successfully attracted new depositors while maintaining adequate levels of liquidity to support its business operations. The fixed deposit renewal ratio remained closer to 60%, and remained indicative of the company's ability to retain its existing customers and sustain their trust and satisfaction over the years.



SHAREHOLDERS' EQUITY

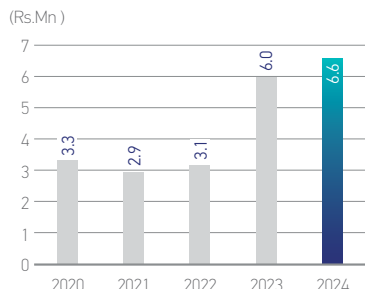
Shareholders' equity of the company stood at Rs. 3.365 Bn as at 31 March 2024, reflecting a increase from the previous year's figure of Rs. 3.010 Bn. The rise of Rs. 354.5 Mn in shareholders' equity is primarily attributable to the profit achieved during the year. However, this increase was partially offset by the payment of final dividends of Rs. 28.9 Mn for the year ended 31 March 2023. The growth in shareholders' equity signifies the company's improved financial position

FINANCIAL CAPITAL

and the accumulation of retained earnings over the period under review.

OPTIMISING PERFORMANCE

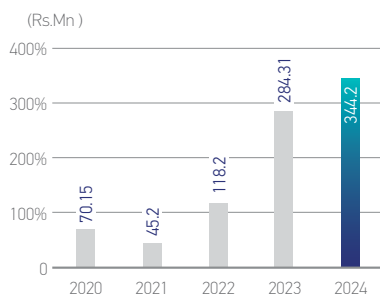
Gross Income



GROSS INCOME

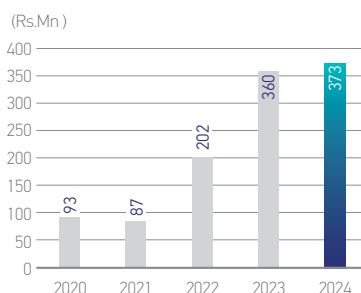
The gross income of the company recorded a growth of 9.94% to reach Rs. 6.604 Bn, compared to Rs. 6.006 Bn recorded in the preceding period, while the company's profit after tax for the year reached Rs. 344.18 Mn, compared to the indicator's performance of Rs.295.3 Mn in the previous year. Other operating income recorded a marginal increase to reach Rs. 921.5 Mn compared to the previous year's Rs. 614.6 Mn.

PROFIT BEFORE AND AFTER TAXES



PROFIT AFTER TAX

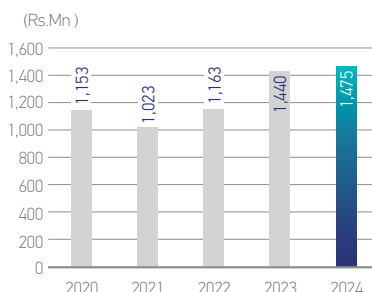
Reflecting the growth in profit after tax, the company recorded increases in total assets and equity during the year. Consequently, Return on Assets (ROA) stood at 1.33% during the year, in comparison to the previous year's 12.16%, while Return on Equity (ROE) was recorded at 10.82 in comparison to the previous year's ratio of 9.82. Impairment charges and other administrative expenses exhibited a controllable level to maintain profitability growth of the company. The reversal in income tax charge was primarily due to an increase in the deferred tax assets.



PROFIT BEFORE TAXES

OPERATING EXPENSES

Total operating expenses for the year amounted to Rs. 1.44 Bn compared to the Rs. 1.475 Bn reported in the previous financial year.

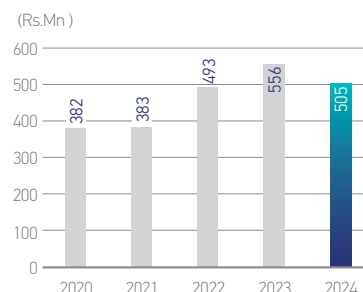


OPERATING EXPENSES

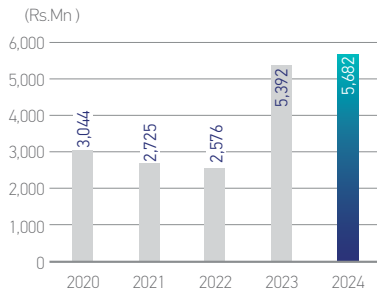
The aforementioned result was mainly attributable to the increase in personnel expenses by 8.81%, amounting to a total value Rs. 36.6 Mn — a Significant increase over the Rs. 413.6 Mn recorded in the previous year. The year-on-year growth in personnel expenses primarily arose from the increase in remuneration, new recruitment and the increase in other staff related expenses. In addition, other operating expenses for the year decreased by 7.2% to reach Rs. 919 Mn from the preceding year's Rs. 983 Mn. This decrease was attributable to multiple factors, i.e., the collective impact of cost control all expense categories by implementing technology driven culture in AAF.

IMPAIRMENT CHARGES

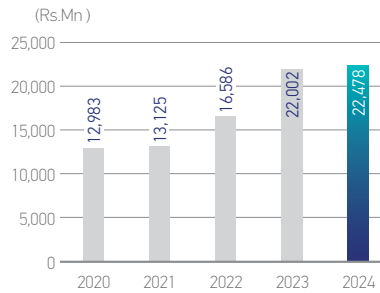
Impairment charges and other losses for the year increased to Rs. 505 Mn compared to previous year's provision of Rs. 556.09 Mn, thereby recording the provision the AAF to maintain prudent asset management. The impairment charge was derived individually and collectively by means of management overlays to account for potential losses.



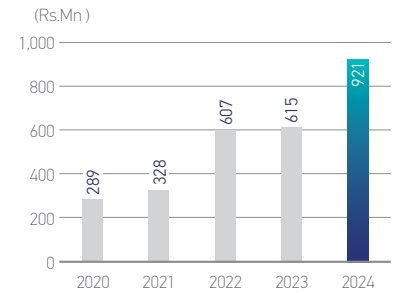
IMPAIRMENT CHARGE



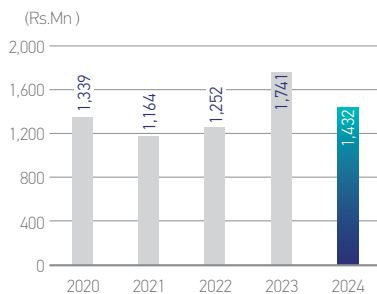
INTEREST INCOME



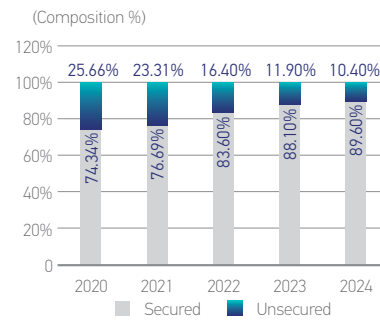
LIABILITY



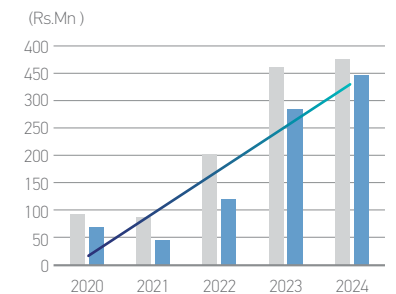
OTHER INCOME



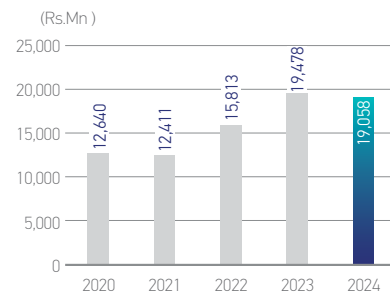
NET INTEREST INCOME



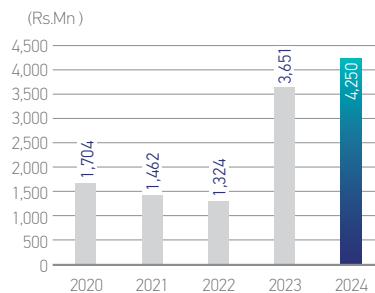
SECURED VS UNSECURED



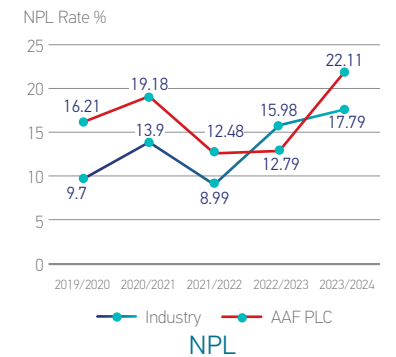
PROFITABILITY



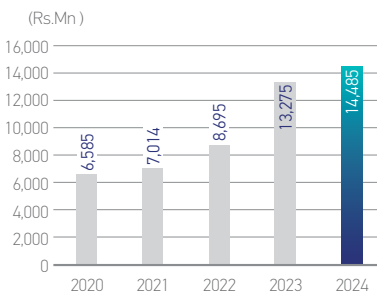
NET LOANS AND ADVANCES



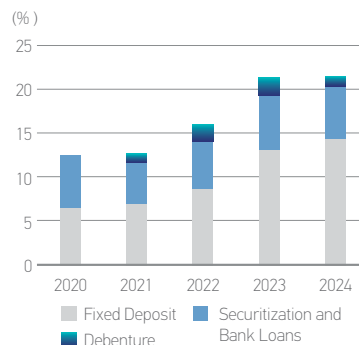
INTEREST EXPENSES



NPL



CUSTOMER DEPOSIT



COMPOSITION OF BORROWINGS

MANUFACTURED CAPITAL

Our Manufactured capital consists of the Head Office building, the far-flung network of branches across Sri Lanka and other capital items, technological infrastructure, and well maintained equipment we hold to deliver a superior customer service.

Our premises promote our brand visibility and facilitate cordial interactions with our customers in a safe environment and create a conducive workplace for our employees.

With an economy now on a growth trajectory, we concentrated on developing our digital capabilities and added ten new branches, to our branch network as we fully understand that investing in and managing Manufactured Capital effectively we can improve our efficiency and productivity and ultimately our competitive edge in the market

HIGHLIGHTS IN FY 2023/24

Added ten new branches to our network

Luckewallet – Empowering financial freedom with seamless, real-time mobile banking

Created online channels to facilitate customer interaction with the Company

Invested Rs 140 Mn to upgrade the Company's Manufactured Capital

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



THE BRANCH EXPANSION

With 85 branches spread across the island, we leveraged our brand reputation to attract, serve, and retain our customers, for the long term.

Our remarkable footprint allows us an expansive reach to a cross section of customers, and stride forward despite the challenges that we faced in 2023/24.

Strategically located and highly visible, our branches are easily accessible to those who need our personalised financial solutions.

Expanding our branch network and investing in IT infrastructure enhances customer experience and operational efficiencies in many ways. As our Company evolves, specialised solutions and streamlined processes increase our agility and modernity. A robust IT system ensures data protection, mitigates cyber security risks and maintains system

integrity, while optimizing workflow and resource utilization, boosting top-line performance and cost efficiencies, ensuring strategic alignment, financial impact, and service quality

Branch expansion provided employment opportunities to the people in the area while increasing our customer reach. We carried out our community social responsibility (CSR) activities through the branch network.

Our expansion strategy was carefully crafted and resourcefully executed. The selection of our new locations was based on product demand, visibility, accessibility, and the availability of amenities that could significantly boost sales. With a clear understanding of the local demographics, our target customers, and the competitive landscape, we have successfully positioned our brand to attract and retain new customers. This strategic approach has enabled us to maintain a strong presence in the market.





Rs. 65 Mn

INVESTED IN BRANCH
EXPANSION



10

BRANCHES ADDED TO
THE NETWORK



Rs. 94.4 Mn

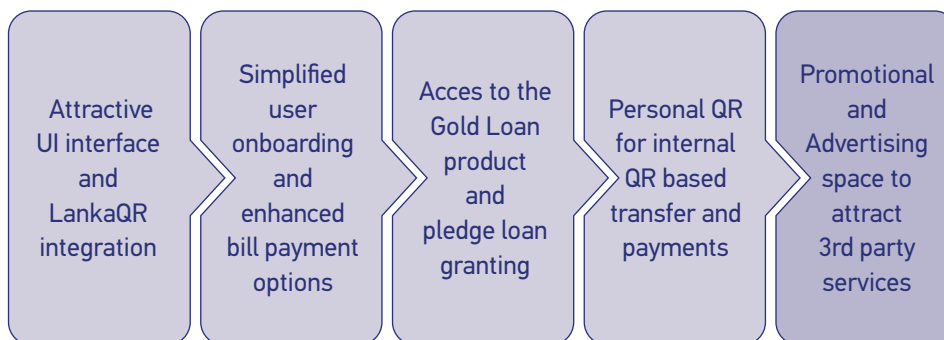
SPENT IN ACQUIRING
AND UPGRADING IT
INFRASTRUCTURE

TRANSFORMATIVE TECHNOLOGY AND DIGITISATION

We invested Rs 94.4 Mn in upgrading our technologies and the digital platforms, providing our customer easy reach to the Company. Investment in these areas was useful in supporting our customers speedily on a twenty four hour basis. The value of these platforms to our customers is seen in the exponential increase of utilisation, generating business leads and facilitating new business.

Luckewallet Mobile App enhancements

Enhancements are on their way to provide an upgraded user experience with cross-functional capabilities, making it a stable, secure, and user-friendly payment gateway. The features include:



AI Capabilities

AI is a transformative facet of modern technology that influences numerous aspects of daily life, from personal, societal, and to business. It enables machines to perform tasks that generally require human intelligence. While we regard human capital as our most valuable asset, to operate an agile business, we took advantage of what AI offers in many ways. These include:

In addition to AI capabilities we enhanced the eAudit solution and RPAs, including Business Intelligence (BI) analytics that helped us to quickly evaluate and analyze the market and adapt to the necessary changes, as an agile and swift finance institution providing value added services to the customer base.

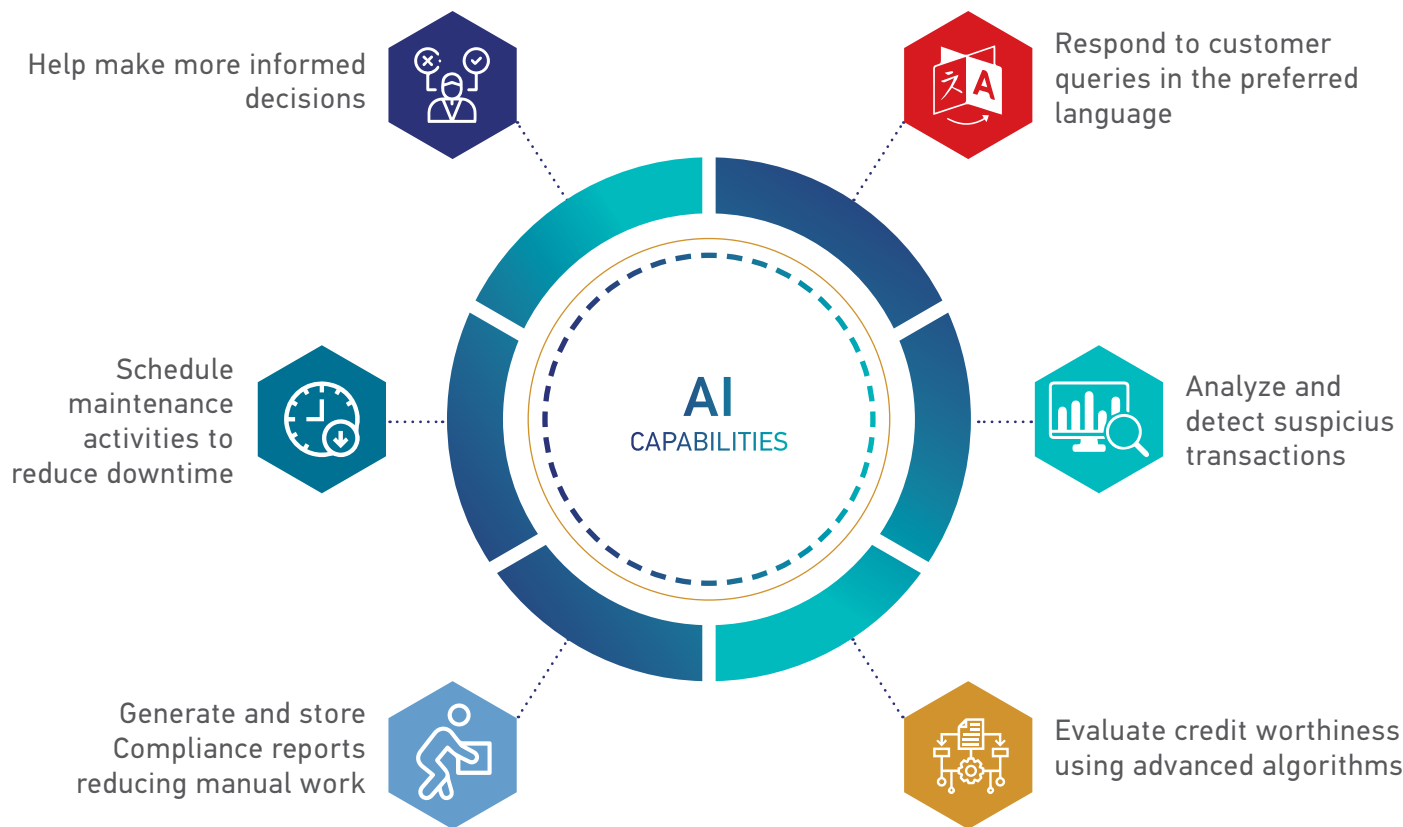
OPERATIONAL EFFICIENCY

Data-driven decisions remained a pivoting point as the country's economy regained stability and coherence. BI analytics helped in many ways in this area of our operations, by systematically collecting, processing, and analysing data from various sources to offer insights and guide decision making. Similarly, BI helps in monitoring business operations and customer behaviour effectively. BI analysed data generates accurate operational scenarios. Growth opportunities, cost saving measures and areas for improvements are also triggered through BI analysed data, and allowing our employees to engage in value-adding work for the Company, without spending time on manual data analysis.

Paperless Operations

We continued our paperless communication system for customer interactions, utilising SMS and OTP based messages for customer interactions. While enhancing transactional security, this method continued to decrease our environmental footprint. Instantaneous updates has improved overall customer service and satisfaction.

MANUFACTURED CAPITAL



Security Operations Centre (SOC)

A state-of-the-art facility operating 24/7, SOC provides uninterrupted security monitoring. Using Google Chronicle technologies and resourced by a team of qualified security professionals, it ensures proactive threat detection and response. This has Significantly increased our cybersecurity measures safeguarding customer and Company data from potential cyber security threats.

Automated Call Centre

Equipped with the latest call center monitoring software, the center handles all customer enquiries, recovery calls, marketing campaigns, and automated call initiations. It streamlines operations by reducing wait-time and enhances overall customer experience by providing speedy support using WhatsApp based chat engines.

Core Business Solutions (CBS) The CBS solutions we implemented allowed operational efficiencies in several fronts,

Infrastructure Upgrades

The infrastructure upgrades are a necessity to maintain resilience, safety and operational efficiencies we undertook ensured near-zero Data Loss Prevention (DLP) and enhance the robustness and reliability of our IT systems. The network infrastructure upgrades we implemented bolstered cybersecurity and operational effectiveness, paving way to better cost management. Investment in cutting-edge technology therefore, was prudent as we strengthened the foundations of our business, geared up to the future, and built on the success we achieved in 2023/24.

Payment Management	Streamlined processes for handling payment management
Customer Relationship Management	Improved customer engagement and relationship tracking
Support Ticketing	Efficient management of internal support queries
Inventory Management	Enhanced tracking and inventory management
Card Management	Secure processing of customer loyalty cards and reward allocation
Tracking and Monitoring	Real time tracking and monitoring, detecting any anomalies or suspicious transactions
Common Cashier Functions	Simplified cashier operations across departments
KPI Monitoring	Tools for tracking and monitoring KPIs
Anti-Money Laundering (AML) Process	Customer screening and continued monitoring of transactions to ensure compliance with AML regulations safeguarding the Company and the national economy from undesirable investments
Human Resource Information System (HRIS)	To ensure better management of the human capital

FUTURE FOCUS

To continue to be the agile finance solutions provider, we will focus on speed to the market and easy reach of our customers to our services by investing in more automation and IT solutions. Integrating AI technology will be a priority as we explore further avenues for operational efficiencies. Our IT infrastructure is slated to undergo constant improvements in the future, driving the strategic decision-making process.

Looking ahead, our priority will be swift response to market requirements, enhancing ease of access to our product range to our customers. As such, state-of-the-art technology innovations will be enthusiastically pursued while digital processing will take center stage in this endeavor. We will continue with our branch footprint enhancement, to ensure high brand visibility and superior service delivery. Plans are also afoot to convert branch energy consumption to be that of renewable energy, as we are cognizant that with the enhanced footprint, we need to enhance our handprint to preserve our environment.

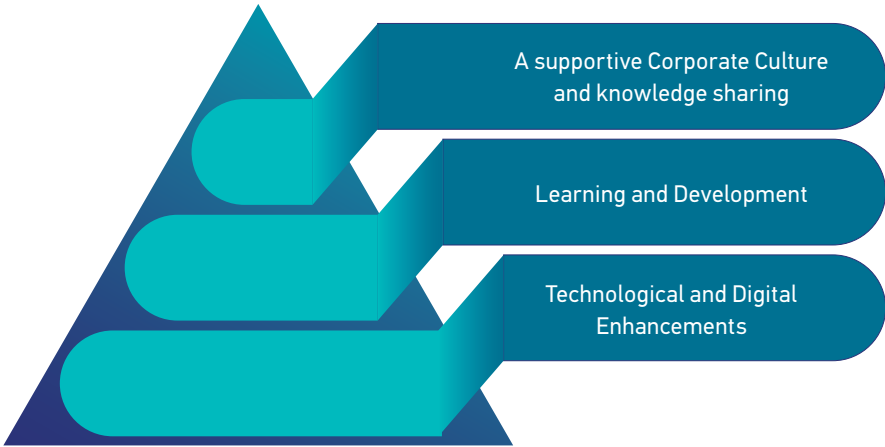
INTELLECTUAL CAPITAL

Intangible assets accumulated over the years and proprietary to the Company are termed as Intellectual Capital. These include the expertise of our employees, HR practices including training and development, business processes, brand value, and perception in the market and other information that positions the Company a step ahead of its competition.

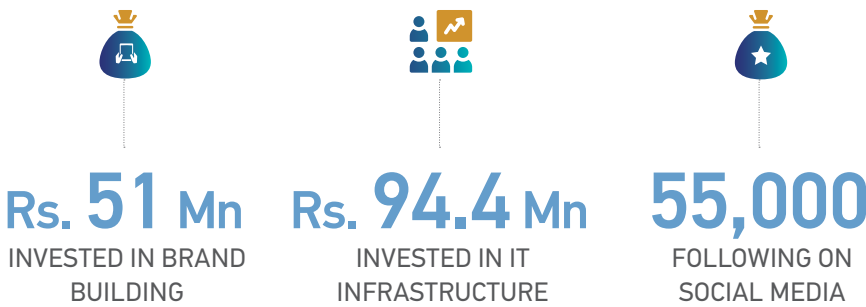
MANAGEMENT APPROACH

Supported by the strength of our parent company, Muthoot Group, and as a leading NBFi in Sri Lanka, we place great value on the tremendous opportunities that are presented to the Company by developing and investing in our intellectual capital. The intangible nature of our products mandates strong reliance on the intellectual capital, for growth, to build market agility, and retain the competitive edge for sustainability. This approach has paid dividends, as we achieved the highest ever performance in the Company’s 54 year history.

HIGHLIGHTS OF 2023/24



VALUE ADDED



OUR METHOD

Our strategy for building our intellectual capital involves various initiatives. We focus on understanding the needs of our customers, engaging with empathy, and providing flexible solutions during uncertain times. By adhering to ethical practices and upholding our core values of integrity, excellent customer service, and governance, we maintain the trust associated with the Asia Asset brand while distinguishing ourselves as a unique entity.

TACIT KNOWLEDGE

The expertise and accumulated knowledge of our employees help us to make informed decisions, offer accurate and need-based financial advice and serve our customers with diligence. Their deep understanding of financial product and the regulations, combined with the knowledge of the IT and digital infrastructure of the Company, offers the customer a quality packaged deal in interacting with Asia Asset.

The Learning Management System (LMS) developed in-house, offered a suite of specialised training and development programs, strategically focusing on employee growth and sustainability of the Company. Conducted in tri-lingual format (Sinhala, Tamil, and English), we strive to develop raw talent drawn from the community we serve and mature them into our corporate culture and organizational knowledge.

It is mandatory for all employees go attend Induction training on joining the

Company, to be eligible for confirmation/promotion.

Besides inhouse training, we offer reimbursement for higher and specialised education. This scheme is available for those engaged in study disciplines that are job-related. We also offer personal development programs focused on grooming and business conduct to further build our intellectual capital base.

TRANSFORMATIVE TECHNOLOGY

Digitization was prioritised to facilitate customer ease and speedy access to our products and the Company. We initiated several digital platforms which are well documented under Manufactured Capital on page 46.

A STRONG BRAND AND EXPANSIVE VISIBILITY

The expertise, thought leadership, customer-centric delivery, and a proven track record of delivering exceptional financial services enabled us to reach the success we reached in 2023/24, as a reliable and trustworthy financial partner. Our positive brand and reputation attract clients, investors, and other stakeholders, leading to increased market share and business opportunities.

Among the range of brands within our portfolio, the Gold Loan Product has continued to hold a preeminent position in the market. We continue to be the leader among the NBFIs for Gold Loans, in Sri Lanka bearing witness to the excellent support and commitment of our parent company which serves as the

world’s largest gold loan provider. As we continue to apply aggressive marketing and promotional strategies we are confident that other product platforms will gear up to a more effective position in an extremely competitive industry.

The Gold Loyalty Program continued to reinforce brand loyalty and customer satisfaction. The product segment by default is predominantly female, and in line with our goals towards female empowerment, the loyalty program provides additional facilities and benefits to the female clientele who have entrusted us with their assets.

OUR HANDPRINT



COMMUNICATIONS ON DIGITAL FORMS AND SOCIAL MEDIA MARKETING FOR LEAD GENERATION



REPUTATION FOR EXCELLENT CUSTOMER SERVICE AS THE DIFFERENTIATION



CUSTOMIZED MARKETING CAMPAIGNS TO SUIT THE LIFESTYLES OF COMMUNITIES



CUSTOMER LIFESTYLE MARKETING THROUGH DATA ANALYSIS



EVENT PROMOTIONS ACROSS REGIONS TO CREATE NEW MARKETING CHANNELS



BRAND VISIBILITY THROUGH COMMUNITY ENGAGEMENT ACTIVITIES AND SUSTAINABILITY INITIATIVES

CREATIVE ADVERTISING AND SUCCESS STORY TELLING
CREATING EMPLOYMENT IN THE AREAS OF BRANCH LOCATION

PROMOTIONAL CAMPAIGNS

In the financial year 2023/2024, Asia Asset Finance PLC undertook several strategic initiatives aimed at enhancing brand awareness and strengthening our market presence. These efforts were designed to foster better customer engagement, modernize our operations, and solidify our reputation as a leading non-banking financial

INTELLECTUAL CAPITAL

institution. Below are the key initiatives implemented during this period:

1. Introduction of Chatbot Technology

To improve customer service and engagement, we introduced a WhatsApp chatbot and a charbot on our website. This AI-powered virtual assistant is available 24/7 to address customer queries, provide information about our products and services, and assist with various transactions. The chatbot has Significantly enhanced the customer experience by offering quick, accurate, and convenient support, thereby reducing response times and improving overall satisfaction.

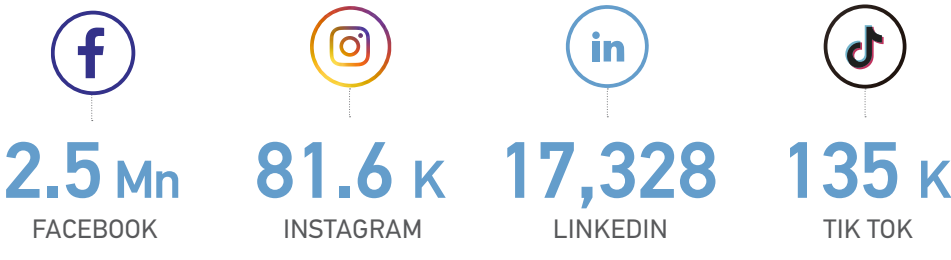
2. Participation in the Nallur Jaffna Festival and Door-to-Door Campaign with Capital FM

Our active participation in the Nallur Jaffna Festival, one of the most vibrant cultural events in Sri Lanka, provided a valuable platform to connect with a large audience. Partnering with Capital FM, we conducted an extensive door-to-door campaign in Jaffna, reaching out to potential customers directly in their homes. This initiative not only boosted brand visibility but also allowed us to engage with the community on a personal level, building trust and awareness about our offerings.

3. Website Revamp

Recognising the importance of a strong online presence, we undertook a comprehensive revamp of our website. The new website features a modern, user-friendly design with enhanced functionality and accessibility. It provides detailed

OUR REACH



information about our products and services, offers easy navigation, and includes interactive elements to engage visitors. This overhaul has improved the digital experience for our customers and positioned our online presence to align with contemporary standards. The website is also supported by an AI driven ChatBot.

4. Brand Ambassador: Chamari Attapaththu

We proudly announced Chamari Attapaththu, the captain of Sri Lanka's Women's cricket team, as our brand ambassador. Chamari's dedication, leadership, and success on the international stage embody the values that Asia Asset Finance PLC stands for. Her association with our brand has helped us reach a broader audience, particularly cricket enthusiasts, and has enhanced our brand's credibility and appeal.

5. Branch Renovation and Rebranding

To ensure our physical presence reflects our commitment to excellence, we undertook extensive renovations and rebranding of our branches. The updated branches now feature a modern aesthetic, improved customer service areas, and enhanced facilities. This initiative has created a more

welcoming and efficient environment for our customers, reinforcing our dedication to providing top-notch service.

6. Digitalisation and Introduction of the Gold Loan Card

In our ongoing efforts to innovate and improve customer convenience, we replaced traditional receipt systems with the new Gold Loan Card; first of its kind in the industry. This card simplifies the gold loan process, making it more secure and efficient for our customers. The digitalization of this service aligns with our broader strategy to embrace technology and enhance the customer experience.

These initiatives have collectively contributed to stronger brand recognition and customer loyalty. As we move forward, Asia Asset Finance PLC remains committed to leveraging innovation and strategic engagement to continue growing our brand and serving our valued customers effectively.

BUILT ON TRUST

Our success, no doubt, is largely due to customer loyalty which is spontaneous and long term. Our reputation for superior customer service differentiates us as a

customer-centric Company, sensitive to the changing landscapes of economic hardships and customer wellbeing. Our approach to the customer is ethical and empathy-driven, and we do not engage in greenwashing in our marketing and advertising campaigns.

Right recruitment, leadership, and mentoring are a core value of our Company, to foster a culture of collaboration and knowledge sharing. Promoting open dialogue with our employees, we appreciate their insights, empowering them to contribute by way of suggestions, to the Company's long term. Our focus is to enhance our talent through training and development initiatives, with the aim of creating a diverse, future-ready team. The attraction and retention of suitable talent is a fundamental aspect of bolstering our value proposition, and we continue to concentrate on nurturing and retaining valuable talent within the organization, as elaborated in the Human Capital Report on page 54.

OPERATIONAL EXCELLENCE

The processes and procedures of the Company are designed for cost effective efficiencies without jeopardising data security of the customer and the Company. While operating a paperless organisation, we ensure to monitor, review and where necessary adopt industry best practices in ensuring our processes are end to end secured.

CUSTOMER DATA PROTECTION

In response to rapid digitalization in the industry and across other business

arenas, we have significantly invested in IT infrastructure and data security. Rigorous control measures that align with our IT Policy comply with all regulatory requirements and customer Data Privacy laws.

ETHICAL GOVERNANCE AND COMPLIANCE

The overarching concept in our dealing with all our stakeholders is ethics and good governance. With the trust and confidence alluded to us through the years, we are intrusively focused on living out that legacy through to the future.

We maintain an ethics-based governance in all our operations, gaining the trust and confidence of our customers, employees and the regulatory authorities. The tone for strong governance is set at the highest level of authority in the Company and is implemented and monitored by

a dedicated Compliance Officer. The framework is periodically reviewed and updated to ensure internal policies and procedures are aligned with relevant laws and regulations.

FUTURE FOCUS

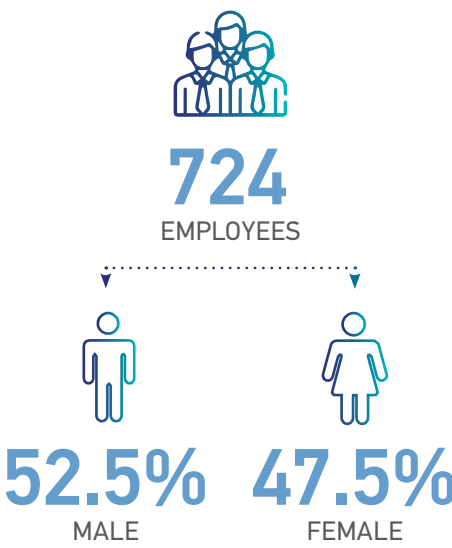
We are incredibly positive about the opportunities that are available in the market sin 2024/25 and are well poised to take advantage of these, for the sustainable development of our Company. We will therefore focus on building our brand, taking advantage of our market leadership in the Gold Loan product while positioning other products also to excel.

With the strong brand equity of our parent company, we are well positioned to scale further heights leveraging on expertise and knowledge, industry best practices and market applicability to deliver an optimized performance and returns in the current financial year, and the beyond.



HUMAN CAPITAL

Our employees are the asset that contributed to our successful journey in 2023/24 achieving the highest profitability in the 54 year history of the Company. Their dedication, loyalty, and diligence in navigating the headwinds of the past few years are commendable in delivering an excellent result for us in the year under review.



EMPLOYEE WELLBEING

Rs. 16.13 million invested in occupational health and safety

CAREER PROGRESSION

124 employees were promoted to the next level in their career

TRAINING AND DEVELOPMENT

- Rs. 3,543,472.18 million invested in training and development during the year.

MANAGEMENT APPROACH

We are committed to inclusivity and non-discrimination and implement policies that ensure fair treatment for all employees to foster a positive workplace environment. Sound human resource (HR) governance principles that uphold equality, diversity, and respect are stringently applied to enhance employee satisfaction and cultivate a culture of growth. Our robust policy framework complies with all regulatory requirements and local laws.

Further, creating an equal opportunity workplace where gender equality is the norm, prioritising health and safety, engagement and maintaining open communication, defining a corporate culture that is foundational for learning and development for sustainable growth, is the framework within which we introduce, review, and communicate policies and procedures to our employees.

We are committed to creating a diverse and inclusive workplace that celebrates individual differences such as race, religion, sexual orientation, and talents. Gender parity is high on our HR agenda and have strengthened our policy framework, HR practices, and strategy to provide women with equal opportunity to fulfill their career aspirations while maintaining a good work-life balance.

FAIR REMUNERATION

Rs. 535,802,101.27 in remuneration to employees
Rs. 3,754,277 medical and health reimbursements.

We proactively review the policy framework, valuing agility and continuous improvement. This allows us to stay ahead of the curve and benchmark our practices with the industry best, for operational excellence. This creates a platform for innovation to thrive, offer higher job satisfaction and retain top talent. In a strongly competitive business landscape, this offers us an edge over the others and contributes towards the sustainability of our Company.

Talent Acquisition

GRI 2-7, 406-1

Fair and impartial recruitment based on our Recruitment Policy to acquire skilled and qualified talent is how we conduct the process in an unbiased and transparent manner. To ensure its transparency and robustness, we strictly adhered to the principles in our policies and added 137 new recruits to our cadre.

We are committed to equitable recruitment practices which contribute to the Company's transparency and fairness. By focusing on merit and talent, we ensure that the best candidates are chosen, fostering a diverse and inclusive workplace. These practices were foundational to achieving the record success we achieved in 2023/24. The recruitment of 137 new employees is a

HR POLICIES OF ASIA
ASSET FINANCE PLC

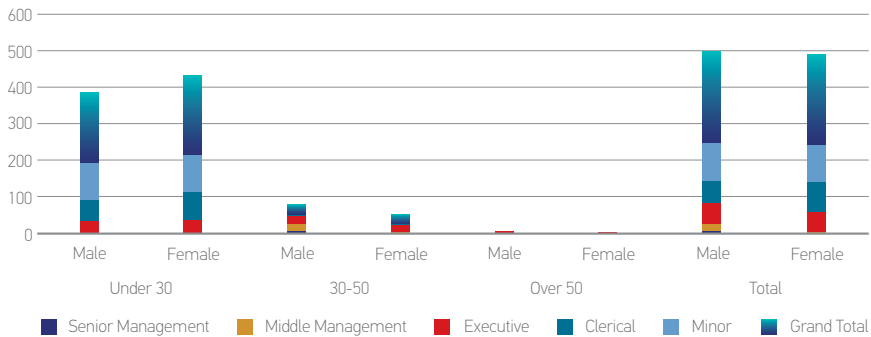


Sexual Harassment in
the Workplace Policy

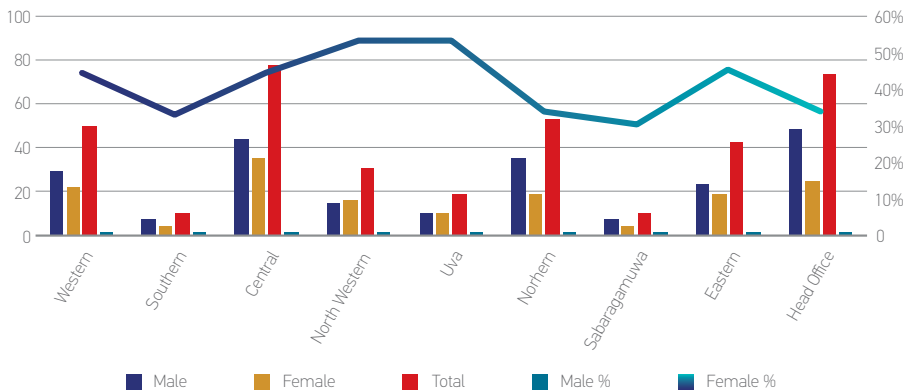


Grievance Handling
Policy

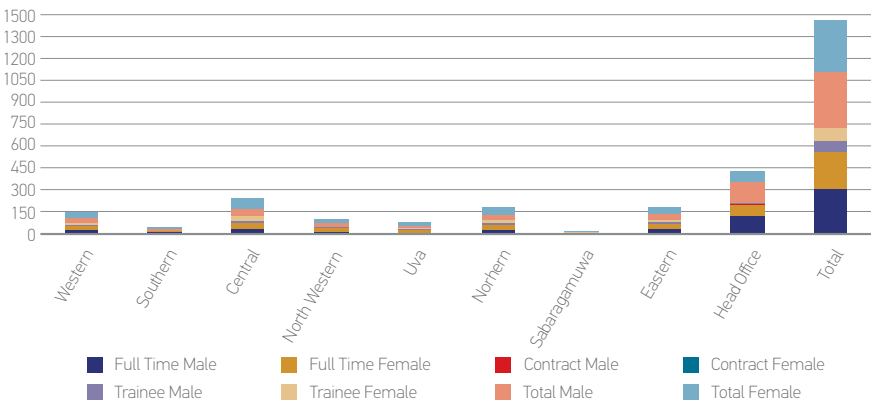
testament to the effectiveness of these policies and how they contributed to the growth trajectory of the company.



CATEGORY-WISE RECRUITMENT - 2023/24

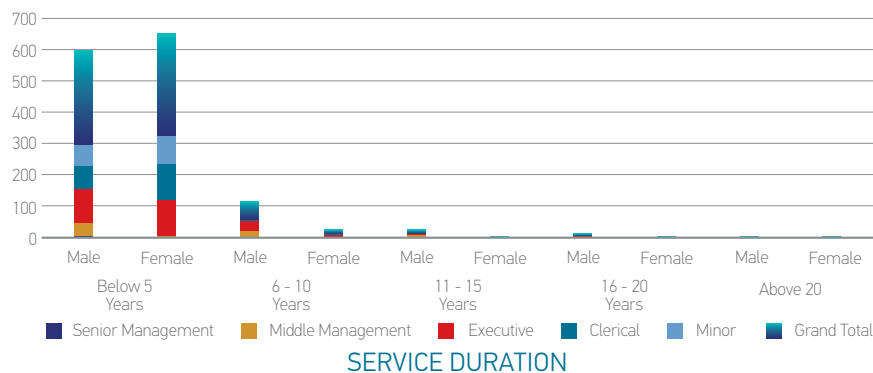
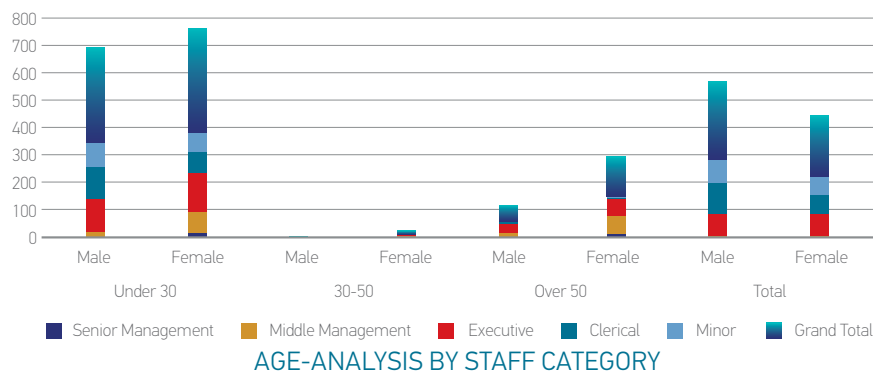


REGION-WISE RECRUITMENT



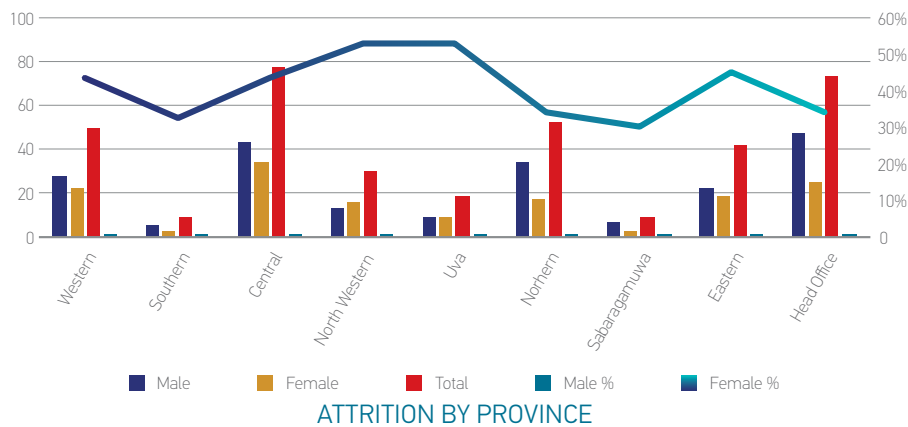
TEAM PROFILE 2023/24

HUMAN CAPITAL



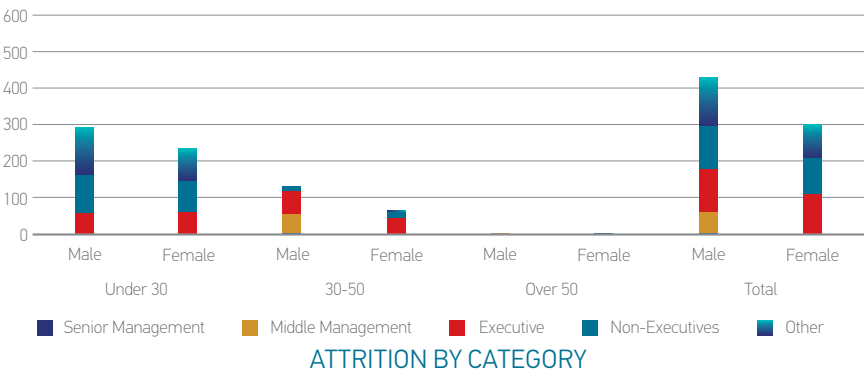
Attrition

In the year under review, attrition took place as follows:



491

NEW RECRUITS
IN
2023/24



TALENT RETENTION

Talent retention is a pivotal requirement for our Company, as we engage in a competitive business environment that is vying for consumer wallet share and ensure our continued success. Nurturing a work environment therefore, that attracts and retains top talent is a prime requirement. To this end, we have created a positive workplace culture offering fair remuneration and attractive benefits, while career development opportunities are available to all.

When our employees are onboarded we ensure to continue with practices that assure work-life balance, appraise and acknowledge their contributions to the workplace, and where necessary offer flexible working conditions that have become the norm. Beyond retention, we focus on a high-performance culture, fostering sustainable business growth to maintain our competitive edge.

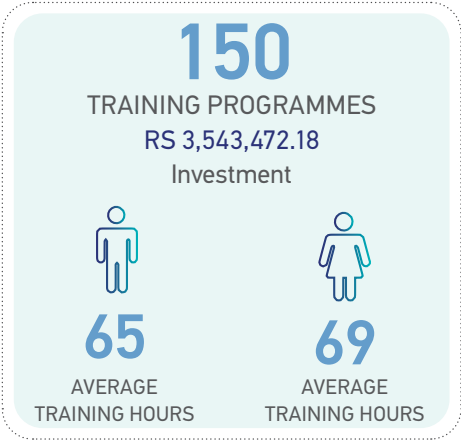
In the backdrop of mass labour migration and brain-drain in 2023, attracting and retaining skilled and high potential individuals, was a challenge but a structured development and growth process contributed significantly to attracting 491 new recruits to the Company.



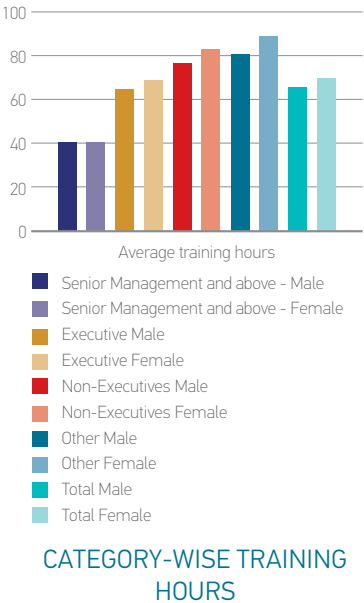
“we ensure to continue with practices that assure work-life balance, appraise and acknowledge their contributions to the workplace, and where necessary offer flexible working conditions that have become the norm”

Talent Training and Development

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



Training and development are key criteria to ensure our relatively young human capital is well geared to face workplace challengers, engage in superior customer service and deliver the objectives of the Company, while upholding the strong brand name we have in the market place. We prioritised training as follows:



HUMAN CAPITAL

TRAINING PROGRAMS

May Month Training Program		
NO	Training	Duration (Hours)
1	IT & Technical Training	71
2	HR Management Related Training	48
3	Gold Loan Operational Training	57
4	FD related Training	8
5	Micro Mortgage Training	79
6	Leasing Training	15
7	Soft Skill Development Training	66.5
8	Induction & Familiarisation	31
9	Compliance Training	64
10	Policy And Planning Training	26
11	Lending & Recovery	22
12	Strategies & Analysis	14
13	Leagal & Recovery Training	12
14	Risk Management	32
15	Credit Management	22
16	Audit Training	41
17	Finance Management	41
18	Other	19

EMPLOYEE WELLBEING

Employee wellbeing is a multifaceted concept that encompasses the mental, physical, emotional, and economic health of workers. It is influenced by various factors within the workplace, including relationships with colleagues, the nature of the work, and the overall work environment.

Our positive approach to employee wellbeing assures us several benefits, both for the Company and the employee. These include increased productivity, higher morale, and an improved Company reputation which in turn attracts the top talent we seek. Additionally, addressing workload management, ensuring task clarity, and fostering a supportive work environment we focus on personal and professional growth. These strategies not only improve the quality of life for our employees but also ensure the long-term success of the Company.

Financial Wellbeing

Fair Remuneration

GRI 2-30, 401-2, 402-1

We offer our employees a fair remuneration package, which is a critical aspect of retention and employee wellbeing fostering a culture of trust, equity, and motivation. We believe that when employees are compensated fairly, they are more likely to be engaged and productive, which can lead to increased retention rates and a positive organizational reputation.

We adopt transparent pay structures and communicate openly with our employees about compensation, ensuring that all demographic groups are compensated equitably, considering their responsibilities and skill sets.

Meritocracy is the basis on which we provide equitable remuneration to our employees. Based on the Remuneration Policy which is aligned to industry level remuneration and benefit packages, we maintain a transparent reward system to nurture a performance-based that helps in carving out a growth trajectory to our employees and ensure their retention with the Company.

Micro Mortgage Training



Operation Audit Training North Western



Leadership Training



Operational Audit Training Western & Southern



HUMAN CAPITAL

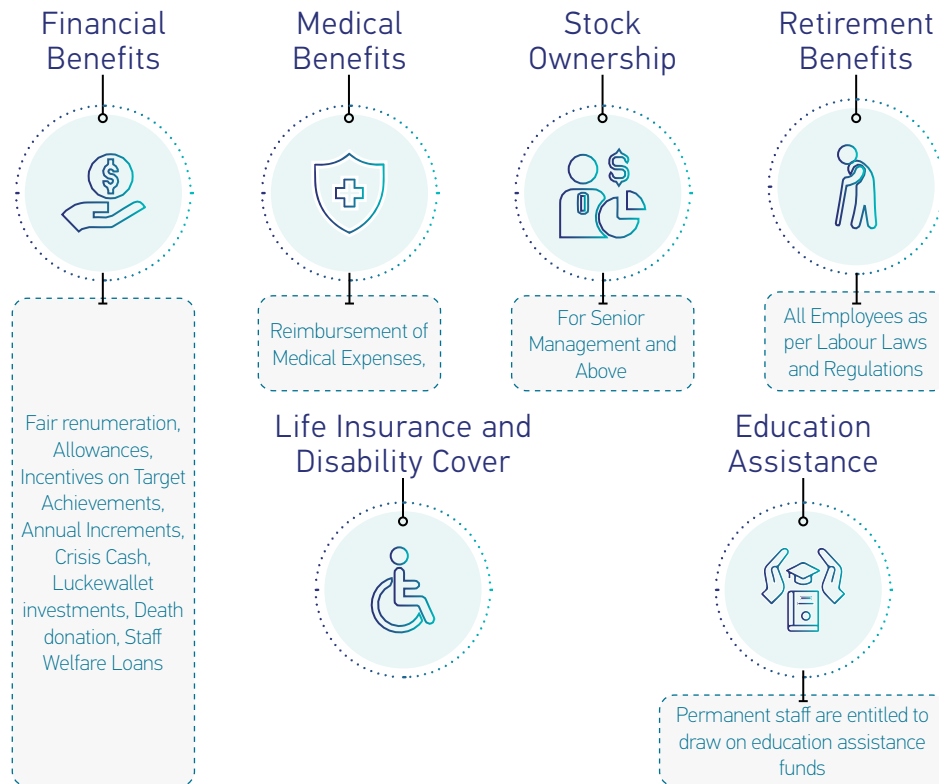
HR Management Related Training



Strategies & Analysis Training



The Company offers a range of benefits to ensure employee wellbeing, which are currently applicable to its permanent cadre.



Productivity Wellbeing through Performance Management

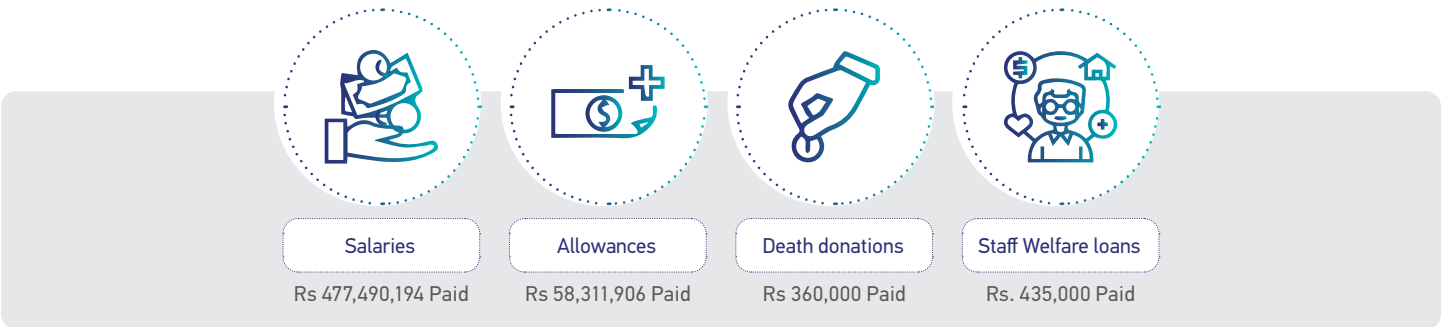
GRI 404-3

Another aspect of employee wellbeing is evaluating and managing performance, with a view to furthering their career aspirations with the Company. This is a crucial role in our workplace and involves a structured process or monitoring, assessing, and enhancing employee performance to align with Company goals. We set clear performance metrics and provide regular feedback creating an encouraging journey, in achieving the set goals.

We combine an automated and a face-to-face evaluation process to comprehensively assess the performance of workforce. Senior management is evaluated leveraging the digital platform, on a 360-degree scale. This involves gathering feedback from their teams, colleagues, supervisors, and self-evaluation by themselves. This process of soliciting diverse perspective of our senior management gives us a thorough understanding of their competencies and behaviours, allowing us the space to craft training and development needs.

At Asia Asset Finance PLC, performance management is a collaborative effort to develop our human capital to excel in their roles and contribute meaningfully to the Company's objectives.

HUMAN CAPITAL



Occupational Wellbeing through Health and Safety

GRI 403 1-10

As a finance company our premises do not carry complexities that are a daily risk to our employees. We, however, are committed to maintaining extreme hygiene conditions as a precautionary measure and implement a robust Occupational Health and Safety policy for the wellbeing of all stakeholders, across all our branches located throughout the country and at the head office.

We conform to all local regulations pertaining to health and safety and adopt close monitoring of the health and safety landscape for any vulnerabilities and address them speedily to avert risk to our human capital. We are glad to report that there were no reports of risk events in the year under review.

Employee Engagement

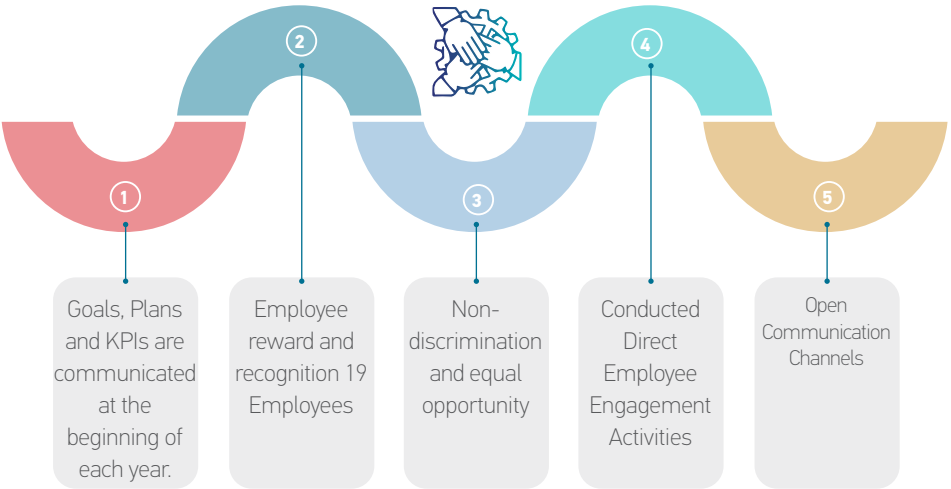
GRI 2-29

Employee engagement is an essential element in today's business environment to gauge an employee's commitment to the workplace and to their development. Multifaceted and reflecting their sense of belonging, it acts as a dynamic tool in

achieving the Company's goals, as engaged employees go beyond mere job satisfaction, aligning themselves with the Company's value systems for deeper connection and long-term commitment.

We implement effective employee engagement strategies that lead to higher productivity, better employee retention, and increased profitability. During the years of challenge that we endured, it is the high level of engagement that our employees indicated with the Company, that allowed us to be resilient and set our sails for the future, which is reflected in our success in the year under review. This directly enhances our work environment and enhances the Company's competitive edge in the market as engaged employees become advocates for the Company.

We understand and focus on this aspect of our HR management and carried out several initiatives during the year to maintain a high level of employee engagement with the Company.



EMPLOYEE ENGAGEMENT EVENTS HELD

Karaoke Night	Held in July 2023 the event was well attended by our employees, enjoying and evening of fun and camaraderie.
Cricket Fiesta Fund-raising Event	An event for the whole family, the Cricket Fiesta was held not only for fun but to raise funds for the many charities we support. Several teams competed in a friendly atmosphere at this event, that also saw the families of our employees eagerly participating.
Service Awards and Best Employee of the Month Awards	Achievers and high performers were recognized and rewarded across all our branches
Halloween Party and Movie Night	Held in October 2023, the evening saw a variety of costumes, competitions, and staff engagement at high level.
Annual Trip, Christmas Party and Awards Night	These were held in December 2023, at the Golden Crown Hotel in Kandy, marking the pinnacle of our year’s celebrations with facilitations at the Earls regency and Grand Kandyan hotels. The highlight of the evening was the awards ceremony, where we honored employees for their exceptional contributions in various categories such as Best Innovation, Team Player of the Year, and Outstanding Leadership.
Christmas Carols	In December, the Employees gathered to sing traditional carols, creating a festive and heartwarming atmosphere. The event featured a choir composed of employees from various departments, fostering a sense of community and joy.
Sinhala and Tamil New Year	Celebrated in April 2024, the event was well attended by our employees, all across our branches, creating an atmosphere of enjoyment and team spirit

These events not only provided entertainment and relaxation but also played a crucial role in building a strong, cohesive company culture. We look forward to continuing these traditions and creating more memorable experiences for our employees in the coming year.

Halloween Party



Year End Get Together



HUMAN CAPITAL

GRIEVANCE HANDLING PROCESS

Employees have access to voice their grievances through the Grievance Handling Process, that is managed by our HR Department. Grievances are identified primarily through an informal meeting with the employee, who thereafter is required to submit the grievance in writing for escalation, investigation and resolution.

Gender Parity

GRI 401-3, 405-1, 405-2, 408-1

Female participation accounts for 47.5% our workforce and in recognising the importance of and as a measure to enhance female participation in the national economy, we have implemented several initiatives to empower and support them.



Diversity, Equity and Inclusivity

GRI 405-1, 405-2

We do not practice discrimination in any form. We are an equal-opportunity, equal-pay-for-equal-work employer that strives to create a work environment conducive to the wellbeing of our human capital and increase productivity, delivering value added services to our customers across the island. Fair and equal treatment therefore, devoid of any discrimination, is our core value when interacting with our employees.

Women are encouraged to achieve career growth through a variety of training programs and we strive female inclusivity at recruitment level, and offer all our employees the same space for growth and wellbeing.

Compliance

GRI 2-27

We comply with local laws and regulations, adhere to tax laws and employment standards, and practice anti-corruption. Failure to do so can result in severe consequences, such as fines, legal action, and damage to reputation.

To ensure compliance, we conduct regular audits, provide training for our employees, and establish a robust compliance management system. This proactive approach not only helps in avoiding legal pitfalls but also fosters a culture of integrity and transparency within the organisation and helps our brand reputation.

In the year under review, we are glad to report that we have had no non-compliance issues.

Human Rights, Child Labour, Forced Labour

GRI 408-1, 409-1, 410-1

Human rights are universal, based on shared values like dignity, fairness, equality, respect, and independence. These values are defined and protected by our supreme law, the Constitution. The Universal Declaration of Human Rights (UDHR) adopted by the United Nations General Assembly in 1948 proclaims the inalienable rights of every person, regardless of any other factor or their status.

We ensure the protection of human rights and conduct our business in a way that upholds the sacred rights of all. We do not engage in child labour or forced labour.

SUCCESSION PLANNING

The sustainable development of our Company depends on the gearing up to the next level of our employees to take leadership positions, depending on their business acumen, attitude to delivering our strategic imperatives and performance. We promoted 124 employees in 2023/24

Benefiting not only the individual but enhancing the collective bench strength of the Company, thereby creating a robust and resilient structure capable of adapting and excelling in an ever-evolving business landscape.

FUTURE FOCUS

The Company will continue to build on its employee value proposition and further enhance key aspects that are mandatorily required in the modern business environment.



Retain and Develop employees through talent management, training and progression opportunities



Promote diversity, equity and inclusivity by empowering women and providing equal opportunities to all, including those from disadvantaged backgrounds



Strengthen employee engagement and wellbeing on all aspects, and offer support in times of adversity

In our unwavering pursuit of sustainable growth, Asia Asset Finance PLC recognizes that human capital stands as its most valuable asset. As we navigate the dynamic landscape of financial services, our collective skill, knowledge, experience, and capabilities become pivotal.

We are cognizant that our continued growth hinges on our investment in human capital. By nurturing talent, promoting a learning culture, and fostering employee well-being, we position ourselves for sustained success. Beyond our commitment to operating a profitable Company for financially sustainable growth, is our pledge for empowering individuals to thrive within our dynamic industry.

HUMAN CAPITAL

RECOGNITIONS AND ACHIEVEMENTS



**K A U Kumara
Wickramaratne**
Best Support Service Staff



**Shanmugapriya
Ketheeswaran**
*Best Back-Office staff
(Branch)*



**M A Fathima
Jesla**
*Best back-office staff
(Head Office)*



**Maldeniyage Ruwan
Chameera**
Best Recovery Staff



Mannar Branch
Best Neat & Tidy Branch



S Kajenthini
*Most Improved Staff
Member (Branches)*



**N Charuni Ayesha
Wijerathna**
*Most Improved Staff
Member (Head Office)*



**R A Lahiru Chathuranga
Ranaweera**
*Most Improved Staff
Member (Head Office)*



Gampaha Branch
*Best Branch (Recoveries &
Collection)*



Pottuvil Branch
*Most Improved Branch -
Fixed Deposits*



Agarapathana Branch
*Best Branch - Audit
Controls*



Chenkalady Branch
*Most Valuable Branch
with LKR400Mn
Gold Loan Base*



Agarapathana Branch
*Most Improved Branch
(Overall Achievements)*



IT Department
*Best Department
(Overall Achievements)*



Eastern Region
Most Improved Region

SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital is a key enabler of our business that combines our efforts at managing the Customer, Supplier and Community landscape well, in which we operate for the business to be the sought after finance company, for their needs.

Our extensive presence across the island has given us expansive reach to connect with a cross section of a customer base, ranging from individuals to entrepreneurs and SMEs, supporting them Significantly to upgrade their quality of life and wellbeing.

OUR SOCIAL AND RELATIONSHIP CAPITAL IS A REFLECTION OF OUR PEOPLE STRATEGY AND THE WAY WE ENGAGE WITH CUSTOMERS AND ALL OUR STAKEHOLDERS.

STAKEHOLDER EXPECTATIONS

Materiality	Expectation	Stakeholders					
		Customers	Business Partners	Employees	Regulators	Investors	Community
	Risk mitigated Good Governance and Profitability	✓	✓	✓	✓	✓	✓
	Customer Relationship	✓			✓	✓	
	Brand Reputation	✓	✓	✓		✓	✓
	Economic Contribution		✓	✓	✓		✓
	Corporate Social Responsibility	✓	✓	✓	✓	✓	✓

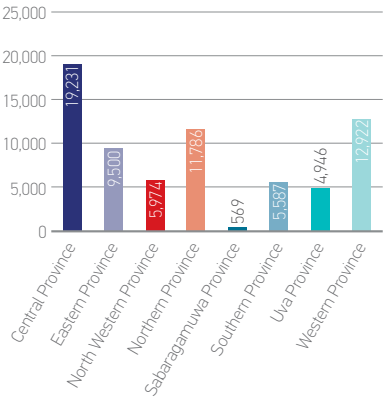
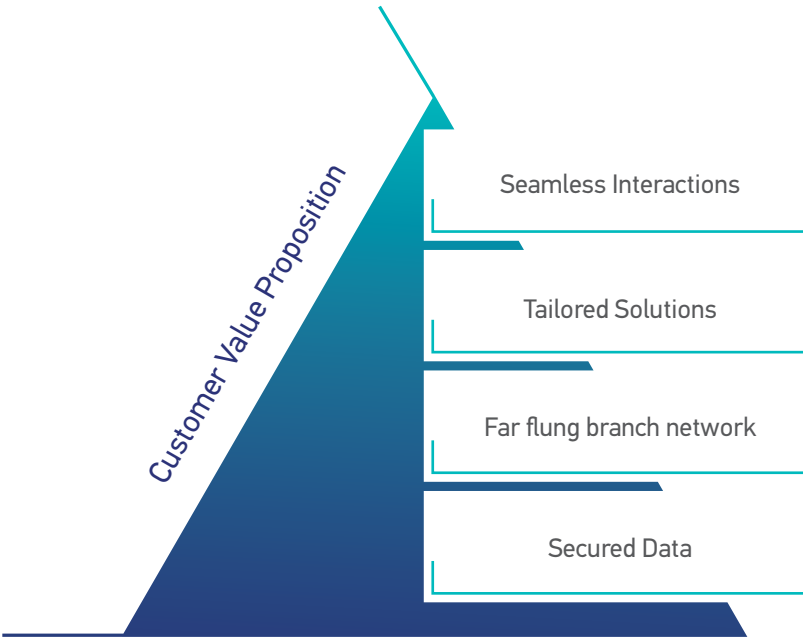
OUR ACHIEVEMENTS



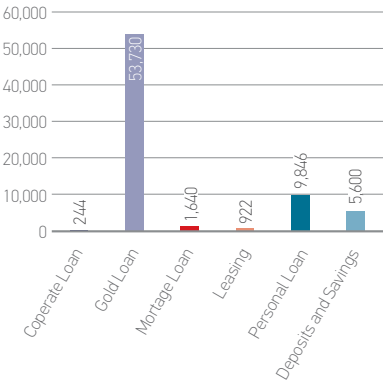
CUSTOMERS

Our customer-centric focus ensured that through the macroeconomic uncertainties that prevailed, our customer base not only stayed loyal to the Company, but we were able to deliver the best result in the Company's 53 years history, as a result of that loyalty and enduring relationships. We were able to offer them tailor-made products to enhance their livelihoods and also create great ease of access through our transformative digital enhancements. Flexible and responsive, we ensure customer satisfaction as priority in engaging with our customer base.

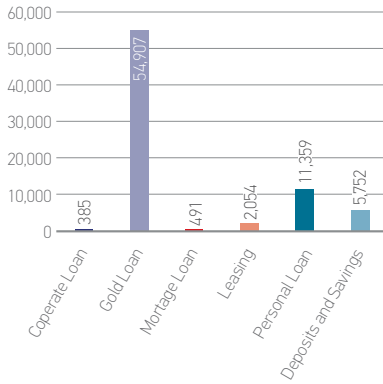
HIGHLIGHTS OF CUSTOMER-CENTRICITY



CUSTOMERS BY REGION



PRODUCT-WISE CUSTOMER
BASE 2024



PRODUCT-WISE CUSTOMER
BASE 2023

CUSTOMER SERVICE AS PRIORITY



We added ten more branches, bringing a total of 85 branches to network. Strategically located, we are prepared to serve a cross section of customers and offer tailor made products to suit their individual needs.



Our digital innovations, offer multi-channel access to our products, through online portals that allows the customers to do business with us in the comfort of their home or office, or on their mobile phones.



We added a Security Operations Centre which is active twenty four hours to further tighten the controls around the data and prevent cybercrime.



We are active on social media and electronic media platforms to reach out to the customers and deliver our message of superior customer service and futuristic products.

Customer Data Protection

GRI 418-1

We are fully compliant with the Data Protection laws of the country and ensure fair and ethical use of customer data. Data is stored securely and extraction where necessary is done to the extent that is needed for the transaction in hand. The Security Operations Centre further ensures data protection and prevention of cybercrime. All our technological

enhancements and digital innovations work within a stringent internal control measures that are periodically tested by the audit function.

Customer Communications

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

We tailor our marketing material and customer communications in a manner that is clearly understood by our customer base and where necessary in

the dominant language that the customer uses. We do not engage in greenwashing our communication and clearly convey that which is necessary and applicable to the product together with penalties for defaults. During the year, we had no instances of non-compliance concerning products and service information, marketing communication or loss of customer data.

SOCIAL AND RELATIONSHIP CAPITAL

Business Partners and Workers who are not employees

GRI 2-6, 2-8

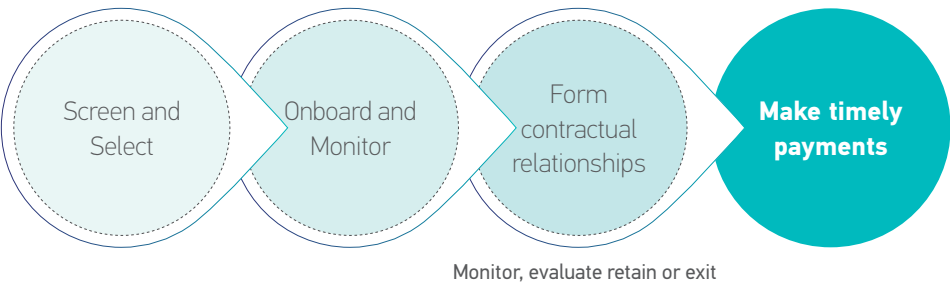
Over the years, we have built strong relationships with several business partners, spread across the island. Our partnerships include vendors and suppliers, whose services are a necessity to the functioning of our business and are of mutual benefit. We nurture these relationships with care and reward exceptional service delivery or value addition to our Company, periodically.

DIRECT	☐ Banks and Financial Services	INDIRECT	
	☐ Utility service providers		☐ Courier Services
	☐ Fast Moving Consumer Goods providers		☐ Call Centre Services
	☐ Transport and Logistics suppliers		☐ Office Cleaning Services
	☐ Advertising Agencies		☐ Tea Service
	☐ Technological support providers		

Chartered Institute of Marketing, Chartered Management Accountants and Association of Accounting Technicians of Sri Lanka. This indicates the continued upskilling that takes place among our people, that naturally translates into a higher level of productivity, performance, and customer interaction.

We are committed to supporting our employees' professional development and recognize the importance of being a member of these associations. As such, we cover the annual membership fees of our employees to ensure they continue to take advantage of the many opportunities for further education and upskilling these associations offer.

THE ENGAGEMENT PROCESS



Procurement Best Practices

GRI 204-1, 414-1, 414-2

Our procurement policy emphasizes comparative assessments before making purchases. We also ensure our suppliers comply with local laws and regulations and choose to do business with those who have an ethical business conduct in their past business relationships.

PROFESSIONAL ALLIANCES

As a reputable finance company, we are a member of many esteemed associations. We continue to build strong relationships with these as we grow in the business and position the Company as an ethical business partner.

The success of our Company is dependent on the caliber of its people. Many of our workforce are members of CA Sri Lanka, Chartered Institute of Management Accountants,

The Community

GRI 413-1, 413-2

We place strong emphasis on community engagement and development as an integral part of our broader corporate social responsibility (CSR) program. Through various initiatives and active partnerships, we actively support and uplift our local communities. Our efforts extend to organizing events, facilitating projects, and making donations to support those in need.

We carried out several such programs in 2023/24, that were well received by the community and well attended by our employees rendering voluntary service.

We conducted several community engagement events in 2023/24.

EDUCATION		
Institution	Initiative	UN SDG
Rakwana – R/EMB/Weralugahamulla Schoo	Bags to all 39 students and dry ration packs to their families	
Kotagala – N/Sterling Tamil Vidyalaya	Bags to all 40 students and dry ration packs to their families	
Ruwanwella – Ke/Dehi/Mahalla Primary School	Bags to all 19 students and dry ration packs to their families	
Ragala – Pandithayakumbura School	Bags to all 24 students and dry ration packs to their families	
Muttur – T/MU/Sinhala Maha Vidyalaya	Bags to all 33 students and dry ration packs to their families	
Serunuwara – Gamini Vidyalaya	Bags to all 45 students and dry ration packs to their families	
Hanguranketha – N/Muthi Tamil Vidyalaya	Bags to all 17 students and dry ration packs to their families	
Bibile – B/Galbokka Primary School	Bags to all 37 students and dry ration packs to their families	
Balangoda – R/B/Pettigala Tamil Vidyalaya	Bags to all 35 students and dry ration packs to their families	
Visaka Children Home	Dry rations and school supplies were provided for all 40 children residing at the premises.	
Indira Cancer Trust	A donation of 590 school bags were gifted to children whose parents are undergoing treatment for cancer and face difficulties financially	
HEALTH		
Blood Donation	Central Province – donated over 75 pints of blood	
Indira Cancer trust	Donation to a Cancer patient under the care of the Indira Cancer Trust was made for medical treatment	
GENDER EQUALITY		
International Womens Day	Tote bags were gifted to all female staff at AAF in appreciation of all their hard work and commitment and leading by example as pioneering and empowering women	
ENVIRONMENT		
Coastal clean	Wellawatte Beach – collected over 400kgs of garbage and handed over to the Colombo Municipal Council	
Childrens Day	Personalised mugs were gifted to children from Nawalapitiya	
Vesak Dandela	Over 750 persons were provided a meal	

SOCIAL AND RELATIONSHIP CAPITAL

We will continue to build on our existing community engagement initiatives by increasing its investments in CSR projects and forming deeper partnerships with local organisations as part of our commitment to more equitable and environmentally responsible future. Our CSR initiatives are designed to create long term sustainable change and contribute significantly to the developments of the areas we serve.

FUTURE FOCUS

Our extensive expertise in the financial services and our deep insights as to the latent and emergent needs of our customers have positioned us well to understand and provide them with the necessary financial support. This will empower the community to understand and seek financial assistance from the institutions rather than through informal means, to their detriment.

Asia Asset Finance PLC is known for providing a personalized and customer-centric service as well as working through tough times with the aim of supporting and retaining the customers. Building stronger relationships that weather any headwinds in the future, is our goal which we prioritise when engaging with our social capital.

Adding muscle strength to our digital capabilities will be a continuing priority and we have already drawn plans to implement cutting-edge technological platforms to provide speedy and ease of service, as well as ensure data protection cyber security.

Additionally, our Company will ensure that in times of disaster and national crisis, relief measures and livelihood support are extended to the local communities, without discrimination.

Kotagala – N/Sterling Tamil Vidyalaya

Bags to all 40 students and dry ration packs to their families



Ruwanwella – Ke/Dehi/Mahalla Primary School

Bags to all 19 students and dry ration packs to their families



Hanguranketha – N/Muthi Tamil Vidyalaya

Bags to all 17 students and dry ration packs to their families



Blood Donation - Central Province

Donated over 75 pints of blood



Coastal clean

Wellawatte Beach – collected over 400kgs of garbage and handed over to the Colombo Municipal Council



Agarapathana

Sports Equipment



Childrens Day

Personalized mugs were gifted to children from Nawalapitiya



Visaka Children's Home

Dry rations and school supplies were provided for all 40 children residing at the premises.



CSR - Balangoda



SOCIAL AND RELATIONSHIP CAPITAL

International Womens Day



CSR - Bibile



CSR - Rakwana



Indira Cancer Trust

590 school bags were gifted to children whose parents are undergoing treatment for cancer

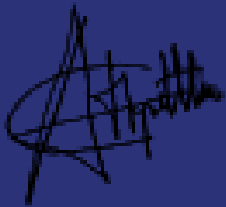


CSR - Vesak Dansala



SOCIAL AND RELATIONSHIP CAPITAL

"I am incredibly proud to represent Asia Asset Finance, a company that truly champions the cause of female empowerment. Their commitment to creating opportunities for women to excel, both within their organization and in the broader community, is truly inspiring. As a woman in sports, I understand the importance of breaking barriers and challenging norms, and it's an honor to partner with a brand that shares these values. Together, we are not just making strides in finance and sports, but also empowering women to lead and succeed in every aspect of life."



CHAMARI ATAPATTU

CAPTAIN, SRI LANKA WOMEN'S CRICKET TEAM



BRAND AMBASSADOR

Ms. Chamari Atapattu is not only an internationally renowned cricketer but also a celebrated figure in Sri Lanka. Her achievements and popularity have made her an ideal ambassador for our brand. She embodies values such as excellence, determination, and leadership, which align perfectly with the ethos of Asia Asset Finance PLC. She has added value to our brand on many fronts.

- **ENHANCED BRAND VISIBILITY:**

Her association with AAF has Significantly increased our brand visibility across diverse audiences. As a prominent sports figure, she attracts attention both locally and internationally, which has helped elevate our brand's profile.

- **POSITIVE BRAND ASSOCIATION:**

Ms. Atapattu's reputation for integrity, unwavering dedication to teamwork and mentorship complement our brand's image, fostering trust and credibility among our stakeholders, potential clients, and our own human capital.

- **ENGAGEMENT AND REACH:**

Through her active participation in our campaigns and events, including her contributions on social media and public appearances, she has Significantly broadened our engagement and reach to a cross section of the society, particularly among younger demographics.

- **FEMALE EMPOWERMENT AND LEADERSHIP:**

As one of the most successful female cricketers in the world, Ms. Atapattu serves as an inspiring role model for female empowerment and leadership. Her association with AAF underscores our commitment to promoting gender equality and empowering women within our organization and the broader community. Her presence helps us champion diversity and inclusion, aligning with our corporate social responsibility goals.

- **ALIGNMENT WITH COMPANY VALUES:**

Her personal and professional values resonate with our company's mission to drive success through dedication and resilience. This alignment strengthens our corporate identity and reinforces our commitment to excellence.

- **INCREASED EMPLOYEE MOTIVATION:**

Having a celebrated sports figure like Ms. Atapattu involved with our company has also served as a motivational factor for our employees, inspiring them to strive for success and excellence in their respective roles.

Her story is a testament to the power of diversity and the potential of female leadership, which aligns with our mission to empower and inspire.

SUSTAINABILITY

As a responsible corporate citizen, AAF is cognizant of its accountability towards the preservation of the environment, working towards prosperity to all people and the planet. As such, operating within the frameworks of sustainability is high on its agenda on a daily basis. The Company engaged in several initiatives to augment this process, where some were continued from the previous years.



DIGITALIZATION PROCESS

A robust digitalization process was implemented by the Company, transitioning to a paperless environment. This, no doubt is the Company's contribution to preserving the planet for the next generation. Especially in the area of Gold Loans, the application that was introduced reduced the paper usage by a 15%, in addition to the paperless office processes that are in place.

AGRICULTURAL LOANS THROUGH MICRO MORTGAGE

125 agricultural loans amounting to Rs.209 mn were granted through the micro mortgage product, to encourage and boost the small and mid-scale entrepreneurs towards cultivation, placing value on a sustainable greener planet.

SOCIAL IMPACT THROUGH THE BRANCH NETWORK

As of 31st March 2024, the Company operates 85 branches allowing wide access to all sections of the society to easy financing, whether for business or personal consumption. Our products are tailor made to ensure upgrading of lifestyles and bettering the standards of livelihoods of the populace.

WOMEN EMPOWERMENT

Empowering the woman whether a stay at home mother and wife or an entrepreneur, contributes in a deep sense to the wellbeing of the society in general. Today, women form a large component of Sri Lanka's work force and we are proud to say we have supported them by offering 938 facilities, amounting to Rs 1.3Bn, in 2023/24.

SOLAR LOAN PRODUCT

We supported the owners of our branches to convert to solar power by offering them the solar loan product at competitive rates, further augmenting our commitment to the preserved greener planet as well as reducing the pressure placed on the national grid.

FINANCE LEASING FOR HYBRID AND ELECTRICAL CARS

By offering the leasing product for hybrid and electrical vehicles, we displayed our visionary financial acumen towards containing greenhouse gas emissions. We are committed to continuing with these efforts as part of our sustainability agenda in the new financial year.

SOCIAL IMPACT

Expansion of our branches contributed vastly in upgrading the lives of the youth in the surrounding areas, who were well employed with a Company with upward mobility in the financial business. The overall impact of social integration from among the unemployed youth, we consider as a major win for the Company, as the job opportunity

also provides them with top of the table training and upskilling their abilities.

The Company is well geared to aggressively pursue the sustainable agenda, and we reiterate our commitment to an unwavering dedication to implementing the many goals we have identified to be fulfilled in 2024/25.

NATURAL CAPITAL

We are a finance solutions provider to a cross section of society, especially to the unbanked who resort to informal ways of gaining financial support. Therefore, our natural capital translates to the scarce resources we use, in the process of engaging in our daily business activities. We apply a comprehensive approach to managing the natural capital to ensure our handprint is stronger than our footprint on it.

MANAGEMENT APPROACH

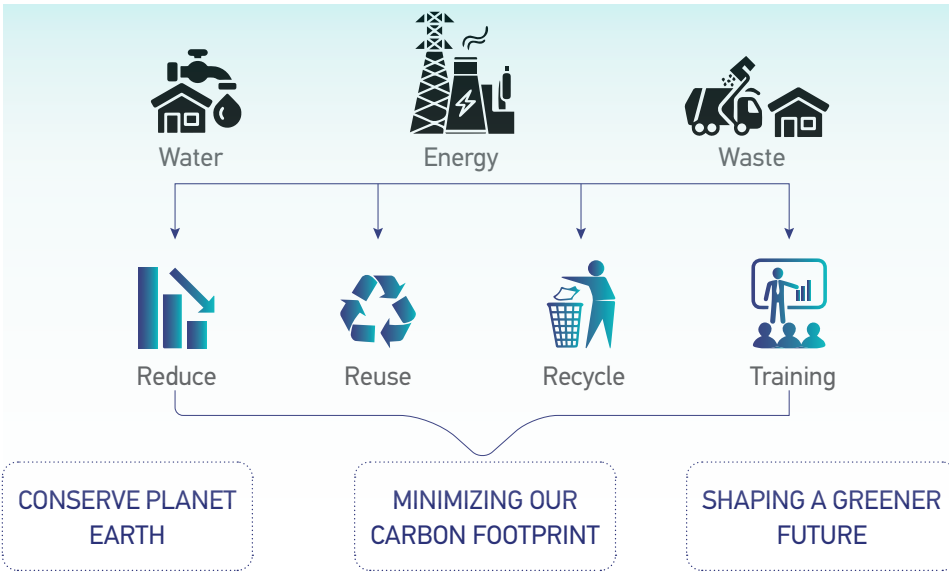
Managing the natural capital in a way that protects the planet is our core principle towards this and we strive to combine our responsible consumption with implementing sustainability drivers to achieve our strategic imperatives. This is done with a vision for planetary sustainability, business longevity, and stakeholder welfare, as we incorporate these considerations into our decision making.



Our approach towards this is comprehensive, in that, we endorse and practice efforts at safeguarding the ecosystems by advocating sustainable utilization of scarce resources. We fully support green financing initiatives that encourage environmentally friendly projects and weigh in balance the environmental viability of financed emissions and where possible, refrain from financing such projects.

By striving to minimize our carbon footprint and procuring materials from suppliers who prioritize sustainability, we exemplify our dedication to preserving natural capital for the benefit of future generations. This is our commitment, and this is how we write our story.

GOVERNANCE



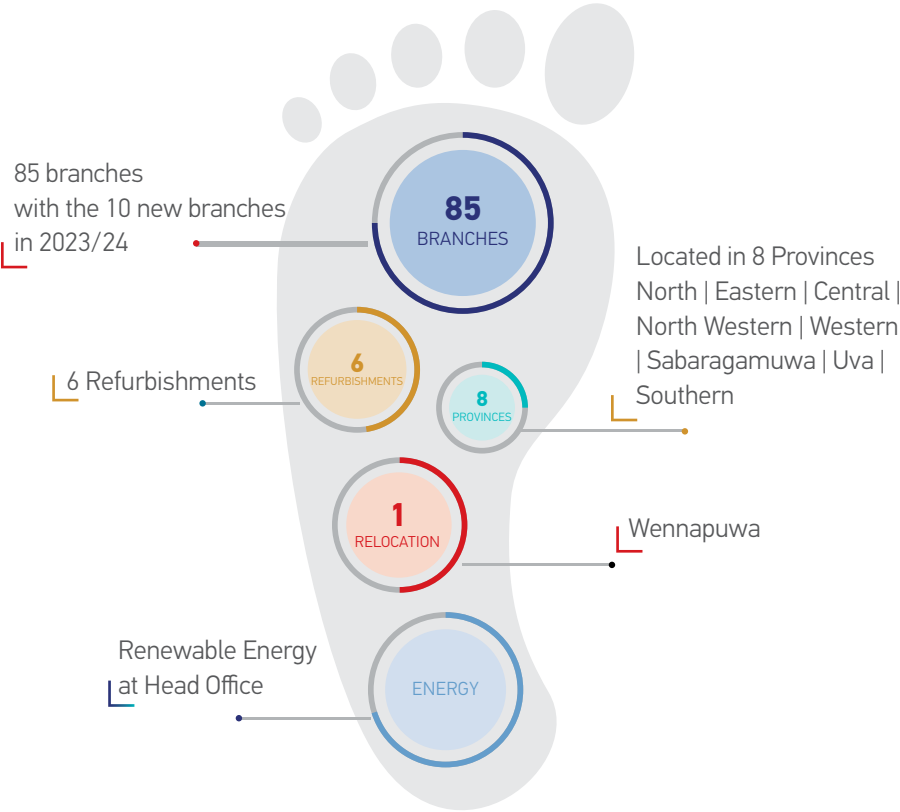
We strictly adhere to all local laws and regulations, provincial requirements in this area and are glad to report we have had no reported violations during the year under review. We are cognizant and apply the US Sustainability Development Goals (UN SDGs) and deliver our responsibility to the environment in a responsible manner.

We review our policies to ensure alignment with industry standards and best practices for managing natural capital. Simultaneously, we create opportunities for our employees and stakeholders to participate in sustainability initiatives.

We manage our natural capital in a manner that ensures conservation of the ecosystem, while we engage in our business for the dual purpose of profitability and enhancing

livelihoods and lifestyles. Our method of managing this process from stern to stern is encapsulated in the EMS.

OUR FOOTPRINT



OUR PRIORITIES



Energy

In managing energy, staff awareness and inculcating best practices take precedence. We implemented the following in the year under review:

Implementation of solar energy at the prime branches and introducing energy efficient equipment to lower the maintenance cost. With the introduction of solar we aim to reduce our consumption of fossil fuels and minimize our carbon footprint.

Educating staff regularly to reduce consumption during the day-to-day activities at each office premises and reduce the electricity bills.

Setting targets across all branches to curtail energy consumption.

Limiting operation time of air conditioners and lifts

Reduction of the use of chemicals such as toner which are harmful to the environment.

Carefully planning and coordinating our branch visits to eliminate unnecessary travel and reduce fuel consumption.

Use of public transport wherever possible instead of company owned vehicles for corporate travel.

Reducing pollution through fossil fuel consumption and minimizing carbon footprint

NATURAL CAPITAL

Energy management

Electricity usage	2023/24	2022/23
Units (kWh)	5449	4677
Cost (LKR)	445,115.09	344,295.76
Energy intensity (Cost/ Employees)	3,179.4	3,217.72

The marginal increase in 2023/24 in all indicators is attributable to the ten branches we added to our network. We are confident, however, that the trade-off between a marginal increase and the exemplary customer service we provide to uplift the livelihoods of our customers, is a risk we are pleased to take.

Water

Our commitment to responsible management of water resource revolves around advocating best practices on water usage. Awareness sessions are carried out to our employees to inculcate best practices in water usage and conservation.

Leakages are swiftly attended to, and maintenance efforts are continuous, thereby the Company also takes prompt action in terms of repairs and maintenance, thereby minimizing wastage.

As a financial service provider our water footprint is limited to the drinking and sanitation needs of our employees. Despite our limited consumption, we have set out the Company-wide water reduction targets to reduce the day-to-day water consumption.

Water management

Water usage	2023/24	2022/23
Units (m3)	75.60	62
Cost (LKR)	13,491.30	8658.46
Water intensity (Cost/ Employees)	96.37	80.92

Waste

We strive to reduce or recycle waste, where possible, and responsibly discharge waste through resource efficiency.

We continued with waste management initiatives:

Introduction of a complete paperless work process. This is a continuous effort and through this initiative the use of paper is fully eliminated.

Food waste to livestock feed Collected waste food given to a Piggery.

Electronic waste collected and disposed of via approved agents.

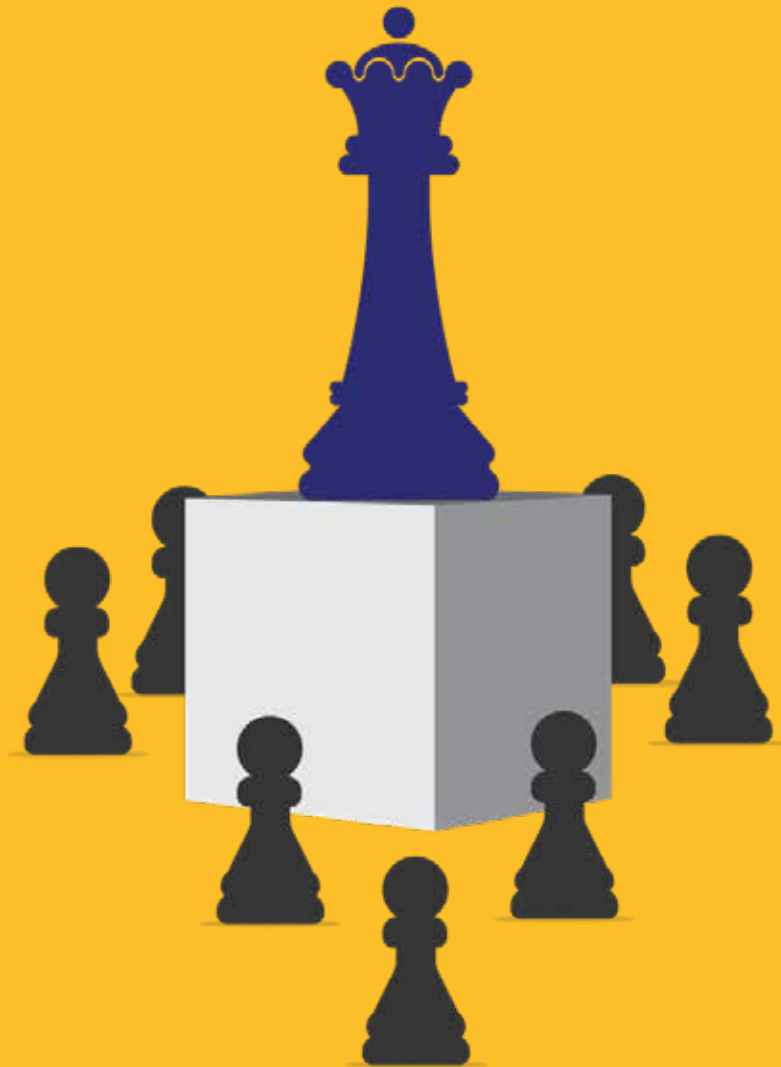
PAPERLESS WORKPLACE

Our most Significant contribution to the preservation of a threatened planet is the way we conduct our business in a paperless environment. We also derive several benefits to the Company, through this initiative.



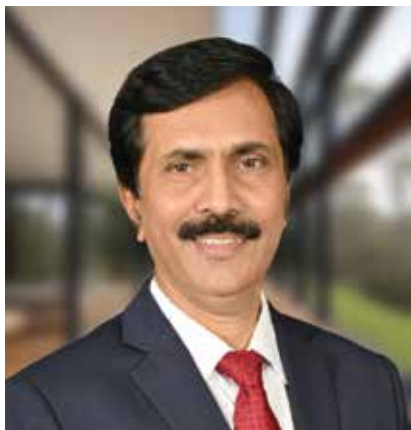
THINK DIFFERENTLY

empowering a stronger voice



With a legacy spanning over five decades, Asia Asset Finance has built a foundation of trust, innovation, and excellence. Our enduring commitment to financial growth and customer-centric solutions continues to drive our success and solidify our reputation as a leader in the industry.

MEMBERS OF THE BOARD OF DIRECTORS



MR. V. A. Prasanth

Chairman/ Independent Non-Executive Director



Mr. V. A. Prasanth, is a commercial banker with over 37 years of all-round exposure in Retail and Corporate banking, Treasury Operations, and Information Security. Formerly he worked with the Indian Bank as General Manager and Chief Information Officer. During this time, he was in-charge of Information Technology and Digital Banking.

He served as the Chief Financial Officer at Indian Bank. In earlier assignments he headed two prominent zones of the Bank as Zonal Manager. He has over two decades of experience in Financial Markets – as the Head of Forex Dealing Room at Mumbai during 1994- 1998, the Head of Singapore Treasury during 2001-2005, as the Head of Treasury Back Office during 2009-2011, and as the Administrator of Wealth Management Services for Indian Bank (WMS) between 2009 and 2011.

He also collaborated with the “Institute for Development and Research in Banking Technology “ (IDRBT) Hyderabad, as Senior Domain Expert till March 2024.

Presently Mr. V. A. Prasanth is associated with “ Indian Institute of Banking & Finance” (IIBF), Mumbai as Subject Matter Expert (SME). He was appointed as the Chairman of Asia Asset Finance PLC in June 2020.



MR. R. J. A. Gunawardena

Chief Executive Officer/Executive Director



MR. Rajiv Gunawardena is the Chief Executive Officer / Director of Asia Asset Finance PLC.

He was appointed to the Board in December 2009 and is responsible for setting and implementing the organisation’s vision and strategy and delivering value through the Company’s overall operations and performance.

He holds a Bachelor of Science in Business and Information Systems from the United Kingdom and has completed his Masters of Professional Accounting at Monash University Australia.

Prior to joining Asia Asset Finance, he has worked in the capacity of Senior Investment Analyst at Asia Capital PLC. He was a lecturer in Accounting at the Australian College of Business and Technology.



MR. G. Alexander

Non-Independent Non-Executive Director

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Mr. Alexander holds a Master's in Business Administration from the University of North Carolina – Kenan & Flagler Business School and earned his Bachelors' Degree in Mechanical Engineering from the University of Kerala - TKM College of Engineering. He is currently functions as the Deputy Managing Director of Muthoot Finance and oversees operations across the states of Karnataka, Goa and Telangana in India. He has the additional responsibility of heading the global operations of The Muthoot Group in the U.S.A and serves on the board of three other group companies (Asia Assets Finance PLC, Muthoot Insurance Brokers and Belstar Finance & Investments).

Muthoot Finance Limited is a Gold Loan NBFC (Non-Banking Finance Company) and is the flagship company of The Muthoot Group. It was listed in 2011 and is traded in BSE & NSE and currently is the largest gold loan company in India. Apart from Muthoot Finance Limited, The Muthoot group has 16 other divisions, such as hospitality, health care, equity & commodity trading, insurance broking etc. A family owned business, the group is established over four generations Mr. Alexander represents the fourth generation of the family. Prior to joining his family business, he was attached to ING & Kotak Mahindra Bank in India.

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He served as the chair for the Confederation of Indian Industries – Young Indians Bangalore Chapter in 2015. He was one among 10 Indians chosen to represent India for AIYD (Australia India Youth Dialogue) at Sydney and Melbourne in 2013 & 2022. He was the finance chair for the Entrepreneur's Organization Bangalore from 2016-2018. He is presently serving on the Board of advisors at University of North Carolina's – Kenan-Flagler Business School and on the board of XIME Business school Bangalore.

MEMBERS OF THE BOARD OF DIRECTORS



MR. K. R. Bijimon

Non-Independent Non-Executive Director



Bijimon is a Fellow Member of the Institute of Chartered Accountants of India, New Delhi, Associate of Indian Institute of Banking and Finance Mumbai and Fellow Member of Certified Management Accountants, Institute of Sri Lanka. He holds LLB degree from MG University and MBA from Cochin University,

He has over 28 years of experience in the field of financial services and is employed in the Muthoot Finance Limited since inception. As Executive Director & COO of the Company he oversees credit, internal audit, marketing, Information technology, recovery and legal and vigilance departments of the Company.

He is the Chief Operating Officer for global operations of Muthoot Group (USA, UAE, UK, Nepal & Sri Lanka). He has been the driving force in Muthoot Group expanding its operations to USA, UK, Nepal and Sri Lanka.



Mr. K.R. Bijimon is Director in Muthoot Group Companies viz. Muthoot Home Fin (India) Ltd., Muthoot Securities Ltd., Muthoot Commodities Ltd., Muthoot Forex Ltd., Muthoot Finserv USA INC. Asia Asset Finance PLC Sri Lanka and Belstar Microfinance Ltd.

He is also a member of the Board of Governors of Muthoot Institute of Technology and Science (MITS).



MR. R. A. B. Basnayake

Senior Independent Non-Executive Director

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An Independent Management and ICT Consultant with over thirty five years of extensive experience in ICT and Business Management, Mr. Basnayake provided leadership to mission critical ICT and Business Process Transformation projects enabling business strategies for a wide variety of industry sectors predominantly encompassing Financial services, Digital Entertainment, FMCG/ consumer durables, Retailing / Distribution and Food & Beverage manufacturing /Distribution, Hospitality and Information Technology solution delivery.

He currently serves on the Board of Asia Asset Finance PLC as Senior Independent Non-Executive Director and also as Chairman of Evoke International Ltd, leader in Digital Entertainment industry Sri Lanka. Furthermore he functions as Senior Management Consultant at Latex Green (Pvt) Ltd, the regional leader in Natural Latex Foam industry.

He brings extensive experience in Business Consultancy services as Director Advisory Services of Ernst & Young Sri Lanka providing Business Advisory and ICT Advisory solutions for mission critical private and public sector projects in Sri Lanka and overseas. He was project Director/ subject matter expert for key strategy, Effectiveness/adequacy assessments, Process Improvement and Core Business Systems implementation/ review initiatives of leading Sri Lankan corporates covering Manufacturing, Retailing / Distribution, Automotive, Banking Public/Private sector, Insurance and Overseas projects involving African Continent, Maldives and UAE.

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He has played a pivotal role as subject matter expert in Strategy, Process transformation projects involving ADB, UNIDO, ICTA, eGovernment Initiatives in Transportation, Judicial System and Education in Sri Lanka. His EY experience spans across IT Advisory, Business Advisory and Auditing working /managing teams with EY Australia, EY India and EY Malaysia. He was also a trainer for EY Tools and Frameworks.

During his career he has spearheaded mission critical ICT operations of Asia Capital Group a highly diversified conglomerate into capital markets, non banking finance, insurance, digital entertainment, tea packaging, Leisure and Technology as Group Chief Information Officer. He held key Senior Management positions in ICT at The Lion Brewery Ceylon Ltd as Head of Information Technology and at Richard Pieris Distributors Ltd as Manager Information Systems. He was a visiting lecturer/examiner for MSc in Information Technology study program conducted by Informatics Institute of Technology in collaboration with Keele University UK.

Mr. Basnayake, a Chartered Member (CITP) of British Computer Society UK, holds a Master Degree in IT with Distinction from Keele University UK, Executive Diploma in Business Administration with Distinction from University of Colombo and the British and Australian Professional IT qualifications.

MEMBERS OF THE BOARD OF DIRECTORS



MR. J. P. D. R. Jayasekara
Independent Non-Executive Director

Mr. Jayasekara Jayasekara Pathirannehalage Danasiri Rupakumara Jayasekara holds a BA (Special) Degree in Economics with a second-class upper division. He possesses over 33 years of progressive experience in taxation, ICT and banking and finance. He assumed office as an Assessor to the Department of Inland Revenue in 1984 and thereafter held the positions of Senior Assessor in 1994, Deputy Commissioner in 2005, Commissioner and to Senior Commissioner and Deputy Commissioner General (ICT Administration and Tax Operation Support) in 2015.

He was a pioneer member, positioned as Senior Additional Project Director of Revenue Administration Management Information System (RAMIS), a system which is now in operation in the department. At the time of retirement, he performed duties as Deputy Commissioner General (Information Technology) of the Department of Inland Revenue

During his tenure in office, Mr. Jayasekera participated in several overseas taxation programs including Workshop on Tax Modeling in Austria in 2001, a training program on Advancing Management Potential (Senior Course) held in United Kingdom in 2003, a specialized training program on Audit Management in India in 2007, and a program

on Post due diligence relating to the customs expansion modernization held in Angola in 2012.

He has also received valued exposure in double taxation treaty negotiations Sri Lanka signed with Seychelles and Saudi Arabia. He had participated in strategic level forums as a delegate to conferences such as 'OECD Global Forum on VAT' held in France in 2012 and the 'Fourth IMF – Japan High Level Tax Conference for Asian Countries' in Tokyo, Japan in 2013, Ministerial workshop on Blue Economy and Maritime Silk Road in China.

He was a team member of the team that worked on Negotiation of the proposed Trade agreement with China in 2014. He was one of the Members of the Saluation committee in preparation of Due Diligence Reports in respect of RAMIS project, visiting Singapore and Angola for this reason.

Mr. Jayasekera holds a membership of APFA (Association of Public Finance Accountants of Sri Lanka) and is an active member of China Sri Lanka Society. An active philanthropist he is a member of several societies and association that are actively involved in community service.



MR. Roshan De Silva Gunasekera

Executive Director/ Chief Operating Officer:

Mr. Roshan De Silva Gunasekera serves as the Executive Director and Chief Operating Officer, bringing a wealth of experience and expertise to his role. He was appointed to the Board of Directors as an Executive Director in 2023, having initially joined the company in April 2010. Over the years, he has demonstrated exceptional leadership and a deep understanding of both Asia Asset Finance PLC and the larger financial services industry.

Mr. Gunasekera's career in the finance sector spans an impressive 30 years, beginning in 1994 when he took on the role of Credit Officer at Commercial Leasing Company Limited, which has since merged with LOLC Finance PLC. His extensive post-qualifying experience has been pivotal in shaping his strategic vision and operational acumen, making Significant contributions to the company's growth and stability.

Educationally, Mr. Gunasekera is well-equipped with a robust academic background. He holds a Bachelor of Science degree in Business Administration (Special) from the University of Sri Jayewardenepura and an MBA from the University of Colombo. Additionally, he has completed part qualifications from the Chartered Institute of Management Accountants (CIMA) in the UK, further enhancing his financial expertise.

Beyond his professional and academic achievements, Mr. Gunasekera is a respected member of the Association for Overseas Technical Senior Management Scholarship (AOTS) in Japan. His commitment to education is also evident through his role as a visiting lecturer in Financial Services Marketing at the University of Colombo, where he shares his knowledge and experience with aspiring finance professionals. He is a sought-after resource person at various knowledge-sharing forums, contributing to the broader financial services community.

Currently, Mr. Gunasekera is pursuing a Doctor of Business Administration (DBA) at the University of Colombo, reflecting his dedication to continuous learning and professional development. His ongoing academic pursuits underscore his commitment to staying at the forefront of industry trends and best practices.

Roshan De Silva Gunasekera's blend of practical experience, academic prowess, and dedication to knowledge dissemination makes him a pivotal figure in the financial services sector. His leadership at Asia Asset Finance PLC continues to drive innovation and excellence, ensuring the company's ongoing success in a competitive industry landscape.

MEMBERS OF THE BOARD OF DIRECTORS



MR. K. G. K. PILLAI

Non- Independent Non- Executive Director

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Mr. Kiran Pillai presently functions as the Head of the Internal Audit & Inspection Department of Muthoot Finance Limited. He graduated from the Kerala University with a Bachelors' Degree in Science and Mathematics. He is also a Chartered Accountant from the Institute of Chartered Accountants, India. He presently functions as the Head of the Internal Audit & Inspection Department, which employs a team of 1000 auditors.

He possesses over 20 years of specialist experience in auditing with expertise in operational, financial, and regulatory compliance and has a proven track record and experience in strategic reporting on internal control to the Audit Committee, providing expertise in risk management techniques.

His expertise is also provided in coordinated workflows among risk, legal, surveillance, and vigilance departments. As an expert resources, he supports departments in their design, implementation and monitoring of activities across the organization.

SENIOR MANAGEMENT



MR. RAJIV GUNAWARDENA

Executive Director / Chief Executive Officer

Mr. Rajiv Gunawardena is the Chief Executive Officer / Director of Asia Asset Finance PLC. He was appointed to the Board in December 2009 and is responsible for setting and implementing the organization's vision and strategy and for the effective management of the Company's operations. He has a Bachelor's Degree in Science in Business and Information Systems from the United Kingdom and has completed his master's in professional accounting at Monash University Australia. Prior to of Senior Investment Analyst. He also lectured in Accounting at the Australian College of Business and Technology.



MR. ROSHAN DE SILVA GUNASEKERA

Executive Director / Chief Operating Officer

Mr. Roshan De Silva Gunasekera joined Asia Asset Finance PLC in April 2010. Mr. Gunasekera processes more than 29 years of post-qualifying experience in the Finance Sector, having commenced his career as a Credit Officer at Commercial Leasing Company Limited in 1994. Mr. Gunasekera is a graduate from the University of Sri Jayewardenepura and holds an MBA from the University of Colombo. He has part qualifications from the Chartered Institute of Management Accountants (CIMA) UK. Mr. Gunasekera is a member of the Association for Overseas Technical Senior Management Scholarship (AOTS) - Japan and is a visiting lecturer in Financial Services Marketing at the University of Colombo - Sri Lanka. Mr. Gunasekera is currently reading for the Doctor of Business Administration at the University of Colombo.



MR. THIRUNEELAKANDAN

General Manager

Mr. Thiruneelakandan, General Manager, joined AAF PLC in the year 2003 and is a professional banker with more than four decades of experience in Developing Banking including Project Financing, Credit Management, Foreign Exchange Management, Business and Financial transformation and diversification. His ability to convince others with his persuasive consultancy skills and pleasing personality, led him to build up a massive high end corporate and individual clientele with over 2000 clients at AAF PLC. He plays a leading role in providing leadership to young professionals who join the Company lacking the banking experience and managing credit and lending. He loves to build high performing teams which will lead to developing a variety of programs at AAF for highly potential staff. He believes in authentic leadership and is deeply passionate and committed to do well by doing good and has led to develop programs at AAF for high potential talent.

SENIOR MANAGEMENT



MS. GEETHIKA ELWALAGE
Deputy General Manager – Finance

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Ms. Geethika Elwalage has varied exposure of over 16 years in the financial services sector. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She has additional experience of three years in the audit sector, having worked at BDO Partners. Further, she holds a Master's Degree in Business Administration from the University of Sri Jayewardenepura.



MR. JAYANTHA WEERAPPULIGE
Deputy General Manager – Product & Operations

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Mr. Jayantha Weerappulige joined Asia Asset Finance PLC in 2008. Currently he serves as the DGM Product Operation, initially he served in the capacity of Senior Manager Lending for 3 years before he was promoted as AGM grade and in 2022 he was promoted to DGM position. Mr. Jayantha Weerappulige holds a B. Com (Special) degree in Business Administration and MBA from the University of Colombo. He counts over 23 years of working experience in Marketing, Credit, Operations, Accounts of which 20 years were spent in the Finance sector and he also has the experience in the banking sector in his previous employment with Peoples Merchant Bank during the period from 2003 to 2008. He holds more than 15 years of experience in the top management of Asia Asset Finance PLC.

He is responsible for overlooking the entire branch network as well as overall operations of the branches which comprises of Marketing, Credit, Administrations & Recoveries. He is further responsible for product & business development, strategic planning & implementation.



MR. INDITHA JAYATHILAKA
Deputy General Manager – Information Technology

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Mr. Inditha Jayathilaka is the mastermind solution provider for all IT related tasks at Asia Asset Finance PLC. He has more than 12 years of experience in banking and finance solution development and implementation. He received his BSc in MIS from the University College of Dublin. Over the course of his career, he gained experience from various sectors, ultimately specialising in the financial sector by providing mission-critical software and infrastructure solutions. At present, he oversees the Information Technology department by providing IT related infrastructure, software and security service.



MR. SAMIRA WEVELDENIYA

Deputy General Manager- Fixed Deposit

Mr. Samira Weveldeniya joined AAF in June 2006 as the Negombo Branch Manager and was appointed to the post of Regional Manager - Fixed Deposit in 2009 followed by a subsequent appointment as the Senior Manager - Fixed Deposits in 2011. He was promoted as Assistant General Manager - Marketing in 2014. He has over 22 years of experience in Deposit Marketing in the Finance Sector and is currently working in the capacity of DGM-Fixed Deposits and contributes to the fund mobilization and branch development of the company. Prior to joining AAF, Mr. Weveldeniya worked at the Ceylinco Development Bank where he was awarded many times for his achievements in marketing. Mr. Weveldeniya holds an MBA from the Buckinghamshire New University in the UK and was conferred the Postgraduate professional status of Certified Professional Marketer- Asia (CPM - Asia) by The Asia Marketing Federation (AMF). He is also an Associate Member of The Certified Management Accountants – Australia (AMA-Australia). Apart from that he is also a certified member of Sri Lanka Institute of Marketing (SLIM).



MR. SAJITH ATAPATTU

Deputy General Manager – Risk Management

Mr. Sajith Atapattu joined Asia Asset Finance PLC in 2010 and currently holds the position of Deputy General Manager - Risk. Throughout this extensive period of 14 years, Mr. Atapattu has taken various roles and assumed increasing responsibilities, from Credit and Recovery to Operations, Administration and Risk, where he has amassed a wealth of experience in key areas of the organization. He has gained a comprehensive understanding of the interplay between different departments and the importance of aligning their efforts to achieve overarching organizational goals. Mr. Sajith Atapattu began his career at London Mutual Credit Union (UK), an organization dedicated to promoting financial inclusion. During his tenure at LMCU, he has gained valuable insights into the intricacies of the financial sector and developed a deep understanding of the importance of providing accessible financial services to all individuals. He holds a bachelor's degree from the University of Keele - UK.



MR. PRAVEEN PEIRIS

Deputy General Manager – Treasury

Mr. Praveen Peiris joined Asia Asset Finance PLC in 2014 and has over 20 years of Financial and Treasury experience. He started his career at a Global Audit Firm in 2004 and joined the Non-Banking Financial Sector in 2008. Prior to joining Asia Asset Finance PLC, he worked as Manager – Treasury in a listed finance company. He has expertise in Treasury Management including Strategic Risk Management, Asset – Liability Management and Cash Management. He is Competent in Operational Management and has the capacity to handle financing of high-value projects. Mr. Peiris holds an MBA from the University of Wales, U.K and is a Finalist at the Chartered Institute of Management Accountants, U.K

SENIOR MANAGEMENT



MR. MAHESH KUMARA
Deputy General Manager - Credit

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Mr. Mahesh Kumara received his BBA (Accounting) Degree from the University of Colombo in 2001 while working in industry from 1999. Subsequently, he gained experience in key finance sectors attached to several leading Finance companies as a member of the Senior Management. Mr. Kumara Presently holds the position of Deputy General Manager – Credit with an industrial experience of over 24 years.



MR. SUREN SUBRAMANIAM
Assistant General Manager - Gold Loan

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Mr. Suren Subramaniam became a member of Asia Asset Finance in 2008, initially as an Executive. Throughout his tenure, he has served in multiple roles within the organization, managing Fixed Deposits, Loans and Leasing products. With over 19 years of experience in the financial sector, Mr. Subramaniam currently holds the position of Assistant General Manager - Gold Loan.



MR. SUMINDA HEWA HETTIGE
Regional Manager Uva

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Mr. Suminda Hewa Hettige graduated from the University of Sri Jayewardenepura in 2006 with a Bachelor of Science (Specialized in State Management and Valuation). He is currently reading for his MBA at the University of Ruhuna, of Sri Lanka. Mr. Hettige joined AAF in January 2011 as a branch manager, and he was promoted as senior Branch Manager in 2015 and as a Regional Manager in 2021. Currently, Mr. Hettige serves as a Assistant General Manager - Uva and Southern Region of the company. He commenced his career in 2006 at Sampath Leasing and Factoring (currently known as Siyapatha Finance PLC). He was also with Orient Finance in 2008 as a Branch Manager. He holds over 16 years' experience in the Finance Sector.



MR. PRIYANTHA WIJESINGHE

Chief Manager - Branch Business Development

Mr. Priyantha Wijesinghe joined AAF in October 2010 as a Branch Manager and was promoted as Senior Branch Manager in 2016. Currently Mr. Wijesinghe serves as a Assistant General Manager - North Western Region of the Company. He holds over 18 years' experience in the finance sector. He commenced his career in 1999 as a cashier at People's Bank before entering the University. Prior to joining Asia Asset Finance PLC Mr. Wijesinghe worked at Sampath Leasing & Factoring Ltd. At the time of leaving Sampath Leasing Limited Mr. Wijesinghe was the Assistant Branch Manager Kurunegala & Project Manager Micro Finance. He was instrumental in introducing Two Wheel Tractors to the product portfolio of Sampath Leasing and Factoring Ltd in 2007. Mr. Wijesinghe also worked at SEEDS (GTE) Ltd as a Project Marketing Manager – EM Technology and Senior Training Officer of North Central Region till March 2005. Mr. Wijesinghe holds a B.Sc. (Special) Degree in Agriculture (Specialized in Agricultural Extension). He also holds part qualification at The Chartered Institute of Marketing (CIM UK). He is currently reading for his MBA at the Wayamba University of Sri Lanka.



MR. BUDDHIKA NANAYAKKARA

Assistant General Manager – Recoveries and Legal Operations

Mr. Buddhika Nanayakkara joined Asia Asset Finance PLC in 2023 as the AGM of Recoveries and Legal Operations. He brings a wealth of experience to his role, holding a B. Sc in Business Studies in Financial Management from the Subaragamuwa University of Sri Lanka, as well as an MBA in Marketing from the University of Colombo. With over 20 years of experience in the financial sector, Mr. Nanayakkara is responsible for leading the recovery efforts at Asia Asset Finance PLC and providing guidance and leadership for the company's legal operations.



MR. CHANDIMAL PERERA

Assistant General Manager - Leasing

Mr. Chandimal Perera Assistant General Manager (AGM) Leasing at Asia Asset Finance (AAF), PLC since March 2024 Responsible for Leasing Re-launch, developing leasing products, and building the leasing portfolio and he Holds an MBA from London Metropolitan University, UK.

Mr. Chandimal's Versatile sales and marketing professional with a progressive career spanning over 20 years in leasing and loan sales and marketing.

Career timeline:

2005: Entered the non-banking sector as a Marketing Assistant at Ceylinco Leasing Corporation

2007: Joined Commercial Leasing and Finance PLC as a Junior Marketing Executive

Consistently demonstrated exceptional performance and skills, earning four promotions.

Introduced the first-ever digital marketing tie-up with Auto Lanka as Senior Executive Marketing

Influential in implementing the Live Fast Cash process to expedite supplier payments within a day

Commercial Leasing and Finance PLC (CLC):

Held the position of Head of Asset Backed Finance before the merger with LOFC

Softlogic Finance:

Head-hunted as the Head of Leasing Led the development of a 12 billion leasing portfolio within two years despite pandemic and adverse economic conditions. His expertise and contributions are expected to yield Significant benefits for AAF.

SENIOR MANAGEMENT



MR. NADEESHA SAPARAMADU
Senior Manager - Micro Mortgage

Mr. Nadeesha Saparamadu joined Asia Asset Finance PLC as Senior Manager - Micro Mortgage of Micro Mortgage in the year 2024 and responsible to drive the Mortgage loan portfolio, Marketing, planning and future developments. He is a professional banker, started his banking and finance career at Seylan Bank PLC and later moved to Nations Trust Bank PLC. In year 2015, He has stepped out from commercial banking sector to finance sector and joined Merchant Bank of Sri Lanka and Finance PLC. He counts over 17 years' experience in Lending, Mortgage Loans, Leasing, Credits, Recoveries, Branch operations and factoring.

He is holding master's in financial economics from University of Colombo and BSc in Management from University College Dublin and also Advance Diploma in Business Management from NIBM.



MR. PRAMOD HINIDUMA
Chief Manager - Internal Audit

Mr. Pramod Hiniduma, Chief Manager – Internal Audit, is joined Asia Asset Finance PLC in the year of 2019 and responsible for management of the Branch Operation Audit, Department Audit & Offsite Audit function in AAF. Mr. Hiniduma graduated from the University of Colombo and completed his Masters in the same University specialization in Finance. He is an Associate Member of SLIM & Certified Business Accountant of CA Sri Lanka. Further he successfully completed the certificate course of Forensic Accounting in the year 2023. He has over 08 years of experience in the Finance Sector as an Internal Auditor and more than 04 years of experience as an External Auditor. He started his career as an Audit trainee at Ernst and Young.



MR. JOJI JOSEPH
Chief Manager -Gold Loan Audit

Mr. Joji Joseph joined Asia Asset Finance in 2019 and has over 15 years' experience in Audit sector. He was the Regional Audit Manager of Muthoot Finance Thanjavur region during the period of 2017 to 2019. And also, he held the position of Mobile Audit in charge of Chennai regions during the period of 2011 to 2017. Mr. Joji Joseph has completed his master's degree in commerce from Calicut University, Kerala India.



MR. RATHEESH R. NAIR

Chief Manager – Gold Loan Operations

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Mr. Ratheesh R. Nair joined Asia Asset Finance PLC in 2024 as Chief Manager – Gold Loan Operations. He began his career as a teacher and later joined Muthoot Finance Ltd as an Audit Executive in February 2011. And he was promoted to Regional Audit Manager at Muthoot Finance Ltd, before being seconded to Asia Assets Finance PLC in February 2024. In the field of gold loans, Mr. Ratheesh has over 13 years of experience in auditing, compliance, and business development. In addition, he graduated in commerce from Kerala University in 2010.



MR. RAJAPIRABU SIVAGEETHAN

Senior Regional Manager - Western Region

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Mr. Rajapirabu Sivageethan graduated from the University of Wolverhampton (UK) with a Bachelor of Arts (Hons) in Business Management and He has the Professional Qualification of "Master Project Manager" by the power vested in the Board of Standards of the AAPM. Mr. Rajapirabu Sivageethan joined Asia Assets Finance PLC in December 2018 as a Branch Manager. Currently Mr. Sivageethan serves as a Senior Regional Manager of the company. He commenced his career in 2010 at Bartleet Finance (currently known as Orient Finance PLC.) as a Marketing Executive. He joined Alliance Finance in 2013 as a Branch Manager. He holds over 14 years of experience in the Financial Sector.



MR. SIVARAJAH LUXMAN

Regional manager Northern - II

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Mr. Sivarajah Luxman joined Asia Asset Finance PLC in August 2010 as a marketing officer at the Jaffna branch and was appointed as a Branch in Charge for Kilinochchi in 2012. He progressively rose up the career ladder up to Senior Regional Manager - Northern - II. He has over 14 years of experience at Asia Asset finance PLC. He also received a BSc degree at the University of Jaffna.

SENIOR MANAGEMENT



MR. KASUN FERNANDO
Regional Manager - Eastern Region

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Mr. Kasun Fernando joined Asia Asset Finance PLC in the year 2007 with the honour of taking over the title, 'Marketing Executive'. Prior to joining AAF, he started his career as a Marketing Officer at Seylan Merchant bank in the year 2000 and is currently known to have 24 years of experience in the Finance sector. He had also worked as an expertise Branch Manager in the Wennappuwa from the year of 2010 to 2020. He was also promoted as a Senior Manager of Fixed Deposits in 2020. Currently he is working as a Regional Manager - Eastern Region.



MR. OSHAN KASTHURI ARACHCHI
Regional Manager - Central Region

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Mr. Oshan Kasthuri Arachchi joined Asia Asset Finance Plc in 2014 as an Executive in the Gold Loan Division. He commenced his career in 2011 at LB Finance PLC. Initially He was promoted as Manager - Gold Loan in 2019. He holds 13 years' experience in the finance sector. Mr. Oshan currently holds the position of Regional Manager, overseeing 19 branches in the Central Province.



MR. AMALAS FERNANDO
Regional Manager - Northern 1

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Mr. Amalas Fernando joined Asia Asset Finance PLC in February 2024 with 18 years of experience both in corporate and government sectors. He was previously attached to Commercial Leasing Company and possesses a Higher National Diploma (HND) from the Advanced Technological Institute, which is generally regarded as on par with a Bachelor of Commerce Degree.



MR. MALAKA RUPASINGHE

Regional Manager- Sabaragamuwa Region

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Mr. Malaka Rupasinghe joined Asia Asset Finance PLC in 2024 as Regional Manager - Sabaragamuwa. From a teaching career, he moved across to the financing and leasing industries, by joining Peoples Merchant Finance PLC in 2001 and later, Muthoot Finance Ltd in 2011. Joining Entrust Group in 2015 as Senior Manager Leasing, he moved to Nukemi NN (Ceylon) Ltd in 2019, to yet another senior managerial position.

He is a Graduate of the University of Colombo possessing a Bachelor's Degree (Special) in Monetary Economics, holds a Diploma in Marketing from the Sri Lanka Institute of Marketing and has completed an advanced course at the Sri Lanka Institute of Bankers in Leasing and Hire Purchase.



MR. SAMPATH JAYAMAHA

Regional Manager – Southern Region

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Mr. Sampath Jayamaha joined Asia Asset Finance PLC in 2024 as Regional Manager - Southern Region. He is qualified with a Masters Degree from UOA (University of Atlanta - USA) and having overall experience in the Financial sector under Banking and Finance with local and International exposure, Mr. Jayamaha possesses over twenty years of experience in Banking, Leasing & Insurance, Sales & Marketing, as well as Admin & operations, giving him an all-round exposure Contributing to his excellent track record.



MR. RAVI PANAWALA

Senior Manager Administration

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Mr. Ravi Panawala joined Asia Asset Finance PLC in 2007 and his career spans over 17 years of experience in the fields of Administration and procurement. His experience in the company enables him to provide the best of the administration operation to the organization.

SENIOR MANAGEMENT



MR. MANOJ GAMAGE
Chief Information Security Officer (CISO)

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Mr. Manoj Gamage is the Chief Information Security Officer (CISO) of Asia Asset Finance PLC, and he is responsible for the overall security of the organization's information systems. He joined AAF in January 2015 and has over 11 years of Information and Technology experience. He commenced his career at a Software Company in 2013 as an IT Support Executive. He holds a Master of Business Administration (MBA) degree from the Malaysia University and is a Professional Member (MBCS) of the British Computer Society UK and a Passed Finalist of The Chartered Institute of IT UK. He is also a member of the Information Systems Audit and Control Association (ISACA).



MR. SANJEEV BALAN
Senior Manager - Communications

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Mr. Sanjeev Balan joined Asia Asset Finance PLC in 2014, initially serving as a Senior Executive. Over the years, he has held various roles within the organization, focusing on evaluating and facilitating business loans, corporate loans, and leasing products. With more than 18 years of experience in the financial sector, Mr. Balan currently serves as the Senior Manager - Communications. In this capacity, he oversees both internal and external communications, including all aspects of branding for the organization. Additionally, he manages the customer complaints unit, ensuring timely resolution and provision of necessary solutions and information.



MS. SARANJA RATNASINGAM
Head of Human Resources

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Ms. Saranja Ratnasingam Head of Human Resources joined Asia Asset Finance PLC in 2021 as Executive HR and subsequently promoted as the Head of Human Resources. She holds a bachelor's degree in business management from the Uva Wellassa University and obtained Chartered Qualification in Human Resource Management from the Chartered Institute of Personnel Management.



MS. TANIA JAYAWICKREMA
Head of Policy & Planning

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Ms. Tania Jayawickrema joined Asia Asset Finance in the year 2017 With a career spanning over three and half years of experience in the fields of Human Resources. Currently she has experience in recovery, human resources, compliance, and policy planning. Currently, she is serving as the Head of Policy & Planning. In this role, she is responsible for developing and implementing strategic policies that align with our organizational goals in addition to that role in Policy & Planning, she is honored to serve as the President of the Welfare Committee.



MS. RADHIKA DILRUKSHI
Head of Compliance

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Ms. Radhika Dilrukshi joined Asia Asset Finance PLC in 2023 as Head of Compliance. She was enrolled as an Attorney –at – Law in 2020. She holds an LLB degree from the University of Colombo and an LLM degree from the University of West of England. Prior to joining the Company, she was a practicing, Lawyer. She is a member of the Bar Association of Sri Lanka.



MS. YUVENI DIAZ
Head Of CSR

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Ms. Yuveni joined Asia Asset Finance PLC as the Personal Assistant to the Chief Executive Officer in the year 2015 and was later appointed as the Head of CSR whilst overlooking all activities in the CEOs Office. She develops comprehensive CSR strategies aligned with Business objectives, ensuring sustainable and impactful initiatives. She also champions ethical business practices that contribute positively to society and the environment. She envisions a future where Business's play a proactive role in sustainable development and creating a better world for future generations.

SENIOR MANAGEMENT



MS. CHALANI GONADUWA
Company Secretary

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Ms. Chalani Gonaduwa joined Asia Asset Finance PLC as Company Secretary on 11th March 2024 with the approval of Central Bank of Sri Lanka and has varied exposure of over 12 years in the different service sectors including 6 years of experience in Company Secretarial. She is a Fellow Member of the Institute of Chartered Secretaries of Sri Lanka. Prior to joining Asia Asset Finance, she worked for Corporate Services (Private) Limited affiliate to f&g desaram since 2018. Further, she holds a Bachelor of Commerce degree from University of Delhi in India and two post graduate diploma of BTEC advanced professional Diploma in Management Studies and Extended diploma in Strategic Management and Leadership awarded by Edexcel in London.



MRS. SHIRANTHI GUNAWARDENA
Consultant – Legal

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Mrs. Shiranthi Gunawardena was enrolled as an Attorney-at-Law in 1975. She served as a Law Officer at the People's Bank up to the year 1986 and thereafter joined Mercantile Credit Limited as the Deputy General Manager - Legal. In the year 1992, a Partnership was formed under the name Gunawardena and Ranasinghe Associates, wherein she is the senior partner and presently she is practicing under the name and style of Shiranthi Gunawardena Associates. Mrs. Gunawardena is also the Legal Consultant to the Finance House Association where all registered Finance Companies are members. Mrs. Shiranthi Gunawardena presently the president of Sri Lanka Women Lawyers Association. On 2nd May 2024, Mrs. Gunawardena has been conferred the honour of senior Instructing Attorney.

CORPORATE GOVERNANCE

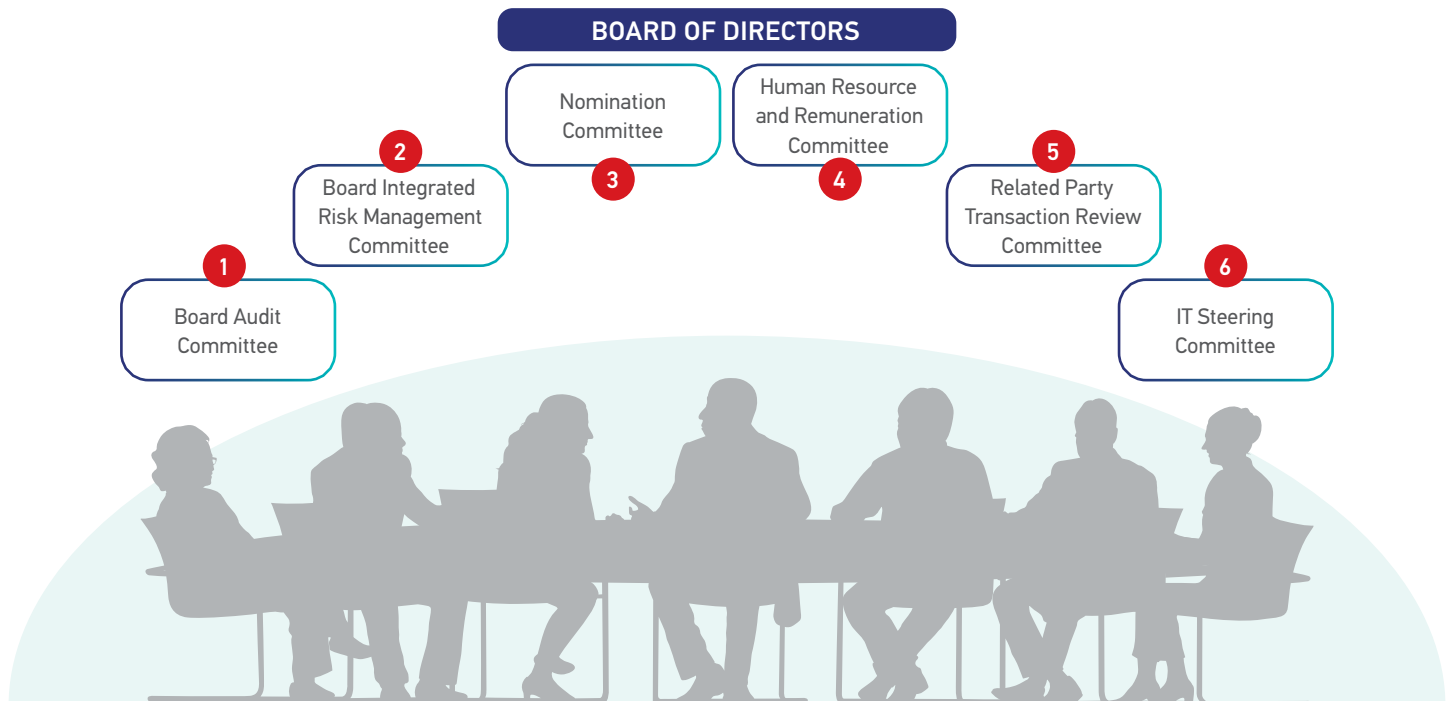
We adhere to an effective corporate governance structure. We are committed and ensure compliance, by continually reviewing and updating our governance processes to align with regulatory frameworks and best practices applicable to our core business as a financial service provider. This also paves the way for our leadership to be guided by transparent rules and controls that build trust among our stakeholders and contribute towards sustainable business practices for long term growth and viability. It also forms the foundation for ethical business conduct and our commitment towards a preserved planet.

In the year under review the Board adopted the best practices outlined in the Finance Business Act Direction No.5 of 2021 on Corporate Governance through the consultative process initiated by the Central Bank of Sri Lanka for the NBFIs. The Directive came into effect from 01 July 2022, which includes several transitional provisions where implementation deadlines allowing NBFIs sufficient time until 01 July 2024 to fully comply with. We have invested in enhancing the intellectual capabilities in the areas such as Cyber security, and through the engagement of the latest technologies and domain experts to ensure a sustainable level of assurance over confidentiality, integrity, and availability of computing resources.

GOVERNANCE TO CREATE VALUE

Our overall value creation process is a reflection of how we approach governance in our business to achieve sustained value, earn and maintain trust with our stakeholders. To this end, we treat governance as a business enabler and the Board, therefore, is committed to upholding the high standards of governance driving accountability, transparency and integrity while balancing authority and decision-making abilities. Through continuous review and monitoring of our practices and processes we are committed to acting in the best interest of our stakeholders.

GOVERNANCE STRUCTURE AND FRAMEWORKS



CORPORATE GOVERNANCE

Regulatory Requirements	Internal Frameworks	Voluntary Codes and Best Practices
The Companies Act No. 7 of 2007 Finance Business Act Direction No 5 of 2021 Listing Rules of the Colombo Stock Exchange Directives/ Regulations of the Securities and Exchange Commission of Sri Lanka The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995	Articles of Association Board-approved Terms of Reference (TOR) of Board Sub Committees Board-approved policy frameworks for governance, risk, compliance and operational areas Codes of Conduct for Employees, Key Management Personnel and Directors	Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka Global Reporting Initiative (GRI) Standards issued by the Global Sustainability Standards Board

THE BOARD OF DIRECTORS

The Board is comprised of Executive, Non-Executive, and Independent Non-Executive Directors, that provide a mix of good governance to the Company and uphold shareholder value. This also ensures impartiality and objectivity where different viewpoints converge to arrive at the best result for the Company through transparent and unbiased decision making. Holding overall responsibility for the management and oversight of the Company, the Board enables effective leadership that drives the Company success and positions it to achieve its strategic goals.

Board Composition

2	Executive Director.....	
3	Non-Independent Non-Executive Director.....	
3	Independent Non-Executive Director	

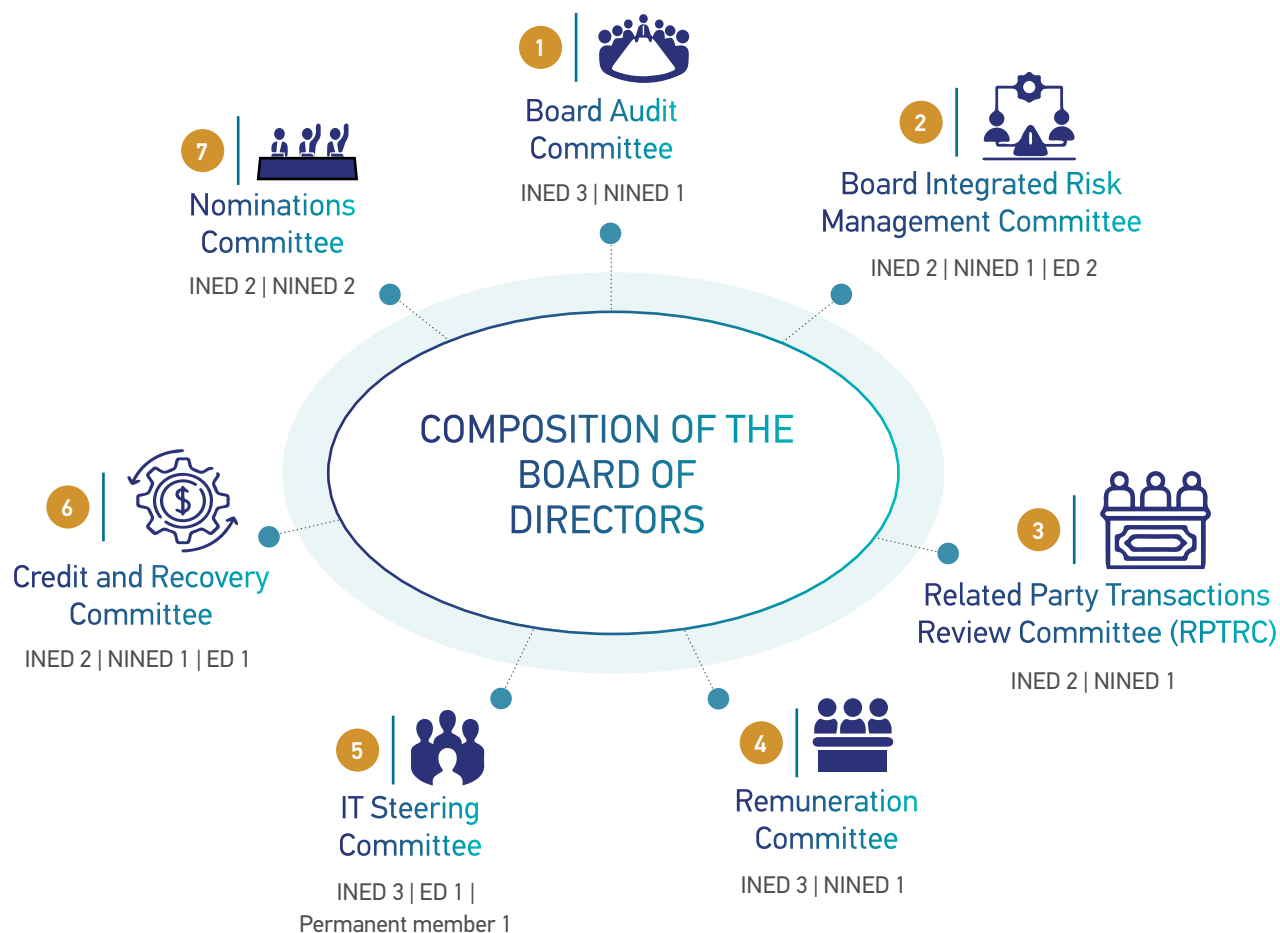


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Members of the Board are Independent



The Board is a confluence of knowledge, skill, expertise and experience to offer balanced and unbiased opinions towards making sound decisions. The Directors receive comprehensive training and updates, and newly appointed Directors are subject to a training in all operations of the Company.



KEY:

INED – Independent Non-Executive Director NINED – Non-Independent Non-Executive Director ED – Executive Director

THE BOARD EVALUATIONS

A self-appraisal process takes place to evaluate the performance of the Board and its sub-commitments. This is carried out by the Chairman and the Board and CEO's performance is evaluated in line with the level of achievement with the corporate plans and strategies, both in financial and operational aspects in comparison with the set targets.

ACCOUNTABILITY AND STEWARDSHIP

The Board is aware of its responsibility to present regulatory and statutory reporting in a balanced and understandable manner and a statement to this effect is given in the Statement of Directors' Responsibility on page 149. The Company had strictly complied with the requirements of the Companies Act No. 07 of 2007 in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards.

CORPORATE GOVERNANCE

In line with the requirements, the Annual Report presents a fair and balanced review of the Company's financial position, performance, and prospects. The Board of Directors reviews and approves the Annual Report and third-party assurance has been obtained where relevant, to enhance credibility.

Meeting attendance: The Board meets monthly and special meetings are convened on a need basis. Meeting agendas and Board papers are circulated to all Board members well in advance of each meeting to ensure adequate time is dedicated for preparation. The required information for the Board Sub-Committees is provided by the Management as per the frequency in which meetings are held. The Board/ Committee members call for additional information in case the Directors find that the information provided to them is inadequate or not clear. Further, the members of Corporate Management are invited to the meeting whenever the Board/Committee members need further information or clarifications on Board papers presented to the Board.

Meeting minutes: All proceedings of the meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board minutes and Board minutes are circulated to Members.

Resolutions: The Articles of Association of the Company provides directions as to how Directors can call for a resolution to be presented to the Board.

OTHER AREAS OF OVERSIGHT

Fair Remuneration

The Company's HR framework is designed to attract and retain best talent to drive the business in accordance with strategic vision and positioning the Company as a market leader. Remuneration is defined for each category, based on the level of productivity expected, targets achieved and with a view to retaining top talent to transition to leadership roles. The Board considers skills and expertise, professional qualifications and business acumen, in bench marking the remuneration package to each position or each segment of employees.

Human Resources and Remuneration Committee is responsible for suggesting and approving the Directors' remuneration. The Committee sets the principles, parameters and governance framework of the Company's remuneration policy and recommends the terms and conditions of employment of the Chairman of the Board, Executive Directors, and the Senior Management.

Directors' remuneration and other benefits of directors are stated in the note 45 on pages 258-260 of the Financial Statements.

Values and the Culture

Based on a strong framework of policies, the Board sets the tone for a value based corporate culture that permeates through the Company to all levels ensuring an ethical work place and a non-discriminatory work environment, that supports personal development and career growth.

The Company's Code of Conduct and Business Ethics are applicable to all employees, the Senior Management and the Board of Directors. The Code sets out the expected conduct of employees when interacting with stakeholders and includes considerations on labour and human rights as well as social and environmental sustainability. The Directors are expected to promote a culture of ethical behaviour and compliance and any issues related to the breach of this Code by any Director will be investigated by the Board.

There were no incidents of breaches of the Code of Business Conduct and Ethics by any member of the Company. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders.

The Company has also implemented a formal whistle-blowing procedure and encourages any employee who suspects misconduct at work, whether by management, peers or any other employee, to raise their concerns.

Shareholder Relations

The Annual Report and the Annual General Meeting are the primary form of communication between the Company and the shareholders, who are given adequate notice of the Annual General Meeting (AGM), to raise any concerns, or issues relating to the business of the Company either verbally or in writing.

Annual General Meeting: The AGM provides shareholders with the opportunity to contribute their views and engage with the Board of Directors, including the Chairpersons of certain Sub-Committees and members of the Senior Management.

The Company Secretary maintains a record of all correspondence received and delivers as soon as practicable such correspondence to the Board or individual Director/s as applicable. The Board or individual Director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.

Financial and other notices: The Company provides shareholders with timely information on performance and any other material developments. Numerous platforms are in place to disseminate information amongst shareholders including publications on the CSE, press releases, emails, and the corporate webpage.

DIRECTORS' INTEREST REGISTER

In terms of the Companies Act No.07 of 2007 an Interest Register is maintained during the accounting period under review. This Annual Report also contains particulars of entries made in the Interest Register.

Designation	Name	Board Meetings	Audit Committee	IT Committee	Nominations Committee	IRMC	Remuneration Committee	RPTRC	Credit Committee
Board Member	Mr. V. A. Prasanth	12 of 12	11 of 11	4 of 4		12 of 12	4 of 4		12 of 12
Board Member	Mr. R. J. A. Gunawardena	12 of 12		4 of 4		12 of 12			12 of 12
Board Member	Mr. R. A. B Basnayake	12 of 12	11 of 11	4 of 4	1 of 2		4 of 4	4 of 4	
Board Member	Mr. J. P. D. R. Jayasekara	12 of 12	11 of 11	4 of 4	2 of 2	12 of 12	4 of 4	4 of 4	9 of 12
Board Member	Mr. K. R. Bijimon	12 of 12			2 of 2	7 of 12		4 of 4	10 of 12
Board Member	Mr. K. G. K. Pillai	12 of 12	11 of 11						
Board Member	Mr. G. Alexander	12 of 12			2 of 2		4 of 4		
Board Member	Mr. S. S. R. D. De Silva Gunasekera	05 of 12				12 of 12			

CORPORATE GOVERNANCE

NOTE: The below mentioned numbering is used to coincide with the “section 1” of the Finance Business Act (Corporate Governance) Direction, No. 05 of 2021 issued by the Central Bank of Sri Lanka.

1.	Board's Overall Responsibilities	Findings
1.2	Business Strategy and Governance Framework	
	a. Check the Board's approval of the overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	Complied
	b. Check that the board approval of governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	Complied
	c. Check that the Board has assessing the effectiveness of its governance framework periodically.	Complied
	d. Check that the appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	Complied
1.3	Corporate Culture and Values	
	a. Check that the FC ensures that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	Complied
	b. Check that the FC playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	Complied
	c. Check that the FC promoting sustainable finance through appropriate environment, social and governance considerations in the FC's business strategies.	Complied
	d. Check that the Board 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.	Complied
1.4	Risk Appetite, Risk Management and Internal Controls	
	a. Check that establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	Complied
	b. Check that the ensuring the implementation of appropriate system and controls to identify, mitigate and manage risks prudently.	Complied
	c. Check that the adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	Complied
	d. Check that the 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.	Complied
1.5	Board Commitment and Competency	
	a. Check that all members of the board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	Complied
	b. Check that all members of the board shall possess necessary qualifications, adequate skills, knowledge and experience.	Complied
	c. Check that the board shall regularly review and agree the training and development needs of all the members.	Complied
	d. Check that the board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its board as a whole and that of its committees and maintain records of such assessments.	Complied

	e. Check that the board shall resolve to obtain external independent professional advice to the board to discharge duties to the FC.	Complied
1.6	Oversight of Senior Management	
	a. Check that 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.	Complied
	b. Check that defining the areas of authority and key responsibilities for the senior management.	Complied
	c. Check that ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	Complied
	d. Check that ensuring there is an appropriate oversight of the affairs of the FC by senior management.	Complied
	e. Check that ensuring the FC has an appropriate succession plan for senior management.	Complied
	f. Check that meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Complied
1.7	Adherence to the Existing Legal Framework	
	a. Check that ensuring that the FC does not act in a manner that is detrimental to the interest of and obligations to, depositors, shareholders and other stakeholders.	Complied
	b. Check that adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	Complied
	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.	Complied
2.	Governance Framework	
2.1	Check that the board shall develop and implement a governance framework in line with followings, a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority. d) composition of the Board. e) the Board's independence. f) the nomination, election and appointment of directors and appointment of senior management. g) the management of conflicts of interests h) access to information and obtaining independent advice. i) capacity building of Board members. j) the Board's performance evaluation. k) role and responsibilities of the chairperson and the CEO. l) role of the company secretary. m) Board sub committees and their role; and n) limits on related party transactions.	Complied

CORPORATE GOVERNANCE

3.	Composition of the board	
3.1	Check that the board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirement of the size, complexity and risk profile the FC.	Complied
3.2	Check that the number of directors on the Board shall not be less than seven (07) and not more than thirteen (13)	Complied
3.3	Check that the total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4	Complied
3.4	Check that 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 voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of supervision of non-Bank financial Institutions subject to provisions contained in direction 4.2 and 4.3 provided, however number of non-executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the board.	Complied
3.5	Executive Directors	
	a. Check that only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the board.	Complied
	b. Check that 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 exiting senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappointed as a non-executive director subject to provisions contained in direction 4.2 and 4.3	Complied
	c. Check that 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.	Complied
	d. Check that all executive directors shall have a functional reporting line in the organization structure of the FC.	Complied
	e. Check that the executive directors are required to report to the board through CEO.	Complied
	f. Check that executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied
3.6.	Non – Executive Directors	
	a. Check that non –executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	Complied
	b. Check that a non-executive director cannot be appointed or function as the CEO/executive director of the FC.	Complied
3.7.	Independent Directors	
	a. Check that the number of independent directors of the board shall be at least three (03) or one-third (1/3) of the total number of directors whichever is higher.	Complied
	b. Check that independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	Complied

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CORPORATE GOVERNANCE

3.9	Cooling off period	Not Applicable
	a. Check that 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 reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board. b. Check that 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.	
3.10	Common Directorships Check that director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f)	Complied
3.11	Check that 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.	Complied
4.	Assessment of Fitness and Propriety Criteria	
4.1	Check that no person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of fitness and propriety of Key Responsible Persons) Direction or as amended.	Complied
4.2	Check that a person over the age of 70 years shall not serve as a director of FC.	Complied
4.3	Check that notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following, a). assessment by the Director/ Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of fitness and propriety of Key Responsible Persons) Direction. b). Prior approval of the Monetary Board base on the assessment of the Director/ Department of Supervision of Non-Bank Financial Institutions in 4.3(a) c). Maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d). The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	Complied
5.	Appointment and resignation of directors and senior management	
5.1	Check that the appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of fitness and propriety of Key Responsible Persons) Direction.	Complied

6. The Chairperson and the CEO		
6.1	Check that there shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	Complied
6.2	Check that the chairperson shall be an independent director, subject to 6.3 below.	Complied
6.3	Check that 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.	Complied
6.4	Responsibilities of the Chairperson	
	Check that the responsibilities of the chairperson shall at least include the following: a. Provide leadership to the Board. b. Maintain and ensure a balance of power between executive and non-executive directors. c. Secure effective participation of both executive and non-executive directors. d. Ensure the Board works effectively and discharges its responsibilities. e. Ensure all key issues are discussed by the Board in a timely manner. f. Implement decisions/directions of the regulator. g. Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h. Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	Complied
6.5	Responsibilities of the CEO	
	Check that the CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include: a. Implementing business and risk strategies in order to achieve the FC's strategic objectives. b. Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions. c. Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. d. Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e. Strengthening the regulatory and supervisory compliance framework. f. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.	Complied

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7 Meetings of the Board		
7.1	Check that the board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied
7.2	Check that the board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board to be represented in the agenda for scheduled Board Meeting	Complied
7.3	Check that a notice of at least 3 days shall be given for a scheduled board meeting. For all other board meetings, a reasonable notice shall be given.	Complied
7.4	Check that a director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied
7.5	Check that a meeting of the board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	Complied
7.6	Check that the chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Complied
7.7	Check that a director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied
7.8	Check that a director who has not attended at least two –thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	Complied
7.9	Scheduled Board meetings and Ad Hoc Board Meetings Check that 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.	Complied
8 Company Secretary		
8.1	a. Check that 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. Check that the Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No.07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	Complied
8.2	Check that all directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulation are followed.	Complied
8.3	Check that the company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied
8.4	Check that the company secretary shall maintain minutes of the board meetings with all submissions to the board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied

8.5	Check that the company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Complied
8.6	Check those minutes of the board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied
9.	Delegation of Functions by the Board	
9.1	Check that the Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	Complied
9.2	Check that in the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Complied
9.3	Check that the Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied
9.4	Check that 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.	Complied
9.5	Check that the Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	Complied
10.	Board Sub Committees	
10.1	a. Check that for the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs.20 bn and FCs with asset base of less than Rs.20 bn, subject to transitional provisions stated in direction 19.3 Board Sub Committees shall establish a Board Audit Committee(BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration committee and Related Party Transactions Review Committee Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually. b. Check that each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties. c. Check that the Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC. d. Check that 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.	Not Applicable Complied Complied Complied

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	e. Check that each Board sub-committee shall consist of at least three board members and shall only consist of members of the Board, who have skills, knowledge and experience relevant to the responsibilities of the committee.	Complied
	f. Check that 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.	Complied
10.2	Board Audit Committee (BAC) The following in relation to the BAC	
	a. Check that the chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit	Complied
	b. Check that 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.	Complied
	c. Check that the secretary to the BAC shall preferably be the Chief Internal Auditor.(CIA)	Complied
	d. Check that 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.	Complied
	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.	Complied
	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.	Complied
	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 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.	Complied
	vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and the 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.	Complied
	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.	Complied
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	Complied
	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.	Complied

	e. Check that the BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied
	f. Check that the BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors and supervisory with respect to internal audit function of the FC.	Complied
	g. Check that internal Audit Function	
	i. The committee shall establish and 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.	Complied
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied
	iii. The BAC shall take the following steps with regard to the internal audit function of the FC:	Complied
	(i) Review of the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	
	(vi) Examine the major findings of internal investigations and management's responses thereto.	
	h. Check that the BAC 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.	Complied
	i. Check that meetings of the committee	
	i. The BAC shall meets as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied
	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.	
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.	
10.3	Board Integrated Risk Management Committee (BIRMC) Check that the following shall apply in relation to the BIRMC:	
	a. Check that the BIRMC 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.	Complied
	b. Check that the secretary to the committee may preferably be the CRO.	Complied
	c. Check that the committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	Complied

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d.	Check that 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.	Complied
e.	Check that the BIRMC shall review the FC's risk policies including RAS, at least annually.	Complied
f.	Check that 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.	Complied
g.	Check that the committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied
h.	Check that BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied
i.	Compliance Function	
ii.	Check that 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.	Complied
iii.	Check that For FCs with asset base of more than Rs.20 bn, a dedicated compliance officer considered to the 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.	Complied
iv.	Check that for FCs with assets 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
v.	Check that the BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (V) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time ; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	Complied

	j. Risk Management Function i. Check that BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC. ii. Check that 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. iii. Check that 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. iv. Check that the BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. v. Check that the CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management. vi. Check that the CRO shall maintain an updated risk register, which shall be submitted to the BIR.MC on a quarterly basis. vii. Check that the BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Complied Complied Complied Complied Complied Complied Complied
10.4	Nomination Committee	
	Check that the following shall apply in relation to the Nomination Committee a. Check that 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. b. Check that secretary to the nomination committee may preferably be the company secretary. c. Check that 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. d. Check that the committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. e. Check that 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. f. Check that 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. g. Check that 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.	Complied Complied Complied Complied Complied Complied Complied

CORPORATE GOVERNANCE

	h. Check that 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.	Complied
	i. Check that the committee shall consider and recommend (or not recommend) the re election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Complied
	j. Check that 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	Complied
	k. Check that 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.	Complied
10.5	Human Resource and Remuneration Committee Check that the following shall apply in relation to the Human Resources and Remuneration Committee:	
	a. Check that the committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Complied
	b. Check that the secretary to the human resource and remuneration committee may preferably be the company secretary.	Complied
	c. Check that 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.	Complied
	d. Check that there shall be a formal and transparent procedure in developing the remuneration policy.	Complied
	e. Check that 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.	Complied
	f. Check that the remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Complied
	g. Check that 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.	Complied
	h. Check that the committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied

11. Internal Controls		
11.1	Check that FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied
11.2	Check that proper internal control system shall: a. promote effective and efficient operations; b. provide reliable financial information; (c) safeguard assets; d. minimize the operating risk of losses from irregularities, fraud and errors; e. ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	Complied
11.3	Check that all employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied
12. Related Party Transaction		
12.1	Check that Board shall establish a policy and procedures for related party transactions, which covers the following. 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. b. All related party transactions shall be prior reviewed and recommended by the RPTRC. c. The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Complied
12.2	Check that the committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a. Directors and senior management. b. Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c. Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d. Directors and senior management of legal persons in paragraph (b) or (c). e. Relatives of a natural person described in paragraph (a), (b) or (d). Any concern in which any of the FC’s directors, senior management or a relative of any of the PC’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.	Complied

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12.3	Check that the committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean: a. Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b. Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c. Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d. Providing or obtaining services to or from a related party without a proper evaluation procedure; or e. Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied
13.	Group Governance	
13.1	Check that responsibilities of the FC as a Holding Company a. Check 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. b. Check that 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. 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. 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. iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements. c. Check that 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. d. Check that 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. e. Check that the FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	Complied Complied Complied Complied Complied
13.2	Check that responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	Complied

14. Corporate Culture		
14.1	Check that 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.	Complied
14.2	Check that the FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied
14.3	Check that 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.	Complied
15. Conflict of Interest		
15.1	Check that 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.	Complied
	b. Check that the Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, i. Identify circumstances which constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed.	Complied
16. Disclosures		
16.1	Check that the Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC. i. Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements.	Partially Complied

CORPORATE GOVERNANCE

	ii. Chairperson, CEO and Board related disclosures • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the company. • Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. • Number/percentage of board meetings of the FC attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member. iii. Appraisal of board performance • An overview of how the performance evaluations of the Board and its committees have been conducted iv. Remuneration • A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the FC to its directors and senior management. v. Related party transactions • The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. • The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. vi. Board appointed committees • The details of the chairperson and members of the board committees and attendance at such meetings. vii. Group Structure • The group structure of the FC within which it operates. • The group governance framework. viii. Director's report A report, which shall contain the following declarations by the Board: • The FC has not engaged in any activity, which contravenes laws and regulations. • The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. • The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	
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	ix. Statement on Internal Control • A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions x. Corporate governance report • Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. xi. Code of Conduct • FC's code of business conduct and ethics for directors, senior management and employees. • The Chairperson shall certify that the company has no violations of any of the provisions of this code. xii. Management report • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the company • Prospects for the future xiii. Communication with shareholders • The policy and methodology for communication with shareholders. • The contact person for such communication.	
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Signature :

Date: 06 May, 2024

Name: Radhika Dilrukshi

Approved by,



Signature

Date: 06 May, 2024

Name: Mr. Rajiv Gunawardana

Designation: Director / CEO

CORPORATE GOVERNANCE

COMPLIANCE CHECK LIST

The Company’s Corporate Governance model has been built and enhanced based on the following requirements and guidelines.

- Compliance with the Finance Business Act Direction No 05 of 2021 issued by Central Bank of Sri Lanka.
- The Companies Act No. 7 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Compliance with the Code of Best Practice on Corporate Governance 2023 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Board of Directors				
The Board should direct, lead and control the Company	A.1	7.10.3 (a)&(c)	Complied	The Board of Directors currently comprises of eight Members including the Chairman. The day-to-day monitoring of operations of the Company has been delegated to the CEO and the Executive Committee governed by policies, procedures, and authority by the Board of Directors. They bring a wide range of business, financial, legal, engineering, Technology and entrepreneurial knowledge, skills and experiences.
Board Meetings				
Frequency of Board meetings	A.1.1		Complied	Board meetings are held once a month twelve (12) times during a year to review financial performance and consider other matters such as strategic and operational plans, to review and evaluate the performance of the Company. The attendance of each member of the Board is provided in page 138 of this Annual Report.
Board Responsibilities				
Formulation and implementation and monitoring of business strategies	A.1.2		Complied	The Board is collectively responsible for the formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub-committees to assist the Board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, credit management and financial reporting to shareholders.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Competence of the CEO and Senior Management in implementing Business Strategies	A.1.2		Complied	The CEO is responsible for the management of the Company in accordance with the mandate defined by the Board and he is accountable for the achievement of the financial and non-financial objectives as stipulated in the Company Plan. The Senior Management / Management Committee consist of competent members who have skills, knowledge and experience and qualifications to carry out their respective functions effectively. The profiles of the Senior Management and the Management Committee are presented on pages 91 to 102 of this Annual Report.
Effective succession planning for the CEO and Senior Management	A.1.2		Complied	Continuous training programmes are put in place to ensure that the Senior Management is up to the required standard in filling a vacant position.
Effective Systems to secure Integrity of Information, Internal Controls and Risk Management	A.1.2		Complied	To secure integrity of information, internal controls, risk management policies and effective systems have been implemented by the Company. The effectiveness of such systems is continuously monitored by the management, internal and external auditors.
Independent Non- Executive Directors		7.10.2(b)	Complied	Each Non-Executive Director submits a signed and dated declaration annually of their independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule Section 7.10.2(b).
Provision of relevant, quality and timely information			Complied	Board papers, agenda and previous Board minutes to be tabled at least three days prior to Board meeting.
Compliance with Laws, Regulations, and Ethical Standards	A.1.2		Complied	The Company has been taking steps to follow ethical standards in carrying out operations. The Company has taken relevant measures to comply with the laws and regulations applicable to ethical business practices wherever possible.
Consideration of all stakeholders interest in corporate decisions	A.1.2		Complied	The Chairman ensures effective communication with the shareholders and that their interests are taken into consideration in making decisions. The Board always makes an effort to minimize negative aspects towards any stakeholder in the corporate decision making process.

CORPORATE GOVERNANCE

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Adoption of appropriate accounting policies and fostering compliance with financial regulations	A.1.2		Complied	The Company's Accounting Policies are reviewed annually and updated accordingly to reflect the true and fair financial position of the Company. Financial statements of the Company are prepared and presented in compliance with the Sri Lanka Accounting Standards (SLAS) and also comply with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and the directions issued there under. The Independent Auditor's Report is given on page 183 to 186 this Report.
Independent professional advice	A.1.3		Complied	The Board members are permitted to obtain independent professional advice from third parties as deemed necessary, which includes the Company's external lawyers and auditors at the expense of the Company.
Company Secretary	A.1.4		Adopted	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines. All governance activities are coordinated on behalf of the Board by the Company Secretary, who is accountable to the Board. New Company Secretary has been appointed in compliance with the Corporate Governance Direction of CBSL. The appointment was confirmed by the CBSL on 11th March 2024
Independent Judgement	A.1.5		Complied	Each Director has independent judgement on issues of strategy, performance, resources and standards of business conduct. Non-Executive Directors have necessary skills and experience to bring an objective judgement to bear on issues of strategy, performance and resources.
Dedication of adequate time and effort to matters of the Board and the Company	A.1.6		Complied	The Board Members dedicate adequate time for the affairs of the Company by attending Board Meetings, Board sub-committee meetings and by making decisions via circular resolutions. The number of meetings attended to by each Director is presented on page 138 to 140 of this Annual Report.
Training for Directors	A.1.8		Complied	All Directors have the chance to receive training, including specialized sessions on the financial services industry. This training can be accessed through Board presentations and programs organized by CBSL, among other opportunities.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Division of responsibilities between the Chairman and CEO	A. 2		Complied	The roles of Chairman and Chief Executive Officer are separated, and are not performed by the one and the same person.
Chairman's Role	A.3 & A.3.1		Complied	The Chairman is responsible for the leadership of the Board, managing Board meetings and the business undertaken threat. The Chairman together with the Company Secretary is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations.
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4		Complied	AAF Director Board is equipped with qualified Directors in the field of Finance and Accountancy and possesses the necessary financial wisdom. AAF is fortunate to have highly-qualified Directors to advise the Board on financial matters.
				The Deputy General Manager - Finance possesses vast experience in financial management together with necessary qualifications in finance being an Associate Member of The Institute of Chartered Accountants of Sri Lanka, graduated and holds a Master's Specialized in Finance.
				The Directors and DGM - Finance hold the required qualifications and experience in the financial service sector as set out in their profiles given on pages 84-90 and 92 of this Annual Report and provide the Company with the necessary financial guidance in conducting its business.
Board Balance				
Composition of the Board	A.5 & A.5.1	7.10.1	Complied	The Board of Directors of the Company comprises of Six Non-Executive Directors and two Executive Directors.
Independent Directors	A.5.2	7.10.2 & 7.10.3.(c)	Complied	There are three Independent Non-Executive Directors and they are free of any business or other relationship with the Company.
Criteria for evaluating Independence of Non-Executive Directors	A.5.3	7.10.2	Complied	Independent Non-Executive Directors remained distant from management and free from any other business relationships that could impair in dependency in decision making. The Independent Non – Executive Directors Compliant with independency criteria stipulated by the CBSL, SEC and ICASL guidelines during Financial year 2023/24.

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Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Signed independence declaration by the Non-Executive Directors	A.5.4		Complied	Each Non-Executive Director is responsible to submit assigned and dated declaration on an annual basis of his/her independency/non-independency. At present, three Directors of the Company are Independent and the other four Directors are Non-Independent.
Determination of independence of Non-Executive Directors	A.5.5		Complied	Based on the written submissions made by the following Non-Executive Directors and taking into account the criteria specified in Section 3.7 of the Corporate Governance Direction issued by CBSL, the Board deems them as "Independent".
Requirement to appoint a Senior Independent Director	A.5.7		Complied	The requirement of a Senior Independent Director Mr.R.A.B.Basnayake re designate as a Independent Non Executive Director
Supply of Information	A.6		Complied	As a practice agenda together with high-quality information circulated seven days prior to the Board meeting to discharge the Board obligations effectively.
Information to the Board by management	A.6.1		Complied	The Board receives regular reports and presentations on strategies and developments in relation to its business lines and geographical areas and overall plans and performance. Regular reports also provide the Board and Board Subcommittees information on risk appetite profile, emerging risks, risk management aspects, credit exposures, asset and liability management including liquidity, compliance and other vital matters. The agenda and supporting papers are distributed in advance to the Board and Sub-Committees meetings to allow time for appropriately review and to facilitate full discussion at the meetings. All Directors have full and timely access to all relevant information. Executive Director brief the Board on the functional areas of Credit, Finance and Recoveries that they oversee. The Board on other functional matters deals with the Managing Director or the heads of those respective departments when necessary. The Directors have free and open contact with management of all levels.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Adequate time for effective meetings	A.6.2		Complied	The Company Secretary ensured that the required notice of meeting, agenda and information documents including Board papers are circulated to all Directors at least seven days prior to holding of Board meetings. This ensured that the Board members have adequate time to study and analyze the related papers and prepare thoroughly for Board meetings.
Appointments to the Board				
Assessment of Board Composition			Complied	The Board as a whole assesses its own composition to ascertain whether the combined knowledge and experience of the Board matches when the Company is faced with strategic demands facing the Company. The findings of such assessments are taken into account when making new appointments to the Board. This financial year, one new appointment was made to the Board by considering their industry experience and knowledge.
Disclosure of profiles of the newly-appointed Director	A.7.4	7.10.3. (d)	Complied	Mr. S. S. R. D. De Silva Gunasekera appointed as a Non-Independent Executive Director w.e.f. 15/09/2023
Resignation of a Director	A.8.3		Complied	Mr. K. G. K. Pillai resigned as an Alternate Director of Mr. K. R. Bijimon w.e.f.28/02/2024.
Period of Service			Complied	Two Directors have exceeded the period of nine years of holding the office of Director.(Mr. C. Ramachandra with effect from 10th June 2020 and Mrs. Priyanthi Peris retired with effect from 22nd January 2021) Mr. G. Alexander Non- Independent Non-Executive Director and Mr. K. R. Bijimon Non- Independent Non-Executive Director have exceeded the period of nine years of holding the office of directors and they have been permitted to continue their directorship under section 3.4 of the Finance Business Act Direction No. 05 of 2021.

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Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Appraisal of Board performance				
Board appraisal	A.9 & A.9.1		Complied	The Board periodically appraises their own performance and self-assessment to be undertaken by each Director in order to ensure that Board responsibilities are satisfactorily discharged. A self-assessment was carried out by each Director at the end of the financial year based on a specified evaluation checklist.
Fitness and Propriety of Directors			Partially Complied	One of the Director of the Company holds office as a Director or any other equivalent position in more than 20 Companies/ Societies/Corporate Bodies.
Disclosure of Information in relation to each Director				
Information in relation to each Director	A.10	7.10.3 (c)	Complied	The following information in relation to Directors is disclosed in the Annual Report. 1. Profiles of Directors Corporate Governance Report 2. Details of Related Party Transactions – Page 158 Details of Directors including names, transactions with a finance Company. 3. Board Meeting Attendance – Page 138 In terms of the Articles of Association of the Company, Directors abstain from voting on any Board resolution on a matter in which he or any of his relatives has substantial interest and are not counted in the quorum for relevant agenda item at the Board meeting.
Appraisal of CEO	A.11		Complied	The Board annually assesses the performance of the CEO.
Targets for Director/ Chief Executive Officer	A.11.1		Complied	The Director/Chief Executive Officer, being the apex chief executive of the Company, is entrusted by the Board to conduct day-to-day operations effectively to attain broad strategic targets/goals after giving necessary consideration to market reality and changes in relevant variables. Performance of the Director/Chief Executive Officer is reviewed on an ongoing basis by the Board, evaluating the extent to which organizational objectives have been achieved overall, from an overall perspective.
Directors' Remuneration				
The level and make up of Remuneration	B.2		Complied	The Remuneration Committee in deciding the remuneration of the Directors.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Executive Share Options	B.2.5		Complied	At present the Company does not have any executive share options.
Disclosure of remuneration	B.3		Complied	The remuneration paid to the Directors is disclosed on page 213 of this Annual Report.
Relations with Shareholders				
Constructive use of AGM and conduct of General Meetings	C.1		Complied	The AGM is held in a participative way with the presence of the shareholders. The Board is responsible for encouraging all the shareholders to be present at AGM's of the Company.
Consideration of proxy votes	C.1.1		Complied	The Company counts all proxy votes and indicates the level of proxies lodged on each resolutions and the balance for and against resolution.
Separate resolution for separate issues	C.1.2		Complied	The Company proposes a separate resolution on each substantially separate issue and the adoption of the Annual Report and accounts is proposed as a separate resolution.
Circulation of Notice of AGM and other documents	C.1.4		Complied	The Annual Report, Financial Statements, copies of proposed resolutions to be passed at the AGM and the notice are sent to Shareholders with a notice period of at least 15 working days in compliance with the Companies Act.
Summary of procedure governing voting at General Meetings	C.1.5		Complied	Instructions on appointing a Proxy with regard to representing the shareholder at the General Meeting to ensure the voting right are sent to each shareholder.
Major Transactions				
Disclosure of major transactions	C.3		Complied	Board of Directors disclose to all shareholders all proposed corporate transactions which if entered in to would materially alter the Companies net assets base.
Accountability and Audit				
Financial Reporting	D.1		Complied	The Board ensures annual audited Financial Statements and periodically financial statements are prepared and published in accordance with the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and the directions issued there- under and the Financial Statements are presented in conformity with the Sri Lanka Accounting Standards. The Company has also Compliant with the requirements of the regulatory authorities such as the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

CORPORATE GOVERNANCE

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Interim accounts, price sensitive public reports, reports to regulators and information required by statute	D.1.1		Complied	Interim and Annual Financial Statements and other price sensitive information are disclosed to the CSE duly on a timely basis. All other regulatory reports are also submitted by the due dates. AAF's Audited Financials and the Half Year Financials have been published in a timely manner in three languages and conform to State Language Policy and the regulatory interim publication format and the applicable accounting standards and requirements specified in all other regulations mentioned in the previous paragraph.
Directors' Report	D.1.2		Complied	Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are presented on page 151 of this Annual Report.
Responsibilities of the Board and Auditors for the preparation of Financial Statements	D.1.3		Complied	The statements of Directors' Responsibility for Financial Reporting and Independent Auditors' Report are presented on pages 183 and 186 of this Annual Report.
Management Discussion and Analysis	D.1.4		Complied	"Management discussion and analysis" discussing the above issues; Industry structure and development, risk and concerns, financial performance and prospects of the future are presented on pages 42 to 80 of this Annual Report.
Declaration of Going Concern by Directors Internal Control	D.1.5		Complied	The Board of Directors provides disclosure confirming the going concern of the Company on page 147 of the Annual Report.
Maintain a sound system of Internal Controls	D.2		Complied	A Risk Management Report is presented on pages 164 to 175 of this Annual Report. Review of the Effectiveness of the group's system of internal controls to safe-guard shareholders' investment and the Companies Assets.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Review of the effectiveness of the group's system internal control	D.2.1		Complied	The Audit Committee periodically assesses the effectiveness of the internal control systems. The Audit Committee Report on internal controls is given on page 154 on the Annual report.
Internal Audit function	D.2.2		Complied	AAF has entrusted its separate Internal Audit Division, with members who are well-qualified and experienced officers, to conduct independent audits in areas involving high risk, especially at branch level in keeping to the annual audit plan. Monthly/quarterly full audit/spot audits are conducted by both sets of internal auditors based on approved annual audit programmes.
Board Committees				
Board Committees	D.3	7.10.5 & 7.10.6	Complied	The Company consists of the following Board Committees as required by the relevant statutory provisions; Audit Committee Integrated Risk Management Committee HR and Remuneration Committee Remuneration Committee Related Party Transaction Review Committee Credit and Recovery Committee Nominations Committee Information Technology (IT) Steering Committee Non-Executive Directors Committee Each of the above Committees directly report to the Board and is responsible to present a report on performance, duties and functions at the AGM.
Sub Committees				
Audit Committee	D.3	7.10.6 (a), (b) & (c)	Complied	An Audit Committee is appointed by the Board of Directors. This Committee consists of five members of the Board, out of the three members; two of them is a non-Independent Non-Executive Director. The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy. The composition and functions carried out by the Audit Committee is presented on page 154 of the Annual Report. The Committee met 04 times during the year.

CORPORATE GOVERNANCE

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Remuneration Committee		7.10.5.	Complied	A Remuneration Committee was appointed by the Board of Directors during the year. The Chairman of the Committee is Non-Independent Non-Executive Director. The composition and functions carried out by the Remuneration Committee is presented on page 161 of this Annual Report.
Integrated Risk Management Committee			Complied	The Committee consists of 06 members. The committee periodically reviews the adequacy and the effectiveness of the risk management decisions taken by the Management.
Related Party Transaction Review Committee			Complied	The Committee consists of 03 members. The committee periodically reviews the related party transactions carried out by the Company.
Credit and Recovery Committee			Complied	The Committee consists of 4 members. The committee periodically reviews the credit and recovery status of the Company and the processes.
Nominations Committee			Complied	The Committee consists of 04 members. The committee reviews and recommends any new appointments to the Board of Directors subject to CBSL approval.
IT Steering Committee			Complied	The Committee consists of 5 members. The committee periodically reviews the IT systems and processes of the Company.
Independence and objectivity of the Auditors			Complied	The Audit Committee, in keeping to its terms of reference, monitors the objectivity, effectiveness and independence of the External Auditor of the Company. Audit Committee recommended Messrs BDO Partners as the External Auditor of the Company in 2014, in accordance with CBSL regulations on selecting regulatory approved External Auditors for the sector. Audit Committee's selection and review of external auditor was based on capability, resource availability of the firm and their level of independence from AAF and its Board of Directors. The duties of the Audit Committee is given in the Audit committee's report which is set out on page 154 to 156 of this Annual Report.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliance Status	Level of Compliance
Adoption of a Code of Business Conduct	D.6		Complied	The Company adopts a code of business conduct and ethics for Directors and members of the senior management team.
Practice of good Corporate Governance	D.7		Complied	The Company is adhered to the Corporate Governance directions issued by the Central Bank of Sri Lanka. Further, the Company has taken steps to be compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for listed companies issued by the CSE.
Inclusion of a Corporate Governance Report in the Annual Report	D.7.1		Complied	The Corporate Governance Statement states to what extent the Company is compliant with the Corporate Governance guidelines.
Shareholders				
Institutional Investors				
Ensure institutional shareholders' voting intentions are translated into practice	E.1		Complied	All shareholders are encouraged to participate and vote at the AGM. The names and the number of shares held by the 20 largest shareholders and percentage of such shares are presented on page 176 of this Annual Report along with other shareholder information.
Regular and structured dialogue with shareholders	E.1.1		Complied	The Company conducts a regular and structured dialogue with shareholders based on a mutual understanding of objectives. The primary mode of Communication between the Company and the Shareholders is through the Annual General Meeting. The Chairman ensures the views of shareholders are communicated to the Board as a whole.
Other Investors				
Investing/ Divesting Decisions	F.1		Complied	The Annual Report is circulated to all shareholders in a timely manner and includes adequate information to enable the shareholders to make decisions relevant to their investment in the Company.
Encourage individual shareholders to participate in general meetings and exercise voting rights	F.2		Complied	All shareholders are encouraged to participate and vote at the AGM.

MEETING ATTENDANCE

BOARD MEETING ATTENDANCE

	4/27/2023	5/23/2023	6/8/2023	7/24/2023	8/25/2023	9/18/2023	10/20/2023	11/21/2023	12/20/2023	1/30/2024	2/26/2024	3/21/2024
Mr. V. A. Prasanth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. J. A. Gunawardena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. A. B Basnayake	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. J. P. D. R. Jayasekara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K. R. Bijimon	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K. G. K. Pillai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. G. Alexander	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. S. S. R. D. De Silva Gunasekera								✓	✓	✓	✓	✓

BOARD AUDIT COMMITTEE

	5/19/2023	6/27/2023	7/31/2023	8/28/2023	9/25/2023	10/26/2023	11/28/2023	12/21/2023	1/24/2024	2/22/2024	3/25/2024
Mr. V. A. Prasanth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K.G.K. Pillai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R.A.B. Basnayake	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. J.P.D.R. Jayasekara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

	4/25/2023	5/29/2023	6/28/2023	7/27/2023	8/28/2023	9/22/2023	10/30/2023	11/27/2023	12/19/2023	1/29/2024	2/28/2024	3/28/2024
Mr. V. A. Prasanth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. J. A. Gunawardena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. S. S. R. D. De Silva Gunasekera	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K. R. Bijimon	✓	x	x	x	x	x	✓	✓	✓	✓	✓	✓
Mr. J. P. D. R. Jayasekara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

CREDIT AND RECOVERY COMMITTEE

	4/21/2023	5/23/2023	6/27/2023	7/25/2023	8/25/2023	9/19/2023	10/18/2023	11/23/2023	12/21/2023	1/29/2024	2/28/2024	3/27/2024
Mr. V. A. Prasanth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. J. A. Gunawardena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. J. P. D. R. Jayasekara	X	✓	✓	✓	✓	✓	X	✓	X	✓	✓	✓
Mr. K. R. Bijimon	X	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓

NOMINATION COMMITTEE

	10/30/2023	12/7/2023
Mr. R. A. B. Basnayake – (Chairman) INED	X	✓
Mr. J. P. D. R. Jayasekara - INED	✓	✓
Mr. G. Alexander – NINED	✓	✓
Mr. K. R. Bijimon - NINED	✓	✓

HR & REMUNERATION COMMITTEE

	6/26/2023	9/18/2023	11/13/2023	3/19/2024
Mr. V. A. Prasanth	✓	✓	✓	✓
Mr. G. Alexander	✓	✓	✓	✓
Mr. R. A. B. Basnayake	✓	✓	✓	✓
Mr. J. P. D. R. Jayasekara	✓	✓	✓	✓

MEETING ATTENDANCE

IT STEERING COMMITTEE

	5/18/2023	10/16/2023	12/4/2023	2/9/2024
Mr. Rajitha Basnayake	✓	✓	✓	✓
Mr. V. A Prasanth	✓	✓	✓	✓
Mr. J. P. D. R Jayasekara	✓	✓	✓	✓
Mr. Rajiv Gunawardena	✓	✓	✓	✓
Mr. Inditha Jayatilleke	✓	✓	✓	✓

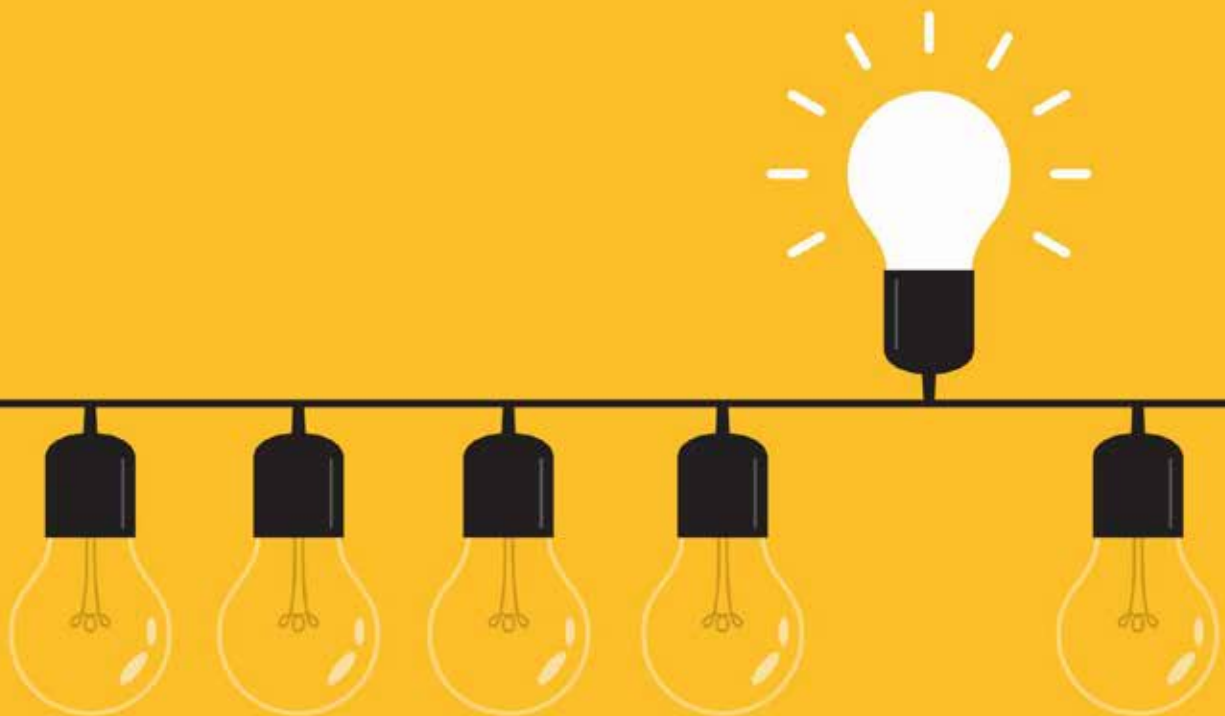
RELATED PARTY TRANSACTION REVIEW COMMITTEE

	5/23/2023	8/25/2023	11/27/2023	2/26/2024
Mr. J. P. D. R. Jayasekara	✓	✓	✓	✓
Mr. K. R. Bijimon	✓	✓	✓	✓
Mr. R. A. B. Basnayake	✓	✓	✓	✓

THINK DIFFERENTLY

but sustainably

At Asia Asset Finance PLC, we are deeply committed to corporate social responsibility, with a strong focus on female empowerment. We believe in creating positive social impact and fostering an inclusive environment that empowers women to lead and succeed. Our dedication to these values strengthens our brand and drives our mission to build a better, more equitable future.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS

The Board of Directors of Asia Asset Finance PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company for the year ended 31 March 2024 to the shareholders, which was approved by the Board of Directors on 27 June 2024.

The Annual Report, together with the Audited Financial Statements, for Asia Asset Finance PLC for the financial year ending on 31 March 2024, is being presented to the shareholders by the Board of Directors. The report was approved by the Board of Directors on 27 June 2024.

The details set out here provide information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange and recommendations of best accounting practices.

DOMICILE AND LEGAL FORM

Incorporated as a Private Limited Liability Company under the Companies ordinance, No 51 of 1938 (Cap 145) on 23 September 1970 and name changed under the Companies ordinance, No 51 of 1938 (Cap 145) on 03 October 2006 and Re-registered under the companies Act No.07 of 2007 on 23 January 2008 and converted to a public company under the companies Act No.07 of 2007 on 20 March 2012

REGISTRATION NUMBER

(Under the Companies Act No.17 of 1982) PVS/PBS 3266

NEW REGISTRATION NUMBER

(Under the Companies Act No.7 of 2007) PB 139 PQ

REGISTRATION NUMBER

(Under the Companies Act No.17 of 1982) PVS/PBS 3266

NEW REGISTRATION NUMBER

(Under the Companies Act No.7 of 2007) PB 139 PQ

REGISTERED ADDRESS OF THE COMPANY

The registered office of the Company is situated at No.76, Park Street, Colombo 02.

VISION AND MISSION

The Company's vision and mission are stated in page 4 of this report.

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal lines of business of the Company include providing financial accommodation in the form of finance gold loan, micro mortgage, leases, hire purchase, commercial loans Additional lines of business include the acceptance of public deposits in the form of term deposits and savings deposits.

MANAGEMENT AND FINANCIAL REVIEW OF BUSINESS

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 18 to 20), the Managing Director/CEO's Review (on pages 21 to 24) and Value Creation and Capital Formation (on pages 32 to 34) section. These reports

together with the audited financial statements provide an overall assessment of the performance of the Company and the Group during the financial year.

BRANCH EXPANSION AND FUTURE DEVELOPMENT

Asia Asset Finance PLC has 85 branches in operation Island wide. Preparations are underway to open 20 new branches in the coming financial year, reigniting the branch expansion strategy of the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements of the Company duly approved by two Directors are given on page 189.

The Directors are responsible for the preparation of Financial Statements, the maintaining of proper accounting records and disclosures regarding accounting policies and principles of the Company and the Group.

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company as at 31 March 2024 and the profit of the year then ended and has been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007, Finance Companies Act No. 78 of 1988 which was replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these Acts and provide appropriate disclosures as required by the Central

Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Directors of the Company are responsible for setting out the policy regarding internal control over financial reporting, a statement on the general control mechanisms adopted by the Company as per Section 16.1 (ix) of Finance Business Act (Corporate Governance) Direction No. 05 of 2021 is given on page 151 of this report.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting as referred to in page 151 of said statement.

AUDITOR'S REPORT

The Auditors of the Company Messrs. BDO Partners, Chartered Accountants performed the audit on the separate and the Consolidated Financial Statements for the year ended 31 March 2024 The Auditor's Report issued thereon is given on page 183 to 186 of this Annual Report.

ACCOUNTING POLICIES

The accounting policies adopted in preparing and presenting of these Financial Statements are given on page 187 to 192 of this Annual Report.

The Company prepared the Financial Statements for all periods up to and including the year ended 31 March 2024 in accordance with the Sri Lanka Accounting

Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka, which has converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

There were no Significant changes to the accounting policies adopted by the Company during the year.

DIRECTORS INTERESTS

As required by the Section 192 (1) and (2) of the Companies Act, all Directors have made declarations of the interests with the Company. The share ownership of Directors is disclosed of this report.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

Directors' remunerations in respect of the Company is LKR 23,040,164(2023 – LKR 20,794,000/-) for the financial year under review.

RELATED PARTY TRANSACTIONS

The Directors have disclosed the transactions that could be classified as related party transactions in terms of Sri Lanka Accounting Standard 24, "Related Party Disclosures", in the Financial Statements, and accordingly given in Note 45 on page 258-260 of this Annual Report.

The Directors confirm that the transactions carried out with the related parties during the year ended 31 March 2024 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and such transactions have been reviewed by the Board Related Party Transactions Review Committee and observations of the Committee have been duly communicated to the Board.

DONATIONS

A sum of LKR 8.1Mn (2023 – LKR 1,900,000/-) was paid out by way of donations during the financial year under review.

INCOME

The income generated by the Company during the financial year comprise of the following,

Rs.	Company	
	2024	2023
Interest income	5,682,401,629	5,391,701,835
Fee and commission income	909,003,149	602,384,100
Other income	12,146,299	12,249,081
Total	6,603,551,077	6,006,335,016

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS

Further analysis of which is given in Note 4, 7 and 8 of the Financial Statements on page 211 to 213 of this report.

PROFIT AND APPROPRIATIONS

Details of appropriation of profit of the Company is given below,

	2024	2023
Profit before income taxation	373,487,839	359,635,676
Income taxation paid	(29,301,136)	(64,300,254)
Profit for the period	344,186,703	295,335,422
Other comprehensive income/(loss) net of income tax	39,369,089	11,026,808
Balance brought forward	588,534,571	749,085,907
Adjustments	-	-
Profit available for appropriation	5,160,975,345	4,846,975,887
Appropriated as follows,		
Transfers to statutory reserve fund	118,595,600	131,572,378
Dividends paid	28,978,958	28,978,958
Un-appropriated profit carried forward	794,058,041	588,534,571

PREFERENCE SHARES

The dividend payout for the year was 28.9 Mn (2023 - 28.9Mn). Details on divided declarations, payments, and the dividend policy are available in shareholder and investor capital on page 176-180 of the report.

TAXATION

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 14 on page 217-219 of this report.

RESERVES

The aggregate reserves of the Company as at 31 March 2024 amounted to Rs. 365.9 Mn, the aggregate reserves as at 31 March 2023 were Rs. 216.9Mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 190 of this report.

CAPITAL EXPENDITURE

The total capital expenditure for the year amounted to Rs. 7.5 Mn (2023 – Rs. 4 Mn).

Details of property, plant and equipment are available on pages 229-232 of this report. Details relating to the depreciation charge for the year are also available on page 214.

MARKET VALUE OF FREEHOLD ASSETS

The value of the investment property of the Company have been obtained from the reports issued by an external independent property valuer Mr. D. Jayawardene. The valuer has appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The valuation has been carried out based on open market value of similar properties. These values have not been incorporated in the Financial Statements. Details of free hold property owned by the Company including extent, location and number of buildings are given in note 25 and page 234 to 237 of the Financial Statements.

ISSUE OF SHARES AND DEBENTURES Stated capital

Asia Asset Finance PLC has in issue 86,279,834 ordinary shares with a book value of LKR 2,424,777,045 and the Company issued 41,398,511 preference shares with a book value of LKR 413,985,110 as at 31 March 2024. No new shares were issued during the year under review. The Company does not have any other categories of shares in issue.

Details of the stated capital are given in Note 34 of the Financial Statements on page 249 of this report.

Debentures

There were no new issues of debentures during the financial year under review.

Details of debentures in issue as at 31 March 2024 are given in detail in Note 32

of the Financial Statements on page 244 to 246 respectively. Further information on the listed debentures is given on page 244 of this report.

Share information

Information relating to earnings per share, dividends per share net assets per share, market price per share and the distribution of shareholding is stated on page 176 to 180, under shareholder and investor capital section. The twenty largest shareholders as at 31 March 2024 together with an analysis of the shareholding are also stated therein.

Equitable Treatment to Shareholders

The Company has taken all possible steps to ensure equitable treatment to all its shareholders.

Directors

The Board of Directors of Asia Asset Finance PLC consists of Directors with financial and commercial experience. The Directors are subject to an annual assessment of their fitness and propriety to continue as Directors in terms of Finance Business Act Directions No.06 of 2021.

A brief profile of the Directors with their qualifications and experience is detailed on page 84 to 90 of this report.

Following were the Directors of the Company during the year

- Mr. V. A. Prasanth
- Mr. G. Alexander
- Mr. K.G.K.Pillai
- Mr. K. R. Bijimon

- Mr. R. J. A. Gunawardena
- Mr. R. A. B. Basnayake
- Mr. J. P. D. R. Jayasekara
- Mr. S. S. R. D. De Silva Gunasekera

Independence of Directors

The Board has carried out a determination of the independence or non-independence status of its non-executive Directors in accordance with the Section 7.10.3 of the Continuous Listing Rules of the CSE. Particulars of independence of Directors are set out in pages 84 to 90 of this Report along with a brief profile of the Director.

Board and Committee Meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Integrated Risk Committee meetings and Related Party Transaction Review Committee meetings were held during the year at the Registered Office of the Company and virtually. Members of each of these committees have attended the meetings on a regular basis. Details of the members and their attendance is given in page 138 to 140 of this report.

Edited

In accordance with the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), following of the Directors of the Company are coming up for re-election.

- Mr. S. S. R. D. De Silva Gunasekera who was appointed to office on 15th September 2023 will cease to be a Director and being eligible, offers himself for re-election under to Article

94 of the Articles of the Association.

- Mr. T. C. D. Kumarasiri who was appointed to office on 01st April 2024 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association
- Mr. K. G. K. Pillai retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself re-election in terms of Article 88 of the Articles of Association.
- Mr. G. Alexander retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association
- Mr. K.R. Bijimon retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association

Retirement of Director

In accordance with the Finance Business Act Directions No. 05 of 2021 Corporate Governance, Mr. G. Alexander and MR. Bijimon supposed to retirement after the nine (9) Years of service and has obtain approval form the Central Bank of Sri Lanka to continue their services even after the completing 9 years of service with the board in the capacity of a Non-Independent Non- Executive Director according to the Section 3.4 Of Finance Business Act Direction No 5 of 2001

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS

Directors' shareholdings

Details of each Director's shareholding of the Company at the beginning and at the end of the financial year is given below:

ASIA ASSET FINANCE PLC -PREFERENCIAL SHARES

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2024

Name of the Directors	NO. of Shares	%
Mr. V A Prasanth	NIL	NIL
Mr. R J A Gunawardena	NIL	NIL
Mr. S S R D De Silva Gunasekera	NIL	NIL
Mr. G Alexander	NIL	NIL
Mr. K R Bijimon	NIL	NIL
Mr. K G K Pillai	NIL	NIL
Mr. R A B Basnayake	NIL	NIL
Mr. J P D R Jayasekera	NIL	NIL

ASIA ASSET FINANCE PLC-ORDINARY SHARES

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2024

NO. OF SHARES %	NO. of Shares	%
Mr. V A Prasanth	NIL	NIL
Mr. R J A Gunawardena	NIL	NIL
Mr. S S R D De Silva Gunasekera	6,000	0.005
Mr. G Alexander	NIL	NIL
Mr. K R Bijimon	NIL	NIL
Mr. K G K Pillai	NIL	NIL
Mr. R A B Basnayake	NIL	NIL
Mr. J P D R Jayasekera	NIL	NIL

The fractional shares of 191 arising from the Right Issue 2019 of shares issue were issued jointly in the names of Mr. C Ramachandra and Mr. R J A Gunawardena.

Name		2024		2023	
	Company Code	Number of shares	% of holding	Number of shares	% of holding
Mr. C Ramachandra &	AAF_N_00000	191	0.00	191	0.00
Mr. R J A Gunawardena.	AAF_P_00000	-	-	-	-

Directors' Interests in Debentures

Details of Debentures held by the Directors of the Company are mentioned in Note 32 on page 244 to 246 of this report

Environment

The Directors are of the belief that the Company does not engage in any form of activity that is detrimental to the environment. Compliance with all environmental regulations has been adhered to during the year.

Statutory payments

The Directors are of the view that all statutory payments in relation to government agencies and employees have been made up to date.

Retirement and Appointment of External Auditors

The Financial Statements of the year under review have been audited by Messrs. BDO Partners, Chartered Accountants. In accordance with the Section 10.2 (d) of the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), Messrs. BDO Partners, Chartered Accountants is retiring from service to the company as the External auditors of the Company, on competing ten years of service.

In terms of the Article of Association of the company by following the process external auditors casual vacancy will be filled by the approval of the auditor as recommended by the member of the audit committee till the next annual general meeting to audit the financial year 2024/2025.

With the recommendation of the Board Audit Committee and approved by the board of directors of the Company is the proposed to be appointed of the External Auditors of the Company. The Financial Statements of the year under review have been audited by Messrs. BDO Partners, Chartered Accountants, who offer themselves for re-appointment. A resolution will be proposed at the Annual General Meeting to re-appoint them as auditors and authorizing the Directors to

resolve their remuneration.

Auditor's remuneration, other fees and payables

The Auditors, Messrs. BDO Partners, Chartered Accountants was paid audit fees of LKR. 2,862,000 (2023 –Rs. 2,598,000) for the Company for the period under review. In addition they were paid Rs. 2,840,548 (2023 – Rs. 2,354,799), for permitted non-audit related services of the Company. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 7 of 2007.

As far as the Directors are aware, the auditors do not have any other relationship or interest in contract with the Company.

RISK MANAGEMENT

Information pertaining to material foreseeable risk factors and specific steps taken by the Company in managing such risks are detailed in the risk management section on page 164 to 175 of this Report.

CORPORATE GOVERNANCE

The Board place great emphasis on maintaining effective corporate governance practices, policies and systems are structured accordingly and reviewed time to time to enhance transparency and accountability. The report on corporate governance is given on page 103 to 137 of the Annual Report.

The Board places Significant emphasis on maintaining effective corporate governance procedures; policies and processes are constructed appropriately

and evaluated on a regular basis to improve openness and accountability. The report on corporate governance is found on pages 103 to 137 of the Annual Report.

INTERNAL CONTROL

The Directors of the Company are responsible for setting out the policy regarding internal control. The set of internal control procedures laid down seek to manage against material errors or omissions, losses, fraudulent practices and to safeguard assets and secure as far as is possible the accuracy and reliability of the records.

Board prioritises the maintenance of good corporate governance procedures, ensuring that policies and processes are appropriately structured and regularly evaluated to improve accountability and transparency. The report on corporate governance is provided on pages 103 to 137 of the Annual Report.

EMPLOYMENT POLICIES

The Company is an equal opportunity employer. In its goals and objectives, it seeks to achieve excellence and market orientation in its service. Continuous training and social participation amongst employees are encouraged.

A holistic approach prevails in the Company's strategic outlook where a participatory management style ensures that employees are involved in the decision-making process. Incentive schemes which are related to employee performance are one of the ways in which the Company ensures that rewards

are directly related to performance. A Remuneration Committee ensures that a balance is struck between performance and related employee rewards structures.

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. During the year under review the Company initiated online training programs to update staff on latest developments on policies, procedures and other operational related systems. The Company had 724 employees as at 31 March 2024 (2023 - 802).

The Company does not have any Employee Share Option Schemes (ESOS) or Employee Share Purchase Schemes (ESPS) as at the date of this report.

There had been no material issues pertaining to employees and industrial relations of the Company or its subsidiaries during the year under review.

GOING CONCERN

The Directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; and hence the going concern concept is adopted in the preparation of the Financial Statements.

COMMUNICATION WITH SHAREHOLDERS

Asia Asset Finance PLC prioritises the maintenance of open and transparent communication with our esteemed

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS

shareholders. We consider that efficient shareholder communication is crucial for establishing trust, cultivating Significant connections, and integrating our strategic objectives with their interests. The objective of our communication policy is to guarantee the prompt and pertinent distribution of information while adhering to regulatory compliance and best practices.

We maintain consistent and anticipatory contact with our shareholders through a range of channels. These include several investor relations platform, such as annual general meetings, quarterly updates, and the company's website. Throughout these interactions, we offer comprehensive updates regarding our financial performance, strategic plans, market trends, and any other Significant changes that might impact the Company.

In addition, we actively encourage interactive engagement with shareholders, enabling them to raise enquiries, express concerns, and provide comments. We make every effort to immediately and thoroughly respond to their enquiries, ensuring that we listen to their views and consider their opinions. The Company Secretary acts as the main contact person for shareholder enquiries and helps in relaying them to the Board while giving appropriate and prompt solutions. Please send any written messages to the Central Depository Systems (Pvt) Ltd, registrar of the Company at the address mentioned below:

Name : Central Depository Systems (Pvt) Ltd
Address : Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya
Telephone number : 0112356456
Fax : 0112440396
Email : cdsreq@cse.lk

Beyond what is required by law, we are dedicated to providing shareholders with effective communication. Our company is dedicated to maintaining an active, clear, and reliable strategy to keep shareholders well-informed about the company's performance, future prospects, and important events. Through efficient communication, we strive to cultivate strong relationships with our shareholders, with the goal of establishing a mutual comprehension of our goals, promoting enduring loyalty, and optimising value for all parties involved.

Further details on engagement with the Shareholders of the Company is provided under stakeholder engagement section on page 176 to 180 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors are of the belief that the Company has not engaged in any activities contravening the law and has complied with all applicable regulations.

ANNUAL GENERAL MEETING

The Thirteenth Annual General Meeting will be held on 23 September 2024 at 10.00 a.m. virtually.

The notice of the Annual General Meeting appears on page 316.

This Annual Report is signed for and on behalf of the Board of Directors by



V. A Prasanth
Chairman



Chalani Gonaduwa
Company Secretary

20 August 2024
 Colombo



R. J. A Gunawardena
Executive Director

RESPONSIBILITY OF THE DIRECTORS OF THE COMPANY

The responsibility of the Directors in relation to the financial statements of the company is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provision of the Companies Act No.07 of 2007, is set out in the independent Auditors' report appearing on pages 183 to 186. The Directors are required by the companies Act No.07 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statements of affairs of the Company as at the end of the financial year and the profit and loss and cash flows of the Company for the financial year.

The Directors confirm that the financial statements of the Company for the year ended 31st of March 2024 have been prepared and presented in accordance with Sri Lanka Accounting Standards and Companies Act No.07 of 2007. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

The Board of Directors of Asia Asset Finance PLC ("Board") holds the responsibility of approving and monitoring the strategic objectives and corporate values of the Company. Further they ensure that these strategies are communicated within the organisation, stakeholders, lenders and creditors. This strategic responsibility extends to cover the overall risk policy and risk management procedures for at least the subsequent three years.

The obligations of the Board also extend to reviewing internal structure and management of the organisation.

The hierarchy of the organisation must be monitored and continually assessed resulting in the identification of capable and qualified personnel whose position must be defined so as to review and oversee the policies, management and the strategic objectives of the business. This periodic assessment of the organisation would result in selection and nomination of Directors to the Board and other personnel to different

positions in the hierarchy. The interests of all personnel are brought to notice with the objective of reducing conflicts of interests between such persons, their benefits and the Company.

This assessment would result in a diverse hierarchy spanning personnel from different fields of expertise representing a wide range of operational and business aspects.

The Board must also draft and implement a succession plan for key management personnel. Communication of such plans, risk policies and other strategic objectives requires regular meetings of the Board. The hiring of Auditors is a duty of the Board so as to ensure that a third party without vested interest in the Company, reviews its operations or assets and examines the conduct of the personnel and the Company in detail, on a regular basis. Such a review must be communicated to all stakeholders with an interest in the operations of the Company

so as to improve transparency and trust between the Company and such persons.

The Board has the power to appoint a Chairman and a Chief Executive Director in accordance with the Financing Leasing (Corporate Governance) Direction No. 04 of 2009. The Board could seek for independent advice and assistance to supplement the Board in discharging their duties. However, the procedure to receive such assistance should be as resolved by the Board. Independency of the Directors could be maintained by ensuring that a Director who has a direct or indirect interest, whether monetarily or personal could abstain from voting for a Board resolution of such a matter and such a Director would not be considered to constitute the quorum. Certain matters could be formally recognised by the Board to fall within their parameters of decision making.

The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non- Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action. The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction. The Board is responsible for ensuring that the Company maintains proper books of accounts of all transactions and prepares financial statements for each financial

RESPONSIBILITY OF THE DIRECTORS OF THE COMPANY

year which gives a true and fair view of the Company's state of affairs for that time period which is a statutory obligation under Section 150 of the Companies Act No.07 of 2007. The Board shall adopt a scheme of self- assessment to be undertaken by each director annually and maintain records of such assessments.

The Directors have adopted the "going concern basis" in preparing the Financial Statements. Having reviewed the Group's business plans, the Directors are satisfied that the Company has adequate resources to continue in operation.

The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other statutory obligations including retirement gratuities as were due as at the Balance Sheet date have been either duly paid or have been appropriately provided for in the Financial Statements.

On behalf of the Board of Directors;



V. A Prasanth
Chairman



R. J. A. Gunawardena
Director/CEO

20 August 2024

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In accordance with Section 16(1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, the Board of Directors (“Board”) of Asia Asset Finance PLC (“Company”) presents this report on internal control over financial reporting.

The Board holds overall responsibility for the adequacy and effectiveness of the Company’s internal control over financial reporting. The internal control system is designed to manage key risk areas within an acceptable risk profile, rather than to eliminate the possibility of failing to achieve business objectives. It is important to recognize that while the internal control system provides reasonable assurance, it cannot offer absolute assurance against material misstatements, financial losses, or fraud. Accordingly, the Board has instituted a continuous process for identifying, evaluating, and managing the Significant risks faced by the Company.

KEY FEATURES OF THE INTERNAL CONTROL PROCESS

The Company’s internal control system over financial reporting is enhanced regularly, particularly in response to changes in the business environment or regulatory guidelines. The Board conducts regular reviews of this process, evaluating key risk areas against compensating controls that impact Significant accounts. Management supports the Board by

implementing policies and procedures related to risk and control, identifying and assessing risks, and contributing to the design, operation, and monitoring of internal controls to mitigate these risks.

The Board is confident in the adequacy of the internal control system to provide reasonable assurance regarding the reliability of financial reporting, ensuring that financial statements are prepared in accordance with relevant accounting principles and regulatory requirements. Specialized sub-committees have been established to ensure the effectiveness of the Company’s operations in alignment with corporate objectives, strategies, annual budgets, and approved policies. All policies, charters, and procedures are regularly reviewed and approved by the Board. The Board Audit Committee oversees these reviews through the Compliance Officer to ensure timely updates.

The Internal Audit Department continuously monitors compliance with policies and procedures, assessing their design and effectiveness. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee, which audits branches and service departments to provide independent assurance on operations and performance. Additionally, specialized information systems audit teams independently assess information systems and technology infrastructure to ensure the confidentiality, integrity, and availability of data processing technologies.

The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, External Auditor, regulatory authorities, and management, evaluating the adequacy and effectiveness of risk management and internal control systems. A continuous monitoring process has been established to mitigate risks related to financial reporting misrepresentations. Process owners regularly review and update procedures and controls related to Significant accounts and disclosures. The risk department verifies the design and effectiveness of these controls, while the Internal Audit Department assesses compliance and reports to the Board Audit Committee as necessary.

The Company adheres to Sri Lanka Accounting Standards (SLFRSs) and LKASs and is committed to ongoing improvements in processes to ensure compliance with recognition, measurement, classification, and disclosure requirements. The Board has considered the requirements of SLFRS 9 “Financial Instruments” and has implemented necessary modules, with progressive improvements in processes and controls related to model validation and compliance.

CONFIRMATION

Based on the outlined processes, the Board affirms that the Company’s financial reporting system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

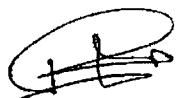
external purposes, in compliance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS, AND LAWS

The Company confirms that there have been no material non-compliances with prudential requirements, regulations, laws, or internal controls. There have been no supervisory concerns regarding the Company's Risk Management Systems, and no non-compliance issues have been identified by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka that necessitated disclosure by the Monetary Board. As no such lapses or directives have occurred, there are no additional measures or disclosures required in this regard.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

Messrs. BDO Partners reviewed this Director's Statement on Internal Control over Financial Reporting, with their report included in the Company's Annual Report for the year ended 31 March 2024. They have reported to the Board that their review did not reveal any inconsistencies with their understanding of the process adopted by the Board regarding the internal control over financial reporting. Their report is detailed on page 153 of this Annual Report.



R. J. A. Gunawardena

Director /CEO



R. A. B. Basnayake

Pro tem Chairman
Audit Committee

20 August 2024

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS



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Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of Asia Asset Finance PLC ("the company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") over financial reporting of the company included in the annual report for the year ended 31st March 2024.

MANAGEMENT'S RESPONSIBILITY

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

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

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

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

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

SUMMARY OF WORK PERFORMED

We conducted our engagement to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the system of internal control for the company.

The procedures performed were limited primarily to inquiries of the company personnel and existence of documentation

on a sample basis that supported the process adopted by the Board of Directors.

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

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

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

OUR CONCLUSION

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

BDO Partners

CHARTERED ACCOUNTANTS
Colombo 02
06th May 2024
HSR/cc

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker FCA, FCMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vadivel Bsc (Acc), ACA, ACMA.

BOARD AUDIT COMMITTEE REPORT

COMPOSITION

The Board-appointed Audit Committee comprises four Non- Executive Directors of whom three are Independent Directors

The members of the board-appointed audit committee in the year under review were:

Mr. R. A. B. Basnayake –(Pro tem Chairman) from 27/01/2023 SINED**

Mr. V. A. Prasanth – INED*

Mr. J. P. D. R. Jayasekara - INED*

Mr. K. G. K. Pillai - NINED***

*INED - Independent Non-Executive Director

**NED - Non-Independent Non-Executive
SINED - Senior Independent Non-Executive Director

***NINED – Non Independent Non Executive Director

The Committee’s composition met the requirements of the rule 7.10.6 and rule 09 of listing Rules of the Colombo Stock Exchange and Finance Business (Corporate Governance) Direction No: 05 of 2021

ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board of directors to oversee the financial reporting system, Internal Control mechanism, Internal Audit function and review of independence and performance of External Audit related affairs of the Company, with a view to safeguarding the interest of the shareholders and all other stakeholders.

The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Rules on Corporate Governance under “Listing Rules of the Colombo Stock Exchange” and “Code of Best Practice on Corporate Governance” issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

TERMS OF REFERENCE

The Audit Committee adheres to terms of reference, dealing with its authority and duties established for the purpose of assisting the Board to effectively carry out its responsibilities relating to financial and other connected affairs of the Company.

The Committee is responsible and reports to the Board of Directors. The terms of reference of the committee is reviewed periodically by a Board of directors

ACTIVITIES

Examine any matter relating to the financial and other connected affairs of the Company,

- Make recommendations to the Board of Directors on matters connected with engagement,
- re-engagement, partner rotation period, removal, and audit fees of External Auditors
- Monitor all Internal and External Audit inspection programs and review

- Internal and External Audit Reports and follow up on recommendations
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of Accounting Policies and their adherence to statutory and regulatory compliance.
- Ensure that a well-managed sound financial reporting system is in place to provide timely, reliable information to the Board of Directors, Regulatory Authorities, Management, and all other stakeholders.
- Ensure Company policies are firmly committed to the highest standards of good corporate governance practices and that operations conform to the highest ethical standards, in the best interests of all stakeholders.
- Shall review the statutory examination reports of the CBSL and ensure necessary corrective actions are taken in a timely manner and monitor the progress of time bound action plan.

MEETINGS

The Committee held Eleven meetings during the year to discuss the matters coming under their review. The attendance of the members at the meeting is as follows:

NO. OF MEETINGS ATTENDED

Mr. V. A. Prasanth 11/11

Mr. K.G.K. Pillai 11/11

Mr. R.A.B. Basnaya 11/11

Mr. J.P.D.R. Jayasekara 11/11

The formalized minutes of the Committee meetings with details of matters discussed are regularly tabled at Board meetings

The Director/CEO, COO, DGM Finance and Senior Managers of Internal Audit are invited to attend all meetings. The Committee also invite members of the Senior Management of the Company to participate in the meetings as and when required. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration. The Company Secretary appointed to function as Secretary to the Audit Committee.

FINANCIAL REPORTING

The Committee reviewed the effectiveness of the financial reporting system in place to ensure that the information provided to the stakeholders is reliable and is in strict adherence and compliance with the requirements of the Sri Lanka Accounting Standards and disclosure requirements and complies with the statutory provisions of Companies Act No 07 of 2007 and Finance Business Act No 42 of 2011. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The external auditors were given adequate access by the committee to

ensure they had no cause to compromise their independence and objectivity. The committee has also received a declaration from the external auditors as required by the Companies Act No 07 of 2007, confirming that they do not have any relationship or interests in the Company, which may have a bearing on their independence.

Prior to the commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach, procedures, and matters relating to the scope of the audit. The audit results were discussed at the conclusion of the audit, where the committee reviewed and approved the annual financial statements.

The external auditors were also provided with the opportunity of meeting Non-Executive Directors separately, without any executive being present, to ensure that the auditors had the independence to discuss and express their opinions on any matter which provided assurance to the committee that the management had fully provided all the information and explanations with full access to all relevant areas requested by the auditors

The committee reviewed the non-audit services provided by the external auditors, with a view to ensure that such functions do not impair the external auditors' independence and objectivity.

The audit committee discussed the relevant matters arising interim and final audit with the external auditors together with the management letter of

the previous year with the management's responses thereto.

The Audit Committee ensured that the engagement of an audit partner did not exceed five years and that the audit partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term as per section 10.2 (d) (ii) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. Further In accordance with the said Direction, the Audit Committee has implemented measures to ensure that the company does not engage the services of the same audit firm for a period exceeding ten consecutive years.

REGULATORY COMPLIANCE

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny. The committee reviewed the information requirement of Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, and other reporting requirements of CBSL, SEC, and CSE regulations. and Act No. 05 of 2021, Finance Business of Corporate Governance.

INTERNAL AUDIT

The Audit Committee exercises oversight over the internal audit function. The Committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention is given to high-risk areas. These reviews examine

BOARD AUDIT COMMITTEE REPORT

management's responses to the issues raised and recommendations to overcome the issues and the implementation plans.

The processes and the frequency of audits are dependent on the risk level, with higher risk areas being audited more frequently with greater focus. The Committee also ensured that the internal audit function is independent of the activities it audits and that the functions are performed with impartiality, proficiency, and due professional care

INTERNAL CONTROLS

The audit committee through the internal audit function that reports directly to the board audit committee, assessed the effectiveness of the internal controls and procedures for controlling business risk including the controls relating to the use of information technology and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the board that the assets of the Company are safeguarded, and the financial position of the Company is well monitored.

The Committee also regularly reviews the Internal Control Procedures in place to ensure that the necessary controls and mitigating measures are available in respect of the newly identified risk. IT based offsite audit function further strengthened with activities encompassing real time monitoring system generated alerts and exception reporting system.

AAF is now heavily dependent on Business systems and sophisticated IT

infrastructure, the committee emphasized the importance of regular IT governance, application, and infrastructure reviews to mitigate risk stemming from these systems.

AAF retained a leading IT Risk advisory service firm to advise company's hybrid Security Operations Center (SOC) operations, LukeyWallet Mobile Application and to perform bi annual/ annual review and report IT governance, infrastructure, applications controls and IT risks on our business systems to reinforce internal audit processes. The committee reviewed reports of the auditors and provided guidance in strengthening controls. The implementation of the e-Audit solution on Core business applications streamlining the internal audit process from planning, and execution to exception reporting last year, was further optimised with upgraded process/ reporting systems resulted in reinforcing risk management processes and internal controls whilst improving productivity, efficiencies of auditing staff. The committee also reviewed and assessed proposals for implementing GSM/GPS based solutions for asset tracking and Gen AI solutions for credit risk management.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to the adoption of new and revised Sri Lanka Accounting Standards (SLFRS/ LKAS) applicable to the Company and made necessary recommendations to the Board. The Committee would continue to monitor the compliance with relevant Accounting

Standards and keep the Board informed at regular intervals.

Evaluation of Accounting judgments, estimates, and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

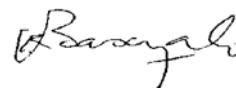
WHISTLE BLOWER POLICY

whistle blower policy and appropriate procedures are in place and reviewed annually to conduct independent investigations into any reported incidents through whistleblowing or identified through other means. The policy guarantees the maintenance of strict confidentiality of whistleblowing.

During the year under review, no such incident was reported.

CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the audited financials are free from any material misstatements.



R. A. B. Basnayake
Pro tem Chairman
Board Audit Committee

20 August 2024

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

THE COMPOSITION OF THE COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) functions as a Board Sub-Committee in compliance with Sections 8 of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 with board approved terms of reference.

The BIRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the Compliance Function of the Company.

The Committee comprised of the following members,

Mr. V. A. Prasanth

Mr. J.P.D.R Jayasekera

Mr. R. J. A Gunawardena (Director/CEO)

Mr. Roshan De Silva Gunasekera (Chief Operating Officer) and Executive Director w.e.f 15 September 2023

Mr. K. R Bijimon

The Committee is responsible and reports to the Board of Directors. Mr. V. A Prasanth and Mr. J. P. D. R. Jayasekera are Independent Non Executive Directors.

TERMS OF REFERENCE

The main objective of the BIRMC is to assist the Board of Directors to effectively carry out its responsibilities relating to financial, risk management and other

connected affairs of the Company, to protect interests of all Stakeholders

The main responsibility of the Committee is to assess risks faced by the Company such as credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk and put in place suitable risk mitigation measures. In fulfilling its duties, the Committee covers the following areas.

The Committee is empowered to:

- Review the quality of the credit portfolio including delinquency monitoring and adequacy of the allowances for impairment.
- Review the liquidity and Funding Risks.
- Review financial performance and the
- Capital Adequacy of the Company.
- Review progress on operational risk throughout the Company, including IT operations.
- Review of Business Continuity and Disaster Recovery Plan related issues.
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO)
- Review the Company's Compliance with laws and regulations
- Propose appropriate measures for corrective action as part of the risk mitigation process.
- Review the Asset and Liability Management Policy including the specific risk limits and monitoring the compliance

MEETINGS

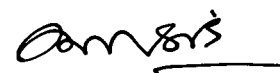
The Committee held Twelve meetings during the year under review. Senior Management staff also attend meetings as and when required. The BIRMC meetings are conducted on a monthly basis considering the importance of evaluating the risk levels and risk mitigation strategies of the Company regularly. The proceedings of the IRM Committee meetings are reported to the Board of Directors.

NO OF MEETINGS ATTENDED

Mr. V. A Prasanth	12/12
Mr. R. J. A Gunawardena	12/12
Mr. J. P. D. R Jayasekara	12/12
Mr. K. R Bijimon	7/12
Mr. Roshan De Silva Gunasekera	7/7

REGULATORY COMPLIANCE

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny.



V.A. PRASANTH

Chairman

Board Intergrated Risk Management Committee

20 August 2024

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

REGULATIONS RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Related Party Transactions Review Committee, which is appointed by the Board of Directors of the Company, in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules thereby enhancing the Company's internal control mechanisms. The committee consists of the following Independent Non- Executive Directors who possess in depth expertise and knowledge in the Finance Industry:

- Mr. J.P.D.R. Jayasekara (Chairman)
- Mr. K.R. Bijimon
- Mr. R.A.B. Basnayake

FUNCTIONS

To manage relationships with related parties to uphold good governance and the best interests of the Company.

To review the Policy annually and recommend amendments to the Policy to the Board as and when determined to be appropriate by the Committee. Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.

To evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company. It is also established to enhance corporate transparency and promote fair transactions. The committee is responsible for

reviewing related party transaction as well.

Furthermore, the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules. The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- To ensure that any related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties.
- To ensure proper review and approval is carried out by the Committee either prior to the transaction being entered into or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- To monitor disclosure of transactions between the Company and any of its Related Parties as required in compliance with legal and / or regulatory requirements stipulated by

the Listing Rules of the Colombo Stock Exchange, Central Bank of Sri Lanka and Sri Lanka Financial Reporting Standards.

- To monitor financial accommodations granted to Key Management Personnel, major shareholders and Related parties.
- To monitor business transactions with institutions where the Directors of the Company have an interest either as Directors or major shareholders.
- To monitor that all related party transactions are transactions on normal commercial terms and not prejudicial to the interests of the Company or its minority shareholders.

PROFESSIONAL ADVICE

The Committee has assessed and/ or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party Transaction and obtain such advice as and when necessary

MEETINGS

The Committee met four times during the year to review and discuss related party transactions. The following points were discussed at every meeting.

1. Financial accommodations Granted to Directors, Key Management Personnel, Major Share Holders, Parent Company, Related Companies

and Directors of the Parent Company.

2. Directors Deposits as at ...
3. KPM Deposits as at...
4. KPM relatives Deposits as at..

The minutes of the meetings were submitted to the Board of Directors.

KEY ACTIVITIES DURING THE YEAR UNDER REVIEW

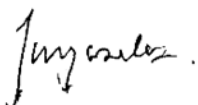
The committee reviewed the current regulations relating to RPT, issued by Colombo Stock Exchange Circular No. 04 of 2023 and the rule no. 9.1.4. Accordingly, the committee has done the amendments to the policy and to TOR of the same.

During the year 2023/24, there were no non - recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

The Committee discussed existing transactions with related parties, and recommended the procedure to be followed for future transactions. The Committee is in the process of developing policies and procedures to identify related parties prior to transactions, seek approval where necessary and to report in compliance with regulatory and / or legal requirements.

FUTURE OUTLOOK

The Committee will continue to review related party transactions to ensure the Company is in compliance with its stipulated framework governing related party transactions. The committee will also adopt new practices and policies to ensure that the committees maintains the highest standards in its governance structure and will seek external support where necessary.



J.P.D.R Jayasekara

Chairman

Related Party Transaction Committee

20 August 2024

NOMINATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Board-appointed Nomination Committee comprises four Non-Executive Directors of whom two are Independent Directors.

The members of the board-appointed Nomination committee in the year under review were:

Mr. R. A. B. Basnayake – (Chairman) SINED

Mr. J. P. D. R. Jayasekara - INED

Mr. K.R. Bijimon - NINED

*INED - Independent Non-Executive Director

**NINED - Non-Independent Non-Executive Director

***SINED Senior Independent Non-Executive Director

The Committee's composition met the requirements of the listing Rules of the Colombo Stock Exchange and the Board Nomination Committee Corporate Governance requirements of the rule 10.4 of Finance Business Act (Corporate Governance) Direction No. 5 of 2021.

FUNCTIONS OF THE NOMINATION COMMITTEE

1. Implementation of formal and transparent procedure to select/ appoint New Directors and Senior Management. Senior Management shall be appointed with the recommendation of the Director/Chief Executive Officer, excluding the Chief Internal Auditor, Chief Risk Officer, and Compliance Officer.
2. The Committee shall ensure that the Directors and Senior Management are fit and proper persons to perform their functions as per the Finance Business

Act (Assessment of Fitness and Property of Key Responsible Persons) Direction.

3. 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.
4. 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 company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.
5. The committee shall consider and recommended from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management.
6. 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.
7. The committee shall review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable, regulatory requirements and industry/ international best practices.
8. Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
9. To make recommendations on other related matters referred to the Committee by the Board of Directors.

MEETINGS

The Committee held two meetings during the year under review. The attendance of the members at the meeting is as follows:

NO. OF MEETINGS ATTENDED

Mr. R. A. B. Basnayake – (Chairman) 1/2

Mr. J. P. D. R. Jayasekara – 2/2

Mr. G.M. Alexander – 2/2

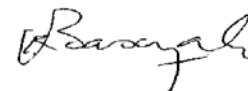
Mr. K.R. Bijimon - 2/2

ACTIVITIES DURING THE YEAR

The Committee met twice during the year to deliberate on appointment and succession planning for key management personnel and to assess additional/ new expertise and succession arrangements for new directors and retiring directors.

POLICIES AND PROCEDURES

The Nomination Committee operates within the terms of reference as approved by the Board. As per the said terms of reference, the Committee shall be constituted with Non Executive Directors, majority of whom may preferably be Independent Non- Executive Directors. The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.



R. A B. Basnayake
Chairman
Nomination Committee

20 August 2024

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

COMPOSITION

The Human Resources and Remuneration Committee appointed by the Board of Directors includes the following Directors:

Mr. V. A. Prasanth

Mr. G. Alexander

Mr. R. A. B. Basnayake

Mr. J. P. D. R. Jayasekara

The Chairman of the Committee, Mr. V.A. Prasanth, Mr. R. A. B. Basnayake and Mr. J. P. D.R. Jayasekara are Independent Non-Executive Directors.

HUMAN RESOURCES & REMUNERATION POLICY

The Asia Asset Finance Remuneration Policy aims to draw, motivate and retain talent in a competitive environment. The policy aims to ensure that the total remuneration package is adequately competitive to attract the best talent from the industry.

The Company's remuneration framework for the Chief Executive Officer, Directors and Corporate Management Team is structured to identify the contributions made by them and to remunerate appropriately. The policy further takes into consideration both short-term and long-term objectives of the Company when finalizing incentives.

SCOPE

The Human Resources and Remuneration Committee evaluates and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Chief Executive Officer and the members of the Senior Management in addition to recommending the Directors fees payable to Non Executive Directors.

The Chief Executive Officer, who is responsible for the overall management of the Company, attends meetings by invitation and participates in evaluations except in instances where his own interest, performance and compensation packages are discussed.

The Committee also evaluates and recommends the bonuses and special performance allowances pertaining to the Management level against key performance indicators and goals set out at the beginning of the year. The succession plan in the Company is also evaluated by the Committee.

FEES

All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on sub-committees.

COMMITTEE MEETINGS

A formal meeting of the Committee takes place whenever necessary.

During the financial year 2023-24, the Committee met on -- Four ----- occasions.

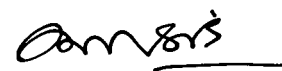
NO OF MEETINGS ATTENDED

Mr. V. A. Prasanth 4/4

Mr. G. Alexander 4/4

Mr. R. A. B. Basnayake 4/4

Mr. J. P. D. R. Jayasekara 4/4



V.A. PRASANTH

Chairman

Human Resources & Remuneration Committee

20 August 2024

IT STEERING COMMITTEE REPORT

THE COMPOSITION OF THE COMMITTEE

The IT Steering Committee (ITC) functions as a Board Sub-committee with board approved terms of reference.

The IT Steering Committee (ITC) has been established to advise the Board and management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters.

The Committee comprised of the following members,

Mr. Rajitha Basnayake (Chairman)

Mr. V. A Prasanth

Mr. J. P. D. R Jayasekara

Mr. Rajiv Gunawardena (Director/CEO)

Mr. Inditha Jayathilake (DGM IT)

The Committee is responsible and reports to the Board of Directors. Mr. Rajitha Basnayake, Mr. J.P.D.R. Jayasekara and Mr. V. A. Prasanth are Non Executive Directors.

TERMS OF REFERENCE

The Committee, by providing insight and timely advice and discussion, assists the Board of Directors to effectively carry out its responsibilities in relation to Information technology matters of the company.

ITC monitors formulation and implementation of company's IT strategy and assess strategic alignment, value delivery, resource management,

risk management and performance management of company's IT function in enabling the business strategies and functions of the company.

AUTHORITY

The IT Steering Committee operates at the Board level but does not assume the Board's accountability. Nor does it play a role in day-to-day management

The ITC must work in partnership with the other board committees to provide input to, review and amend the aligned corporate and IT strategies. Possible partnerships with:

- The Audit committee on major IT risks
- The IRM committee on technology risk, value delivery and alignment
- Remuneration committee, on performance measurement and succession planning.

The Committee has been empowered to:

1. Provide guidance on the overall IT strategy and monitor progress
2. Review IT capital and annual expenditure budgets and significant IT investment decisions, prior to them being sent to the Board of Directors for approval
3. Review formulations and amendments to IT policies and procedures and periodically assess the effectiveness of implementation and adherence
4. Provide guidance in strengthening systems and processes in relation to technology risk management and resilience

5. Scan emerging technologies, advise on digital transformation initiatives, and its potential use for competitive advantage and risk mitigation.

MEETINGS

The Committee held Four meetings during the year under review.

Mr. Rajitha Basnayake 4/4

Mr. V. A Prasanth 4/4

Mr. J. P. D. R Jayasekara 4/4

Mr. Rajiv Gunawardena 4/4

Mr. Inditha Jayathilaka 4/4

Senior Management staff, Chief Information Security Officer (CISO) are also invited to attend IT meetings as and when required. The proceedings of the IT Committee meetings are reported to the Board of Directors. The minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board is thus obtained for implementation of the recommendations made by the Committee. Follow up action will be taken on outstanding matters on a regular basis.

KEY ACTIVITIES DURING THE PERIOD UNDER REVIEW

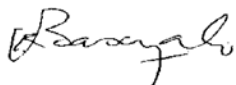
The committee reviewed the progress of the implementation of IT Strategic Plan together with the Digital Transformation Road map initiatives aligned to achieve company's strategic growth objectives. AAF IT achieved Significant milestones during the period under review as well underpinning rapid growth of island-wide branch network and omnichannel

marketing strategies improving customer experience and quality of service.

The committee provided guidance for further improvements in AML Risk assessment and transaction monitoring tools, AAF Luckewallet mobile App on IOS and Android platforms linked to the core business system, strengthening hybrid Security Operations Center (SOC) protecting organisation against cyber threats, CISO's review of key findings presented at Information Security Committee (ISC), customer service process digitalisation with AI initiatives, process optimisation of e-Audit solution, Gold Loan customer on-boarding App, GSM/GPS based solutions for tracking, Business process and paperless office automation solutions contributing heavily for the improvement of productivity, efficiency, customer service and strengthening of internal control systems.

The committee reviewed the adequacy of IT risk management framework, policies, procedures in compliance with CBSL directives and leading information security practices and guidelines and provided guidance to reinforce technology risk management and resilience.

The Committee also reviewed Significant IT capital and recurring expenditure items proposed for procurement and recommended them for approval by the Board of Directors.



R.A.B. Basnayake

Chairman

IT Steering Committee

20 August 2024

RISK MANAGEMENT

As we navigate through a constantly shifting risk landscape, we continue to evolve in the face of country specific macro prudential headwinds, a sluggish global economy, and geopolitical tensions that impact the borrowing capabilities of a vast segment of society that are entwined with international tourism. In addition, social and environmental concerns, such as mass labour migration, impact of climate change, mandating controls and measurements to ensure our Company only contributes positively to the environment pose risks in incremental percentage.

GLOBAL RISK LANDSCAPE

According to the Global Risk Report 2023, in addition to the ‘old’ risks such as increased inflation, cost-of-living crises, trade wars, capital outflows from emerging markets, geopolitical tensions, and civil unrest, the world has encountered, which are being amplified by new developments in unsustainable debt levels, low global growth and investment, as well as climate change and the biodiversity concerns which threaten the preservation of the planet.

In 2023, therefore, the risk landscape was arrayed with a variety of factors necessitating a robust and dynamic approach to risk management. As we navigate this terrain marked with rapid technological advancements, geopolitical tensions, trade-wars, and other lingering effects of global events, cybersecurity becomes a pivotal concern. Business must prioritize defenses against evolving threats.

SRI LANKA’S RISK LANDSCAPE

This can be measured by applying the PETSEL analysis for the year under review.

PETSEL ANALYSIS

We analyzed risk in the context of Political, Economic, Technological, Social, Environmental, and Legal (PETSEL) considerations.

POLITICAL	The political landscape of Sri Lanka in 2023, Sri Lanka faced significant political turmoil marked by widespread protests against economic hardship and governance failures. The country grappled with an economic crisis that required international assistance and drastic changes in the monetary policy. Amidst public unrest and demands for reform, the government implemented measures to stabilize the economy and restore trust, though the path to recovery remained challenging
ECONOMIC	Sri Lanka’s economic landscape in 2023 was marked by Significant challenges. The economy contracted by 7.9% in the first half of the year, with sectors like construction, manufacturing, and financial services being the hardest hit due to credit shortages and supply chain disruptions. Despite these difficulties, there were signs of recovery as the year progressed, with inflation decreasing sharply to 4% in August from a peak of 69.8% in the previous year, and the central bank cutting policy rates to stimulate growth. Additionally, the trade deficit contracted by US\$1 billion, driven by import restrictions and a decrease in import demand, while remittance flows and tourism earnings improved, leading to an accumulation of foreign reserves.
SOCIAL	Sri Lanka’s societal landscape was characterized by Significant digital growth and economic challenges. The country saw an increase in internet users to 14.58 million, with a penetration rate of 66.7%, reflecting a more connected society and an informed populace. Cost of living affected the nation and many households were pushed below the poverty line.
TECHNOLOGICAL	The country also made strides in digital inclusivity, with a notable increase in social media users to 7.20 million, reflecting a deep integration of digital communication within society. Furthermore, Sri Lanka’s commitment to enhancing its digital infrastructure was evident in the active 36.18 million cellular mobile connections, surpassing the total population and indicating a robust mobile network coverage. This progress is a testament to Sri Lanka’s dedication to fostering a digitally empowered nation.

ENVIRONMENTAL	In 2023, Sri Lanka's environmental landscape was marked by Significant sustainability efforts. The country's commitment to environmental stewardship was highlighted by the Global Reporting Initiative, which noted the widespread adoption of sustainability reporting standards among Sri Lankan organizations. Moreover, the Ministry of Environment's dedication to managing natural resources and protecting biodiversity was recognized with the UN Decade of Restoration Flagship Award, reflecting the nation's progress in rebuilding vital mangrove ecosystems. These achievements underscore Sri Lanka's ongoing dedication to balancing economic development with environmental conservation.
LEGAL	Legal change to The legal landscape of Sri Lanka in 2023 was defined by significant events and changes, reflecting the broader challenges facing the country. Legal reforms were initiated to address issues of governance, economic stability, and public accountability, as the nation sought to navigate a complex period of transformation and recovery

risks but also positioned the Company to better navigate future uncertainties with increased efficiency and flexibility. Similarly, the boost to the Digitalization drive allowed adoption of new communication strategies with customers that enhanced the organization's agility and resilience, ensuring that it remains well-equipped to manage and adapt to the ever-changing risk landscape.

RISK STRATEGY

Although the economy was on the mend, we continued with a tightened risk strategy as cautious optimism for further economic growth was the norm in 2023/24. As such, we continued with all aspects of risk identifying, monitoring, mitigating, and reporting throughout the year under review.

MANAGEMENT APPROACH

We are committed to closely monitoring the developments and taking proactive approach to identify risks and opportunities through an effective risk management strategies and responses. Therefore, we aim to build resilience and create sustainable value for all our stakeholders.

A Significant aspect of this commitment is the ongoing enhancement of our Risk Culture. This initiative has led to a more vibrant and proactive approach to managing risk, characterized by the active engagement of all department units and branches. Through these efforts we fortify our defenses against potential threats while ensuring that every member of our organization is equipped and motivated to contribute to the Company's resilience and success.

The volatility in the market environment necessitated a dynamic and agile response from every business unit within the company. Market risk, credit risk, operational risk, liquidity risk, and financial risk were all intensified, prompting a comprehensive review and adaptation of risk management strategies. In this context, the risk management framework evolved to address these emerging challenges. Innovations such as the digitalization of processes, the overhaul of the document management system, and enhancements in customer communication methodologies were instrumental in bolstering the company's risk management capabilities.

These strategic responses represented a forward-thinking approach to risk management. Digitalization, for instance, not only mitigated immediate operational

RISK MANAGEMENT

RISK GOVERNANCE

Within the risks represented in the PETSEL analysis that impacted the risks universe of our Company, we continued to operate within the robust risk governance structure we had crafted, which consisted of several Board Committees appointed for the purpose.

Board Integrated Risk Management Committee (BIRMC)	IRMC is the Board subcommittee responsible for overseeing the risk management function of the Company in line with the directions of the regulatory authorities and those of the Board of Directors.
Assets & Liability Management Committee (ALCO)	Asset and Liability Committee (ALCO) is the formal Management Committee established to manage various risks that arise due to mismatches of contractual maturities of the assets and liabilities (Gap Analysis) of the Company and other operational risks related to liquidity, interest rate risks, exchange, and segment-wise credit exposures. The investment committee functions under ALCO to evaluate and make recommendation to ALCO on matters relating to investments.
Board Credit Committee	Board Credit Committee is established in order to evaluate and give Directions to the management at the time of new product developments and enhancements or curtailing current products. Further the committee reviews the past actions and monitors the performance of the loan base.
Board Audit committee	Board Audit committee ensuring the company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures; Facilitating the independence of the external audit process and addressing issues arising from the audit process; and Ensuring the company maintains effective risk management and internal control systems. Also Reviewing financial statements and other financial information distributed externally monitoring the procedures in place to ensure the company is in compliance with the Finance Business Act, CSE Listing Rules, CBSL Regulations and other legislative and reporting requirements.
Board IT Steering Committee	The Information Technology committee (ITC) is an advisor to the Board and management on current and future information technology related issues. It assist the Board in governing and overseeing company's information technology related matters. ITC monitors formulation and implementation of company's IT strategy and strategic alignment assess, value delivery, resource management, risk management and performance management of AAF IT function in enabling the business strategies and functions of the company.

These committees played a pivotal role in reinforcing the company's risk management framework, and vested with the responsibilities of providing oversight, guidance, and strategic direction to the organization. Crucially, they are also charged with fostering the ongoing enhancement of the risk culture within the Company. By establishing and monitoring the company's risk appetite and tolerance levels, these committees ensure that risk-taking is aligned with our strategic objectives, industry regulations, and stakeholder expectations.

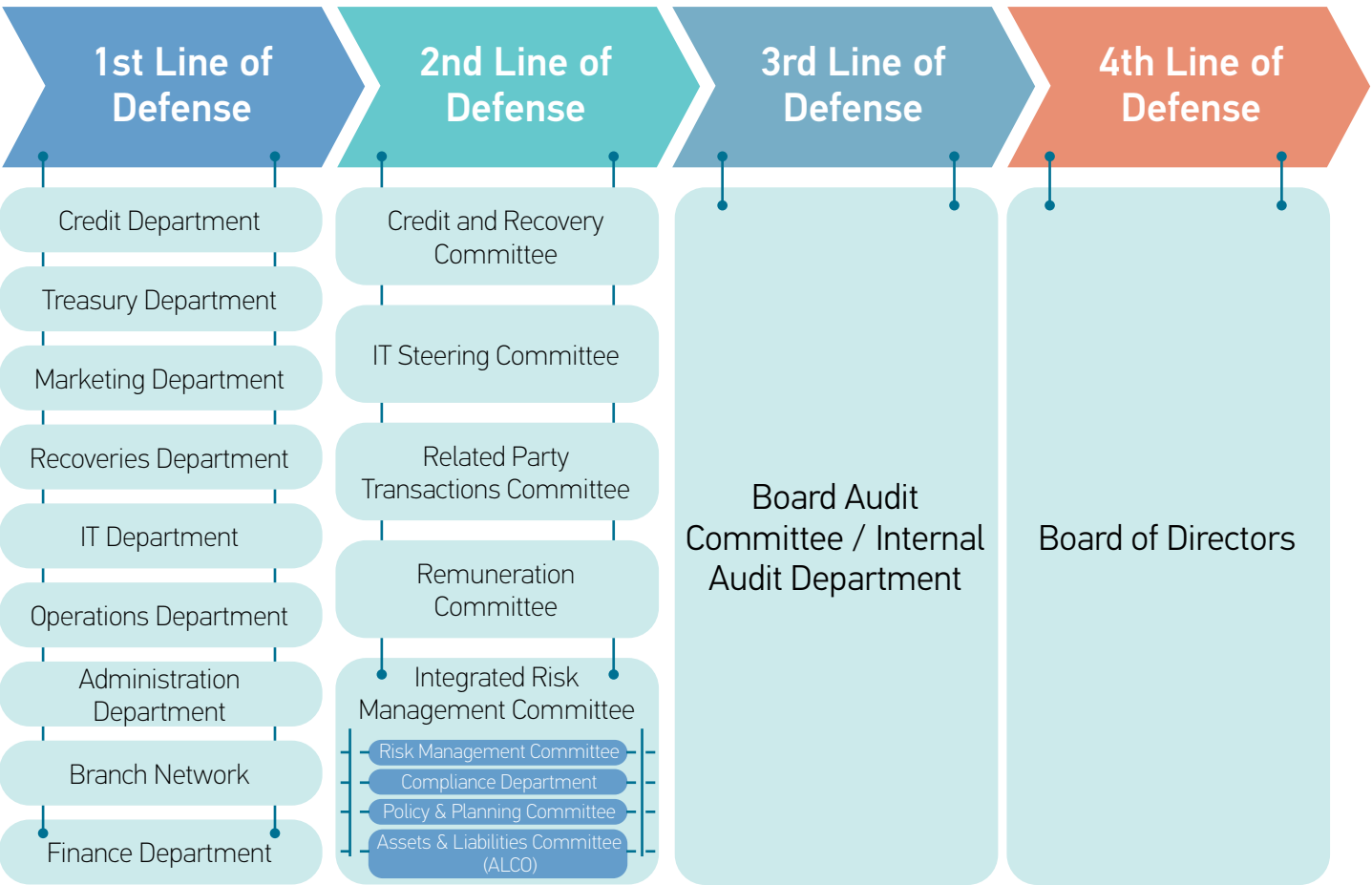
The structure of the Risk Committees encompasses both management and board-level committees, thereby satisfying the mandates of the corporate governance framework. Designed to span across all business units and branches, these committees serve as the

organization’s primary line of defense against potential risks. They play a critical role in implementing the directions set by the Integrated Risk Management Committee (IRMC) and the Board of Directors (BOD), ensuring strict adherence to established policies and procedures.

Moreover, these committees are instrumental in providing comprehensive oversight, expertise, and guidance in the management of risks. Their efforts are key to promoting effective risk management practices that safeguard the organization’s reputation, ensure financial stability, and support long-term success.

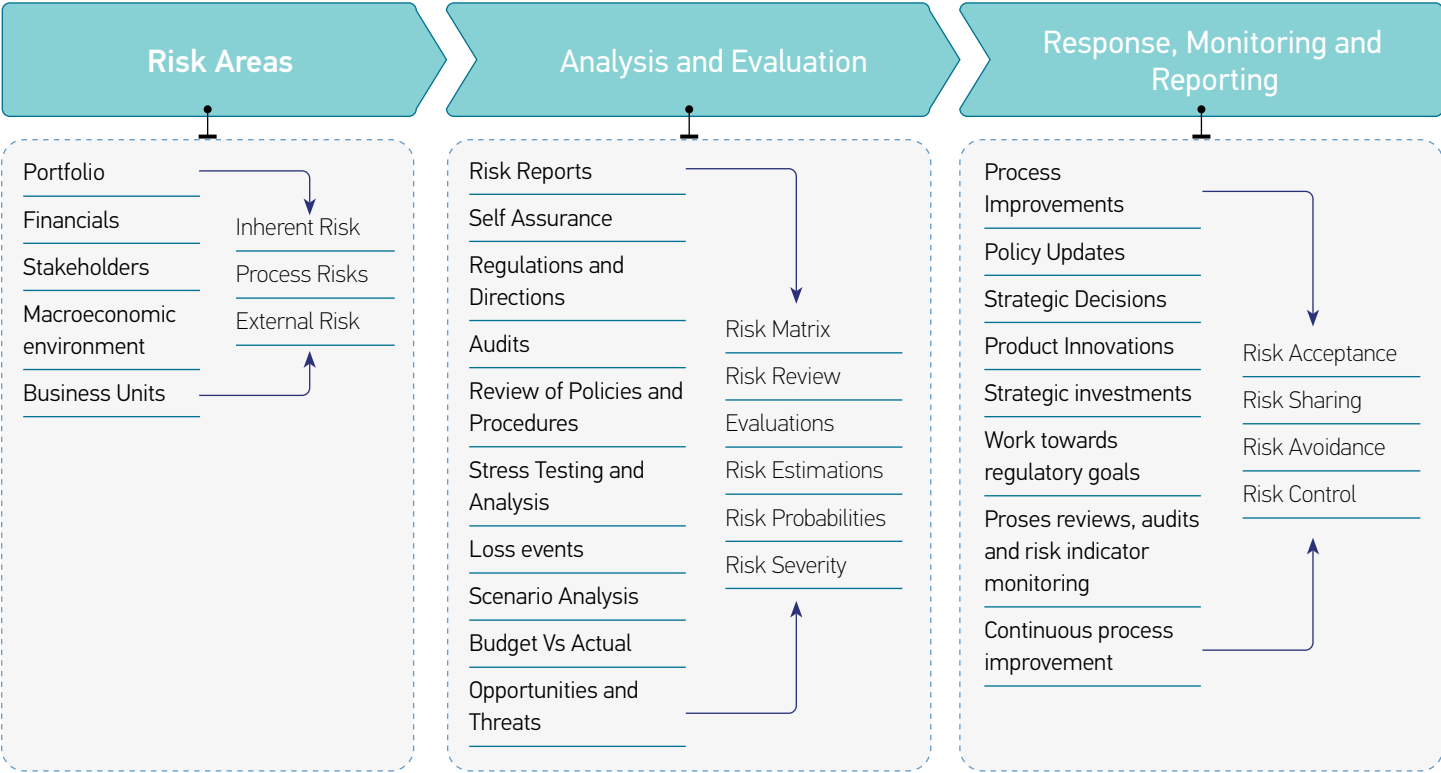
Risk Management

Three lines of defense assure that risk is quickly identified, mitigated and reported. These defense lines permeate through our entire business operations in differing intensities to ensure speedy actioning. This inclusive approach fosters a culture of risk awareness and accountability throughout the organization, enhancing the ability to manage and mitigate risks effectively. It also facilitates a dynamic and responsive risk management system that can quickly adapt to new challenges and opportunities, safeguarding the company’s assets and reputation while promoting sustainable growth.



RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK



We conduct a three-pronged risk management process that consists of Risk Identification, Analysis of the Risk impact, Response, Monitoring and Reporting. We continued with a muscled-up process in 2023/24 as the economy presented us with a variety of unprecedented uncertainties.

Risk Committees played a critical role in strengthening the risk management framework. Risk Committee carried out a yeoman service in this volatile risk environment to ensure controls were placed and were adhered to by all employees.

RISK APPETITE STATEMENT (RAS)

The Risk Appetite Statement (RAS) is the foundation of the Risk Management framework, embodying the organization’s commitment to disciplined and informed risk-taking. This pivotal document provides clear guidelines for management, committees, and staff, enabling them to tailor their actions in accordance with the Company’s predefined risk tolerance and strategic objectives.

Over the course of the past four financial years, which presented a myriad of challenges, the Company demonstrated remarkable resilience and adaptability.

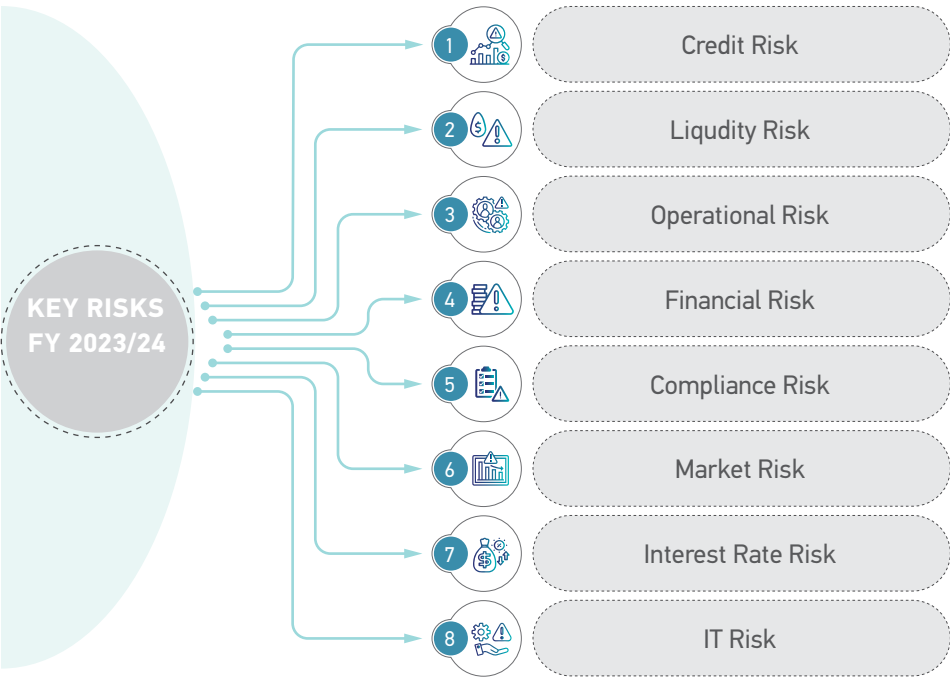
The effectiveness of the company’s response during these turbulent times can be largely attributed to the dynamic and responsive nature of the RAS. By outlining clear risk thresholds and mitigation strategies, the RAS has empowered us to not only navigate risks proactively but also seize opportunities that align with its strategic goals, thereby enhancing overall value.

To this end, the Risk Committees played an instrumental role with their commitment to maintaining a contemporary RAS that accurately reflects the current risk landscape. Through regular reviews and updates,

the committees ensure that the RAS evolves in step with both internal changes and external market dynamics. This ongoing refinement process has proven essential during strategic decision-making, providing a robust framework that guides the organization through complex scenarios and decision points.

Furthermore, this proactive approach to risk management facilitated by the RAS has enabled us to maintain stability and continue its growth trajectory despite the pressures of an unpredictable global environment. It underscores the Company’s dedication to rigorous risk assessment and management practices, ensuring that all levels of the organization understand and adhere to the established risk boundaries. The updated RAS guides daily operations while shaping strategic initiatives, fostering a culture of risk-awareness that permeates every facet of the Company.

KEY RISKS FY 2023/24



Inherent Risk

Credit Risk

The Company established rigorous credit risk assessment procedures to address the possibility of financial losses resulting from defaults or non-payments. These included evaluating the credit worthiness of borrowers, defining suitable lending limits, monitoring concentration patterns, and loan portfolios to detect and mitigate credit risk. Product, Geographic and Sector-wise concentration levels were intrusively monitored to avoid losses.

Each product offered undergoes a rigorous evaluation process prior to its launch, encapsulated within a new product policy that incorporates both credit approvals and credit risk monitoring mechanisms. This policy ensures that each product aligns with the institution's overall risk management framework and strategic objectives. In addition to the steps taken at the time of product initiation and policy review, periodic risk reviews are also carried out as it is integral to the ongoing risk management process. These reviews assess the product’s performance against its expected financial outcomes and risk parameters. They provide an opportunity to adjust risk controls and product features in response to changes in the market environment or in the actual performance of the product.

The Governance structure around product policies is robust. All policies pertaining to new products are meticulously drafted with input from both the Credit and Risk departments. These policies are then reviewed and endorsed by the Internal Risk Management Committee (IRMC) or the Credit Committee before being submitted for final approval to the Board of Directors (BOD). This structured approval process ensures that all new products meet the required standards of risk management before they are offered to customers.

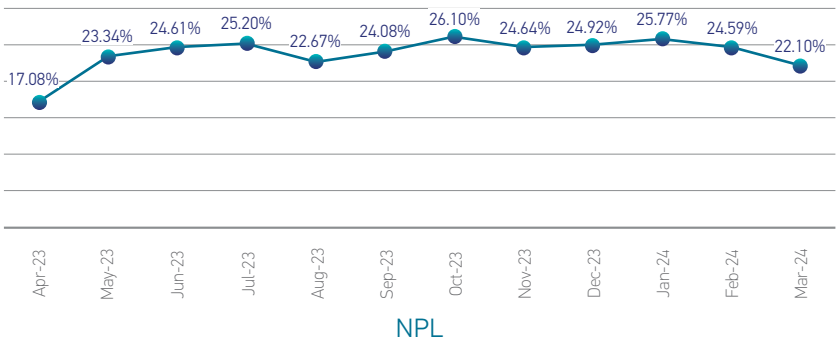
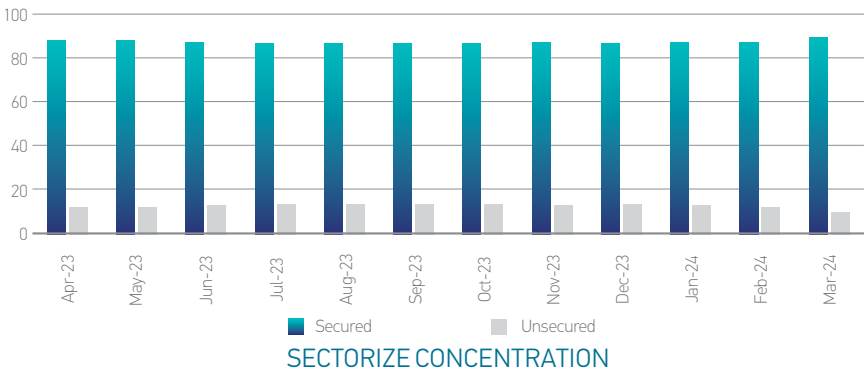
Each product within the lending portfolio is subjected to a thorough monthly screening, both at the portfolio level and individual contract levels. This analysis leverages Board of Directors-approved parameters such as bounce rates, tolerance levels, and threshold limits to

RISK MANAGEMENT

monitor and manage credit risk effectively. These metrics serve as critical guidelines for management in implementing targeted credit risk mitigation strategies for the product. These are further analyzed regional wise and Branch wise to address any credit concerns directly.

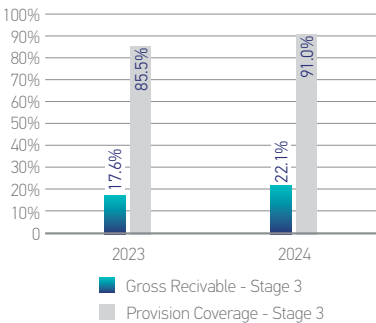
System takes a detailed approach in assessing each contract. It considers factors such as the Loan-to-Value (LTV) ratio, customer profiles, repayment patterns, and macroeconomic indicators—including inflation and sector-specific trends. This comprehensive evaluation enables management and staff to allocate resources efficiently, tailoring their efforts based on the risk profile of each customer.

Adopting this granular, risk-focused approach to managing credit has streamlined resource allocation and optimized the effectiveness of recovery efforts where necessary. The result is a more efficient use of time, improved work management, and enhanced overall resource management, making the institution's operations both more strategic and adaptive in addressing credit risk challenges.

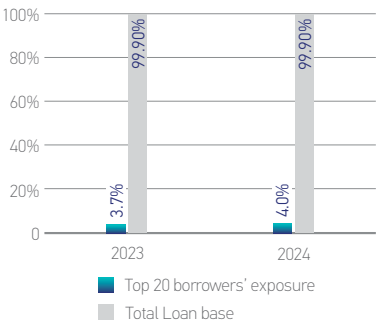


Liquidity Risk

Sound liquidity management practices were implemented to address the risk of insufficient funds to meet financial obligations as they arise. During financial year under



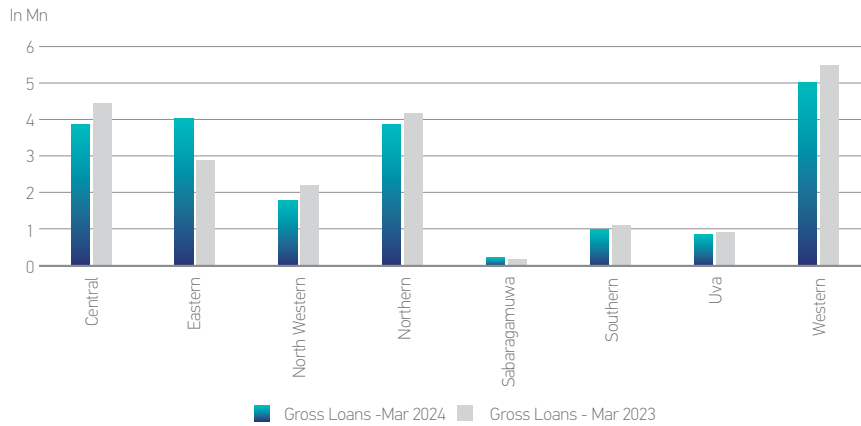
ASSET QUALITY - STAGE 3



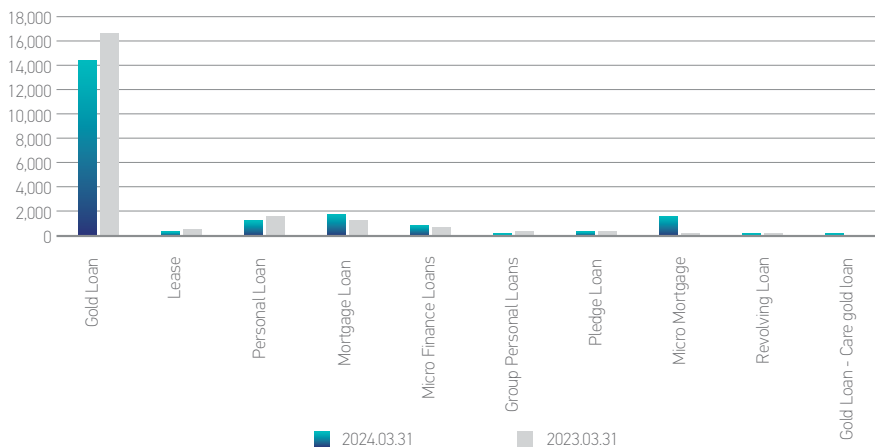
TOP 20 BORROWERS

review, the Company faced Significant liquidity challenges, primarily driven by high interest Rates, as well as changes in policy rates. These fluctuations led to a shift in customer investment preferences, with many opting for alternative investments like Treasury bills and money market accounts, which typically offer higher returns during periods of rising interest rates. This shift affected the traditional deposit base, which is a key source of liquidity for most Financial Institutes.

Additionally, the unstable interest rate environment made some planned funding activities untenable at their projected costs. This temporary impediment was



REGION WISE CONCENTRATION



PRODUCT CONCENTRATION

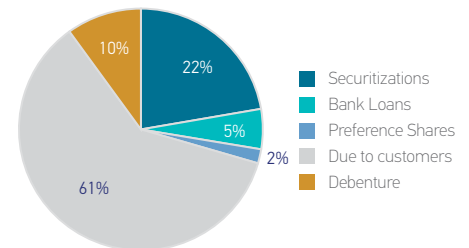
managed by shelving certain funding initiatives to mitigate the impact of interest rate fluctuations and preserve its financial stability.

The Asset-Liability Committee (ALCO) plays a pivotal role in managing liquidity risk at AAF PLC. The ALCO, comprising members from various departments, such as finance, risk management, and treasury, focuses on optimizing the balance between assets and liabilities. They closely monitored market conditions, interest rate movements, and exchange rate fluctuations to proactively identify potential risks and opportunities.

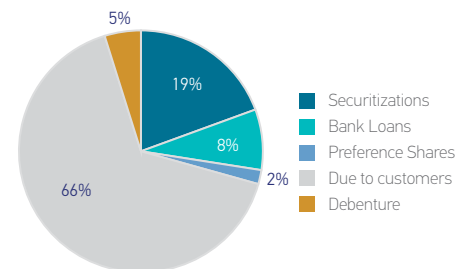
ALCO helps the Company to navigate complex financial landscapes, ensuring that the institution remains stable and can continue to meet its obligations. Through careful monitoring, strategic decision-making, and product innovation, ALCO works together to maintain a robust liquidity management framework that minimizes risk and supports the institution's long-term financial goals. As part of the Risk mitigations the Treasury

department is working towards addressing the funding composition with more innovative products. Along with stress test updates, AAF PLC will take steps to reduce the cost of funds.

Funding MIX graph Year on Year.



FUNDING MIX AS OF 31.03.2023



FUNDING MIX AS OF 31.03.2024

Process Risk

Operational Risk

With monitoring and follow up on the actionable, Operational Risk is a controllable risk by the Company. We monitor operational risk by implementing Key Risk Indicators, which are set by the IRMC and monitored monthly. We have identified several components of the Operational Risk, which are as follows :

- Execution, Delivery and Process Execution risk
- HR Related Risk

RISK MANAGEMENT

- Internal and External Fraud
- Business Disruptions and System downtime

Any new Risks are continuously monitored through business process analysis and SOP preparations for each product and function. Further Internal Audit Department has a dual role in identifying risk and ensuring that the policies and procedures given in order to mitigate risk are followed by the business units. The Internal Audit function is strategically structured into two distinct units to maximize oversight and ensure comprehensive risk management coverage.

While the internal audit unit will work with the live work environment monitoring transactions real time to improve the internal functions and business operations, there will be field team who will visit branches to ensure the branch operations and confirm their business activities are within the policy and procedure guidelines. Management committees actively supports the Internal Audit function. These committees are responsible for the independent monitoring of our policies and procedures, ensuring they remain robust and responsive to the changing dynamics of our business environment. Regular discussions with business unit heads facilitated by these committees enable a proactive approach to risk management, ensuring issues are addressed promptly and strategically.

The Company established a dedicated Policy and Planning Division, underscoring our

commitment to maintaining the highest standards of governance and operational efficiency. This division is tasked with a critical role in ensuring that all policies and procedures within the organization are current, comprehensive, and clearly communicated across all levels of the company. This division serves as the central point for coordinating policy updates. It ensures that all governing policies and procedures are not only up to date but also in alignment with industry standards and regulatory requirements. This involves regular reviews and revisions of existing policies, as well as the development of new policies as our business environment evolves. Further to the existing policies, new products and digitalization improvements are all challenged through the Policy and planning unit giving covering all aspects of the implementation to ensure successful launches.

The division is responsible for the clear communication of policies and procedures throughout the organization. This ensures that all business units are aware of and understand their roles and responsibilities in relation to these policies, which is crucial for effective implementation and compliance. Through its comprehensive and proactive approach, the Policy and Planning Division plays a pivotal role in minimizing and preventing operational risks. By ensuring that policies are robust, current, and effectively communicated, the division helps safeguard the organization against potential risks and enhances overall operational resilience.

Training and development play a key role in gearing up the workforce to mitigate

operational risks in their daily work routines and to escalate any new risks, to the management. The Human Capital section of this report carries the training programs we conducted during 2023/24.

FY 2023/24 presented Significant operational challenges, particularly due to high staff turnover amid difficult macroeconomic conditions in Sri Lanka. Many employees sought opportunities abroad, leading to a noticeable vacuum in the local job market and impacting our operations. Recognizing the gravity of this issue, management placed a heightened focus on managing human resources risks, while ensuring existing control requirements are not jeopardized in any way.

Market Risk

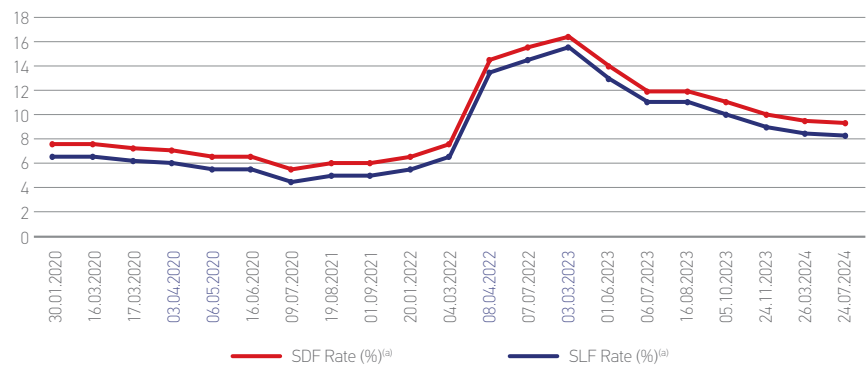
Market risk is external, and the Company needs to be vigilant to detect market conditions that may trigger adverse impact is seen in the market. Under Market Risk there are three main factors that impact on our business lines directly.

1. Interest Rate
2. Commodity price of Gold
3. Exchange Rate.

Interest rate risk is a critical concern for financial institutions, primarily because it affects both sides of the balance sheet—impacting the rates they can charge on loans and the rates they must pay on deposits and other borrowings. During the fiscal year 2023/2024, interest rate volatility was identified as a High risk factor, influencing the overall risk management strategy at AAF PLC

Policy Rate Chart 2023

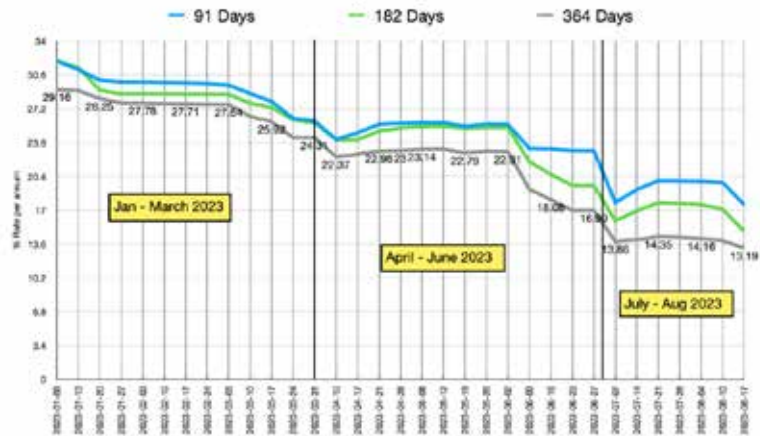
The Company utilized stress testing extensively to assess the potential impact of interest rate changes on its financial stability. Stress tests simulate various interest rate scenarios, including both sudden spikes and gradual changes, to evaluate how these scenarios could affect the institution's liquidity, earnings, and capital adequacy. This proactive approach helps identify potential vulnerabilities and enables the institution to develop strategies to mitigate those risks effectively.



CHANGES IN POLICY INTEREST RATES
of The Central Bank of Sri Lanka

The weekly monitoring of Treasury Bill (T-Bill) rates provided us with valuable insights into short-term interest rate trends. T-Bills, often used as a benchmark for other interest rates, serve as a good indicator of the market's interest rate expectations. Further by analyzing the forward monetary policy outlook of the Central Bank of Sri Lanka (CBSL),

MOVEMENT OF TREASURY BILL RATES
January - August 2023



we could gauge potential future changes in interest rates. This analysis is crucial for anticipating market trends and adjusting the portfolio strategy accordingly to mitigate adverse effects on the institution's financial performance.

Net Interest Margin (NIM), which is a key indicator of the interest rate risk, was monitored and stress tested monthly. NIM reflects the difference between the interest income generated by the Company and the amount of interest paid out to its lenders, relative to the amount of interest-earning assets. By focusing on NIM, management could assess the immediate financial impact of interest rate changes and adjust their asset and liability management strategies to optimize the margin.

The combination of stress testing, close observation of market indicators, and strategic adjustments based on predictive analyses enabled the institution to maintain stability in its NIM, even in a volatile interest rate environment.

Commodity Price Risk

Commodity Price Risk which is part of the market risk is one of the critical risks under the risk radar. This is mainly due to the impact of the gold prices in the collateral which will impact the security value of the gold portfolio. Gold Portfolio strength is mainly monitored through the Loan to Value ratio which will have an adverse impact in the event price falls. Gold Commodity prices are important not only to monitor the portfolio risk but certain competitor strategies are also ignited as price competition considering the gold prices.

RISK MANAGEMENT

Hence there should be a clear understanding of how to mitigate the portfolio risk of reducing gold prices. Mitigation on commodity risk includes LTV based lending to ensure risk is controlled and at the same time timely recovery of the interest to ensure the LTV is maintained at manageable levels. Special Gold Audits are done to ensure there are no discrepancies in the gold quality and would withstand any sudden price reductions in gold. Further the risk is evaluated through Stress testing and with possible impact to the bottom line and CAR.

World gold price



Exchange rate risk

Volatility in exchange rate risk, impacts the local gold prices. Other than that, the Company is not exposed to any foreign loans or borrowings. Hence the Exchange rate is monitored on what sort of impact it will have in the local gold price and is monitored in connection with the commodity gold price risk.

Compliance Risk

At AAF, strict compliance with all laws, regulations, guidelines, and rulings is non-negotiable. This commitment ensures our business's sustainable development and reinforces our role as a responsible corporate citizen.

Compliance risk is a critical focus for AAF, ensuring adherence to all applicable laws, regulatory guidelines, directions, and general codes of conduct. By mitigating compliance risk, we aim to protect the company's reputation and the interests of our stakeholders.

In response to economic downturns and rapid technological advancements, the enforcement of new directions and regulations has intensified. Consequently, our management teams, board committees, and Board of Directors have placed Significant emphasis on ensuring that AAF operates within the prescribed guidelines and laws established by statutory authorities and the country's legal framework.

As AAF expanded its branch network to 85 branches, our management teams and relevant stakeholders have successfully complied with these new compliance measures. AAF recognizes the importance of robust compliance procedures and frameworks to address the evolving regulatory landscape. The company actively monitors changes in laws and regulations to ensure ongoing compliance and mitigate compliance-related risks.

By diligently following directions and guidelines from regulatory bodies and operating within the legal framework, AAF strives to uphold its commitment to compliance. This approach not only protects the company's reputation but also instills confidence in our stakeholders, ensuring transparency and ethical practices throughout our operations.

IT Risk

We made Significant investments in upgrading our technological platforms and digital products. The trade off was a 100% paperless workplace that has reduced costs and positively contributed to the environment.

Simultaneously, we are cognizant about cybercrime and have laid out tight IT security platforms and a security centre fully dedicated to capturing any intrusions. To oversee IT risk management, an IT steering committee comprising members appointed by the Board of Directors, Head of IT, Chief Information Security Officer (CISO), Internal Audit, and Risk Management was established. This committee played a pivotal role in ensuring that disaster recovery plans, business continuity strategies, IT policies, and IT security policies were regularly updated. Compliance with these policies was paramount to involving all relevant stakeholders and building a strong IT risk framework.

Continuous engagement, both internally and externally, played a crucial role in maintaining an effective IT risk framework. Regular communication and collaboration with internal teams and external experts ensured that the risk framework remained up to date and aligned with the evolving IT landscape. By staying proactive and engaging in ongoing discussions, the Company aimed to stay ahead of potential IT risks and protect the Company from cybercrime.

Strategic Risk

This refers to potential losses that may arise due to flaws in the company's future business plans and the risk of strategies being insufficient to address dynamic changes in the operating landscape. It's crucial to proactively assess and adapt to mitigate these risks. We have established a robust mechanism for strategy formulation with the input of the

Board and the Corporate Management Team, that assess the operating environment considering the stakeholder needs. Strategic priorities are calibrated in line with emerging business realities. Continuous performance monitoring against set targets helps assess strategic risk exposures.

The management diligently executed the Board's strategic plans, emphasizing external factors and market conditions. Regular monitoring and updates ensured timely adjustments. The management exercised caution, consulting with the Board and assessing risks during plan execution. Prudent capital expenditures aligned with risk management. This collaborative approach balanced growth opportunities with risk awareness. Overall, the Company's commitment to strategic execution and risk management is evident in the success it achieved in the year under review.

Risk, Strategy and Resource Allocation

When defining strategy and allocating resources, we focus on the many factors in the risk universe as enumerated in the previous pages. Effective risk strategy and resource allocation are critical components of organizational management. They involve identifying potential risks, assessing their impact, and strategically allocating resources to mitigate them. We ensure that regulatory and enforcement efforts are focused where they are most needed, optimizing the use of resources across a broad range of risk exposures. By integrating risk considerations into strategic planning, we can prevent losses, seize opportunities, and enhance overall efficiency.

SHAREHOLDER AND INVESTOR CAPITAL

Asia Asset Finance PLC was listed in the Main Board of the Colombo Stock Exchange in January 2012. Since 2014, the major shareholder Muthoot Finance Limited play Significant role in the success of the Company. Subsequently, we have seen consistent and responsible growth throughout the years, thereby earning the confidence of more stakeholders. Shareholder Capital refers to the financial resources contributed by the shareholders, which signify their stake of ownership in the Company. In order to generate long-term financial success while generating long-term returns to shareholders, integrated reporting provides an emphasis on the company's ability to deploy capital in an efficient and effective manner.

SHAREHOLDER INFORMATION

Ordinary Shares

Twenty largest shareholders

Name	As at 31st March 2024		As at 31st March 2023	
	No. Of Shares	%	No. Of Shares	%
1 MUTHOOT FINANCE LIMITED	90,558,778	72.916	90,558,778	72.916
2 SEYLAN BANK PLC. / SENTHILVERL HOLDINGS (PVT) LTD	12,431,300	10.009	7,692,693	6.194
3 J.B. COCOSHELL (PVT) LTD	8,477,676	6.826	7,665,965	6.172
4 HATTON NATIONAL BANK PLC. / SRI DHAMAN RAJENDRAM ARUDPRAGASAM	3,000,276	2.416	3,095,431	2.492
5 PEOPLE'S LEASING & FINANCE PLC. /MR. W. K. R. JAYAKODY	904,601	0.728	1,501,280	1.209
6 MR. K. M. S. M. RAZIK & MR. K. S. M. RAJUBDEEN & MR. S. M. R. MOHAMED	740,000	0.596	740,000	0.596
7 MR. C. W. GUNASEKARA	500,000	0.403	500,000	0.403
8 MR. P. P. SUBASINGHE	288,872	0.233	360,306	0.290
9 MR. R. UDALAGAMA	249,830	0.201	249,830	0.201
10 SAMPATH BANK PLC. / MR. ABISHEK SITHAMPALAM	229,389	0.185	229,389	0.185
11 DFCC BANK PLC. / MR. C. R. PERERA	200,000	0.161	200,000	0.161
12 MR. C. RAMACHANDRA	180,000	0.145	180,000	0.145
13 FAST GAIN INTERNATIONAL LIMITED	159,000	0.128	159,000	0.128
14 MR. T. S. SALIM	155,000	0.125	251,127	0.202
15 MR. U. C. BANDARANAYAKE & MRS. L. BANDARANAYAKE	150,000	0.121	200,000	0.161
16 MR. S. V. A. PERERA & MRS. Y. A. K. C. PERERA	121,120	0.098	-	-
17 MR. K. M. G. S. M. R. MOHOMMAD & MR. K. M. S. M. RAJABUDEEN & MR. K. M. S. M. RAZIK	120,000	0.097	120,000	0.097
18 MISS S. DURGA	120,000	0.097	120,000	0.097
19 MR. A. S. DISSANAYAKE	119,227	0.096	-	-
20 MR. C. DISSANAYAKE	112,000	0.090	-	-
	118,817,069	95.669	113,823,799	91.649
OTHERS	5,378,464	4.331	10,371,734	8.351
TOTAL	124,195,533	100.000	124,195,533	100.000

Directors' shareholdings

	2024		2023	
	Number of shares	Percentage %	Number of shares	Percentage %
As at 31st March				
Mr. V A Prasanth	-	-	-	-
Mr. R J A Gunawardena	-	-	-	-
Mr. S S R D De Silva Gunasekera	6,000.00	0.005	N/A	N/A
Mr. G Alexander	-	-	-	-
Mr. K R Bijimon	-	-	-	-
Mr. K G K Pillai	-	-	-	-
Mr. R A B Basnayake	-	-	-	-
Mr. J P D R Jayasekera	-	-	-	-

The fractional shares of 191 arising from the Right Issue 2019 of shares issue were issued jointly in the names of Mr. C Ramachandra and Mr. R J A Gunawardena.

Distribution of Shareholders

	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Shareholding as at 31st March						
1-1,000	1,315	260,815	0.21	1,389	307,307	0.25
1,001 - 10,000	340	1,347,032	1.08	440	1,794,925	1.44
10,001 - 100,000	115	3,660,617	2.95	184	6,112,411	4.93
100,001 - 1,000,000	17	4,459,039	3.59	23	5,466,743	4.4
Over 1,000,000 Shares	4	114,468,030	92.17	5	110,514,147	88.98
	1791	124,195,533	100	2041	124,195,533	100

Residential and non - residential shareholders

Shareholding as at 31st March	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Resident shareholders	1778	33,403,552	26.90	2029	33,398,568	26.89
Non - resident shareholders	13	90,791,981	73.10	12	90,796,965	73.11
	1791	124,195,533	100.00	2041	124,195,533	100.00

SHAREHOLDER AND INVESTOR CAPITAL

Institutional and individual shareholders

Shareholding as at 31st March	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Individuals	1733	7,301,579.00	5.88	1,966.00	10752328	8.66
Institutions	58	116,893,954.00	94.12	75.00	113443205	91.34
	1791	124,195,533.00	100.00	2,041.00	2,041.00	100.00

Market price and trade information

For the year ended 31st March	2024	2023
Highest price (LKR)	15.70	9.00
Highest price date	14.03.2024	24.01.2023
Lowest price (LKR)	7.80	5.00
Lowest price date	12.04.2023	18.08.2022
Last traded price (LKR)	15.00	8.30
Last traded date	28.03.2024	31.03.2023
Number of transactions	2,978	3,356
Number of share traded	12,905,397	7,057,709
Value of share traded (LKR)	159,576,591.40	49,296,67.50

Information on public holding and market capitalisation

As at 31st March	2024	2023	Minimum requirement
Public holding (%)	27.079%	27.084%	10%
Number of public shareholders	1,788	2,040	500
the float adjusted market capitalization (LKR)	504,458,460.00	279,185,066.49	2,500,000,000

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1(i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the holding requirement applicable under the said option.

Preference Shares

Twenty largest shareholders

Name	As at 31.03.2024		As at 31.03.2023	
	No. Of Shares	%	No. Of Shares	%
1 MUTHOOT FINANCE LIMITED	39,687,516	95.867	39,687,516	95.867
2 J.B. COCOSHELL (PVT) LTD	1,377,262	3.327	1,353,458	3.269
3 DIALOG FINANCE PLC/W M P W WEERASEKERA	60,000	0.145	-	-
4 COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	50,000	0.121	50,000	0.121
5 MR. Y.R.P. DE SILVA	37,798	0.091	37,349	0.090
6 DFCC BANK PLC / MR.K.S.D.SENAWEEERA	37,136	0.090	48,131	0.116
7 BANSEI SECURITIES CAPITAL (PVT) LTD / N.A.WAKISHTA	22,495	0.054	22,574	0.055
8 MERCHANT BANK OF SRI LANKA & FINANCE PLC / Y.R.P. DE SILVA	20,018	0.048	27,621	0.067
9 MR. G.V. SANJAYA	15,007	0.036	15,007	0.036
10 MR. G.R. SELLAHEWA	15,000	0.036	15,000	0.036
11 MR. N.A. WAKISHTA	13,720	0.033	13,600	0.033
12 MR.S.M.C.N.SAMARAKOON	12,768	0.031	8,273	0.020
13 MR. M H V U GUNATILAKA	7,497	0.018	-	-
14 MISS M.A.B.C. MANCHANAYAKE	7,389	0.018	7,389	0.018
15 MR. C DISSANAYAKE	6,200	0.015	-	-
16 MR. L.L. MIGARA	4,279	0.010	4,279	0.010
17 MR. A E DASSANAYAKE	2,500	0.006	-	-
18 MRS. S. MANAWADU	2,434	0.006	3,834	0.009
19 MR.G.D.JINADASA	2,000	0.005	2,000	0.005
20 MISS A P PILLAI	1,733	0.004	1,733	0.004
	41,382,752	99.962	41,297,764	99.757
OTHERS	15,759	0.038	100,747	0.243
TOTAL	41,398,511	100.000	41,398,511	100.000

Directors' shareholdings

As at 31st March	2024		2023	
	Number of shares	Percentage %	Number of shares	Percentage %
Mr. V A Prasanth	-	-	-	-
Mr. R J A Gunawardena	-	-	-	-
Mr. S S R D De Silva Gunasekera	-	-	N/A	N/A
Mr. G Alexander	-	-	-	-
Mr. K R Bijimon	-	-	-	-
Mr. K G K Pillai	-	-	-	-
Mr. R A B Basnayake	-	-	-	-
Mr. J P D R Jayasekera	-	-	-	-

SHAREHOLDER AND INVESTOR CAPITAL

Distribution of Shareholders

Shareholding as at 31st March	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
1-1,000	73	11,645	0.03	60	12,031	0.03
1,001 - 10,000	11	38,146	0.09	13	42,693	0.11
10,001 - 100,000	10	283,942	0.69	10	302,813	0.72
100,001 - 1,000,000	-	-	-	-	-	-
Over 1,000,000 Shares	2	41,064,778	99.19	2	41,040,974	99.14
	96	41,398,511	100	85	41,398,511	100

Residential and non - residential shareholders

Shareholding as at 31st March	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Resident shareholders	94	1,710,662	4.13	83	1,710,662	4.13
Non - resident shareholders	2	39,687,849	95.87	2	39,687,849	95.87
	96	41,398,511	100.00	85	41,398,511	100.00

Institutional and individual shareholders

Shareholding as at 31st March	2024			2023		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Individuals	85	141,876	0.34	75	203,149	0.49
Institutions	11	41,256,635	99.66	10	41,195,362	99.51
	96.00	41,398,511	100.00	85	41,398,511	100.00

Market price and trade information

For the year ended 31st March	2024	2023
Highest price (LKR)	15.30	12.50
Highest price date	14.03.2024	23.09.2022
Lowest price (LKR)	8.70	7.60
Lowest price date	01.06.2023	28.11.2022
Last traded price (LKR)	15.10	8.70
last traded date	25.03.2024	31.03.2023
Number of transactions	338	200
Number of share traded	216,300	52,823
Value of share traded (LKR)	2,610,006.00	582,146.80

Information on public holding and market capitalisation

As at 31st March	2024	2023
Public holding (%)	4.133%	4.133%
Number of public shareholders	95	84
the float adjusted market capitalization (LKR)	25,836,024.50	17,965,447.50

SAME, BUT DIFFERENT

exceptional value proposition



At Asia Asset, we are committed to bringing financial services closer to underserved communities. Our rapid branch expansion into rural areas not only enhances financial inclusion but also creates valuable job opportunities, driving economic growth and empowering local communities.

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INDEPENDENT AUDITOR'S REPORT



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Sri Lanka

TO THE SHAREHOLDERS OF ASIA ASSET FINANCE PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia Asset Finance PLC (the "Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information as set out on pages 193 to 274.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by CA

Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the 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

Impairment of loans and receivables

The Company's gross loans and receivable amount to Rs. 20.5 billion as at 31 March 2024 (2023: Rs. 21.2 billion) and impairment allowance for the year amounts to Rs. 505 million as at 31 March 2024 (2022: Rs. 556 million).

The company measures the impairment of loans and receivables using the expected credit loss ("ECL") model as per SLFRS 9: Financial Instruments ("SLFRS 9"). The application of this standard requires management to exercise Significant judgments in the determination of expected credit losses, including those relating to loans and receivables.

Management applies Significant judgment

in the determination of estimated future cash flows, probabilities of default and forward-looking economic expectations.

Due to the Significance of loans and receivables and the Significant estimates and judgment involved, the impairment of these loans and receivables was considered to be a key audit matter.

The impairment provision is considered separately on an individual and collective impairment basis.

In calculating the impairment provision on a collective basis, statistical models are used. The following inputs to these models require Significant management judgment:

- the probability of default (PD)
- the exposure at default (EAD)
- the loss given default (LGD)
- the economic factor adjustment (EFA)

In assessing loans and receivables on an individual basis, Significant judgments, estimates and assumptions have been made by management to:

- determine if the loan, advance, lease or hire purchase is credit impaired
- evaluate the adequacy and recoverability of collateral
- determine the expected cash flows to be collected

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker FCA, FCMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vaidel Bsc (Acc), ACA, ACMA.

INDEPENDENT AUDITOR'S REPORT

- estimate the timing of the future cash flows

Key areas of Significant judgments, estimates and assumptions used by management related to the impact of prevailing macroeconomic conditions in the assessment of the impairment allowance included the following:

- the probable impacts of prevailing macroeconomic conditions and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Company)
- the determination on whether or not customer contracts have been substantially modified due to such stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances
- forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic conditions that may affect future expected credit losses

The disclosures associated with impairment of loans and receivables are set out in the financial statements in the following notes:

- Note 11 – Impairment charge for lease rentals receivables, hire purchase and loans and advances

- Note 18.8 – Financial assets at amortised cost – Loan and advances
- Note 18.7 – Financial assets at amortised cost – Lease rental receivables and hire purchase

How our audit addressed the key audit matter

Our procedures included the following.

- We obtained an understanding of management's processes and tested controls over credit origination, credit monitoring and credit remediation.
- We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.
- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by comparing these to the requirements of SLFRS 9: Financial Instruments, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing macroeconomic conditions and government responses based on the best available information up to the date of our report.
- We test-checked the underlying calculations and data.

In addition to the above, we performed the following specific procedures:

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the company's source documents and information in IT systems.
- We assessed whether judgments, estimates and assumptions used by the management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Further, we assessed the reasonableness of the Company's considerations of the economic uncertainty relating to the prevailing macroeconomic conditions.

For loans and receivables individually assessed for impairment:

- We assessed the main criteria used by management for determining whether an impairment event had occurred.
- Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held.
- We Evaluated the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions on

elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

For loans and advances affected by government stimulus and debt moratorium relief measures granted:

- We assessed the appropriateness of judgments, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications.
- We evaluated the reasonableness of the interest income recognized on such affected loans and advances.

We also assessed the adequacy of the related financial statement disclosures.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report. 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 whether it appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 an 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

INDEPENDENT AUDITOR'S REPORT

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 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.

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 the 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 it 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 4324.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

06th May 2024

HSR/kp

STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 March 2024		2023/2024	2022/2023
	Note	Rs.	Rs.
Interest income	4	5,682,401,629	5,391,701,835
Less: Interest expenses	5	(4,250,407,673)	(3,651,051,365)
Net Interest income	6	1,431,993,956	1,740,650,470
Fees and commission income	7	909,003,149	602,384,100
Other operating income	8	12,146,299	12,249,081
Less: Operating expenses			
Personnel expenses	9	(450,124,348)	(413,680,997)
Depreciation and amortisation cost	10	(145,311,174)	(130,043,715)
General and administration expenses		(774,476,850)	(853,005,581)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	11	(505,038,637)	(556,092,219)
Operating profit before value added tax on financial services	12	478,192,395	402,461,139
Taxes on financial services	13	(104,704,556)	(42,825,463)
Profit before income tax		373,487,839	359,635,676
Income tax expenses	14	(29,301,136)	(64,300,254)
Profit for the year		344,186,703	295,335,422
Earnings per share - basic	36.1	2.77	2.38
Earnings per share - diluted	36.2	2.08	1.78

Figures in brackets indicate deductions.

The accounting policies and notes on pages 193 to 274 form an integral part of these financial statements.

Colombo
6th May 2024

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2024	Note	2023/2024 Rs.	2022/2023 Rs.
Profit for the year		344,186,703	295,335,422
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)			
Surplus on revaluation reserve on PPE		43,511,089	-
Deferred tax charge on revaluation surplus		(13,053,327)	-
Actuarial gain on retirement benefit liability	33	12,730,464	8,482,160
Deferred tax reversal / (charge) on actuarial gain / (losses)	14	(3,819,139)	2,544,648
Other comprehensive income for the year net of tax		39,369,087	11,026,808
Total comprehensive income for the year		383,555,790	284,308,614

Figures in brackets indicate deductions.

The accounting policies and notes on pages 193 to 274 form an integral part of these financial statements.

Colombo
6th May 2024

STATEMENT OF FINANCIAL POSITION

	Notes	31/03/2024 Rs.	31/03/2023 Rs.
ASSETS			
Cash and cash equivalents	16	3,887,692,725	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities amortized cost	17	1,755,472,300	2,444,830,041
Financial assets at amortized cost - Loans and advances	18.8	18,791,889,311	19,028,664,556
Financial assets at amortized cost - Lease rentals receivable and hire purchase	18.7	265,619,140	449,636,218
Other assets	19	130,133,093	127,559,654
Income tax receivable	20	-	27,593,548
Advances, deposits and prepayments	21	102,813,725	77,034,568
Financial assets - Fair value through Other comprehensive income/ available for sale	22	506,659	506,659
Property, plant and equipment	23	313,284,112	203,787,014
Right-of-use assets	24	186,439,061	180,642,208
Investment property	25	324,299,107	324,062,193
Deferred tax assets	14.2	38,550,183	37,422,647
Intangible assets	26	46,617,448	47,676,226
Total assets		25,843,316,864	25,012,544,427
LIABILITIES			
Financial liabilities - Due to banks	27	47,637,705	3,763,272
Other liabilities	28	558,959,632	228,236,872
Income tax payable	20	17,953,458	-
Financial liabilities - Other borrowed funds	29	6,050,495,203	6,062,427,129
Lease liability	30	219,443,235	199,066,151
Due to customers	31	14,485,136,166	13,274,968,572
Debenture	32	1,058,730,444	2,187,519,136
Retirement benefit obligation	33	39,543,426	45,722,533
Total liabilities		22,477,899,269	22,001,703,665
EQUITY			
Stated capital	34	2,205,463,801	2,205,463,801
Retained earnings		794,058,041	588,534,571
Statutory reserve fund and other reserves	35	365,895,753	216,842,390
Total equity		3,365,417,595	3,010,840,762
Total equity and liabilities		25,843,316,864	25,012,544,427
Contingent liabilities and commitments	37	897,183,504	534,583,622
Net assets value per share	36.3	27.10	24.24

Figures in brackets indicate deductions.

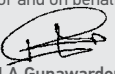
The accounting policies and notes on pages 193 to 274 form an integral part of these financial statements.

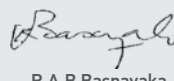
These financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.


Geethika Elwalage
 Deputy General Manager – Finance

The Board of Directors is responsible for the preparation and presentation of the Financial Statements.

Approved and Signed for and on behalf of the Board.


R.J.A. Gunawardena
 Director/Chief Executive Officer


R.A.B. Basnayaka
 Director

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital	Preference share capital	General reserve	Statutory reserve fund	Revaluation reserve fund	Regulatory loss allowance reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2022		1,791,478,691	413,985,110	3,000,000	82,270,012	-	-	464,777,293	2,755,511,106
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	295,335,422	295,335,422
Other comprehensive income (net of tax)		-	-	-	-	-	-	(11,026,808)	(11,026,808)
Total comprehensive income for the year		1,791,478,691	413,985,110	3,000,000	82,270,012	-	-	749,085,907	3,039,819,720
Transactions with equity holders recognized directly in equity									
Dividend paid - Preference shares	35	-	-	-	-	-	-	(28,978,958)	(28,978,958)
Transfers to reserves	35	-	-	-	56,861,723	-	-	(56,861,723)	-
Transfers to reserves	35	-	-	-	-	-	74,710,655	(74,710,655)	-
Total transactions with equity holders		-	-	-	56,861,723	-	74,710,655	(160,551,336)	(28,978,958)
Balance as at 31March 2023		1,791,478,691	413,985,110	3,000,000	139,131,735	-	74,710,655	588,534,571	3,010,840,762
Balance as at 01st April 2023		1,791,478,691	413,985,110	3,000,000	139,131,735	-	74,710,655	588,534,571	3,010,840,762
Total comprehensive income for the year									-
Profit for the year		-	-	-	-	-	-	344,186,703	344,186,703
Transfers to reserves		-	-	-	-	43,511,089	-	-	43,511,089
Actuarial gain on retirement benefit liability		-	-	-	-	-	-	12,730,464	12,730,464
Deferred tax charge on revaluation surplus and actuarial gain		-	-	-	-	(13,053,327)	-	(3,819,139)	(16,872,466)
Total comprehensive income for the year		1,791,478,691	413,985,110	3,000,000	139,131,735	30,457,762	74,710,655	941,632,599	3,394,396,552
Transactions with equity holders recognized directly in equity									
Dividend paid - Preference shares	35	-	-	-	-	-	-	(28,978,958)	(28,978,958)
Transfers to reserves	35	-	-	-	68,837,340	-	-	(68,837,340)	-
Transfers to reserves	35	-	-	-	-	-	49,758,260	(49,758,260)	-
Total transactions with equity holders		-	-	-	68,837,340	-	49,758,260	(147,574,558)	(28,978,958)
Balance as at 31March 2024		1,791,478,691	413,985,110	3,000,000	207,969,075	30,457,762	124,468,915	794,058,041	3,365,417,595

Figures in brackets indicate deductions.

The accounting policies and notes on pages 193 to 274 form an integral part of these financial statements.

Colombo

6th May 2024

STATEMENT OF CASH FLOW

	Note	2023/2024 Rs.	2022/2023 Rs.
Cash flows from operating activities			
Profit before income tax		373,487,839	359,635,676
Adjustments for			
Depreciation and amortization	10	78,086,569	64,806,550
Amortisation of right-of-use-assets	10	67,224,605	65,237,164
Interest expenses on lease liability	5	42,338,086	31,420,978
Impairment of lease hire purchase, loans and advances	11	505,038,637	556,092,219
Early termination of loans, leases and hire purchase	4	(10,044,184)	17,618,156
Non-cash items included in profit before tax (WHT and Notional tax)		-	(268,538)
Gains from sale of property, plant and equipment, investment property and real estate inventories	4	1,077,345	(3,911,152)
Gain on expiration of operating lease agreement during the year		-	(2,166,889)
Provision for retirement benefit liability	33	14,035,862	8,762,394
Interest expense on other borrowings	5	1,183,003,442	1,150,280,663
Interest expense on debentures	5	361,151,772	380,783,577
Cash generated from operations before working capital changes		2,615,399,973	2,628,290,798
Changes in working capital			
Decrease in lease rentals receivable and hire purchase		228,079,868	644,983,536
Increase in loans and advances		(302,281,998)	(4,883,695,032)
Increase in other receivables		(2,573,439)	(4,407,550)
Increase in deposits and prepayments		(25,779,157)	(23,785,190)
Increase in deposits from customers		1,210,167,594	4,579,788,301
Increase in other non-financial liabilities		330,029,127	194,733,490
Net cash from operating activities before income tax payments		4,053,041,968	3,135,908,353
Taxes paid	20	(1,754,130)	(2,471,149)
Gratuity paid	33	(7,484,505)	(4,318,400)
Lease rent advance paid	30	(94,982,460)	(82,804,290)
Dividend paid		(28,978,958)	(28,978,958)
Net cash used in operating activities		3,919,841,915	3,017,335,556
Cash flows from investing activities			
Acquisition of property, plant and equipment	23	(142,266,165)	(74,641,867)
Acquisition of intangible assets	26	(8,472,875)	(12,443,299)
Acquisition /additions of investment property	21	(1,452,837)	(700,000)
Proceeds from sale of investment property	21	-	37,500,000
Settlement for intangible asset		-	(1,316,500)
Proceeds from sale of property, plant and equipment		8,557,452	2,808,208
Net cash used in investing activities		(143,634,425)	(48,793,458)

STATEMENT OF CASH FLOW

	Note	2023/2024 Rs.	2022/2023 Rs.
Cash flows from/(used in) financing activities			
Repayment of other borrowed funds	29	(5,037,935,369)	(4,585,280,017)
Proceeds from other borrowed funds	29	3,843,000,000	4,039,000,000
Repayment of Debenture	32.4	(1,489,940,465)	(266,141,780)
Net cash generated used in financing activities		(2,684,875,834)	(812,421,797)
Net increase in cash and cash equivalents		1,091,331,656	2,156,120,301
Cash and cash equivalents at the beginning of the year	A	4,504,195,664	2,348,075,363
Cash and cash equivalents at the end of the year	B	5,595,527,320	4,504,195,664
At the beginning of the year (A)			
Cash and cash equivalents		2,063,128,895	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		2,444,830,041	989,433,452
Bank overdraft		(3,763,272)	(38,990,640)
		4,504,195,664	2,348,075,363
At the end of the year (B)			
Cash and cash equivalents		3,887,692,725	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortized cost		1,755,472,300	2,444,830,041
Bank overdraft		(47,637,705)	(3,763,272)
		5,595,527,320	4,504,195,664

Figures in brackets indicate deductions.

The accounting policies and notes on pages 193 to 274 form an integral part of these financial statements.

Colombo
6th May 2024

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

This section provides general information about Asia Asset Finance PLC.

1.1. General

Asia Asset Finance PLC is a Public Limited Liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company has been registered with the Central Bank of Sri Lanka as a finance company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988). The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company and the principal place of business are located at No 76, Park Street, Colombo 02.

1.2. Principal activities and nature of operations

The principal activities of the Company comprise granting leases, hire purchase, mortgage loans, personal loans, group personal loans, gold loans, micro finance loans, pledge loans, cheque and invoice discounting and mobilization of public deposits.

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

1.3. Parent entity and ultimate parent entity

The Company's immediate and ultimate parent entity as at 31 March 2024 is Muthoot Finance Limited which was incorporated in India.

1.4. Number of employees

The staff strength of the Company as at 31 March 2024 was 564 (483 as at 31 March 2023).

2. BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICY INFORMATION

This section provides additional information about the overall basis of preparation that the directors consider is useful and relevant in understanding these financial statements.

- a summary of other Significant accounting policies affecting the results and financial position of the Company, including changes in accounting policies and disclosures during the year
- standards that have been issued which the company has not adopted.

2.1. Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following items in the statement of financial position:

Item	Basis of measurement
Financial assets measured at fair value through profit or loss	Fair value
Financial assets measured at fair value through other comprehensive income	Fair value
Retirement benefit obligation	Liability is recognised as the present value of the retirement obligation plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.
Property, plant and equipment: Motor vehicles	Fair value

2.2. Going concern

The Company has prepared the financial statements for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast Significant doubt on the Company's ability to continue to operate as a going concern.

The Company recorded strong improvement in profitability compared with the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. The

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Company. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and hence, has adopted the going concern basis in preparing and presenting these Financial Statements.

2.3. Statement of compliance

The financial statements of the Company as at 31 March 2024 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

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 year under review
- a statement of financial position providing the information on the financial position of the Company as at the year end
- a statement of changes in equity depicting all changes in shareholders'

equity during the year under review of 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 the entity to utilize those cash flows
- summary of material accounting policy

2.4. Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of these financial statements as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

2.5. Approval of financial statements by the Board of Directors

The financial statements of Asia Asset Finance PLC for the year ended 31 March 2024 (including comparatives) were approved and authorised for issue on 6th May 2024 in accordance with a resolution of the Board of Directors on 6th May 2024.

2.6. Presentation of financial statements

The assets and liabilities in the statement of financial position are grouped by nature and listed in an order that reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) has been presented in Note 42 (current/non-current analysis). No adjustments have been

made for inflationary factors affecting the financial statements.

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 settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless it is required or permitted by an accounting standard or interpretation.

2.7. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.8. Functional and presentation currency

The financial statements have been presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency.

2.9. Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is

presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.10. Rounding

The amounts in the financial statements have been rounded-off to the nearest Rupee, except where it is otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'.

2.11. Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is the Sri Lankan Rupee (Rs.) at the spot exchange rate prevailing at the date of the transactions being effected. In this regard, the Company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the

spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2.12. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS 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. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a Significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impact of prevailing macroeconomic conditions

The prevailing macroeconomic conditions and their related implications have increased the uncertainty of estimates made in the preparation of the financial

statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the prevailing macroeconomic conditions and the related actions of stakeholders such as government, businesses and customers.
- the extent and duration of the prevailing macroeconomic conditions due to impact on GDP, capital markets, credit risk of customers, impact of unemployment and possible decline in consumer discretionary spending.
- the effectiveness of Government and Central Bank measures that have been put in place in response to the prevailing circumstances.

The Significant accounting estimates impacted by these forecasts and associated uncertainties are related to impairment of financial assets and recoverable amount assessments of non-financial assets, recoverable value of property, plant and equipment and investment properties.

The impact of prevailing macroeconomic conditions on accounting estimates is discussed under the relevant notes to these financial statements.

Significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are given in the related notes.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

2.12.1. Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provide scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria:

- The entity's business model for managing the financial assets is set out in Note 3.1.3.1. Page No 200.
- The contractual cash flow characteristics of the financial assets is set out in Note 3.1.3.2. Page No 200.

2.12.2. Impairment Losses on Financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are based on the assumptions of a number of factors and the actual results may differ, resulting in future changes to the allowance.

- Refer Note 3.1.11 Page No 204 for more details relating to impairment loss assessment on financial assets.

2.12.3. Taxation

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes due to

the uncertainties that exist with respect to interpretation of the applicability of tax laws, at the time of preparation of these financial statements.

The Company recognises assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.12.4. IFRIC interpretation 23 uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- how an entity considers changes in facts and circumstances

The Company apply Significant judgment in identifying uncertainties over income tax treatments. Which operates in a complex environment, it assesses whether the Interpretation has an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company consider whether it has any uncertain tax positions, and the it is probable that its tax treatments will be accepted by the taxation authorities.

2.12.5. Deferred tax assets

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

2.12.6. Retirement benefit obligation

The cost of the retirement benefit obligation of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, staff turnover, and retirement age and going concern of the Company. Due to the long-term nature of such obligation, these estimates are subject to Significant uncertainty. Further details are given in Note 33 Page No 246 to 248 to the financial statements.

2.12.7. Useful lives of property, plant and equipment, investment property and intangible assets

The Company depreciates/amortises the property plant and equipment, investment property and intangible assets using the straight line method over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects the management's estimate of the period that the Company intends to derive future economic benefits from the use of the property, plant and equipment, investment property and intangible assets. The residual value reflects the management's estimated amount that the Company would currently obtain from the disposal of the asset, after deducting the estimated disposal, as if the asset were already of the age and in the conditions expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

2.12.8. Leases

2.12.8.1 *Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a Significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of Significant leasehold improvements or Significant customisation of the leased asset).

2.12.8.2. *Estimating the incremental borrowing rate*

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.13. Changes in Accounting Policies

The Company has consistently applied the Accounting Policies to all periods presented in these financial statements, except for the changes arising out of amendments to Accounting Standards as set out below.

(a) **Changes to already existing accounting standards**

- (i) Amendments to SLFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Company has applied practical expedients for Covid-19 related rent concessions which were extended up to March 2024.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

(b) New standards, interpretations and amendments adopted from 1st January 2023

- (i) Disclosure of Accounting Policies (Amendments to LKAS 01 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgments)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'Significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Financial Statements of the Company but affect the disclosure of accounting policies of the Company.

- (ii) Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to LKAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique

are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the Financial Statements of the Company.

- (iii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no effect on the annual Financial Statements of the Company.

- (iv) International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

- (c) New standards and amendments issued but not yet effective or early adopted in 2024

The following amendments and improvements are not expected to have a Significant impact on the Company's financial statements.

- Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) – Mandatorily effective for periods beginning on or after 1st January 2024

- Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) - Mandatorily effective for periods beginning on or after 1st January 2024)
 - Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) – Mandatorily effective for periods beginning on or after 1st January 2024
 - Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) – Mandatorily effective for periods beginning on or after 1st January 2024
- (d) The following amendments are effective for the period beginning 01st January 2025
- Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) – Mandatorily effective for periods beginning on or after 1st January 2025

The company will conduct a gap analysis on the applicability of Sustainability Accounting standards IFRS S1 – General requirements for Disclosure of Sustainability-related financial information and IFRS S2 – Climate related Disclosures and will make appropriate disclosures commencing from the year ending March 31, 2025

3. MATERIAL ACCOUNTING POLICY

3.1. Financial instruments – initial recognition, classification and subsequent measurement

3.1.1. Date of recognition

The Company initially recognises loans and advances, deposits and subordinated liabilities, etc., on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

3.1.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Notes 3.1.3 and 3.1.4 Page No 199 and 200 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a Significant financing component as defined by SLFRS 15.

The transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss is dealt with through the Statement of profit or loss.

Trade receivables that do not have Significant financing components are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have Significant financing components) at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

3.1.2.1. “Day 1” profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

3.1.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets’ contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

The subsequent measurement of financial assets depends on their classification.

3.1.3.1 *Business model assessment*

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management.

The information considered includes.

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, 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 Company's 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
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations

about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised

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

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

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

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.

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

In assessing whether the contractual cash flows are solely the payments of principal and interest on the principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- terms that limit the Company's claim to cash flows from specified assets
- features that modify consideration of the time value of money

Refer Notes 3.1.3.3 to 3.1.3.5. below for details on different types of financial assets recognised in the Statement of Financial Position. (SOFPI)

3.1.3.3 *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets measured at amortised cost are given in Note 3.1.3.3.1 and 3.1.3.3.2 below.

3.1.3.3.1. *Loans and advances to customers*

Loans and advances to customers include loans and advances, and lease and hire purchase receivables of the Company.

Details of “Loans and advances to customers” are given in Notes 18.

3.1.3.3.2. *Investment in reverse repurchase agreements against the treasury bills and bonds*

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial

recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

Details of “Investment in reverse repurchase agreements against the treasury bills and bonds” are given in Note 17.

3.1.3.3.3. *Cash and cash equivalents*

Details of “Cash and cash equivalents” are given in Note 16. Page No 221.

3.1.3.4 *Financial assets measured at FVOCI*

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.1.3.4.1 *Debt instruments measured at FVOCI*

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely the payments of principal and interest on principal outstanding.

3.1.3.4.2 *Equity instruments designated at FVOCI*

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI. Details of “Equity instruments at FVOCI” are given in Note 22. Page No 229.

3.1.3.5 *Financial assets measured at FVTPL*

As per SLFRS 9, 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.

3.1.4 *Classification and subsequent measurement of financial liabilities*

As per SLFRS 9, the Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category are
 - Held-for-trading; or
 - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1 *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company does not have any financial

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liabilities at fair value through profit or loss.

3.1.4.2 *Financial liabilities at amortised cost*

Financial liabilities issued by the Company that are not designated at FVTPL are classified as financial liabilities at amortised cost under “Due to banks”, “Due to customers”, “Other borrowings” or “Subordinated debts” as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in “Interest expense” in the statement of profit or loss. Gains and losses too are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.4.2.1 *Due to banks*

Details of “Due to banks” are given in Note 27. Page No 239.

3.1.4.2.2 *Due to customers*

Details of “Due to customers” are given in Note 31. Page No 243 and 244.

3.1.4.2.3 *Other borrowed funds*

Details of “Other borrowed funds” are given in Note 29. Page No 240 to 242.

3.1.4.2.4 *Debentures*

Details of “Debentures” are given in Note 32. Page No 244 to 246.

3.1.5 *Reclassification of financial assets and liabilities*

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the company changes 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.

3.1.5.1 *Timing of reclassification of financial assets*

Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

3.1.5.2 *Measurement of reclassification of financial assets*

3.1.5.2.1 *Reclassification of Financial Instruments at ‘Fair value through profit or loss’*

- To Fair value through other comprehensive income

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.

- To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

3.1.5.2.2 *Reclassification of Financial Instruments at ‘Fair value through other comprehensive income’*

- To Fair value through profit or loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Cost

The financial asset is reclassified at fair value.

The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

3.1.5.2.3 *Reclassification of Financial Instruments at "Amortised Cost"*

- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

3.1.6 De-recognition of financial assets and financial liabilities

3.1.6.1 *Financial assets*

The Company de-recognises a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

3.1.6.2 *Financial liabilities*

The Company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.1.7 Modification of financial assets and financial liabilities

3.1.7.1 *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.

As per SLFRS 9, 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. In other cases, it is presented as interest income.

3.1.7.2 *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 de-recognition 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.

3.1.8. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is 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

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from a group of similar transactions such as in the Company's trading activity.

3.1.9. Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

3.1.10. Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 43.

3.1.11. Identification and measurement of impairment of financial assets

3.1.11.1. Overview of the ECL principles

As per SLFRS 9, the Company records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and loan commitments.

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 the 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. Refer Note 3.1.11.2 for a description on how the Company determines when a Significant increase in credit risk has occurred.
- 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%. Refer Note 3.1.11.4 for a description on how the Company defines credit impaired and default.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Company does not have POCI loans as at the reporting date.

The key judgments and assumptions adopted by the Company in addressing the requirements of SLFRS 9 are discussed below:

3.1.11.2 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 without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment including forward looking information.

The Company considers an exposure to have Significantly increased credit risk when contractual payments of a customer are more than 60 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Company individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased Significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments
- when there is a Significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or instruments
- when the value of collateral is Significantly reduced and/or realisability of collateral is doubtful

- When a customer is subject to litigation that Significantly affects the performance of the credit facility
- modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants
- when the customer is deceased/insolvent
- when the Company is unable to contact or find the customer

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with Significant increase in credit risk and assessed accordingly in ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify Significant increase in credit risk to confirm that the criteria is capable of identifying Significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Company determines Significant increase in credit risk based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

3.1.11.3. COVID -19 Impact on Loan and advances

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses

and individuals due to COVID-19 in line with the directions issued by the CBSL. Utilisation of a payment deferral programme does not, all else being equal, automatically trigger a SICR. As such, key issue will be to distinguish between cases where the payment holidays provide relief from short-term liquidity constraints impacting the borrower that do not amount to a SICR. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgment in the assessment of the impact of the COVID-19 outbreak on the loans and advances portfolio, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures including concessionary financing and payment moratorium.

CBSL issued various circulars relating to moratorium/debt relief credit support to customers and industries through schemes offered by the Government to support recovery of the economy. Bank has taken into account these circulars in the recognition of interest income, stage wise classification of facilities and computation of expected credit loss. All moratoriums / debt relief credit support schemes granted to customers based on regulations issued by Central Bank of Sri Lanka ended during 2022.

The impact of the outbreak has been assessed and adjusted in these financial statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka.

In response to COVID-19 and expectations of economic impacts, key assumptions used in the calculation of ECL have been revised. As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19.

3.1.11.4 Definition of default and credit impaired assets

The company considers loans and advances to customers to be defaulted when:

- The borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.

In addition, the Company classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is in "default".

In assessing whether a borrower is in default, the Company reviews its individually Significant loans and advances above a predefined threshold at each reporting date. The Company considers non-performing credit facilities/customers with one or more of indicators set out in Note 3.1.11.2 above as credit impaired.

3.1.11.5 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be Significantly increased since initial recognition based on the assessments described in Note 3.1.11.2. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.1.11.6 *Grouping financial assets measured on collective basis*

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on individual basis include credit impaired facilities of individually Significant customers.

Those financial assets for which, the Company determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

3.1.11.7. *The Calculation of Expected Credit Loss Principle (ECL)*

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

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

flows that the entity expects to receive.

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

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The Gold Loan PD calculation is computed default over a given time horizon.
- **EAD:** Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued financing income from missed payments.
- **LGD:** Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realization of any collateral. The weighted average LGDs are used and the weighted average LGD is determined by dividing the total loss for the year by the total exposure of settled defaults of each year.
- **LGD Gold Loan:** AAF uses non-performing gold loans which are over 90 days past due for LGD calculation of gold loans. Since the physical gold is in the custody of AAF, a forecasted gold value of respective facility is calculated assuming 10% drop of current gold market price. The ratio between total receivable and the difference in forecasted gold value and total receivable is considered as LGD ratio for respective facilities. A simple average of the LGD of all non-performing gold loan is considered as the LGD ratio of gold loan product.

3.1.11.8 *Forward-looking information*

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased Significantly since its initial recognition and its measurement of ECL.

The Company has identified key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	
Exchange rate	

3.1.12 Write-off of loans and advances

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

3.2. Property, plant and equipment

Details of “Property, plant and equipment” are given in Note 23. Page No 229 to 232.

3.2.1. Depreciation

Details of “Depreciation” are given in Note 10. Page No 214.

3.3. Intangible assets

Details of “Intangible assets” are given in Note 26. Page No 238 and 239.

Amortisation recognised during the year in respect of intangible assets is included under the item of “Amortisation of intangible assets” under “Depreciation and amortization cost” in statement of profit or loss. Refer Note 10. Page No 214.

3.4 Investment property

Details of “Investment Property” are given in Note 25. Page No 234 to 237.

3.5 Impairment of 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 assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the

asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses are recognised in the statement of profit or loss, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

The Company has not determined impairment as at the reporting date due to the COVID-19 pandemic, and each department functions under the business continuity plan as per the Company’s risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

3.6. Deferred tax assets

Details of “Deferred tax assets” are given in Note 14. Page No 217 to 219.

3.7. Real estate inventories

Real estate inventories represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.8. Fiduciary assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these financial statements as they do not belong to the Company.

3.9. Other assets

Details of “Other assets” are given in Note 19. Page No 228.

3.10. Provisions

Provisions are recognized in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on ‘Provision, Contingent Liabilities and Contingent Assets’. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.11. Leases

3.11.1 Right-Of-Use Assets – Company as a Lessee

Details of “Rights of use assets” are given in Note 24. Page No 233.

3.11.2 Lease Liability

Details of “Lease liability” are given in Note 30. Page No 243.

3.11.3 Finance leases - Company as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the 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 by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 18 on “Financial assets at amortised cost – Lease rentals receivable and hire purchase”, as appropriate. The finance income receivable is recognised in “interest income” over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.11.4 Operating leases - Company as a lessor

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

3.12. Other liabilities

Other liabilities include related party payables, VAT on Financial Services payable, retirement benefit obligation and other amount payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

3.12.1. Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for value added tax computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates.

3.12.2. Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) was imposed with effect from October 01, 2022, at the rate of 2.5% by the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act).

3.12.2 Crop Insurance Levy (CIL)

As per the provision of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from 1 of April 2013 and is payable to National Insurance Trust Fund. Currently CIL is payable at 1% of the profit after tax.

3.13. Retirement benefit obligation

Details of “Retirement benefit obligation” are given on Note 33. Page No 246 to 248.

3.14. Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and are payable at the discretion of the Company. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard - LKAS 10 on ‘Events after the Reporting period’.

3.15. Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are as follows:

3.15.1. Net interest income

3.15.1.1. Interest income and interest expense

Interest income and expense are recognised in the statement of profit or loss using the effective interest rate (EIR) method.

As per SLFRS 9, the interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets measured at amortised cost calculated using EIR method
- Interest 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 payments or receipts 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 other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the

estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3.15.2. Net trading gain/loss on held for trading securities

Results arising from trading activities include all gains and losses from changes in fair value for financial assets 'held for trading'.

3.15.3. Net Fee and Commission Income

Fee and commission income is earned from a diverse range of services provided by the Company to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a Significant act is recognised as revenue when the act is completed
- Income earned from the provision of services is recognised as revenue as the services are provided

3.15.4. Other operating income

Other operating income includes gains on property, plant and equipment, hiring

income, rent income, dividend income and capital gains/(losses).

3.15.4.1. Dividend income

Dividend income is recognized when the Company's right to receive the income is established.

3.15.4.2. Gain or losses on disposal of property plant and equipment, Investment property and real estates

Gains or losses resulting from the disposal of property, plant and equipment, investment properties and real estates are accounted for on cash basis in the statement of profit or loss, in the period in which the sale occurs.

3.15.4.3. Other Income

Other income is relates to loans and advances recognized on an accrual basis and all the other on cash basis

3.16. Personnel expenses

Details of "Personnel expenses" are given in Note 9. Page No 213.

3.17. General and administrative expense

General and administration 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 and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of income in arriving at the profit for the year.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

3.18. Income tax expense

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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 the amendments thereto at the rate of 30%.

3.19. Events after the reporting period

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.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in the financial statements, where necessary.

3.20. Statement of cash flows

The statement of cash flows has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard – 'LKAS 7' – 'Statement of Cash Flows', whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized. Cash

and cash equivalents mainly comprise cash in hand, balances at banks and bank overdrafts.

3.21. 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

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.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in note 43 to the financial statements. Refer Note 43 Page 255 to 257.

4. INTEREST INCOME

Accounting Policy

Income 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. The specific recognition criteria, for each type of income, are given below. For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest on Overdue Rentals

Interest from overdue rentals have been accounted for on a cash basis.

Recognition of Moratorium interest income for credit facilities under moratoriums

The Company recognises the moratorium interest income on the concessionary rate during the moratorium period.

Recovery of written-off debts/disposal losses

Recovery of amounts previously written-off as bad and doubtful debts is recognised on a cash basis.

	2023/2024	2022/2023
	Rs.	Rs.
Interest on leases	23,207,288	68,227,094
Interest on loans	467,331,687	302,842,641
Overdue interest	71,288,122	106,886,156
Recovery of written off contracts	47,493,670	49,680,796
Interest income on early terminated contracts	10,044,184	(17,618,156)
Interest on treasury bills in reverse repurchase agreements	573,114,410	409,755,369
Interest on bank deposits	443,550,123	123,838,091
Interest on gold loans	4,046,372,145	4,348,089,844
	5,682,401,629	5,391,701,835

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

5. INTEREST EXPENSES

Accounting Policy

Under SLFRS 9, interest income and Interest expense are recorded using the Effective Interest Rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively. Interest expenses presented in the Statement of profit or loss includes finance liabilities measured at amortised cost and interest on lease liability.

		2023/2024	2022/2023
		Rs.	Rs.
Interest on fixed deposits	Due to customers	2,663,300,660	2,088,556,599
Interest on savings deposits	Due to customers	613,713	9,547
Interest on other borrowings	Due to banks	956,702,679	773,712,993
Interest on leased liability	Lease liabilities	42,338,086	31,420,978
Interest on debenture	Due to securities issued	361,151,772	380,783,577
Interest on bank loans	Due to securities issued	226,300,763	376,567,671
		4,250,407,673	3,651,051,365

6. NET INTEREST INCOME

Accounting Policy

Net interest margin is the difference between the interest income generated and the amount of interest paid out to lenders. A positive net interest margin indicates the efficiency in investing.

	2023/2024	2022/2023
	Rs.	Rs.
Interest income	5,682,401,629	5,391,701,835
Interest expenses	4,250,407,673	3,651,051,365
	1,431,993,956	1,740,650,470

7. FEES AND COMMISSION INCOME

Accounting Policy

The Company earns fees and commission income from a diverse range of services it provides to its customers. Fees and commission income are accounted for as follows:

- Income earned on the execution of a Significant act is recognised as revenue when the act is completed and
- Income earned from the provision of services is recognised as revenue as the services are provided.

	2023/2024	2022/2023
	Rs.	Rs.
Documentation charges and service charges	906,879,246	594,558,580
Insurance commission income	2,123,903	7,825,520
	909,003,149	602,384,100

8. OTHER OPERATING INCOME

Accounting Policy

Other operating income includes income earned on other sources, which are not directly related to the normal operations of the Company and is recognised on cash basis.

	2023/2024	2022/2023
	Rs.	Rs.
Gain / (loss) on disposal of property, plant and equipment	(1,077,345)	2,173,135
Gain on sale of investment property	-	1,738,018
Dividend income	179,520	240,000
Sundry income	14,069,152	4,182,336
Gain / (loss) from foreign currency savings	(1,043,028)	1,726,703
Rent income from investment property	18,000	22,000
Gain on expiration of operating lease agreements	-	2,166,889
	12,146,299	12,249,081

9. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Employees are eligible for Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations. Retirement benefit obligation is recognised in the Statement of Income based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - Employee Benefits.

	2023/2024	2022/2023
	Rs.	Rs.
Directors' remuneration	23,040,164	20,794,000
Salaries and bonus	288,962,891	247,810,469
Defined contribution plan costs - EPF and ETF	38,646,107	31,166,996
Other staff related expenses	85,439,324	105,147,138
Provision for staff retirement benefits	14,035,862	8,762,394
	450,124,348	413,680,997

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

10. DEPRECIATION AND AMORTISATION COST

Accounting Policy

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the statement of profit or loss.

The estimated useful lives are as follows;

Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	6.5 years
Computer hardware	6 years
Investment property building	15 years

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 23.

Depreciation on right-of-use-asset

Right-of-use assets are depreciated over the lease term of the assets in the absence of reasonable certainty that the Company will obtain the ownership of such assets by the end of the lease term.

	Note	2023/2024	2022/2023
		Rs.	Rs.
Depreciation of property, plant and equipment and investment property	23& 25	68,554,917	55,845,199
Depreciation of right-of-use assets	24	67,224,605	65,237,164
Amortisation of computer software	26	9,531,653	8,961,352
		145,311,174	130,043,715

11. IMPAIRMENT CHARGE FOR LEASE RENTALS RECEIVABLE, HIRE PURCHASE LOANS AND ADVANCES

Accounting Policy

The Company recognises the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the Company in determining the same is explained in Note 18 to these financial statements.

For Loans and advance defined in as threshold, the Company assessed for Significant increases in credit risk (SICR). If a particular loan is individually impaired, the amount of losses is measured as the difference between the assests carrying amount and the present value of estimated future cashflows and the haircut value of the securities if available. If any loans and advances have no provisions under individual assessment, such financials assests are then collectively assessed for impairments along with remaining maturity portfolios.

	Note	2023/2024 Rs.	2022/2023 Rs.
Individual impairment expense	11.1	579,670,795	550,519,930
Collective impairment expense	11.1	(74,632,158)	5,572,289
		505,038,637	556,092,219
11.1 Product wise Impairment Charges/ reversal of charges			
Lease rentals receivable		(21,711,808)	(22,638,520)
Hire purchases		-	(19,500)
Mortgage loans		8,669,420	24,770,193
Micro Mortgage loans		3,107,000	-
Pledge loans		-	(4,028)
Personal and corporate loans		(100,021,126)	377,793,730
Group personal loans		99,110,902	38,285,076
Micro finance loans		177,751,618	88,058,424
Project financing loan		(11,970)	90,836
Gold loan		338,144,601	49,756,008
		505,038,637	556,092,219

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

12. OPERATING PROFIT BEFORE VALUE ADDED TAX ON FINANCIAL SERVICES

Accounting Policy

Expenditure recognition

Expenses are recognised in the statement 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 and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement profit or loss. For the purpose of presentation of the statement of profit or loss, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s performance.

	2023/2024	2022/2023
Note	Rs.	Rs.
Operating profit before value added tax on financial services		
Operating profit before value added tax on financial services is stated after charging all expenses including the following;		
Depreciation and amortisation	78,086,569	194,850,265
Depreciation on right-of-use-asset	67,224,605	65,237,165
Auditors’ remuneration – external audit current year	2,862,000	2,598,000
– Non-audit	2,840,548	2,354,799
Advertising and business promotion	64,582,545	61,199,550
Professional and legal fees	26,879,453	28,654,051
Operational expenses on investment property	18,000	-
	242,493,720	354,893,830

13. TAXES ON FINANCIAL SERVICES

Accounting Policy

VAT on Financial services

VAT on Financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non-cash benefits including terminal benefits. VAT on Financial services is charged at the rate of 18%.

Social Security Contribution Levy

Social Security Contribution Levy (SSCL) was imposed with effect from October 01, 2022, at the rate of 2.5% by the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act)

	2023/2024	2022/2023
	Rs.	Rs.
VAT on Financial Services	87,399,981	30,000,000
Social Security Contribution Levy	17,304,575	12,825,463
	104,704,556	42,825,463

14. INCOME TAX EXPENSES

Accounting Policy

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised directly in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case, it is recognised in equity.

Current taxes

Current tax assets and liabilities consist of amounts expected to be recovered from, or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto, at the rates specified in the Note 12 to the financial statements. This note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

Major components of income tax expense for the year ended 31 March 2024 are as follows:

		2023/2024	2022/2023
	Note	Rs.	Rs.
Statement of profit or loss			
Current income tax			
Current income tax charge	14.1	47,054,021	-
Previous year under provision		247,115	2,844,902
Total current income tax		47,301,136	2,844,902
Deferred tax			
Deferred tax expense		(18,000,000)	61,455,352
Current income tax expenses		47,301,136	-
Total income tax expense reported in the statement of profit or loss		29,301,136	64,300,254
Statement of other comprehensive income			
Deferred tax			
Deferred tax effect on components of other comprehensive income - Revaluation surplus		13,053,327	-
Deferred tax effect on components of other comprehensive income - Acturial gain		3,819,139	2,544,648
Total income tax expenses reported in the other comprehensive income		16,872,466	2,544,648
Current year net effect to the statement of comprehensive income		46,173,602	66,844,902

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

14.1. Reconciliation of accounting profit and taxable income

	Note	2023/2024	2022/2023
		Rs.	Rs.
Accounting profit (profit before income tax)		373,487,839	359,635,676
Add : Disallowable expenses		801,574,414	807,368,100
Less : Allowable expenses		(844,340,778)	(734,164,749)
Less : Exempt income		(11,705,637)	(10,120,318)
Less : Assesable income		(7,169,101)	-
Add : Adjusted business profit from leasing business		-	1,412,786
Statutory income		311,846,738	424,131,495
Tax loss brought forwarded and utilized		(155,000,000)	(424,131,495)
Taxable income		156,846,738	-
Income tax expense		47,054,021	-
Effective income tax rate		30%	30%

Accounting Policy

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

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

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

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off the current tax assets against the current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

As at	Note	31.03.2024	31.03.2023
		Rs.	Rs.
Recognised under assets	14.2	73,085,259	62,818,883
Recognised under liabilities		(34,535,076)	(25,396,236)
Deferred tax asset balance		38,550,183	37,422,647

14.2 Deferred tax assets and liabilities relate to the following:

Deferred tax liability			
Revaluation reserve		(13,053,327)	-
Lease rental receivable		-	(4,362,366)
Property, plant and equipment		(21,481,749)	(21,033,870)
		(34,535,076)	(25,396,236)
Deferred tax assets			
Retirement benefit obligation		11,863,028	13,716,760
Carried forward tax loss and unused tax credit	14.2.1	28,961,796	180,280
Transitional adjustment		14,311,755	35,779,388
Right-of-use assets		9,901,253	5,642,455
Provision for impairment of loans and receivables		8,047,427	7,500,000
		73,085,259	62,818,883
Net deferred tax asset		38,550,183	37,422,647

14.2.1 The carrying amount of deferred tax assets is reviewed by the management at each reporting date and recognised to the extent of probable taxable profits in 3 years time as recommended by IR Act No. 24 of 2017.

With the enactment of the inland revenue (Amendment) Act No 45 of 2022, income tax rate was revised from 24% to 30% effective from 01st October 2022 of the year of assessment 2022/2023. Accordingly, income tax rate of 30% was applied on the taxable income of the Company for the 2nd half of the financial year ended 31 March 2023 and thereon.

Deferred tax assets and liabilities were assessed based on the revised income tax rate of 30% which was effective from 01st October 2022.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of material accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments' under the headings of the Statement of Financial Position.

As at 31March 2024	FVTOCI Rs.	Amortized Cost Rs.	Total Rs.
Assets			
Cash and cash equivalents	-	3,887,692,725	3,887,692,725
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortised cost	-	1,755,472,300	1,755,472,300
Financial assets at amortised cost - Lease rentals receivable and hire purchase	-	265,619,140	265,619,140
Financial assets at amortised cost - Loans and advances	-	18,791,889,311	18,791,889,311
Property Plant and Equipment - Motor Vehicle	55,356,509	-	55,356,509
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	55,863,168	24,700,673,476	24,756,536,645
		Liabilities at amortized Cost Rs.	Total Rs.
Liabilities			
Due to customers		14,485,136,166	14,485,136,166
Debenture		1,058,730,444	1,058,730,444
Due to banks		47,637,705	47,637,705
Other borrowed funds		6,050,495,203	6,050,495,203
Total financial liabilities		21,641,999,518	21,641,999,518

As at 31March 2023	FVTOCI Rs.	Amortized Cost Rs.	Total Rs.
Assets			
Cash and cash equivalents	-	2,063,128,895	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds at amortised cost	-	2,444,830,041	2,444,830,041
Financial assets at amortised cost - Lease rentals receivable and hire purchase	-	449,636,218	449,636,218
Financial assets at amortised cost - Loans and advances	-	19,028,664,556	19,028,664,556
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	506,659	23,986,259,710	23,986,766,369

	Liabilities at amortized Cost	Total
	Rs.	Rs.
Liabilities		
Due to customers	13,274,968,572	13,274,968,572
Debenture	2,187,519,136	2,187,519,136
Due to banks	3,763,272	3,763,272
Other borrowed funds	6,062,427,129	6,062,427,129
Total financial liabilities	21,528,678,109	21,528,678,109

16 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand and balances placed with banks. These 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. They are brought to financial statements at their face values or the gross values, where appropriate.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	31.03.2024	31.03.2023
	Rs.	Rs.
Cash in hand	158,377,039	77,913,890
Cheque in hand	63,258,306	2,844,191
Current accounts with banks	90,964,848	96,474,984
Savings accounts with banks	1,059,328,427	645,151,270
Savings accounts with banks in foreign currency	11,777,891	12,546,336
Short-term investment	2,503,986,214	1,228,198,224
	3,887,692,725	2,063,128,895

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

17 INVESTMENT IN REVERSE REPURCHASE AGREEMENTS AGAINST TREASURY BILLS, BONDS AND OTHER SECURITIES AT AMORTISED COST

Accounting Policy

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, reflecting the transaction's economic substance as a loan provided by the Company. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

	31.03.2024	31.03.2023
	Rs.	Rs.
Reverse repurchase agreements against treasury bills and bonds	1,690,988,386	2,444,830,041
Long-term investment Debenture Investment	64,483,914	-
	1,755,472,300	2,444,830,041

18 FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

Accounting Policy

Loans and receivables are measured at amortised cost using the EIR, less allowance 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' in the Statement of Income. The losses arising from impairment are recognised in the Statement of Income in "impairment charges for loans and receivables and other losses".

Leasing

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

Gold Loans

Gold loan is a secured loan taken by the borrower from a lender by pledging their gold articles (within the range of 18-24 carats) as a collateral. The loan amount provided is a certain percentage of the gold, based on the current market value and quality of gold.

Restructured Loans and Receivables

The Company seeks to restructure loans and receivables with additional collateral when the client does not meet payments on a timely manner. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been re-negotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using the original EIR and are subject to an individual or collective impairment assessment.

	Note	31.03.2024 Rs.	31.03.2023 Rs.
Leases, Hire purchases, Loans and advances			
Gross lease, hire purchases, loans and advances	18.1	20,564,656,008	21,200,516,619
Less: Provision for impairment - Collective	18.2	(557,856,261)	(604,325,657)
Less: Provision for impairment -Individual		(945,688,902)	(1,086,125,032)
Less: Net interest margin	18.3	(3,602,395)	(31,765,157)
Net lease, hire purchases, loans and advances		19,057,508,450	19,478,300,773
18.1. Leases, Hire purchases, Loans and advances - Analysis by product			
Lease rentals receivable		336,858,881	557,198,547
Mortgage loans		1,807,831,101	1,253,818,638
Pledge loans		336,885,568	269,749,968
Personal and corporate loans		1,170,489,300	1,540,918,944
Group personal loans		159,570,136	307,828,809
Micro mortgage loans		1,621,628,495	40,758,924
Micro finance loans		809,062,724	732,381,918
Project financing loan		689,467	689,467
Gold loan		14,321,640,336	16,497,171,404
		20,564,656,008	21,200,516,619
18.2. Impairment Provisions - Analysis by product			
Lease rentals receivable		71,014,218	92,726,028
Mortgage loans		164,430,292	155,760,872
Micro mortgage loans		3,107,000	-
Pledge loans		-	-
Personal and corporate loans		528,103,919	984,690,718
Group personal loans		62,462,049	98,254,684
Micro finance loans		439,360,017	261,608,399
Project financing loan		495,575	507,545
Gold loan		234,572,093	96,902,444
		1,503,545,163	1,690,450,689
18.3. Net Interest Margin Analysis by product			
Lease rentals receivable		225,522	14,836,302
Mortgage loans		830,840	7,708,361
Personal and corporate loans		507,732	4,012,749
Group personal loans		16,703	2,472,315
Micro finance loans		13,784	2,735,430
Care gold loan		2,007,814	-
		3,602,395	31,765,157

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	31.03.2024	31.03.2023
	Rs.	Rs.
18.4. Impairment charge to the statement of profit or loss		
Leases, Hire purchases, loans and advances to customers		
Stage 1	(13,003,264)	26,129,424
Stage 2	(73,868,009)	(48,362,011)
Stage 3	591,909,910	578,324,806
Total	505,038,637	556,092,219

18.5. Leases, Hire purchases, Loans and advances - Product Analysis by Stagewise

	31.03.2024 Rs.				31.03.2023 Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Leases and hire purchases	32,676,380	12,262,507	291,919,993	336,858,880	294,930,371	51,578,728	210,689,448	557,198,547
Loans and advances	15,120,047,715	853,136,769	4,254,612,643	20,227,797,128	15,346,868,665	1,784,655,529	3,511,793,878	20,643,318,072
	15,152,724,095	865,399,276	4,546,532,636	20,564,656,008	15,641,799,036	1,836,234,257	3,722,483,326	21,200,516,619

18.6. Leases, Hire purchase, Loans and Advances Movements in provision for impairment during the year (Under SLFRS 9)

	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	114,121,366	103,782,446	1,472,546,877	1,690,450,689	87,991,942	152,144,457	1,259,811,436	1,499,947,835
Charge/(write back) to the statement of profit or loss	(13,003,264)	(73,868,009)	591,909,910	505,038,637	26,129,424	(48,362,011)	578,324,806	556,092,219
Transferred from NIM	-	-	28,162,760	28,162,760	-	-	-	-
Write off during the year Non Gold Loan 18.6.1	-	-	(491,469,211)	(491,469,211)	-	-	(365,589,366)	(365,589,366)
Write off during the year Gold Loan	-	-	(228,637,712)	(228,637,712)	-	-	-	-
Balance at the end of the year	101,118,102	29,914,437	1,372,512,624	1,503,545,163	114,121,366	103,782,446	1,472,546,876	1,690,450,688

18.6.1. Write off of Non-Gold Loan during the year

Listed cases selected according to the AAF Written off policy and all listed cases selected for 100% provision and during the year provision was accounted at LKR 164Mn.

18.7. Financial assets at amortised cost – Lease rentals receivable and hire purchase

	31.03.2024 Rs.				31.03.2023 Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross lease rental receivable and hire purchases	32,676,380	12,262,507	291,919,993	336,858,880	294,930,371	51,578,728	210,689,448	557,198,548
Less: Provision for impairment	170,743	(249,447)	(70,935,513)	(71,014,218)	(10,303,749)	(3,575,980)	(78,846,299)	(92,726,028)
Less: Net interest margin	(225,522)	-	-	(225,522)	(14,836,302)	-	-	(14,836,302)
Net lease rentals receivable and hire purchase	32,621,600	12,013,060	220,984,480	265,619,140	269,790,320	48,002,748	131,843,149	449,636,218

18.7.1. Movement in provision for impairment during the year (Under SLFRS 9)

	31.03.2024 Rs.				31.03.2023 Rs.			
	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	10,303,748	3,575,979	78,846,299	92,726,026	8,566,631	16,026,905	133,795,106	158,388,642
Charge/(write back) to the statement of profit or loss	(10,474,491)	(3,326,532)	(7,910,786)	(21,711,808)	1,737,117	(12,450,926)	7,420,601	(3,293,208)
Write off during the year	-	-	-	-	-	-	(62,369,408)	(62,369,408)
Net interest margin reversal	-	-	-	-	-	-	-	-
Balance at the end of the year	(170,743)	249,447	70,935,513	71,014,218	10,303,748	3,575,979	78,846,299	92,726,028

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	Note	31.03.2024	31.03.2023
		Rs.	Rs.
18.7.2. Lease rentals receivable and hire purchase			
Net lease rentals receivables	18.7.3	265,619,142	449,636,218
		265,619,142	449,636,218
18.7.3. Lease rentals receivable			
Gross rentals receivable		352,703,252	596,074,612
Less: Unearned income		(13,646,876)	(38,771,558)
Pre-paid rentals		(2,197,496)	(104,507)
		336,858,881	557,198,547
Less: Net interest margin		(225,522)	(14,836,302)
Provision for impairment losses		(71,014,218)	(92,726,027)
		265,619,142	449,636,218
		31.03.2024	31.03.2023
		Rs.	Rs.
18.7.5.1. Lease and hire purchase receivable not later than 1 year			
Gross rentals receivable		221,484,811	229,799,794
Less: Unearned income		(2,213,506)	(2,584,058)
Pre-paid rentals		(852,984)	(98,987)
Net interest margin		(225,522)	(14,836,302)
Provision for impairment losses		(45,313,189)	(65,521,418)
		172,879,610	146,759,029
18.7.5.2. Lease and hire purchase receivable later than 1 year and not later than 5 years			
		31.03.2024	31.03.2023
		Rs.	Rs.
Gross rentals receivable		131,218,440	366,274,818
Less: Unearned income		(11,433,368)	(36,187,500)
Pre-paid rentals		(1,344,512)	(5,520)
Provision for impairment losses		(25,701,029)	(27,204,609)
		92,739,531	302,877,189

18.8. Financial assets at amortised cost – Loans and advances

	31.03.2024				31.03.2023			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances receivables	15,120,047,715	853,136,769	4,254,612,643	20,227,797,128	15,346,868,665	1,784,655,529	3,512,948,880	20,644,473,074
Less: Provision for impairment	(101,288,845)	(29,664,991)	(1,301,577,109)	(1,432,530,944)	(103,817,618)	(100,206,467)	(1,394,855,578)	(1,598,879,663)
Less: Provision net interest margin	(3,376,873)	-	-	(3,376,873)	(16,928,855)	-	-	(16,928,855)
Net Loans and advances receivables	15,015,381,998	823,471,779	2,953,035,535	18,791,889,311	15,226,122,192	1,684,449,062	2,118,093,302	19,028,664,556

18.8.1. Movement in provision for impairment during the year (Under SLFRS 9)

	31.03.2024				31.03.2023			
	Rs.				Rs.			
	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	103,817,618	100,206,467	1,394,855,578	1,598,879,663	79,425,311	136,117,552	1,124,861,328	1,341,559,193
Charge/(write back) to the statement of profit or loss	(2,528,774)	(70,541,477)	599,820,696	526,750,446	24,392,307	(35,911,085)	570,904,205	559,385,427
Write off of during the year Non-Gold Loan	-	-	(491,469,211)	(491,469,211)	-	-	(302,064,957)	(302,064,957)
Write off of during the year Gold Loan	-	-	(228,637,714)	(228,637,714)	-	-	-	-
Transferred from NIM to LLP	-	-	27,007,760	27,007,760	-	-	-	-
Balance at the end of the year	101,288,845	29,664,991	1,301,577,109	1,432,530,944	103,817,618	100,206,467	1,394,855,578	1,598,879,663

18.8.2. Impairment charge to the Statement of Profit or Loss

	31.03.2024	31.03.2023
	Rs.	Rs.
Loans and advances to customers	(2,528,774)	24,392,307
Stage 1	(70,541,477)	(35,911,085)
Stage 2	599,820,696	570,904,205
Stage 3	526,750,446	559,385,427
Total		

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

19. OTHER ASSETS

Accounting Policy

The Company classifies all their other assets, as other financial assets and other non-financial assets. Other non-financial assets mainly comprise the advance payments, VAT recoverable and sundry receivable.

Deferred expenses

Costs of acquiring new businesses including commission, marketing expenses which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable in the future. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, all the other expenses are deferred.

	31.03.2024	31.03.2023
	Rs.	Rs.
Other assets	130,133,093	127,559,654
	130,133,093	127,559,654

20. INCOME TAX RECEIVABLE/ (PAYABLE)

	31.03.2024	31.03.2023
	Rs.	Rs.
Balance at the beginning of the year	27,593,548	27,698,763
Income tax expense for the year	(47,054,021)	-
Under provision for previous year	(247,115)	(2,844,902)
Previous year under provision paid	247,115	2,471,149
WHT paid during the year	1,507,015	268,538
	(17,953,458)	27,593,548

21. ADVANCES, DEPOSITS AND PREPAYMENTS

	31.03.2024	31.03.2023
	Rs.	Rs.
Accounting Policy		
Advance payments are carried at historical cost.		
Advance and prepayments	7,714,746	15,092,421
Refundable deposits	36,389,800	27,204,800
Other receivables	58,709,179	34,737,347
	102,813,725	77,034,568

22. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2024		31.03.2023	
	Number of shares	Directors' valuation* Rs.	Number of shares	Directors' valuation* Rs.
Unquoted cumulative redeemable preference shares				
Platinum Reality Investment Limited	25,000	6,500,000	25,000	6,500,000
Less: Impairment charge	25,000	(6,500,000)	25,000	(6,500,000)
		-		-
Unquoted Ordinary shares				
Finance Houses Consortium (Private) Limited	20,000	200,000	20,000	200,000
Credit Information Bureau of SL (CRIB)	100	306,659	100	306,659
	20,100	506,659	20,100	506,659

*The Directors' valuation of non-quoted securities based on cost of investment less impairment amounts to Rs.506,659/- (2023 - Rs.506,659/-).

23. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of Recognition

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

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

Basis of measurement

Cost Model

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 cost incurred subsequently to add to, or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

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.

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

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

Revaluation Model

Motor vehicles of the Company are revalued by independence Professional valuer every 05 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 value as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognized in Revaluation Reserve in Equity through OCI or used to reserve a previous loss on revaluation of the same asset was that charged to the Statement of Profit or Loss. In this, the increase is recognized as income only to the extent of the amounts written down previously. Any increase in the carrying amount is recognized as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI only to the extent of any credit balances existing in the Revaluation Reserve in respect of that asset. Any balance remaining in Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Company carries its motor vehicle at fair value, valuations of the motor vehicles were carried out as at 31 March 2024 by S&T Vehicle Valuation Center (Pvt Ltd). Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets (Level 2).

The carrying value of revalued assets as at 31 March 2024 that would have been included in the financial statements of the Company had the assets been carried at cost less depreciation is as follows,

	Cost/ Revalued	Accumulated Depreciation	Carrying Value
Motor vehicle	56,543,473	1,186,964	55,356,509

Subsequent costs

The cost of replacing a part of an item of property, plant and 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 cost of day to day servicing of property, plant and equipment is charged to the statement of income as incurred.

Repairs and maintenance

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

Derecognition

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

Depreciation

Depreciation is recognised in the statement of 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 method most closely reflects the expected pattern of consumption of the future

economic benefits embodied in the asset.

The estimated useful lives are as follows;

Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles -Revalued	6.5 years
Computer hardware	6 years

The depreciation rates are determined separately for each Significant part of an item of property, plant and equipment, and commence to depreciate when they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

Gross carrying amounts

	Motor vehicle	Office equipment	Computers	Furniture and fittings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.

Freehold assets

Cost/Revaluation

Balance at the beginning of the year	64,017,935	294,898,998	88,762,633	62,725,378	510,404,944
Additions/Transfers during the year	13,950,000	80,841,798	18,901,216	28,573,151	142,266,165
Disposals/ Transfers	(26,099,446)	(69,944,008)	(15,582,629)	(5,604,571)	(117,230,654)
Transfer of accumulated depreciation on assets revalued	(38,836,105)	-	-	-	(38,836,105)
Surplus on revaluation of Motor Vehicles	43,511,089	-	-	-	43,511,089
Balance at the end of the year	56,543,473	305,796,788	92,081,220	85,693,958	540,115,439

	Motor vehicle	Office equipment	Computers	Furniture and fittings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.

Accumulated depreciation

Balance at the beginning of the year	53,925,390	169,675,643	52,873,920	30,142,977	306,617,930
Charge for the year	7,472,295	39,487,970	11,050,698	9,328,032	67,338,995
Disposals/ Transfers	(21,374,616)	(67,250,464)	(14,337,097)	(5,327,316)	(108,289,493)
Transfer of accumulated depreciation on assets revalued	(38,836,105)	-	-	-	(38,836,105)
Balance at the end of the year	1,186,964	141,913,149	49,587,521	34,143,693	226,831,327

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	31.03.2024	31.03.2023
	Rs.	Rs.
Net Book value		
Motor vehicle	55,356,509	10,092,545
Office equipment	163,883,639	125,223,355
Computers	42,493,699	35,888,713
Furniture and fittings	51,550,265	32,582,401
	313,284,112	203,787,014

23.1 During the 12 months year ended 31March 2024, the Company acquired property, plant and equipment to the aggregate value of Rs142,266,165/- (2023 74,641,867/-). Cash payments amounting to Rs.142,266,165/- (2023 -74,641,867/-) were paid during the period for the purchases of property, plant and equipment. During the year the Company has performed a valuation for the moter vehicles as a result Rs. 43,511,089/- revaluation gain has occurred and transfered it to the revaluation reserves.

23.2 Property, plant and equipment include fully depreciated assets having a gross carrying amount of Rs.90,086,815.58 - (2023- Rs. 147,601,392/-).

23.3 **Temporarily idle property, plant and equipment**
There were no property, plant and equipment idling as at 31March 2024 and 31March 2023

23.4 **Title restriction on property, plant and equipment**
There was no restriction on the title of property, plant and equipment as at 31March 2024 and 31March 2023

23.5 **Property, plant and equipment pledged as securities for liabilities**
There were no items of property, plant and equipment pledged as securities for liabilities as at 31March 2024 and 31March 2023

23.6 **Borrowing Costs**
There was no capitalised borrowing cost related to the acquisition of property, plant and equipment during the financial year 2024 and 2023.

23.7 The maturity analysis of property, plant and equipment is given in Note 41.

24. RIGHT-OF-USE ASSETS ON LEASE

Accounting Policy

Basis of recognition

The Company applies Sri Lanka Accounting Standard SLFRS 16 “Leases” in accounting for all leasehold rights except for short-term leases, which are held for use in the provision for services.

Basis of Measurement

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.

Amortisation

Right-of-use assets are amortised over the lease term of the assets as there is no reasonable certainty that the Company will obtain the ownership of such assets by the end of the lease term.

Derecognition/Termination

Right-of-use assets are derecognised on termination of the agreement with the lessor or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognised in ‘Other operating income’ in the statement of income in the year the asset is derecognised.

	31.03.2024	31.03.2023
	Rs.	Rs.
Cost		
Balance at the beginning of the year	367,059,688	328,185,238
Additions/renewal of operating lease during the year	73,021,458	46,331,984
Capitalized from advance during the year	-	4,936,667
Expiration of operating lease agreement during the year	-	(12,394,201)
Balance at the end of the year	440,081,146	367,059,688
Accumulated amortisation		
Balance at the beginning of the year	186,417,480	131,688,443
amortisation for the year	67,224,605	65,237,164
Expiration of operating lease agreement during the year	-	(10,508,127)
Balance at the end of the year	253,642,085	186,417,480
Net book value	186,439,061	180,642,208

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

25. INVESTMENT PROPERTY

Accounting Policy

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, to be used in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognized at cost. Subsequent to initial recognition, the investment properties are stated at cost.

De-recognition

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. Any gains or losses on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of income.

The estimated useful life of the buildings is assessed as 15 years.

	31.03.2024	31.03.2023
	Rs.	Rs.
Cost		
Balance at the beginning of the year	332,558,647	367,158,649
Additions during the year	1,452,837	700,000
Disposals during the year		(35,300,000)
Balance at the end of the year	334,011,484	332,558,649
Accumulated Depreciation		
Balance at the beginning of the year	8,496,456	8,103,362
Charge for the year	1,215,921	1,247,612
Disposals during the year		(854,518)
Balance at the end of the year	9,712,377	8,496,456
Net book value	324,299,107	324,062,193

Fair value of the investment property for the purpose of disclosure in note 25.4 was ascertained by valuations carried out by independent valuers as required by LKAS 40.

25.1 Direct operational expenses recognised in respect of the above investment property is disclosed in Note 12.

25.2 Rent income recognized in respect to the above investment property is disclosed in Note 08.

25.3 Advance Received for Investment Property

	31.03.2024	31.03.2023
	Rs.	Rs.
No:723/53, "Lake Terrace" Jayasinghe Mawatha, Korathota Road, Athurugiriya.	1,063,000	1,063,000
	1,063,000	1,063,000

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

25.4. Fair value of the investment property

Location of the land	Valuer's name and report date	Total extent	31.03.2024		31.03.2023	
			Fair value Rs.	Cost Rs.	Fair value Rs.	Cost Rs.
Lot 05, Dangahahena Land, Anamaduwa Road, Andigama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 11th November 2022	0a-0R-39.04 P (0.09965 Ha)	12,000,000	1,250,000	12,850,000	1,250,000
No 25/20, Kalyani Mawatha, Mabola, Wattala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 10th Novemembr 2022	0A-01R-12.30P	11,000,000	12,453,317	12,188,000	12,453,317
No;21,14th Lane,I.Jothipala Mawatha,Malabe.	D. Jayawardene (Incorporated Valuer) - valuation report dated 10th October 2023	0A-0R-10.00 P (0.0253 Ha)	22,000,000	15,018,703	8,000,000	12,865,866
Lot 1-46 Plan no;3393 at Tembiligaha, Pallegama, Gampola.	D. Jayawardene (Incorporated Valuer) - valuation report dated. 02nd April 2023	02A-02R-15 P	23,000,000	15,064,221	23,000,000	15,064,221
Lot no;1 in Plan no;5644 at Lenadora,Dambulla.	D. Jayawardene (Incorporated Valuer) - valuation report dated 04th April 2023	01A-02R-02.60 P (06122 Ha)	51,000,000	16,644,799	51,000,000	16,644,799
Oslo Furnitures Industries (Pvt) Ltd, Welagane, Maspotha,Kurunegala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 04th April 2023	0A-01R-35.00 P (0.1897 Ha)	57,000,000	46,344,685	57,000,000	46,344,684
Karukottiheevu,Thamputtai 02,Akkaraipattu.	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	10A-01R-05P (4.1602 Ha)	123,000,000	95,236,734	123,000,000	95,236,734
Galapitamillahena, Polarambegama, Kegalle.	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	03A-02R-21.00P (1.4693 Ha.)	28,000,000	25,374,000	31,000,000	25,374,000
No;95,Mallattawela,Wellawaya	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	01A-0R-11.80 P (0.04346 Ha)	15,500,000	5,255,135	15,500,000	5,255,135
Lot No;153B in Plan no;4813/99 at Udangawa, Ambanpola.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April 2021.	(0.325 Ha)	13,000,000	12,103,871	13,000,000	12,103,872
Lot No;1 in Plan no;1520 & Lot no;1 in Plan no;1522, "EVERTON ESTATE", Pothupitiya Road, Rakwana	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	73A-03R- 17.50P	64,500,000	27,357,721	64,500,000	27,357,721
No:723/53, "Lake Terrace" Jayasinghe Mawatha, Korathota Road, Athurugiriya.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April 2021.	23.52 P	7,500,000	6,016,123	8,000,000	6,016,123
"Kopiawatta" Lot No:A, Plowatta Road, Minuwangoda.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April 2021.	01A-0R-01..49P (0.4085 Ha.)	55,000,000	55,892,177	55,000,000	55,892,177
			482,500,000	334,011,486	474,038,000	331,858,649

25.5. Movement of Investment Property

	Opening Balance	Additions	Disposals	Closing Balance
	Rs.	Rs.	Rs.	Rs.
Cost	332,558,649	1,452,836	-	334,011,485
Accumulated depreciation	8,496,456	1,215,922	-	9,712,378
	324,062,193	2,668,758	-	324,299,107

Investment properties include bare lands and buildings acquired by the Company from clients who had defaulted on accommodations granted and purchased properties. These properties are held by the Company for capital appreciation and for rental purposes.

Changes in fair values are recognised as gains in the statement of income and included in 'Net other operating income'.

25.6 There are no restrictions on the realisability of the investment properties.

There are no contractual obligations to construct or develop investment properties or for repairs, maintenance or enhancements.

25.7 Measurement of fair values

25.7.1 Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, with appropriately recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio once in three years and the latest valuation done ranges from 30 April 2023 to 31th April 2021. All the fair value of all the properties have been determined based on valuation performed by Mr. D. Jayawardene, Incorporated Valuer, B. Sc. Estate Mgt. & Valuation (Special) A.I.V. (Sri Lanka).

25.7.2 Valuation technique

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the Significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.400,000 to Rs.10,000,000 in the Colombo area and Rs.28,000 to Rs.400,000 outside the Colombo area	The estimated fair value would increase/ (decrease) if: Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet is determined based on similar properties value and depreciated for period used	The estimated fair value would increase/ (decrease) if: Depreciation rate for building was lesser/(higher)

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

26 INTANGIBLE ASSETS

Accounting Policy

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

Basis of recognition

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

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the statement of financial position at cost less any accumulated amortisation and any accumulated impairment losses, if any.

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.

Useful economic lives, amortisation and impairment

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the Company. There are no indefinite-lived intangible assets which are subject to annual impairment test. amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. The Company assumes that there is no residual value for its intangible assets.

Amortisation is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Computer software - 8 years

Derecognition

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

Gross carrying amounts

	Balance as at 01.04.2023	Additions	Disposals / transfers	Balance as at 31.03.2024
	Rs.	Rs.	Rs.	Rs.
Cost				
Intangible asset	76,684,042	8,472,875	-	85,156,917
	76,684,042	8,472,875	-	85,156,917
	Balance as at 01.04.2023	Charge for the year	Disposals / transfers	Balance as at 31.03.2024
	Rs.	Rs.	Rs.	Rs.
Amortisation				
Intangible asset	29,007,816	9,531,653	-	38,539,469
	29,007,816	9,531,653	-	38,539,469
			31.03.2024	31.03.2023
			Rs.	Rs.
Net book value				
Intangible asset			46,617,448	47,676,226
			46,617,448	47,676,226

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

27. DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and 'interest expenses' in the statement of profit or loss.

	31.03.2024	31.03.2023
	Rs.	Rs.
Due to bank bank overdrafts	47,637,705	3,763,272
	47,637,705	3,763,272

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

28. OTHER LIABILITIES

Accounting Policy

Other liabilities include, VAT on financial services payable, tax payable, accrued expenses payable, dividend payable and other amounts payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

	31.03.2024	31.03.2023
	Rs.	Rs.
VAT on FS payable	(19,969,111)	26,548,218
Customer related payable	536,231,883	130,587,937
Tax payable	12,420,605	33,746,484
Accrued expenses	29,800,849	29,225,581
Dividend payable	475,406	295,751
Other payable	-	7,832,901
	558,959,632	228,236,872

29. FINANCIAL LIABILITIES - OTHER BORROWED FUNDS

Accounting Policy

Other borrowed funds include other long-term and short term loans obtained from banks and Financial Institutions. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Income. Gains and losses are recognised in the Statement of Income when the liabilities are de-recognised as well as through the EIR amortisation process.

	Note	31.03.2024	31.03.2023
		Rs.	Rs.
Securitised borrowings	29.1	4,267,520,832	4,886,931,464
Bank loans	29.2	1,782,974,371	1,175,495,665
		6,050,495,203	6,062,427,129

29.1. Securitised borrowings

	As at 01.04.2023	Loans obtained	Interest for the period	Repayments	As at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Securitisation Loan 34 - HNB Bank Trust	216,292,791	-	6,461,796	(222,754,587)	-
Securitisation Loan 36 - HNB Bank Trust	96,799,634	-	658,326	(97,457,960)	-
Securitisation Loan 37 - HNB Bank Trust	52,403,144	-	1,131,411	(53,534,555)	-
Securitisation Loan 38 - HNB Bank Trust	627,940,822	-	61,754,965	(61,866,848)	627,828,939
Securitisation Loan 39 - HNB Bank Trust	431,054,526	-	10,822,134	(441,876,660)	-
Securitisation Loan 40 - HNB Bank Trust	86,067,522	-	9,790,651	(95,858,173)	-
Securitisation Loan 41 - Peoples Bank Trust	892,740,777	-	121,167,510	(935,083,017)	78,825,271
Securitisation Loan 42 - Peoples Bank Trust	1,005,831,888	-	171,859,344	(955,828,315)	221,862,917
Securitisation Loan 43 - NDB Bank Trust	1,070,391,185	-	215,633,128	(834,340,257)	451,684,056
Securitisation Loan 44 - NDB Bank Trust	407,409,175	593,000,000	231,891,333	(413,970,556)	818,329,952
Securitisation Loan 45 - NDB Bank Trust	-	1,000,000,000	95,503,707	(54,399,836)	1,041,103,871
Securitisation Loan 46 - NDB Bank Trust	-	1,000,000,000	30,028,374	(2,142,548)	1,027,885,826
	4,886,931,464	2,593,000,000	956,702,679	(4,169,113,312)	4,267,520,832

29.2. Bank loans

	As at 01.04.2023	Loans obtained	Interest for the period	Repayments	As at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
HNB Bank Loan 04	204,200,000	-	31,108,393	(147,748,393)	87,560,000
DFCC Vardhana Bank 04	9,375,000	-	391,332	(9,766,332)	(0)
Sampath Bank Loan 03	4,950,036	-	104,831	(5,054,867)	-
DFCC Vardhana Bank 05	173,641,292	-	27,593,050	(104,766,970)	96,467,372
DFCC Vardhana Bank 06	208,333,337	-	30,086,216	(135,294,553)	103,125,000
DFCC Vardhana Bank Revolving Loan	-	500,000,000	-	-	500,000,000
Nations Trust Bank Loan 03	200,000,000	-	32,899,658	(132,899,658)	100,000,000
NDB Loan 1	374,996,000	-	61,099,201	(186,103,201)	249,992,000
Sampath Bank Loan	-	750,000,000	43,018,083	(147,188,083)	645,830,000
	1,175,495,665	1,250,000,000	226,300,763	(868,822,057)	1,782,974,371

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

29.3 Loan details

Bank	Approved facility	Purpose	Term of the loan	Security	Underline security amount for outstanding balance Rs. Mn
Securitisation loan 38	Rs.600 Mn	Working capital requirements	36 monthly instalments	Mortgage bond gold loan receivable LKR 816Mn	627.83
Securitisation loan 41	Rs.1,217 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable LKR 102Mn	78.83
Securitisation loan 42	Rs.1000 Mn	Working capital requirements	20 monthly instalments	Mortgage bond gold loan receivable LKR 288Mn	221.86
Securitisation loan 43	Rs.1000 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable LKR 587Mn	451.68
Securitisation loan 44	Rs.1000 Mn	Working capital requirements	18 monthly instalments	Mortgage bond gold loan receivable LKR 1064Mn	818.33
Securitisation loan 45	Rs.1000 Mn	Working capital requirements	16 monthly instalments	Mortgage bond gold loan receivable LKR 1353Mn	1041.10
Securitisation loan 46	Rs.1000 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable LKR 1336Mn	1027.89
HNB Bank Loan 04	Rs.350 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over gold loan portfolio LKR 131Mn	87.56
DFCC Bank Loan 05	Rs.300 Mn	Working capital requirements	48 monthly instalments	Promissory note for Rs. 300 Mn	96.47
DFCC Bank Loan 06	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for Rs. 300 Mn over gold loan receivable portfolio with collateral margin of 1.3 times	103.13
Nations Trust Bank Loan 03	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for Rs. 300 Mn over gold loan receivable portfolio with collateral margin of 1.5 times	100.00
Samapth Bank Loan	Rs.750 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for 750 Mn over gold loan receivable portfolio	645.83
DFCC Vardhana Bank Revolving Loan	Rs.500 Mn	Working capital requirements	Within 03 months	Primary mortgage for Rs. 500 Mn over gold loan receivable portfolio with collateral margin of 1.3 times	500.00
NDB Loan 1	Rs.500 Mn	Working capital requirements	48 monthly instalments	Primary mortgage for Rs. 500 Mn over gold loan receivable portfolio	249.99

30. RIGHT-OF-USE ASSETS – LEASED LIABILITY

Accounting Policy

At the commencement date of the lease, the Company recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The present value of lease commitments has been calculated using the weighted average incremental borrowing rate.

	31.03.2024	31.03.2023
	Rs.	Rs.
Balance at the beginning of the year	199,066,151	207,778,443
Additions/renewal of operating lease during the year	73,021,458	46,331,984
Accretion of interest	42,338,086	31,420,978
Payments made during the year	(94,982,460)	(82,804,290)
Expiration of operating lease agreements during the year	-	(4,052,964)
Transferred from other advances	-	392,000
Balance at the end of the year	219,443,235	199,066,151
Weighted average incremental borrowing rate used	15%	40%

30.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

Sensitivity to incremental borrowing rates

Increase/(decrease) in incremental borrowing rate as at 31 March 2024 by 1%, would have (decreased)/increased the lease liability by approximately Rs 5.1 Mn (Rs. 3.6Mn as at 31 March 2023) with a similar (decrease/increase) in Right-of-use assets. Had the Company increased/(decreased) the incremental borrowing rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs. 0.034Mn (Rs. 0.037 Mn 31 March 2023).

31. DUE TO CUSTOMERS

Accounting Policy

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Income. Gains and losses are recognized in the Statement of Income when the liabilities are derecognised.

Deposits of Rs.592,812,733 /- (2023 Rs. 392,746,498/-) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2010, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard the customer's rights and confidence. The Company has paid Rs.21,471,433.66 /- as the premium for the above insurance scheme during the year. (2023- Rs.14,513,063/-).

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	31.03.2024	31.03.2023
	Rs.	Rs.
Fixed deposits	14,472,621,940	13,273,274,499
Savings deposits	12,514,226	1,694,073
	14,485,136,166	13,274,968,572

31.1 Remaining Maturity - Fixed Deposits

As at	Within one year Rs.	Within 1-5 year Rs.	Total Rs.
31.03.2023	11,405,904,984	1,867,369,515	13,273,274,499
31.03.2024	11,351,532,214	3,121,089,726	14,472,621,940

32. DEBENTURE

Accounting Policy

Debentures issued represent the funds borrowed by the Company for long-term and short-term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Income. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognized.

The Company debenture comprises LKR 2Bn, listed, rated, secured (asset backed), redeemable debentures each worth LKR 100 issued in Oct 2020 and Aug 2021 and with a tenure of 3 years and 5 years. These debentures are listed in the Colombo Stock Exchange. The Lanka Rating Agency issued a rating of A with a Stable outlook which was announced on 27th January 2023, which is currently under review.

	31.03.2024		31.03.2023	
	Number	Rs.	Number	Rs.
Type A Debenture	-	-	4,613,000	482,197,484
Type B Debenture	-	-	5,387,000	617,508,201
Type A2 Debenture	1,005,100	106,216,299	1,005,100	105,756,155
Type B2 Debenture	3,342,400	335,619,347	3,342,400	337,312,424
Type C Debenture	15,500	1,655,855	15,500	1,636,710
Type D Debenture	5,637,000	615,238,943	5,637,000	643,108,162
	10,000,000	1,058,730,444	20,000,000	2,187,519,136

32.1. Interest Rate of the debentures

Instrument Type	Interest Frequency (Fixed Rate)	Coupon rate (% p.a)	Interest yield as at last trade	Yield to Maturity Of last trade done	Interest rate of comparable Government security
Type A Debenture	Annually	10.28%	Not Traded	Not Traded	10.28%
Type B Debenture	Annually	30.20%	Not Traded	Not Traded	10.28%
Type A2 Debenture	Annually	8.76%	Not Traded	Not Traded	10.28%
Type B2 Debenture	Monthly	13.56%	Not Traded	Not Traded	10.28%
Type C Debenture	Annually	9.26%	Not Traded	Not Traded	10.28%
Type D Debenture	Annually	17.34%	Not Traded	Not Traded	10.28%

32.2. Market price and issue prices of debentures recorded during the year ended 31March 2024 are as follows:

Instrument Type	Issued Price Rs.	Highest Price Rs.	Lowest Price Rs.	Last Traded Price Rs.	Last traded Date
Type A Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type A2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type C Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type D Debenture	100	Not Traded	Not Traded	Not Traded	N/A

32.3. Categories

	Allotment date	Coupon rate (% p.a)	Number	Transaction Cost Rs.	Value Rs.
Type A2 Debenture	20th August 2021	8.76%	1,005,100	810,367	106,216,299
Type B2 Debenture	20th August 2021	13.56%	3,342,400	2,695,918	335,619,347
Type C Debenture	20th August 2021	9.26%	15,500	9,339	1,655,855
Type D Debenture	20th August 2021	17.34%	5,637,000	4,458,606	615,238,943
			10,000,000	7,974,230	1,058,730,444

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

32.4. Movement of the Debenture

	31.03.2024	31.03.2023
	Rs.	Rs.
Balance at the beginning of the year	2,187,519,136	2,072,877,339
Add : Issued during the year	-	-
Interest expense on subordinated debt	361,151,772	380,783,577
Settled during the year	(1,000,000,000)	-
Less : Interest paid on subordinated debt	(489,940,465)	(266,141,779)
Balance at the end of the year	1,058,730,444	2,187,519,136

33. RETIREMENT BENEFIT OBLIGATION

Accounting Policy

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

Recognition of actuarial gains and losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding arrangements

The gratuity liability is not externally funded.

Defined contribution plans - Employees' Provident Fund

The Company and the employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

Defined contribution plans - Employees' Trust Fund

The Company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

	31.03.2024	31.03.2023
	Rs.	Rs.
Retirement benefit obligations - gratuity		
Balance at the beginning of the year	45,722,533	32,796,379
Amount recognised in the profit and loss		
Current service cost for the year	7,177,482	4,219,106
Interest cost for the year	6,858,380	2,260,153
Past service cost	-	(261,513)
	14,035,862	6,217,746
Amount recognized in other comprehensive income		
Actuarial gain on retirement benefit liability	(12,730,464)	11,026,808
Others	-	-
Payments made during the year	(7,484,505)	(4,318,400)
Balance at the ending of the year	39,543,426	45,722,533

33.1 Actuarial valuation for defined benefit obligation was carried out as at 31 March 2024 by Mr. M Poopalanathan, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits.

The Defined Benefit Plan of on entity is for 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. However, as per the Statute, the Company is liable to pay gratuity only upon the completion of 5 continuous years of service.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

33.2 Actuarial assumptions used in calculating the gratuity liability are given below:

	31.03.2024	31.03.2023
	Rs.	Rs.
Discount rate	12.40%	15.0%
Salary increment rate	5%	15%
Staff turnover	17%	19%
Retirement age	60 years	60 years
Mortality	67/70 Mortality Table (Institute of Actuaries, London)	

33.3 Sensitivity analysis

The impact arising from the possible changes in the discount rate and salary escalation rates on the gratuity valuation of the Company is as follows;

	31.03.2024	31.03.2023
	Rs.	Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	(1,474,616)	(2,133,872)
Effect on retirement benefit obligation due to 1% decrease	1,594,429	1,990,512
Salary increment rate		
Effect on retirement benefit obligation due to 1% increase	1,806,724	1,860,019
Effect on retirement benefit obligation due to 1% decrease	(1,692,927)	(2,026,826)

33.4 Analysis of retirement benefit obligation by maturity profile

The following note analyses the defined benefit obligation by the expected future working life time of each individual employee. The expected future working life time considers the probability of an employee's exit due to withdrawal, death or disability prior to the retirement date.

	31.03.2024	31.03.2023
	Rs.	Rs.
Within next 12 Months	9,885,856	11,430,633
Between 1-5 Years	15,817,370	18,289,013
Beyond 5 years	13,840,200	16,002,887
	39,543,426	45,722,533

34. STATED CAPITAL

Accounting Policy

Capital

The Company maintains an actively managed capital base to cover the risks inherent to the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka.

	31.03.2024		31.03.2023	
	Number	Rs.	Number	Rs.
Fully paid ordinary shares	124,195,533	1,791,478,691	124,195,533	1,791,478,691

34.1 Rights of shareholders

The holders of ordinary shares confer their rights to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

All shares rank equally with regard to the Company's residual assets.

34.2 Fully paid Preference Shares

	31.03.2024		31.03.2023	
	Number	Rs.	Number	Rs.
Balance at the beginning of the year	41,398,511	413,985,110	41,398,511	413,985,110
Shares issued during the year	-	-	-	-
Balance at the end of the year	41,398,511	413,985,110	41,398,511	413,985,110

These convertible, irredeemable preference shares to be deemed converted to ordinary shares, immediately upon the completion of five years from the date of issue and to be listed subsequently. As such, these shares are considered as a part of equity.

35. STATUTORY RESERVE FUND AND OTHER RESERVES

		31.03.2024	31.03.2023
		Rs.	Rs.
Statutory reserve fund	35.1	207,969,075	139,131,735
General reserve	35.2	3,000,000	3,000,000
Regulatory Loss Allowance Reserve	35.3	124,468,915	74,710,655
Revaluation Reserve	35.4	30,457,762	-
		365,895,753	216,842,390

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

35.1 Statutory reserve fund

Statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of the Finance Companies (Capital Funds) Direction No. 1 of 2003. The Company transfers a sum equal to not less than twenty (20) per cent of the net profits; so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent.

35.2 General reserve

General reserve represents the amounts set aside by the directors for general application.

35.3 Regulatory loss allowance reserve

Statutory reserve fund is a reserve which contains profits transferred as required by Section 7.1.3 of the Finance Companies Classiifcation and Measurement of Credit Facilities Direction No. 1 of 2020.

36. EARNINGS PER SHARE

Accounting Policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares into ordinary shares.

36.1. Basic earnings per share

	31.03.2024	31.03.2023
	Rs.	Rs.
The following reflects the income and share data used in the basic earnings per share computation.		
Amounts used as the numerator		
Profit attributable to ordinary shareholders for basic earnings per share	344,186,703	295,335,422
	31.03.2024	31.03.2023
	Number	Number
Number of ordinary shares used as denominator for basic earnings per share		
Weighted average number of ordinary shares in issue	124,195,533	124,195,533
Basic earnings per share (Rs.)	2.77	2.38

36.2. Diluted earnings per share

The following reflects the income and share data used in the diluted earnings per share computation.

		31.03.2024	31.03.2023
	Note	Rs.	Rs.
Amounts used as the numerator			
Profit attributable to ordinary shareholders for basic earnings per share		344,186,703	295,335,422
Number of ordinary shares used as denominator for basic earnings per share			
		Number	Number
Adjusted weighted average number of ordinary shares in issue	36.2.1	165,594,044	165,594,044
Diluted earnings per share (Rs.)		2.08	1.78
36.2.1. Adjusted weighted average number of ordinary shares in issue			
Weighted average number of ordinary shares in issue before dilution		124,195,533	124,195,533
Number of ordinary shares in convertible preference shares		41,398,511	41,398,511
Adjusted weighted average number of ordinary shares in issue		165,594,044	165,594,044
36.3. Net assets value per share			
Total Equity attributable to ordinary shareholders		3,365,417,595	3,010,840,762
Weighted average number of ordinary shares		124,195,533	124,195,533
Net assets value per share		27.10	24.24

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 readily measured as defined in the Sri Lanka Accounting Standard, LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. In the normal course of business, the Company makes various commitments and incurs contingent liabilities. No material losses are anticipated as a result of these transactions.

		31.03.2024	31.03.2023
Commitments	Note	Rs.	Rs.
Promissory note to DFCC Bank PLC loans	37.1	300,000,000	450,000,000
Undrawn commitments	37.2	519,276,721	198,053
Bank guarantee	37.3	70,308,228	80,335,569
Capital commitments	37.4	7,598,555	4,050,000
		897,183,504	534,583,622

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

37.1. Promissory notes

The related loan balances on issued promissory notes as at the reporting date are as follows:

	Promissory note value	Loan outstanding as at 31.03.2024
	Rs	Rs.
Promissory notes to DFCC Bank PLC		
DFCC Bank Loan 05	300,000,000	96,467,372
	300,000,000	96,467,372

37.2. Undrawn commitments

Undrawn commitments consist of facilities granted to customers where the Company reserves the right to unconditionally cancel or recall the facility at its discretion.

37.3. Bank Guarantee

Purpose	Issue Bank	Bank Guarantee No	Period	31.03.2024 Rs.	31.03.2023 Rs.
Tax appeal	NDB Bank	LG/G24/0439	From 23rd January 2024 up to 22nd January 2025	1,051,182	1,051,182
Tax appeal	NDB Bank	LG/G23/0325	From 23rd January 2023 up to 22nd January 2024	-	365,948
Tax appeal	NDB Bank	LG/G23/0330	From 23rd January 2023 up to 22nd January 2024	-	365,948
Tax appeal	NDB Bank	LG/G23/0327	From 23rd January 2023 up to 22nd January 2024	-	7,766,725
Tax appeal	NDB Bank	LG/G24/0440	From 23rd January 2024 up to 22nd January 2025	2,716,302	2,716,302
Tax appeal	NDB Bank	LG/G23/0324	From 23rd January 2023 up to 22nd January 2024		767,987
Foreign Currency Buying and Selling	Sampath Bank	398720220010	From 15th May 2023 up to 14th May 2024	2,500,000	2,500,000
Tax appeal	NDB Bank	LG/G23/0331	From 23rd January 2023 up to 22nd January 2024		926,681
Tax appeal	NDB Bank	LG/G24/0436	From 23rd January 2024 up to 22nd January 2025	56,439,716	56,439,716
Tax appeal	NDB Bank	LG/G23/0328	From 23rd January 2023 up to 22nd January 2024		4,987,395
Tax appeal	NDB Bank	LG/G24/0438	From 23rd January 2024 up to 22nd January 2025	2,813,633	2,813,633
Tax appeal	NDB Bank	LG/G24/0437	From 23rd January 2024 up to 22nd January 2025	4,787,395	-
				70,308,228	80,335,569

37.4 Capital Commitments

The Company has implemented several IT enhancements to improve its overall operations. One of the key enhancements is the development of a mobile application that is linked with the core banking solution. This app enables customers to access their accounts and perform banking transactions on the go. The Company has also implemented IT security enhancements to safeguard its data from cyber threats. These include advanced firewalls, intrusion detection systems, and encryption technologies. Capital commitments amounting to Rs. 7,598,555/- includes the cost committed to implement a customer digital onboarding mechanism using mobile based interface to provide a cutting edge digital experience to the customers.

38. LITIGATION AGAINST THE COMPANY

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. In respect of pending legal claims where the Company had already made provisions for possible losses in the Financial Statements or has a realisable security to cover the damages are not included below as the Company does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate. Given below are the unresolved legal claims against the Company as at 31 March 2024 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. The Company's legal counsel is of the opinion that litigation which is currently pending, will not have a material impact on the reported financial results or future operations of the Company.

	31.03.2024	31.03.2023
	Rs.	Rs.
Cases pending against the Company	460,756,723	301,006,845

39. COMMITMENTS CONTINGENT LIABILITIES

Except for the contingent liabilities disclosed above, the Company does not have any other Significant contingent liabilities as at the reporting date.

40. ASSETS PLEDGED

The assets pledged as securities for liabilities have been disclosed under note 29.3.

41. MATURITY ANALYSIS

The table below summarises the maturity profile of the undiscounted cash flows of the Company's Financial assets and liabilities as at 31 March 2024. Repayments which are subject to notice are treated as if the notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect expected cash flows indicated by the Company's deposit retention history. An analysis of the total assets employed and the total liabilities at the year end, based on the remaining balance at the reporting date to the respective contractual maturity dates is given below:

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	Less than 3 months	3-12 months	1-3 years	Over 3 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	3,887,692,725	-	-	-	3,887,692,725
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortised cost	-	1,690,988,387	-	64,483,914	1,755,472,300
Other financial assets	-	-	-	-	-
Financial assets - fair value through profit or loss / held for trading	9,454,650,839	4,148,512,531	4,305,022,412	883,703,528	18,791,889,311
Financial assets at amortised cost - Lease rentals receivable and hire purchase	203,039,025	37,925,780	24,654,335	-	265,619,140
Other assets	15,966,965	96,349,242	17,816,886	-	130,133,093
Income tax receivable	-	-	-	-	-
Deposits and prepayments	7,714,746	58,709,179	27,404,800	8,985,000	102,813,725
Financial assets - Fair value through other comprehensive income/available for sale	-	-	-	506,659	506,659
Right-of-use assets	8,840,630	26,521,890	71,805,560	79,270,981	186,439,061
Property, plant and equipment	-	-	-	313,284,112	313,284,112
Investment property	-	101,242,366	-	223,056,741	324,299,107
Deferred tax asset	15,000,000	23,550,183	-	-	38,550,183
Intangible assets	-	-	-	46,617,448	46,617,448
As at 31.03.2024	13,592,904,931	6,183,799,559	4,446,703,993	1,619,908,382	25,843,316,865
As at 31.03.2023	21,616,586,540	1,669,800,076	1,156,269,755	569,888,054	25,012,544,427
Liabilities					
Financial liabilities - Due to banks	47,637,705	-	-	-	47,637,705
Other liabilities	558,959,632	-	-	-	558,959,632
Financial liabilities - Other borrowed funds	1,838,040,823	3,073,687,585	1,138,766,796	-	6,050,495,203
Leased liability	10,405,634	31,216,898	84,516,862	93,303,841	219,443,235
Debenture	(47,065,521)	541,355,685	564,440,281	-	1,058,730,444
Due to customers	5,168,395,872	6,183,136,342	2,476,273,363	644,816,363	14,472,621,940
Savings Control	12,514,226	-	-	-	12,514,226
Retirement benefit obligation	-	9,885,856	15,817,370	13,840,199	39,543,426
Income tax payable	-	17,953,458	-	-	17,953,458
As at 31.03.2024	7,588,888,371	9,857,235,824	4,279,814,672	751,960,403	22,477,899,270
As at 31.03.2023	5,859,832,553	10,415,667,219	4,625,720,145	1,100,483,747	22,001,703,664
Net amount					
As at 31.03.2024	6,004,016,560	(3,673,436,266)	166,889,321	867,947,979	3,365,417,595
As at 31.03.2023	15,756,753,987	(8,745,867,143)	(3,469,450,390)	(530,595,693)	3,010,840,763

42. CURRENT/NON-CURRENT ANALYSIS

	31.03.2024			31.03.2023		
	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Cash and cash equivalents	3,887,692,725	-	3,887,692,725	2,063,128,895	-	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortised cost	1,690,988,387	64,483,914	1,755,472,300	2,444,830,041	-	2,444,830,041
Financial assets at amortised cost - Lease rentals receivable and hire purchase	13,603,163,371	5,188,725,940	18,791,889,311	18,197,596,712	831,067,845	19,028,664,557
Financial assets at amortised cost - Lease rentals receivable and hire purchase	240,964,805	24,654,335	265,619,140	319,498,851	130,137,367	449,636,218
Other assets	112,316,207	17,816,886	130,133,093	38,488,876	89,070,778	127,559,654
Income tax receivable	-	-	-	27,593,548	-	27,593,548
Advances, deposits and prepayments	66,423,925	36,389,800	102,813,725	49,829,768	27,204,800	77,034,568
Financial assets - Fair value through other comprehensive income/ available for sale	-	506,659	506,659	-	506,659	506,659
Right-of-use assets	35,362,520	151,076,540	186,439,060	56,583,185	124,059,023	180,642,208
Property, plant and equipment		313,284,112	313,284,112		203,787,014	203,787,014
Investment property	101,242,366	223,056,741	324,299,107	51,414,094	272,648,098	324,062,192
Deferred tax asset	38,550,183	-	38,550,183	37,422,647	-	37,422,647
Intangible assets	-	46,617,448	46,617,448	-	47,676,226	47,676,226
Total assets	19,776,704,489	6,066,612,375	25,843,316,864	23,286,386,617	1,726,157,810	25,012,544,427
Liabilities						
Financial liabilities - Due to banks	47,637,705	-	47,637,705	3,763,272	-	3,763,272
Other liabilities	558,959,632	-	558,959,632	37,058,482	191,178,390	228,236,872
Financial liabilities - Other borrowed funds	4,911,728,407	1,138,766,796	6,050,495,203	3,664,979,656	2,397,447,472	6,062,427,128
Leased liability	41,622,532	177,820,703	219,443,235	47,260,308	151,805,843	199,066,151
Debenture	494,290,164	564,440,281	1,058,730,444	1,114,838,997	1,072,680,139	2,187,519,136
Due to customers	11,351,532,214	3,121,089,726	14,472,621,940	11,405,904,984	1,867,369,515	13,273,274,499
Savings Control	12,514,226	-	12,514,226	1,694,073	-	1,694,073
Retirement benefit obligation	9,885,856	29,657,570	39,543,426	-	45,722,533	45,722,533
Income tax payable	17,953,458	-	17,953,458	-	-	-
Total liabilities	17,446,124,195	5,031,775,075	22,477,899,270	16,275,499,772	5,726,203,892	22,001,703,664
Net balance	2,330,580,294	1,034,837,300	3,365,417,594	7,010,886,845	(4,000,046,082)	3,010,840,763

43. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

43.1. Determination of fair value and fair value hierarchy

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using the valuation techniques. They incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. As at 31 March 2024 the Company held the following assets carried at fair value on the statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of those assets by valuation technique:

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

43.2. Financial assets - Fair Value through other comprehensive income

Financial assets - Fair value through other comprehensive income valued using the valuation techniques or pricing models, primarily consists of unquoted investment securities. These unquoted investment securities are valued using observable market data. Inputs to the fair value measurements are reviewed to ensure that they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

43.3. Financial assets - Fair value through profit or loss

Financial assets -Fair value through profit or loss valued using the valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each security.

43.4. Financial Assets and Liabilities carried at Amortized Cost

The fair value of mixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a Significant unobservable input in measuring the fair value and hence, it is categorized under level 3 in the fair value hierarchy.

Level 1:Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2:Other techniques for which all inputs which have a Significant effect on the recorded fair value are observable, either directly or indirectly

Level 3:Techniques which use inputs that have a Significant effect on the recorded fair value that are not based on observable market data

43.4.1. Assets measured at fair value

31.03.2024				
	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Non Financial assets - Property Plant and Equipment - Motor Vehicle	55,863,168	-	55,356,509	-
Total assets at fair value	55,863,168	-	55,356,509	506,659
31.03.2023				
	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Total assets at fair value	506,659	-	-	506,659

43.4.1. Assets measured at Amortised Cost

	31.03.2024			
	Amortized Cost Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - amortised cost				
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortised cost	1,755,472,300		1,755,472,300	
Financial assets at amortised cost - Loans and advances	18,791,889,311		18,791,889,311	
Financial assets at amortised cost - Lease rentals receivable and hire purchase	265,619,140		265,619,140	
Financial liabilities - amortised cost				
Financial liabilities - Other borrowed funds	6,050,495,203		6,050,495,203	
Due to customers	14,485,136,166		14,485,136,166	
Debenture	1,058,730,444		1,058,730,444	

	Amortized Cost Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - amortised cost				
Investment in reverse repurchase agreements against the treasury bills and bonds and other securities at amortised cost	2,444,830,041		2,444,830,041	
Financial assets at amortised cost - Loans and advances			19,028,664,556	
Financial assets at amortised cost - Lease rentals receivable and hire purchase	449,636,218		449,636,218	
Financial liabilities - amortised cost				
Financial liabilities - Other borrowed funds	6,062,427,129		6,062,427,129	
Due to customers	13,274,968,572		13,274,968,572	
Debenture	2,187,519,136		2,187,519,136	

44. FINANCIAL REPORTING BY SEGMENT

As per the provisions of Sri Lanka Financial Reporting Standard, SLFRS- 8, the operating segment of the Company have been identified based on the product and services offered by the Company of which level of risk and rewards is Significantly different from one another. Top management of the Company considers the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues are described as follows.

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. All operating segments' operating results are reviewed regularly by the Senior Management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

	Finance lease		Hire purchase		Gold Loan	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	54,229,485	137,929,191	-	2,787,190	4,046,372,145	4,348,089,844
Other income	52,533,609	69,145,503	-	7,000	657,741,265	385,765,899
Total revenue	106,763,094	207,074,694	-	2,794,190	4,704,113,410	4,733,855,743
Segmental result	7,731,189	13,875,270		187,228	340,645,697	317,197,254
Value added tax on financial services						
Profits from operations						
Income tax charge for the year						
Net profit for the year						
Segment assets	265,619,140	449,636,218	-	-	14,085,060,429	16,400,268,960
Unallocated assets	-	-	-	-	-	-
Total assets	265,619,140	449,636,218	-	-	14,085,060,429	16,400,268,960
Segment liabilities	232,722,861	403,558,915	-	-	12,340,660,217	14,719,621,058
Unallocated liabilities		-	-	-	-	
Total liabilities	232,722,861	403,558,915	-	-	12,340,660,217	14,719,621,058

Segment results that are reported to the Senior Management Personnel and the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Types of products and services from which each operating segment derives its revenues described as follows;

- Lease & Hire-purchase - This segment includes Leasing and Hire Purchase products offered to the customers. Loans This segment includes Loan products offered to the customers.
- Loans -This segment includes Loan products offered to the customers
- Gold - Loans This segment includes Gold Loan products offered to the customers
- Investment - This segment includes treasury investments
- Other business -This segment includes all other business activities that are engaged other than the above segments.

In determining segment results, expenses have been allocated on proportionate basis on interest income and the segment liabilities have been proportionately allocated based on segment assets.

45. RELATED PARTY DISCLOSURES

As per the Sri Lanka Accounting Standard - LKAS -24 "Related Party Disclosures", the KMPs include those who have the authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of

Loans and advances		Investment		Other		Total	
31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
565,135,466	369,302,150	1,016,664,533	533,593,460	-	-	5,682,401,629	5,391,701,835
198,728,276	147,465,699	179,520	240,000	11,966,780	12,009,081	921,149,449	614,633,182
763,863,742	516,767,849	1,016,844,053	533,833,460	11,966,780	12,009,081	6,603,551,079	6,006,335,017
55,314,758	34,626,603	73,634,184	35,770,103	866,568	804,682	478,192,395	402,461,139
						(104,704,556)	(42,825,463)
						373,487,839	359,635,676
						(29,301,136)	(64,300,254)
						344,186,703	295,335,422
4,706,828,882	2,628,395,596	5,643,671,684	4,508,465,595	-	-	24,701,180,135	23,986,766,369
-	-	-	-	1,142,136,729	1,025,778,056	1,142,136,729	1,025,778,056
4,706,828,879	2,628,395,596	5,643,671,684	4,508,465,595	1,142,136,729	1,025,778,056	25,843,316,864	25,012,544,425
						-	-
4,123,899,662	2,359,045,895	4,944,716,779	4,046,452,243	-	-	21,641,999,518	21,528,678,111
-	-	-	-	835,899,751	473,025,554	835,899,751	473,025,554
4,123,899,662	2,359,045,895	4,944,716,779	4,046,452,243	835,899,751	473,025,554	22,477,899,269	22,001,703,665

the Company. The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates. Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity. During the period under review there were no non-recurrent related party transactions which exceeded 10% of the equity or 5% of the total assets, whichever is lower, in the Company. During the period under review, there were no recurrent related party transactions which exceeded 10% of the gross revenue/income.

The Company carries out transactions in the ordinary course of its business on an arm's length basis at commercial rates with related parties. Details of Significant related party disclosures are as follows:

45.1. Parent and ultimate controlling party

The ultimate parent of the Company as at 31 March 2024 is Muthoot Finance Limited.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

45.2. Transactions with related entities

45.2.1. Muthoot Finance Limited

Relationship - Ultimate parent

	31.03.2024	31.03.2023
	Rs.	Rs.
Transactions during the year		
Expenses incurred for Muthoot Finance Limited	1,316,741	4,958,509

45.3. Transactions with key management personnel of the Company

The key managerial personnel of the Company are the members of its Board of Directors and the parent Company. The following transactions were entered into between the Company and its key management personnel and their close family members.

45.3.1. Key management personnel compensation

	31.03.2024	31.03.2023
	Rs.	Rs.
Short-term employment benefits paid - Directors	23,040,164	20,794,000

45.3.2. Other transactions with key management personnel

(a) Items in the Statement of Financial Position

	Board Of Directors		Key Management Personnel	
	2024	2023	2024	2023
Assets - Loan and receivable	2,933,153	-	5,760,069	8,227,152
Liabilities	25,357,184	15,672,559	80,864,963.07	164,742,277

(b) Items in the Statement of Income

Interest income	626,098	-	70,845	499,382
Interest expense	4,396,385	2,371,309	15,588,771	21,526,289

Accommodation outstanding as a percentage of the Company's Capital Fund (%)

Loan and receivables	0.0009	-	0.0017	0.0027
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45.3.3. Share transactions with key management personnel

Number of ordinary shares held at the year end	6,000	-	26,535	-
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45.3.4. Senior management personnel compensation

Short-term employment benefits paid to Senior Management			61,738,556	61,019,480
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46. RISK MANAGEMENT

As a financial institution, the Company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent to the Company's activities. Managing these risks is critical for the sustainability of the Company and plays a pivotal role in all activities of the Company. The Company has developed a culture within the organisation, which shapes and influences the risk decisions taken by the management and the employees. The adequacy and the effectiveness of the risk management decisions taken by the Company's management will be reviewed regularly through its committees and reported to the "Integrated risk management committee" for reference and guidance. The Company believes that successful risk management will enable it to be resilient to any unfavourable event caused by internal or external factors.

46.1.1 Assets and liability committee (ALCO)

ALCO is chaired by the Chief Executive Officer and its representatives are the Chief Operating Officer, General Manager, the Deputy General Manager - Finance, the Deputy General Manager Marketing and Operation the Deputy General Manager - Treasury and the Deputy General Manager-Fixed Deposit. The committee meeting is held once a month to monitor and manage the assets and liabilities of the Company and the overall liquidity position to keep the Company's liquidity at healthy levels whilst satisfying regulatory requirements.

46.1.2 Board Audit Committee (BAC)

Audit committee has set up internal audit teams to ensure that the guidelines and processes in the business operations are adhered to in compliance with the policy and procedures. Internal audit plan covers the full scope of the business operations and reports to the BAC on continuous improvements required for the risk management frame work. BAC will oversee financial reporting, Risk Management and Internal controls.

46.1.3 Integrated Risk Management.

RMC established by the BOD is to evaluate and protect the Company from financial and non-financial losses. IRMC meets and discuss the risk framework of AAF on a monthly basis. IRMC will guide the management to navigate risk events, scenarios depending on this risk appetite of the Board in order to ensure that the overall business strategy is achieved and the stakeholders of the Company receive the maximum returns. IRMC strives to improve the risk culture of AAF policies and procedures, technological advancements and training.

46.2 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.02 of 2017 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.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit and general and other reserves less the goodwill, other intangible assets, other comprehensive income losses, deferred tax assets, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

As per the Finance Business Act Direction No 3 of 2018, the Licensed Finance Companies (LFCs) with assets of less than Rs. 100 Bn required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% and a Core Capital Ratio (Tier 1) of 8.5% by 01 July 2022.

As of 31 March 2024, the Company has maintained Risk Weighted Capital Adequacy Ratios above the CBSL's minimum capital requirements.

	31.03.2024		31.03.2023	
	%		%	
	Actual	Required	Actual	Required
Tier 1 Capital Ratio / Core capital ratio	21.22	8.5	27.43	8.5
Total Capital Ratio / Total risk weighted capital ratio	20.87	12.5	27.43	12.5

46.3 Market risk

Market risk is identified by the Company as the possibility of loss to the Company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk. Market risk is potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, share prices, foreign exchange rates and bond and commodity prices. Most of the Company's operations are exposed to at least one or more elements of market risk. The market risk stems primarily from the interest rate risk of its trading and non-trading books and from exposure to gold prices due to its pawning portfolio.

46.3.1 Re-Investment risk

These are uncertainties with regard to interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for Asia Asset Finance PLC.

46.3.2 Net interest position

When the market rates are on a downward trend and the Company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

Under SLFRS 9: "Financial Instruments: Recognition & Measurement", the AAF assesses the impairment of loans and advances individually and collectively based on the principles of "expected credit loss" (Refer Note 18 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions made on loans and advances under Direction No. 01 of 2020 on "Classification of loans and advances, Income Recognition and Provisioning" (and subsequent amendments thereof) issued by the CBSL are on "time/delinquency base". Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subject to impairment provision, whereas, no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value

through other comprehensive income” carried at fair value or Financial assets/liabilities at amortised cost under SLFRS 9. The “Fair value” is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction among market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters at a given point in time may still generate unexpected uncertainty beyond fair value. An “amortised cost” of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Hence, the amortized cost of financial investments and financial liabilities under SLFRS 9 is different to the carrying value for regulatory reporting which is the “cost”

46.3.3 Liquidity risk

Liquidity is the ability to efficiently accommodate deposit as also reduction in liabilities and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

In compliance with Finance Companies (Liquid Assets) Direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

- (a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 10% of the total outstanding borrowings

The Company shall maintain liquid assets in the form of Sri Lankan government Treasury Bills and Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

46.3.3.1. Total Liquid Assets

	31.03.2024	31.03.2023
	Rs.	Rs.
Cash in hand	158,377,039	77,913,890
Balances in current accounts	90,964,848	96,474,984
Deposits in commercial banks	1,071,106,318	657,697,606
Treasury bills and Treasury Bonds	1,690,988,386	2,444,830,041
Other approved securities	-	1,228,198,224
	3,011,436,591	4,505,114,745
Available liquid asset	3,011,436,591	4,505,114,745
Required liquid asset	1,458,591,841	901,298,277
Liquid assets to deposit (%)	0.21	0.34
Advances to deposit (%)	142%	160%
Advances to deposit (Times)	1.420	1.597

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

46.3.4 Foreign exchange (FOREX) and country risk

FOREX is the risk that finance companies may suffer loss, as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the current economic crisis could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, since Asia Asset Finance PLC does not have any foreign borrowings or foreign transactions, the Company concludes that negative impact on economic crisis will not be substantial on the Company to conduct an in-depth analysis. However, there is a slight impact when budgeting for this cost. The above risks are triggered by the treasury operations.

46.3.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a Financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Techniques used to measure the interest rate risk include, Duration Gap Analysis, VaR and Earnings at Risk. Rate sensitive assets and liabilities are mapped into time buckets based on their maturity period, in order to ascertain the duration gap and overall exposure to interest rate risk.

The Company sets out the aggregated level and risk types it accepts in order to achieve business objectives in a risk appetite statement and tolerance thresholds are decided based on the regional concept. This is reviewed on an ongoing basis, and formally approved by Integrated Risk Management Committee every one month. Stress Testing evaluates the potential vulnerabilities in the Company's overall profitability, asset portfolio, liquidity, operations and capital strength under current macro-economic conditions. This assists in the formulation of possible mitigating actions that could be considered in such circumstances. Based on the stress testing, immediate changes are introduced to business cycles through new product types to enhance liquidity and profitability requirement. All the functionality and process are directly linked with the core system for daily and ongoing monitoring process.

The following table demonstrates the sensitivity of the Company's profit for the year ended 31 March 2024 and 31 March 2023 to a reasonable possible change in interest rates, with all other variables remaining constant.

Impact on Statement of Income due to interest rate shocks

	31.03.2024	31.03.2023
	Rs.	Rs.
Magnitude of 100% shock	688,373,406	590,670,844
Magnitude of 150% shock	516,280,054	443,003,133
Magnitude of -50% shock	172,093,351	147,667,711
Magnitude of -25% shock	258,140,027	221,501,566

46.3.5.1. Interest Rate Exposure on Financial Assets and Liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at the carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31March 2024	Carrying amount Rs.	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Non interest bearing Rs.
Assets								
Cash and cash equivalents	221,635,345	221,635,345	-	-	-	-	-	-
Balances with banks and Financial institutions	3,730,541,294	1,383,706,511	2,503,986,214	-	-	-	-	-
Loans and receivables - Amortized cost	19,057,508,451		8,748,092,388	4,186,438,313	4,329,676,747	835,456,933	48,246,638	909,597,477
Other Financial assets	506,659							506,659
Total	23,010,191,749	1,605,341,856	11,252,078,602	4,186,438,313	4,329,676,747	835,456,933	48,246,638	910,104,136
Liabilities								
Due to banks	47,637,705	47,637,705						-
Due to customers	14,472,621,940	-	5,168,395,872	6,183,136,342	2,476,273,363	644,816,363		-
Due to customers - Savings	12,514,226	12,514,226						
Debt securities issued	1,058,730,444		(47,065,521)	541,355,685	564,440,281			-
Other Financial liabilities	6,050,495,203		1,838,040,823	3,073,687,585	1,138,766,796			-
Lease liabilities	219,443,235		10,405,634	31,216,898	84,516,862	84,285,626	9,018,215	-
Total	21,861,442,753	60,151,931	6,969,776,808	9,829,396,510	4,263,997,301	729,101,989	9,018,215	-
Total interest sensitivity gap	1,148,748,997	1,545,189,925	4,282,301,794	(5,642,958,197)	65,679,446	106,354,944	39,228,423	910,104,136
As at 31March 2023	Carrying amount Rs.	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Non interest bearing Rs.
Assets								
Cash and cash equivalents	80,758,081	80,758,081	-	-	-	-	-	-
Balances with banks and financial institutions	1,982,370,814	834,930,671	1,228,198,224	-	-	-	-	-
Loans and receivables - Amortized cost	19,478,300,774	-	16,354,505,011	1,467,504,155	949,988,191	11,217,020	-	695,086,395
Other financial assets	506,659	-	-	-	-	-	-	506,659
Total	21,541,936,328	915,688,752	17,582,703,235	1,467,504,155	949,988,191	11,217,020	-	695,593,054
Liabilities								
Due to banks	3,763,272	3,763,272	-	-	-	-	-	-
Due to customers	13,273,274,499	-	4,995,775,397	6,410,129,587	1,338,108,829	529,260,686	-	-
Due to customers - Savings	1,694,073	1,694,073	-	-	-	-	-	-
Debt securities issued	2,187,519,136	-	(109,210,598)	1,224,049,595	588,029,667	484,650,473	-	-
Other financial liabilities	6,062,427,129	-	949,004,782	2,715,974,874	2,397,447,472	-	-	-
Lease liabilities	199,066,151	-	10,972,726	36,287,582	110,955,787	29,488,077	11,361,979	-
Total	21,727,744,260	5,457,345	5,846,542,307	10,386,441,638	4,434,541,755	1,043,399,236	11,361,979	-
Total interest sensitivity gap 31.03.2023	(185,807,933)	910,231,407	11,736,160,928	(8,918,937,483)	(3,484,553,564)	(1,032,182,216)	(11,361,979)	695,593,054

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

46.3.6 Commodity Price Risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the Company, the volatility in gold prices may adversely affect the profits of the Company. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Product lifetime – As a credit risk management strategy, the Company delivers services in less time, enabling a faster recovery process.

46.3.7 Operational risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. Operational risks exist in the natural course of business activities, products and processes. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. Operational risks cannot be fully eliminated. However, the Company's objective is to contain it within the acceptable levels as determined by the Company's Board of Directors. The Company's operational risk management framework clearly articulates the policies, structures and processes in place to manage the different types of operational risk exposures. The Board of Directors, supported by the IRM is responsible for formulating a policy and ensuring the robustness of the operational risk management framework. Loss events are recorded and periodically reported through the Risk Management Unit to the Board of Directors. Meanwhile, Internal Audit also provides assurance to the Board on the effectiveness on the operational risk management processes in place.

46.4 Integrated risk management committee (IRM)

The IRM committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board. IRM assesses all reported risks by the risk management unit and issues directions and guidelines to enhance the policies and procedures to mitigate the risks.

46.4.1 Risk Appetite

The term "Risk Appetite" refers to the broad types and quantum of risk, the AAF is willing to undertake in implementing its business strategy. It is expressed in the form of tolerance limits and risk trigger points across a range of variables. The Board of Directors has ultimate responsibility for setting the Risk Appetite of the Company to ensure that the exposures and risks are maintained within that approved levels.

46.4.2 Credit risk

Credit risk is the likelihood that a borrower or counterparty will not honour its obligations in accordance with the terms of agreement. i.e. the risk of default which is one of the most vulnerable risks faced by any financial institution. Credit risk is inherent to all financial institutions where the main business is lending. The main aim of the "credit risk management" is to minimize the risk and to maximize the risk adjusted rate of return of the financial institution.

The Company conducted an in-depth analysis on the probable customers who would get affected and the scale of impact it may have on the Company's lending portfolio due to the prevailing macro-economic uncertainty and COVID-19 and the related impacts to our customers on account of elevated inflation and interest rates. The Company manages this by diversifying the lending portfolio across a wide range of products and customer segments which in turn would ensure the resilience of the Company in an economic shock of

this nature. The Company is comfortable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky segments.

46.4.3 Company's approach to credit risk

Under SLFRS 9: "Financial Instruments: Recognition and Measurement", the AAF assess the impairment of loans and advances individually or collectively based on the principles of "expected credit loss" (Refer Note 18 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions made on loans and advances under Direction No. 01 of 2020 on "Classification and Measurement of Credit Facilities, (and subsequent amendments thereof) issued by the CBSL. Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subject to impairment provision, whereas no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value through other comprehensive income" carried at fair value or Financial assets/liabilities at amortized cost under SLFRS 9. The "Fair value" is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters as at a given point in time may still generate unexpected uncertainty beyond fair value. An "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Hence, the amortised cost of financial investments and financial liabilities under SLFRS 9 are different to the carrying value for regulatory reporting which is the "cost".

46.5 Impairment assessment

The Company considers a financial instrument defaulted and, therefore, stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past or three instalments in arrears due on its contractual payments or when classified as Non-Performing Loan(NPL) as per directions issued by the Central Bank of Sri Lanka (CBSL).

46.5.1 Individually assessed allowances

The allowance is appropriate for each individually Significant loan or advance on an individual basis if there is any objective evidence of a potential loss. The Company has currently set individually Significant threshold at LKR 5Mn for Small and Corporate Loans and for LKR 1Mn for Personal loan category. Every customer having an aggregate exposure above that limit is individually assessed for objective evidence of incurred loss. Items considered when determining allowance amounts include, the sustainability of the counterparty's business plan, its ability to improve performance, if it is in a financial difficulty, projected receipts and the expected payout should a bankruptcy arise, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Gold Loan individually assesess through Dud and Suspious articles Low quality articles, Caratage differences articles Weight differences articles which identiifed Company internal audit review process.

46.5.2 Collectively assessed allowances

Allowances are assessed collectively for losses on loans and receivables that are not individually assessed. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The

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collective assessment takes account of data from the loan portfolio (such as loan types, industry codes, and level of arrears). The AAF applies a three-stage approach to measure expected credit losses (ECLs). Financial assets shift through the following three stages based on the change in credit risk since initial recognition.

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

As at 31March 2024	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	3,887,692,725	3,887,692,725	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,755,472,300	1,755,472,300	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	20,227,797,128	336,885,568	14,783,162,147	853,136,769	4,254,612,643
Less : Impairment charge	(1,432,530,944)	-	(101,288,845)	(29,664,991)	(1,301,577,109)
Less : Net interest margin	(3,376,873)	-	(3,376,873)	-	-
Net carrying amount	18,791,889,311	336,885,568	14,678,496,430	823,471,778	2,953,035,535
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	336,858,880	-	32,676,380	12,262,507	291,919,993
Less : Impairment charge	(71,014,218)	-	170,743	(249,447)	(70,935,515)
Less : Net interest margin	(225,522)	-	(225,522)	-	-
Net carrying amount	265,619,140	-	32,621,601	12,013,060	220,984,478
Financial assets - fair value through other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	(6,500,000)	(6,500,000)	-	-	-
Net carrying amount	506,659	506,659	-	-	-

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

As at 31 March 2023	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	2,063,128,895	2,063,128,895	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	2,444,830,041	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	20,644,473,074	-	15,346,868,665	1,784,655,529	3,512,948,880
Less : Impairment charge	(1,598,879,663)	-	(103,817,618)	(100,206,467)	(1,394,855,578)
Less : Net Interest Margin	(16,928,855)	-	(16,928,855)	-	-
Net carrying amount	19,028,664,556	-	15,226,122,192	1,684,449,062	2,118,093,302
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	557,198,548	-	294,930,371	51,578,728	210,689,448
Less : Impairment charge	(92,726,028)	-	(10,303,749)	(3,575,980)	(78,846,299)
Less : Net interest margin	(14,836,302)	-	(14,836,302)	-	-
Net carrying amount	449,636,218	-	269,790,320	48,002,748	131,843,149
Financial assets - fair value through other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	(6,500,000)	(6,500,000)	-	-	-
Net carrying amount	506,659	506,659	-	-	-

46.6 Analysis of ECL Model under multiple economic scenarios

ECLs must reflect an unbiased and probability weighted estimate of credit losses over the expected life of the financial instrument. The main objective of the probability weighted economic estimates is to convert the historical statistics into more futuristic indicators. Also Primarily Economic factor adjustment is used to convert the Through the Cycle (TTC) PD in to Point in Time (PiT) PDs.

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46.6.1. Sensitivity analysis of Impairment provisions on Loans and advances to customers

As at 31 March 2024	Sensitivity on ECL and sensitivity effect on Financial Position			Sensitivity effect on Income Rs.
	Stage1 Rs.	Stage2 Rs.	Stage3 Rs.	
PD 1% increase across all age buckets	131,747	82,129	-	213,876
PD 1% decrease across all age buckets	(131,747)	(82,129)	-	(213,876)
LGD 5% increase	348,038	572,371	55,197,824	56,118,233
LGD 5% decrease	(348,038)	(572,371)	(55,197,824)	(56,118,233)
Probability weighted Economic Scenarios				
Base case 10% increase, worst case 5% decrease and best case 5% decrease	129,553	213,422	-	342,975
Base case 10% decrease, worst case 5% increase and best case 5% increase	(129,553)	(213,422)	-	(342,975)

46.6.1. Sensitivity analysis of Impairment provisions on Loans and advances to customers

As at 31 March 2024	Sensitivity on ECL and sensitivity effect on Financial Position			Sensitivity effect on Income Rs.
	Stage1 Rs.	Stage2 Rs.	Stage3 Rs.	
PD 1% increase across all age buckets	27,180,572	1,983,451	-	29,164,023
PD 1% decrease across all age buckets	(27,180,572)	(1,983,451)	-	(29,164,023)
LGD 5% increase	2,690,991	5,347,428	97,811,333	105,849,752
LGD 5% decrease	(2,690,991)	(5,347,428)	(97,811,333)	(105,849,752)
Probability weighted Economic Scenarios				
Base case 10% increase, worst case 5% decrease and best case 5% decrease	(76,280)	(246,222)	-	(322,502)
Base case 10% decrease, worst case 5% increase and best case 5% increase	76,280	242,965	-	319,245

46.6.2 Analysis of inputs to the ECL model under multiple economic scenarios

The Company obtains the data from reliable third party sources such as CBSL, International Monetary Fund and/or the World Bank in all instances where such projections are available. The following tables set out the key drivers of expected loss and the assumptions used for the AAF's base case estimate, ECLs based on the base case plus the effect of the use of multiple economic scenarios as at

31 March 2023 and 2024. The tables show the values of key forward looking economic variables/assumptions used in each of the economic Scenarios for the ECL calculations.

As at 31 March 2024	Scenario	Probability Weighted	2024	2023	2022	2021	2020	2019
GDP Growth (%)	Base case Forecast	25.00%	4.50%	-12.40%	-1.80%	1.30%	2.70%	3.80%
	Best Case Forecast	5.00%	4.50%	-12.40%	-1.80%	1.33%	2.74%	3.84%
	Worst-case Forecast	70.00%	4.50%	-12.40%	-1.73%	1.26%	2.64%	3.74%
Inflation (YoY Average)	Base case Forecast	25.00%	0.90%	50.30%	18.70%	4.20%	4.80%	3.30%
	Best Case Forecast	5.00%	0.90%	50.30%	16.90%	4.06%	4.60%	3.16%
	Worst-case Forecast	70.00%	0.90%	50.30%	18.92%	4.29%	4.94%	3.40%
Interest Rate (PLR)	Base case Forecast	25.00%	10.69%	21.40%	13.50%	5.75%	10.49%	11.94%
	Best Case Forecast	5.00%	10.69%	21.40%	13.17%	5.58%	10.23%	11.63%
	Worst-case Forecast	70.00%	10.69%	21.40%	13.91%	6.22%	11.18%	12.78%
Exchange Rate-YE (US\$:LKR)	Base case Forecast	25.00%	305.33	325.63	320.00	213.80	191.86	193.64
	Best Case Forecast	5.00%	305.33	325.63	320.00	207.23	182.13	183.59
	Worst-case Forecast	70.00%	305.33	325.63	320.00	250.00	250.00	250.00
Unemployment (% of Labor Force)	Base case Forecast	25.00%	4.30%	4.80%	5.20%	5.20%	4.85%	4.40%
	Best Case Forecast	5.00%	4.30%	4.80%	5.18%	5.18%	4.84%	4.39%
	Worst-case Forecast	70.00%	4.30%	4.80%	5.22%	5.25%	4.88%	4.42%
As at 31 March 2023	Scenario	Probability Weighted	2023	2022	2021	2020	2019	2018
GDP Growth (%)	Base case Forecast	40.00%	-12.40%	-1.80%	1.30%	2.70%	3.80%	3.30%
	Best Case Forecast	30.00%	-12.40%	-1.80%	1.33%	2.74%	3.84%	3.34%
	Worst-case Forecast	30.00%	-12.40%	-1.73%	1.26%	2.64%	3.74%	3.24%
Inflation (YoY Average)	Base case Forecast	40.00%	50.30%	18.70%	4.20%	4.80%	3.30%	6.60%
	Best Case Forecast	30.00%	50.30%	16.90%	4.06%	4.60%	3.16%	6.30%
	Worst-case Forecast	30.00%	50.30%	18.92%	4.29%	4.94%	3.40%	6.81%
Interest Rate (PLR)	Base case Forecast	40.00%	21.40%	13.50%	5.75%	10.49%	11.94%	11.33%
	Best Case Forecast	30.00%	21.40%	13.17%	5.58%	10.23%	11.63%	11.05%
	Worst-case Forecast	30.00%	21.40%	13.91%	6.22%	11.18%	12.78%	12.10%
Exchange Rate-YE (US\$:LKR)	Base case Forecast	40.00%	325.63	320.00	213.80	191.86	193.64	157.79
	Best Case Forecast	30.00%	325.63	320.00	207.23	182.13	183.59	153.55
	Worst-case Forecast	30.00%	325.63	320.00	250.00	250.00	250.00	218.50
Unemployment (% of Labor Force)	Base case Forecast	40.00%	4.80%	5.20%	5.20%	4.85%	4.40%	4.20%
	Best Case Forecast	30.00%	4.80%	5.18%	5.18%	4.84%	4.39%	4.19%
	Worst-case Forecast	30.00%	4.80%	5.22%	5.25%	4.88%	4.42%	4.22%

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46.7. Collateral and Other Credit Enhancement

The table below provides an analysis of the current fair values of collateral held and credit enhancements for stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

As at March 2024	Maximum Exposure to Credit risk	Fair Value of Collateral under base case Scenario			Net Exposure	Associated ECL
		Immovable Collateral	Movable Collateral	Total Collateral		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stage 01	15,152,724,141	5,267,015,044	16,884,784,668	22,151,799,711	-	4,597,972,670
Stage 02	865,399,276	167,898,250	891,078,530	1,058,976,780	-	788,454,199
Stage 03	4,546,532,637	1,320,006,100	1,316,412,900	2,636,419,000	1,910,113,636	4,243,848,988
	20,564,656,054	6,754,919,394	19,092,276,098	25,847,195,491	1,910,113,636	9,630,275,857

As at March 2023	Maximum Exposure to Credit risk	Fair Value of Collateral under base case Scenario			Net Exposure	Associated ECL
		Immovable Collateral	Movable Collateral	Total Collateral		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stage 01	15,641,799,036	1,246,059,750	20,543,572,555	21,789,632,305	-	14,672,213,078
Stage 02	1,836,234,257	252,386,550	1,977,046,585	2,229,433,135	-	1,821,202,704
Stage 03	3,722,483,326	800,087,150	634,872,782	1,434,959,932	2,287,523,394	3,164,324,296
	21,200,516,619	2,298,533,450	23,155,491,922	25,454,025,372	2,287,523,394	19,657,740,078

46.8 Concentration of credit risk

AAF manages concentration risk through strategically diversifying the business across industry sectors, products, counterparties and geographies. The Company's Credit Committee defines the limits for these segments and ensures compliance. Further, the Board and RMC monitor these exposures. They also make suggestions and recommendations on modifications to define limits based on the trends and developments shaping the business environment while following Muthoot Group requirements.

The Company's concentration of risk in relation to the lending portfolio is managed by the industry sector which is detailed below:

	31.03.2024	31.03.2023
	Rs.	Rs.
Manufacturing	979,916,970	803,946,052
Transport	349,244,233	277,974,848
Services	1,417,644,444	1,406,061,633
Agro-business and fisheries	8,139,478,754	10,087,510,052
Construction	748,919,992	696,716,405
Commercial trading	1,324,864,732	1,568,098,496
Others	7,604,586,883	6,360,209,133
Total lending portfolio	20,564,656,008	21,200,516,619
Loans and advances	5,906,156,791	4,146,146,668
Gold loans	14,321,640,336	16,497,171,404
Lease	336,858,881	557,198,547
Total receivables	20,564,656,008	21,200,516,619

46.9 Geographical distribution of Loans and Advances

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

	31.03.2024			
	Lease and HP	Gold loan	Loans and advances	Total
	Rs.	Rs.	Rs.	Rs.
Central	21,064,796	3,258,233,313	573,230,762	3,852,528,872
Eastern	10,400,623	3,273,958,701	741,507,657	4,025,866,981
Northern	55,758,384	3,206,092,823	596,509,748	3,858,360,955
North Western	74,532,102	904,910,231	805,106,583	1,784,548,916
Southern	63,705,041	485,198,536	410,587,362	959,490,939
Sabaragamuwa	-	199,127,223	36,866,746	235,993,969
Western	111,397,934	2,235,831,049	2,637,723,451	4,984,952,435
Uva	-	758,288,460	104,624,481	862,912,941
	336,858,880	14,321,640,336	5,906,156,791	20,564,656,008

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Provincial breakdown for loans and receivable within Sri Lanka is as follows:

	31.03.2023			
	Lease and HP	Gold loan	Loans and advances	Total
	Rs.	Rs.	Rs.	Rs.
Central	51,155,427	4,147,923,223	204,196,078	4,403,274,728
Eastern	10,884,250	2,665,058,185	198,317,468	2,874,259,903
Northern	48,901,280	3,757,788,989	335,803,474	4,142,493,743
North Western	146,883,941	1,397,269,320	644,806,445	2,188,959,706
Southern	94,291,591	603,741,020	409,467,823	1,107,500,434
Sabaragamuwa	-	137,126,363	1,344,376	138,470,739
Western	205,082,058	2,868,691,425	2,350,552,704	5,424,326,187
Uva	-	919,572,879	1,658,300	921,231,179
	557,198,547	16,497,171,404	4,146,146,668	21,200,516,619

47. COMPARATIVE INFORMATION

Comparative figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

48. ASSESSMENTS RECEIVED BY THE COMPANY

Income tax and VAT assessments received from the Department of Inland Revenue are outstanding as of the reporting date. These assessments have been appealed to Tax Commission and the Commissioner General of Inland Revenue. The Company is confident that these assessments can be successfully defended. As a result, no provisions have been made for these balances.

49. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the financial statements.

SOURCES AND UTILISATION OF INCOME

	2020	2021	2022	2023	2024
Sources of Income					
Interest	3,043,709,078	2,725,047,628	2,576,080,611	5,391,701,835	5,682,401,629
Non interest income	288,910,201	229,766,974	605,652,840	614,633,181	921,149,448
Total					
Utilisation of Income					
Employees					
Salaries and other payment to staff	317,624,067	276,092,770	333,319,633	413,680,997	450,124,348
Suppliers and providers of funding					
Interest paid	1,704,234,090	1,462,362,855	1,324,236,290	3,651,051,365	4,250,407,673
Other expenses	701,426,576	609,275,579	664,817,566	853,005,581	774,476,850
Provisions and depreciation					
Depreciation and amortisation	80,968,968	92,295,335	134,072,718	130,043,715	145,311,174
Impairment for loans and other losses	381,645,114	382,940,886	492,904,300	556,092,219	505,038,637
Net Income before Government Taxes and Levies					
Income Tax, VAT, SGT, NBT, Crop Insurance, DRL(Incl					
Deferred Tax	79,140,758	86,651,058	120,779,432	107,125,717	104,704,556
Shareholders					
Dividends - Cheque				28,978,958	28,978,958
Retained profits	67,579,581	50,626,583	119,446,603	284,308,614	383,555,790
Total					

QUARTERLY FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	For the quarter ended			
	30.06.2023	30.09.2023	31.12.2023	31.03.2024
	LKR	LKR	LKR	LKR
	Unaudited*	Unaudited*	Unaudited*	Unaudited*
Interest Income	1,635,808,618	1,635,232,492	1,471,171,207	1,199,350,443
Interest Expenses	(1,229,117,440)	(1,179,582,338)	(993,317,184)	(848,390,711)
Net Interest Income	406,691,179	455,650,154	477,854,023	350,959,732
Net Trading Gain/(Loss) on Equity Securities	-	-	-	-
Other Operating Income	87,327,261	100,126,240	123,121,230	351,787,152
Less: Operating Expenses				
Personnel Costs	(103,177,984)	(94,730,320)	(108,161,416)	(128,068,767)
Provision for Staff Retirement Benefits	(2,400,000)	(2,400,000)	(2,432,001)	(6,803,861)
General and Administration Expenses	(183,787,490)	(245,373,407)	(232,590,642)	(273,819,830)
Impairment Charge for Lease Rentals Receivable, Hire Purchase and Loans and Advances	(110,106,346)	(121,158,828)	(120,032,194)	(153,741,270)
Operating Profit before Value Added Tax on Financial Services	94,546,620	92,113,839	137,759,001	140,313,156
Value Added Tax on Financial Services	(13,357,890)	(10,999,980)	(22,000,001)	(41,042,110)
Profit Before Taxation	81,188,730	81,113,859	115,759,000	99,271,046
Income Tax (Expenses) / Reversal	(26,000,000)	(8,999,980)	(18,950,000)	24,401,729
Profit for the Period	55,188,730	72,113,879	96,809,000	123,672,775
Actuarial Loss on Retirement Benefit Liability	-	-	-	43,511,089
Income Tax on Components of Other Comprehensive Income	-	-	-	(13,053,327)
Other Comprehensive Income for the Period Net of Tax	-	-	-	12,730,464
				(3,819,139)
				39,369,087
Total Comprehensive Income for the Period	55,188,730	72,113,879	96,809,000	35,227,085
Earnings Per Share - Basic	0.44	0.58	0.58	1.31
Earnings Per Share - Diluted	0.33	0.44	0.44	0.98

* The above figures are provisional and subject to audit.

* Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

	30.06.2023	30.09.2023	31.12.2023	31.03.2024
	LKR	LKR	LKR	LKR
	Unaudited*	Unaudited*	Unaudited*	Unaudited*
ASSETS				
Cash and Cash Equivalents	4,225,026,306	2,771,102,853	2,751,376,127	3,952,176,640
Investment in Reverse Repurchase Agreements Against Treasury Bills and Bonds	2,354,088,477	4,028,658,735	2,042,268,663	1,690,988,386
Other Financial Assets				
Financial Assets - Held for Trading				
Financial assets at amortized cost - Loans and advances	17,909,272,063	17,343,616,158	16,747,556,028	18,791,889,308
Financial assets at amortized cost - Lease rentals receivable and hire purchase	370,321,556	304,038,746	264,770,321	265,619,141
Other Assets	108,322,633	111,945,125	94,559,009	130,133,094
Current tax assets (net)	27,746,278	28,109,150	28,598,952	29,100,563
Advances, Deposits and Prepayments	64,878,569	64,498,790	82,310,273	102,813,724
Financial assets - Fair value through other comprehensive income	506,659	506,659	506,659	506,659
Right-of-use assets	169,252,067	162,545,215	146,267,205	186,439,060
Property, Plant and Equipment	225,618,104	222,087,576	266,425,645	313,284,112
Investment Property	323,759,872	324,254,230	324,590,740	324,299,107
Deferred Tax Assets	22,922,647	22,922,647	18,422,647	38,550,181
Intangible Assets	46,342,599	49,814,633	48,150,067	46,617,448
Total Assets	25,848,057,830	25,434,100,517	22,815,802,336	25,872,417,424
LIABILITIES				
Financial liabilities - Due to banks	120,763,770	59,793,441	85,336,014	47,637,705
Other Liabilities	192,429,819	179,565,506	38,420,320	558,959,629
Current Tax Liabilities	11,252,885	20,252,865	45,711,504	47,054,021
Financial liabilities - Other borrowed funds	5,753,107,385	6,002,910,088	5,791,042,366	6,050,495,203
Lease liability	192,325,204	189,562,779	172,608,759	219,443,235
Due to Customers	14,165,943,524	13,588,824,634	12,373,008,137	14,472,621,940
Saving Control	10,420,193	8,504,800	9,474,006	12,514,226
Debenture	2,289,640,205	2,199,182,930	1,021,692,445	1,058,730,444
Retirement Benefit Liability	46,145,353	47,360,103	47,529,778	39,543,426
Total Liabilities	22,782,028,338	22,295,957,145	19,584,823,330	22,506,999,830
SHAREHOLDERS' FUNDS				
Stated Capital	2,205,463,801	2,205,463,801	2,205,463,801	2,205,463,801
Retained Earnings	632,685,555	690,376,659	738,844,901	794,058,040
Statutory Reserve Fund and Other Reserves	227,880,136	242,302,912	286,670,304	365,895,753
Total Equity	3,066,029,492	3,138,143,372	3,230,979,006	3,365,417,594
Total Equity and Liabilities	25,848,057,830	25,434,100,516	22,815,802,336	25,872,417,424
Net Assets Per Share	24.69	25.27	26.02	27.10

QUARTERLY FINANCIAL STATEMENTS

ORDINARY SHARE

	30.06.2023	30.09.2023	31.12.2023	31.03.2024
	LKR	LKR	LKR	LKR
	Unaudited*	Unaudited*	Unaudited*	Unaudited*
Market Value of Shares				
Highest Traded Price	8.7	14.5	13.9	15.7
Lowest Traded Price	7.8	8.2	11.8	11.1
Closing Price	8	13.9	12.1	15.0
Total No of Shares	124195533	124,195,533	124,195,533	124,195,533
Ordinary Shares held by public as at				
No of Shareholders	1984	1849	1825	1788
% of Shareholding	27.08	27.08	27.08	27.08
PREFERENCE SHARES				
Total No of Shares	41,398,511	41,398,511	41,398,511	41,398,511
Preference Shares held by public as at				
No of Shareholders	88	100	99	95
% of Shareholding	4.13	4.13	4.13	4.13

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

HORIZONTAL ANALYSIS

	Curent Year	Percentatge Change (%)				Base Year
	2023/2024	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
FOR THE YEAR ENDED 31ST MARCH	Rs.					Rs.
Interest income	5,682,401,629	87%	77%	-15%	-10%	3,043,709,078
Less: Interest expenses	(4,250,407,673)	149%	114%	-22%	-14%	(1,704,234,090)
Net interest income	1,431,993,956	7%	30%	-7%	-6%	1,339,474,988
Net trading gain/(loss) on held for trading securities	-	-100%	-100%	-100%	-100%	(125)
Fees and commission income	909,003,149	100%	100%	100%	100%	-
Other operating income	12,146,299	-96%	-96%	-95%	-94%	288,910,201
Less: Operating expenses						
Personnel expenses	(450,124,348)	45%	33%	7%	-11%	(310,582,828)
Depreciation and amortization cost	(145,311,174)	1964%	1747%	1727%	1211%	(7,041,239)
General and administration expenses	(774,476,850)	-1%	9%	-15%	-22%	(782,395,544)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(505,038,637)	32%	46%	29%	0.34%	(381,654,114)
Operating profit before value added tax on financial services	478,192,395	226%	174%	63%	-10%	146,711,339
Value added tax on financial services	(104,704,556)	96%	-20%	-32%	-16%	(53,404,047)
Profit before income tax	373,487,839	300%	285%	117%	-7%	93,307,292
Income tax expenses	(29,301,136)	27%	178%	261%	79%	(23,162,926)
Profit for the year	344,186,703	391%	321%	69%	-36%	70,144,366
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)						
Surplus on revaluation reserve on PPE	43,511,089	100%				-
Deferred tax effect on components of other comprehensive income	(13,053,327)	100%				-
Actuarial gain/(loss) on retirement benefit liability	12,730,464	-713%	-509%	-156%	-311%	(2,075,633)
Deferred tax effect on components of other comprehensive income	(3,819,139)	667%	-611%	-44%	-311%	(498,152)
Other comprehensive income / (expense) for the year net of tax	39,369,087	-1630%	-528%	-134%	-311%	(2,573,785)
Total comprehensive income for the year	383,555,790	468%	321%	77%	-25%	67,570,581

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

VERTICAL ANALYSIS

For the Year Ended 31 st March	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
Interest income	100.00%	100%	100.00%	100.00%	100.00%
Less: Interest expenses	74.80%	67.72%	51.41%	53.66%	55.99%
Net interest income	25.20%	32%	48.59%	46.34%	44.01%
Net trading gain/(loss) on held for trading securities					
Fees and commission income	16.00%	11%	22.96%	7.83%	0.00%
Other operating income	0.21%	0%	0.58%	0.60%	9.49%
Less: Operating expenses					
Personnel expenses	7.92%	8%	12.94%	10.13%	10.20%
Depreciation and amortization cost	2.56%	2%	4.99%	3.39%	0.23%
General and administration expenses	13.63%	16%	25.81%	22.36%	25.71%
Impairment charge for lease rentals receivable, hire purchase, loans and advances	8.89%	10.31%	19.13%	14.05%	12.54%
Operating profit before value added tax on financial services	8.42%	7%	9.27%	4.84%	4.82%
Value added tax on financial services	1.84%	1%	1.42%	1.66%	1.75%
Profit before income tax	6.57%	6.67%	7.85%	3.18%	3.07%
Income tax expenses	0.52%	1.19%	3.25%	1.52%	0.76%
Profit for the year	6.06%	5.48%	4.60%	1.66%	2.30%

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH

HORIZONTAL ANALYSIS

	Currenrt Year	Percentatge Change (%)				Base Year
	31/03/2024	31/03/2024	31/03/2023	31/03/2022	31/03/2021	31/03/2020
	Rs.					Rs.
ASSETS						
Cash and cash equivalents	3,887,692,725	659%	303%	173%	97%	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,755,472,300	104%	184%	15%	-24%	860,630,696
Financial assets at amortized cost - Loans and advances	18,791,889,311	111%	113%	65%	14%	8,913,047,650
Financial assets at amortized cost - Lease rentals receivable and hire purchase	265,619,140	-93%	-88%	-71%	-41%	3,726,488,702
Other assets	130,133,093	666%	651%	625%	614%	16,983,813
Income tax receivable	-	-100%	-1%	0%	0%	27,736,580
Advances, deposits and prepayments	102,813,725	-34%	-51%	-33%	-2%	156,189,223
Financial assets - Fair value through Other comprehensive income/ available for sale	506,659	0%	0%	0%	0%	506,659
Property, plant and equipment	313,284,112	127%	48%	34%	13%	138,032,482
Right-of-use assets	186,439,061	36%	32%	43%	59%	137,210,457
Investment property	324,299,107	-19%	-19%	-10%	-6%	399,678,109
Deferred tax assets	38,550,183	-83%	-83%	-55%	-18%	225,922,647
Intangible assets	46,617,448	16%	19%	10%	2%	40,220,339
Total assets	25,843,316,864	71%	65%	28%	1%	15,154,586,490
LIABILITIES						
Financial liabilities - Due to banks	47,637,705	-19%	-60%	-34%	-59%	58,777,776
Other liabilities	558,959,632	479%	153%	-17%	-58%	96,622,133
Income tax payable	17,953,458	100%	0%	0%	0%	
Financial liabilities - Other borrowed funds	6,050,495,203	-1%	10%	-10%	-21%	6,086,325,326
Lease liability	219,443,235	74%	-7%	65%	69%	126,200,873
Due to customers	14,485,136,166	120%	70%	32%	6%	6,585,234,705
Debenture	1,058,730,444	100%	100%	100%	100%	
Retirement benefit obligation	39,543,426	32%	43%	9%	1%	29,972,864
Total liabilities	22,477,899,269	73%	42%	28%	1%	12,983,133,677
SHAREHOLDERS' FUNDS						
Stated capital	2,205,463,801	23%	23%	23%	0%	1,791,478,691
Retained earnings	794,058,041	162%	94%	53%	16%	303,207,769
Statutory reserve fund and other reserves	365,895,753	377%	182%	11%	3%	76,766,353
Total equity	3,365,417,595	55%	39%	27%	2%	2,171,452,813
Total equity and liabilities	25,843,316,864	71%	65%	28%	1%	15,154,586,490

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH

VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH	Percentage Change(%)				
	31/03/2024	31/03/2023	31/03/2022	31/03/2021	31/03/2020
ASSETS					
Cash and cash equivalents	15%	8%	7%	7%	3%
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	7%	10%	5%	4%	6%
Financial assets at amortized cost - Loans and advances	73%	76%	76%	66%	59%
Financial assets at amortized cost - Lease rentals receivable and hire purchase	1%	2%	6%	14%	25%
Other assets	1%	1%	1%	1%	0%
Income tax receivable	0%	0%	0%	0%	0%
Advances, deposits and prepayments	0%	0%	1%	1%	1%
Financial assets - Fair value through Other comprehensive income/available for sale	0%	0%	0%	0%	0%
Property, plant and equipment	1%	1%	1%	1%	1%
Right-of-use assets	1%	1%	1%	1%	1%
Investment property	1%	1%	2%	2%	3%
Deferred tax assets	0%	0%	1%	1%	1%
Intangible assets	0%	0%	0%	0%	0%
Total assets	100%	100%	100%	100%	100%
LIABILITIES					
Financial liabilities - Due to banks	0.18%	0.02%	0.20%	0.16%	0.39%
Other liabilities	2.16%	0.91%	0.41%	0.26%	0.64%
Income tax payable	0.07%	0.00%	0.00%	0.00%	0.00%
Financial liabilities - Other borrowed funds	23.41%	24.24%	28.22%	31.13%	40.16%
Lease liability	0.85%	0.80%	1.07%	1.39%	0.83%
Due to customers	56.05%	53.07%	44.96%	45.68%	43.45%
Debenture	4.10%	8.75%	10.72%	6.71%	0.00%
Retirement benefit obligation	0.15%	0.18%	0.17%	0.20%	0.20%
Total liabilities	86.98%	87.96%	85.75%	85.52%	85.67%
SHAREHOLDERS' FUNDS					
Stated capital	8.53%	8.82%	11.40%	11.67%	11.82%
Retained earnings	3.07%	2.35%	2.40%	2.29%	2.00%
Statutory reserve fund and other reserves	1.42%	0.87%	0.44%	0.52%	0.51%
Total equity	13.02%	12.04%	14.25%	14.48%	14.33%
Total equity and liabilities	100.00%	100.00%	100.00%	100.00%	100.00%

FIVE YEAR SUMMARY

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	5,682,401,629	5,391,701,835	2,576,080,610	2,725,047,627	3,043,709,078
Less: Interest expenses	(4,250,407,673)	(3,651,051,365)	(1,324,236,291)	(1,462,362,856)	(1,704,234,090)
Net interest income	1,431,993,956	1,740,650,470	1,251,844,319	1,262,684,771	1,339,474,988
Net trading gain/(loss) on held for trading securities	-	-	-	-	(125)
Fees and commission income	909,003,149	602,384,100	591,567,029	213,465,679	-
Other operating income	12,146,299	12,249,081	15,065,243	16,301,295	288,910,201
Less: Operating expenses					
Personnel expenses	(450,124,348)	(413,680,997)	(333,319,633)	(276,092,770)	(310,582,828)
Depreciation and amortization cost	(145,311,174)	(130,043,715)	(128,652,792)	(92,295,335)	(7,041,239)
General and administration expenses	(774,476,850)	(853,005,581)	(664,817,564)	(609,275,579)	(782,395,544)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(505,038,637)	(556,092,219)	(492,904,301)	(382,940,886)	(381,654,114)
Operating profit before value added tax on financial services	478,192,395	402,461,139	238,782,301	131,847,175	146,711,339
Value added tax on financial services	(104,704,556)	(42,825,463)	(36,500,000)	(45,100,000)	(53,404,047)
Profit before income tax	373,487,839	359,635,676	202,282,301	86,747,175	93,307,292
Income tax expenses	(29,301,136)	(64,300,254)	(83,720,568)	(41,551,058)	(23,162,926)
Profit for the year	344,186,703	295,335,422	118,561,733	45,196,117	70,144,366
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)					
Surplus on revaluation reserve on PPE	43,511,089	-	-	-	-
Deferred tax effect on components of other comprehensive income	(13,053,327)	-	-	-	-
Actuarial gain/(loss) on retirement benefit liability	12,730,464	8,482,160	1,164,300	4,379,407	(2,075,633)
Deferred tax effect on components of other comprehensive income	(3,819,139)	2,544,648	(279,432)	1,051,058	(498,152)
Other comprehensive income / (expense) for the year net of tax	39,369,087	11,026,808	884,868	5,430,465	(2,573,785)
Total comprehensive income for the year	383,555,790	284,308,614	119,446,601	50,626,582	67,570,581
Earnings per share - basic	2.77	2.38	0.95	0.36	0.57

Figures in brackets indicate deductions.

FIVE YEAR SUMMARY

STATEMENT OF FINANCIAL POSITION

	31/03/2024	31/03/2023	31/03/2022	31/03/2021	31/03/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and cash equivalents	3,887,692,725	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,755,472,300	2,444,830,041	989,433,452	654,692,844	860,630,696
Financial assets at amortized cost - Loans and advances	18,791,889,311	19,028,664,556	14,729,182,119	10,198,262,863	8,913,047,650
Financial assets at amortized cost - Lease rentals receivable and hire purchase	265,619,140	449,636,218	1,084,117,530	2,212,534,894	3,726,488,702
Other assets	130,133,093	127,559,654	123,152,101	121,313,548	16,983,813
Income tax receivable	-	27,593,548	27,698,763	27,698,763	27,736,580
Advances, deposits and prepayments	102,813,725	77,034,568	104,518,028	152,407,430	156,189,223
Financial assets - Fair value through Other comprehensive income/ available for sale	506,659	506,659	506,659	506,659	506,659
Property, plant and equipment	313,284,112	203,787,014	184,377,810	156,436,176	138,032,482
Right-of-use assets	186,439,061	180,642,208	196,496,795	217,810,352	137,210,457
Investment property	324,299,107	324,062,193	359,055,287	376,158,647	399,678,109
Deferred tax assets	38,550,183	37,422,647	101,422,648	185,422,647	225,922,647
Intangible assets	46,617,448	47,676,226	44,194,279	40,951,790	40,220,339
Total assets	25,843,316,864	25,012,544,427	19,341,788,022	15,350,430,089	15,154,586,490
LIABILITIES					
Financial liabilities - Due to banks	47,637,705	3,763,272	38,990,640	24,279,289	58,777,776
Other liabilities	558,959,632	228,236,872	80,227,361	40,308,402	96,622,133
Income tax payable	17,953,458	-	-	-	-
Financial liabilities - Other borrowed funds	6,050,495,203	6,062,427,129	5,458,426,482	4,778,758,726	6,086,325,326
Lease liability	219,443,235	199,066,151	207,778,443	213,877,898	126,200,873
Due to customers	14,485,136,166	13,274,968,572	8,695,180,272	7,011,525,892	6,585,234,705
Debenture	1,058,730,444	2,187,519,136	2,072,877,339	1,029,465,109	-
Retirement benefit obligation	39,543,426	45,722,533	32,796,379	30,135,378	29,972,864
Total liabilities	22,477,899,269	22,001,703,665	16,586,276,916	13,128,350,694	12,983,133,677
SHAREHOLDERS' FUNDS					
Stated capital	2,205,463,801	2,205,463,801	2,205,463,801	1,791,478,691	1,791,478,691
Retained earnings	794,058,041	588,534,571	464,777,293	351,303,022	303,207,769
Statutory reserve fund and other reserves	365,895,753	216,842,390	85,270,012	79,297,682	76,766,353
Total equity	3,365,417,595	3,010,840,762	2,755,511,106	2,222,079,395	2,171,452,813
Total equity and liabilities	25,843,316,864	25,012,544,427	19,341,788,022	15,350,430,089	15,154,586,490
Commitments and Contingencies	888,847,554	598,044,570	736,356,192	343,139,968	680,417,899
Net assets value per share	27.10	24.24	22.19	17.89	17.50

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

	Stated capital	General reserve	Statutory reserve fund	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March, 2019	1,640,493,541	3,000,000	70,387,374	239,007,167	1,952,888,082
Total comprehensive income for the year					
Profit for the year	-	-	-	70,153,366	70,153,366
Other comprehensive expense (net of tax)	-	-	-	(2,573,785)	(2,573,785)
Total comprehensive income for the year	-	-	-	67,579,581	67,579,581
Transactions with equity holders recognized directly in equity					
Proceeds from right issue of ordinary shares	150,985,150	-	-	-	150,985,150
Transfers to reserves	-	-	3,378,979	(3,378,979)	-
Total transactions with equity holders	150,985,150	-	3,378,979	64,200,602	218,564,731
Balance as at 31st March 2020	1,791,478,691	3,000,000	73,766,353	303,207,769	2,171,452,813
Total comprehensive income for the year					
Profit for the year	-	-	-	45,196,117	45,196,117
Other comprehensive expense (net of tax)	-	-	-	5,430,465	5,430,465
Total comprehensive income for the year	-	-	-	50,626,582	50,626,582
Transactions with equity holders recognized directly in equity					
Transfers to reserves	-	-	2,531,329	(2,531,329)	-
Total transactions with equity holders	-	-	2,531,329	48,095,253	50,626,582
Balance as at 31st March 2021	1,791,478,691	3,000,000	76,297,682	351,303,022	2,222,079,395

FIVE YEAR SUMMARY

	Ordinary Share capital	Preference Share capital	General reserve	Statutory reserve fund	Revaluation reserve fund	Regulatory loss allowance reserve	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2021	1,791,478,691		3,000,000	76,297,682			351,303,022	2,222,079,395
Total comprehensive income for the year								
Profit for the year	-	-	-	-			118,561,733	118,561,733
Other comprehensive expense (net of tax)	-	-	-	-			884,868	884,868
Total comprehensive income for the year	-	-	-	-			119,446,601	119,446,601
Transactions with equity holders recognized directly in equity								
Proceeds from right issue of preference shares	-	413,985,110	-	-			-	413,985,110
Transfers to reserves	-	-	-	5,972,330			(5,972,330)	-
Total transactions with equity holders	-	413,985,110	-	5,972,330			113,474,271	533,431,711
Balance as at 31st March 2022	1,791,478,691	413,985,110	3,000,000	82,270,012			464,777,293	2,755,511,106
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	295,335,422	295,335,422
Other comprehensive expense (net of tax)	-	-	-	-	-	-	(11,026,808)	(11,026,808)
Total comprehensive income for the year	-	-	-	-	-	-	284,308,614	284,308,614
Transactions with equity holders recognized directly in equity								
Dividend paid - preference shares							(28,978,958)	(28,978,958)
Transfers to reserves				56,861,723	-		(56,861,723)	
Transfers to reserves				-	-	74,710,655	(74,710,655)	-
Total transactions with equity holders	-	-	-	56,861,723	-	74,710,655	123,757,278	255,329,656
Balance as at 31st March 2023	1,791,478,691	413,985,110	3,000,000	139,131,735	-	74,710,655	588,534,571	3,010,840,762
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	344,186,703	344,186,703
Transfers to reserves	-	-	-	-	43,511,089	-	-	43,511,089
Actuarial gain on retirement benefit liability	-	-	-	-	-	-	12,730,464	12,730,464
Other comprehensive expense (net of tax)	-	-	-	-	(13,053,327)	-	(3,819,139)	(16,872,466)
Total comprehensive income for the year	-	-	-	-	30,457,762.00	-	353,098,028	383,555,790
Transactions with equity holders recognized directly in equity								
Dividend paid - preference shares	-	-	-	-	-	-	(28,978,958)	(28,978,958)
Transfers to reserves	-	-	-	68,837,340	-	49,758,260	(118,595,600)	-
Transfers to reserves	-	-	-	-	-	-	-	-
Total transactions with equity holders	-	-	-	68,837,340	30,457,762	49,758,260	205,523,470	354,576,832
Balance as at 31st March 2024	1,791,478,691	413,985,110	3,000,000	207,969,075	30,457,762	124,468,915	794,058,041	3,365,417,594

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOW

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Profit before income tax	373,487,838	359,635,676	202,282,303	86,747,175	93,316,292
Adjustments for					
Depreciation and amortization	78,086,570	64,806,550	72,580,622	51,276,593	51,791,363
Amortisation of right-of-use-assets	67,224,605	65,237,164	61,492,097	41,018,741	29,177,605
Interest expenses on lease liability	42,338,086	31,420,978	25,478,575	20,009,922	17,234,710
Impairment of lease hire purchase, loans and advances	505,038,637	556,092,219	492,904,300	382,940,886	381,645,114
Early termination of loans, leases and hire purchase	(10,044,184)	17,618,156	(37,203,068)	(29,908,552)	(51,580,552)
Non-cash items included in profit before tax (WHT and Notional tax)	-	(268,538)	-	37,817	(1,264,129)
Net interest adjustment under SLFRS - 09	-	-	-	-	31,765,157
Interest income on commercial papers	-	-	-	-	(6,170,583)
Interest income on unit trust	-	-	-	-	(3,493,043)
Interest income on short-term investment	-	-	-	(18,852,915)	-
Profit on sale of held for trading securities	-	-	-	-	125
Gains from sale of property, plant and equipment, investment property and real estate inventories	1,077,345	(3,911,152)	(2,230,807)	(8,958,592)	(182,714)
Gain on expiration of operating lease agreement during the year	-	(2,166,889)	(1,719,551)	-	-
Profit on sale of vehicle stock	-	-	-	-	1,133,738
Provision for retirement benefit liability	14,035,862	8,762,394	6,051,551	7,163,721	7,041,239
Interest expense on other borrowings	1,183,003,442	1,150,280,663	463,925,159	695,547,058	897,277,265
Interest expense on debentures	361,151,772	380,783,577	166,360,280	47,070,376	-
Profit from operation before working capital changes	2,615,399,973	2,628,290,798	1,449,921,461	1,274,092,230	1,447,691,587
(Increase)/decrease in lease rentals receivable and hire purchase	228,079,868	644,983,536	1,085,312,948	1,592,530,924	279,318,715
(Increase)/decrease in loans and advances	(302,281,998)	(4,883,695,032)	(4,947,566,069)	(1,716,824,690)	(1,724,658,389)
(Increase)/decrease in other receivables	(2,573,439)	(4,407,550)	(101,514,786)	(126,272,144)	(472,010)
(Increase)/decrease in deposits and prepayments	(25,779,157)	(23,785,190)	141,585,636	(95,894,459)	(31,671,976)
Increase in deposits from customers	1,210,167,594	4,579,788,301	1,681,493,888	428,451,679	(32,110,250)
Increase/(decrease) in other liabilities	330,029,127	194,733,490	41,310,965	63,144,462	(120,541,238)
Net cash from operating activities before income tax payments	4,053,041,968	3,135,908,353	(649,455,957)	1,419,228,002	(182,443,561)
Taxes paid	(1,754,130)	(2,471,149)	-	-	(22,740,148)
Gratuity paid	(7,484,505)	(4,318,400)	(2,226,250)	(2,621,800)	(1,232,500)
Lease rent advance paid	(94,982,460)	(82,804,290)	(63,288,541)	(53,951,533)	-
Rent paid	-	-	-	-	(42,557,697)
Dividend paid	(28,978,958)	(28,978,958)	-	-	-
Net cash used in operating activities	3,919,841,915	3,017,335,556	(714,970,748)	1,362,654,669	(248,973,906)
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	(142,266,165)	(74,641,867)	(81,044,789)	(65,141,353)	(27,787,206)

FIVE YEAR SUMMARY

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Acquisition of intangible assets	(8,472,875)	(12,443,299)	(12,276,583)	(6,956,240)	(17,178,378)
Acquisition of investment property	(1,452,837)	(700,000)	-	(315,000)	(5,859,596)
Proceeds from sale of investment property	-	37,500,000	12,210,000	30,900,000	-
Settlement for intangible asset	-	(1,316,500)	-	-	-
Proceeds from sale of vehicle stock	-	-	-	-	17,779,831
Investments in short-term investment	-	-	-	(980,000,000)	-
Proceeds from short-term investment	-	-	-	998,852,915	-
Investments in commercial papers	-	-	-	-	(280,000,000)
Proceeds from commercial papers	-	-	-	-	286,170,538
Investment in Unit Trust	-	-	-	-	(250,000,000)
Proceeds from Unit Trust	-	-	-	-	253,493,043
Proceeds from sale of property, plant and equipment	8,557,452	2,808,208	730,795	3,578,913	602,054
Net cash from/(used in) investing activities	(143,634,425)	(48,793,458)	(80,380,577)	(19,080,765)	(22,779,669)
Cash flows from/(used in) financing activities					
Repayment of other borrowed funds	(5,037,935,369)	(4,585,280,017)	(4,182,257,403)	(4,686,113,659)	(4,421,488,570)
Proceeds from other borrowed funds	3,843,000,000	4,039,000,000	4,398,000,000	2,683,000,000	4,651,801,017
Proceeds from the Right Issue of Shares	-	-	-	-	150,985,150
Proceeds from the Debenture issue	-	-	992,025,770	982,394,733	-
Repayment of Debenture	(1,489,940,465)	(266,141,780)	(114,973,820)	-	-
Proceeds from the preference share issue	-	-	413,985,110	-	-
Net cash flows from/(used in) financing activities	(2,684,875,834)	(812,421,797)	1,506,779,657	(1,020,718,926)	381,297,597
Net increase in cash and cash equivalents	1,091,331,656	2,156,120,301	711,428,332	322,854,978	109,544,022
Cash and cash equivalents at the beginning of the year A	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053	1,204,248,031
Cash and cash equivalents at the end of the year B	5,595,527,320	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053
At the beginning of the year (A)					
Cash and cash equivalents	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133	643,777,198
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	989,433,452	654,692,844	860,630,696	691,744,740
Bank overdraft	(3,763,272)	(38,990,640)	(24,279,289)	(58,777,776)	(131,273,907)
	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053	1,204,248,031
At the end of the year (B)					
Cash and cash equivalents	3,952,176,639	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,690,988,386	2,444,830,041	989,433,452	654,692,844	860,630,696
Bank overdraft	(47,637,705)	(3,763,272)	(38,990,640)	(24,279,289)	(58,777,776)
	5,595,527,320	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053

Figures in brackets indicate deductions.

The accounting policies and notes on page 193 to 274 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN US DOLLARS

AS AT 31 March	2023/2024 US\$	2022/2023 US\$	Change %
Interest income	17,377,375	16,488,385	5%
Less: Interest expenses	(12,998,189)	(11,165,295)	16%
Net Interest income	4,379,186	5,323,090	-18%
Net trading loss on held for trading securities			
Fees and Commission Income	2,779,826	1,842,153	51%
Other operating income	37,145	37,459	-1%
Less: Operating expenses			
Personnel expenses	(1,376,527)	(1,265,080)	9%
Depreciation and Amortization Cost	(444,377)	(397,687)	12%
General and administration expenses	(2,368,431)	(2,608,580)	-9%
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(1,544,461)	(1,700,588)	-9%
Operating profit before value added tax on financial services	1,462,362	1,230,768	19%
Value added tax on financial services	(320,197)	(130,965)	144%
Profit before income tax	1,142,165	1,099,803	4%
Income tax expenses	(89,606)	(196,637)	-54%
Profit for the year	1,052,559	903,166	17%
Surplus on revaluation reserve on PPE	133,061	-	100%
Deferred tax effect on components of other comprehensive income	(39,918)	-	-100%
Actuarial loss on retirement benefit liability	38,931	25,939	50%
Deferred tax effect on components of other comprehensive income	(11,679.32)	7,782	-250%
Other comprehensive expense for the year net of tax	120,395	33,721	257%
Total comprehensive income for the year	1,172,953	869,445	35%

Figures in brackets indicate deductions.

Exchange Rate: 1 USD was LKR 327 as at 31 March 2024 (LKR 327 as at 31 March 2023). Equivalent rate is used to compare yearly performance.

The Income Statement and Statement of Financial Position given on page 187 to 189 are solely for the convenience of shareholders, investors and other users of Financial Statements.

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STATEMENT OF FINANCIAL POSITION IN US DOLLARS

AS AT 31March	2023/2024 US\$	2022/2023 US\$	Change %
ASSETS			
Cash and cash equivalents	11,888,969	6,309,263	88%
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	5,368,417	7,476,544	-28%
Financial assets at amortized cost - Loans and advances	57,467,551	58,191,635	-1%
Financial assets at amortized cost - Lease rentals receivable and hire purchase	812,291	1,375,034	-41%
Other assets	397,961	390,091	2%
Income tax receivable	-	84,384	-100%
Advances, deposits and prepayments	314,415	235,580	33%
Financial assets - Fair value through other comprehensive income / available for sale	1,549	1,549	0%
Property, plant and equipment	958,055	623,202	54%
Right-of-use assets	570,150	552,423	3%
Investment property	991,740	991,016	0%
Deferred tax assets	117,890	114,442	3%
Intangible assets	142,561	145,799	-2%
Total assets	79,031,550	64,472,627	23%
LIABILITIES			
Financial liabilities - Due to banks	145,681	11,508	1166%
Other liabilities	1,709,357	697,972	145%
Current tax liabilities	54,904	-	
Financial liabilities - Other borrowed funds	18,503,043	18,539,533	0%
Lease liability	671,080	608,765	10%
Due to customers	44,297,052	40,596,234	9%
Debenture	3,237,708	6,689,661	-52%
Retirement benefit obligation	120,928	139,824	-14%
Total liabilities	68,739,753	55,287,590	24%
EQUITY			
Stated capital	6,744,538	6,744,538	0%
Retained earnings	2,428,312	1,799,800	35%
Statutory reserve fund and other reserves	1,118,947	663,127	69%
Total equity	10,291,797	9,185,037	12.05%
Total equity and liabilities	79,031,550	64,472,627	23%

Figures in brackets indicate deductions.

Exchange Rate: 1 USD was LKR 327 as at 31 March 2024 (LKR 327 as at 31 March 2023). Equivalent rate is used to compare yearly performance.

The Income Statement and Statement of Financial Position given on page 184 to 192 are solely for the convenience of shareholders, investors and other users of Financial Statements.

BASIS OF RATIO

Ratio	Definition
Earnings per share(Rs)	Profit or Loss attributable to ordinary shareholders to Average no of shares
Net Asset Value per share (Rs.)	Total share holders equity/no of shares
Price Earnings (Times)	Market Price per share*no of shares
Price to book value (Times)	Market Price per share to Earning per share
Return on equity (%)	Profit attributable to ordinary shareholders to Average share holder equity
Earning yield%	Earning per share to Market Price pershare
Debt to Equity ratio (Times)	Borrowings to Total share holder equity
Interest Cover (Times)	PBIT to Interest Expenses
Current ratio	Current assets to Current Liabilities
Gross non performing advances ratio %	Non Performing portfolios to Gross loans portolio
Collective impairment to total loans	Total impairment to gross loans receivable
Operating profit	Operting profit before VAT ON FS to Interest Income
Net Interest Margin %	Net Interest Income to Average Interest Earning Assets
Return on Assets (ROA)	Net Income to Total Assets
Provision Coverage Ratio,	Total impairment to Non performing gross loans receivable
Total Liability to equity	Total Liability to Total Shareholder Equity
Cost to Income Ratio	Total operating Cost to Total Income
Liquid Ratio	Available liquid asset / Total deposit
Tier 1 Ratio	Core Capiatl equity to its Total risk-weighted assets (RWA)

Figures in brackets indicate deductions

TEN YEAR SUMMARY INCOME STATEMENT

Year ended 31 March	2014 LKR	2015 LKR	2016 LKR	2017 LKR	2018 LKR
Income	768,716,521	923,347,861	1,383,809,503	2,130,607,576	2,572,365,569
Interest Income	732,367,042	850,447,095	1,265,001,829	2,020,556,957	2,443,389,400
Interest Expenses	(437,557,304)	(480,997,160)	(592,688,880)	(919,297,655)	(1,233,214,297)
Net Interest Income	294,809,738	369,449,935	672,312,949	1,101,259,302	1,210,175,103
Net Trading Loss on Equity Securities	5,684,335	24,610,913	(7,947,048)	2,326,220	(31,406)
Other Income	36,349,479	72,900,766	126,754,722	107,724,399	129,007,575
Net Operating Income	336,843,552	466,961,614	791,120,623	1,211,309,921	1,339,151,272
Less:Operating Expenses					
Personnel Costs	(123,044,068)	(178,237,431)	(249,869,486)	(335,295,267)	(264,465,472)
Provision for Staff Retirement Benefits Cost	(1,947,985)	(2,630,870)	(3,123,711)	(4,906,571)	(5,754,935)
Other General & Administrative Expenses	(138,765,746)	(158,582,482)	(244,947,298)	(327,883,585)	(513,394,290)
Reversal / (Provision) of Losses on Loans and Advances	(29,886,795)	(24,748,372)	(83,947,606)	(227,348,081)	(333,396,606)
Net Profit / (Loss) Before Income Tax Expenses	43,198,958	102,762,459	209,232,522	315,876,417	222,139,969
Income Tax (Charge)/Reversal	3,318,687	(1,576,656)	(34,014,398)	(37,827,608)	(43,914,542)
Net Profit / (Loss) after Taxation	46,517,645	101,185,803	175,218,124	278,048,809	178,225,427
Surplus on revaluation reserve on PPE					
Deferred tax charge on revaluation surplus					
Acturial Loss on Retirement Benefit Liability	(196,156)	(1,049,754)	837,345	(2,100,296)	3,554,897
Income Tax on Other Comprehensive Income	54,924	293,931	(234,457)	(588,083)	(995,371)
Other Comprehensive Income for the Year Net of Tax	(141,232)	(755,823)	602,888	(2,688,379)	2,559,526
Total comprehensive Income for the Year	46,376,413	100,429,980	175,821,012	275,360,430	180,784,953
Earnings per Share	0.08	0.15	0.21	0.33	2.12

2019 LKR	2020 LKR	2021 LKR	2022 LKR	2023 LKR	2024 LKR
2,868,765,978	3,332,619,279	2,954,814,602	3,181,733,450	6,006,335,016	6,603,551,077
2,722,660,945	3,043,709,078	2,725,047,628	2,576,080,611	5,391,701,835	5,682,401,629
(1,433,366,344)	(1,704,234,090)	(1,462,362,855)	(1,324,236,291)	(3,651,051,365)	(4,250,407,673)
1,289,294,601	1,339,474,988	1,262,684,772	1,251,844,321	1,740,650,470	1,431,993,956
(9,220)	(125)				
146,105,033	288,910,201	229,766,974	606,632,272	614,633,181	921,149,448
1,435,390,414	1,628,385,064	1,492,451,746	1,858,476,593	2,355,283,651	2,353,143,404
(280,796,890)	(310,582,828)	(268,929,048)	(327,268,082)	(404,918,603)	(436,088,486)
(5,272,963)	(7,041,239)	(7,163,721)	(6,051,551)	(8,762,394)	(14,035,862)
(633,317,428)	(782,395,544)	(746,670,914)	(829,970,356)	(1,025,874,759)	(1,024,492,580)
(357,620,797)	(381,645,114)	(382,940,886)	(492,904,300)	(556,092,219)	(505,038,637)
158,382,336	146,720,339	86,747,176	202,282,303	359,635,676	373,487,839
(64,475,297)	(76,566,973)	(41,551,058)	(83,720,568)	(64,300,254)	(29,301,136)
93,907,039	70,153,366	45,196,118	118,561,735	295,335,422	344,186,703
					43,511,089
					(13,053,327)
7,022,779	(2,075,633)	4,379,407	1,164,300	8,482,160	12,730,464
(920,685)	(498,152)	1,051,058	279,432	2,544,648	(3,819,139)
6,102,094	(2,573,785)	5,430,465	884,868	11,026,808	39,369,087
100,009,132	67,579,581	50,626,583	119,446,603	284,308,614	383,555,790
0.94	0.57	0.36	0.95	2.38	2.77

TEN YEAR SUMMARY

BALANCE SHEET

Year ended 31 March	31.03.2015	31.03.2016	31.03.2017	31.03.2018
	LKR	LKR	LKR	LKR
ASSETS				
Cash & Cash Equivalents	446,524,236	690,797,870	601,891,827	660,159,119
Investment in Reverse Repurchase Agreements against Treasury Bills	259,698,505	328,866,266	433,333,648	622,975,267
Other Financial Assets	9,254,835	8,817,330	50,204,691	207,458,481
Financial Asset -Held for Trading	69,263,955	48,244,689	-	
Loans & Advances Including Lease Rentals Receivables and Hirepurchase	4,137,897,770	6,527,840,413	8,263,046,222	9,528,388,590
Financial Asset-Available for Sale	578,617	506,659	506,659	506,659
Vehicle Stock	46,797,426	-		262,088
Real Estate Inventories	41,698,793	34,468,475		
Other Debtors, Deposits & Prepayments	71,228,510	75,137,577	80,386,384	83,535,832
Income Tax Receivable	3,472,184	-		362,927
Property, Plant & Equipment	79,304,388	156,612,515	173,110,135	158,845,214
Investment Property	80,842,794	143,706,564	306,253,164	352,385,530
Deferred Tax Asset	97,845,584	100,402,344	118,202,709	112,814,714
Right - of - Use asset on leases				
	5,344,407,597	8,115,400,702	10,026,935,439	11,727,694,421
LIABILITIES & EQUITY				
Liabilities				
Customer Deposits	3,672,180,230	4,796,299,899	5,681,178,140	6,356,067,246
Bank Overdraft	62,326	166,925,303	36,031,902	454,920,306
Income tax payable				
Borrowings	344,516,666	1,609,833,175	2,476,518,223	3,001,078,792
Creditors & Accruals	31,553,729	68,455,301	77,540,353	36,650,813
Retirement Benefits Obligation	10,384,222	12,355,588	18,774,955	20,044,993
Debenture				
Lease liability				
	4,058,697,173	6,653,869,266	8,290,043,573	9,868,762,150
Shareholders' Funds				
Stated Capital	1,388,935,273	1,388,935,273	1,388,935,273	1,388,935,273
Reserves	(103,224,849)	72,596,163	347,956,593	469,996,998
Total Equity	1,285,710,424	1,461,531,436	1,736,891,866	1,858,932,271
Total Equity and Liability	5,344,407,597	8,115,400,702	10,026,935,439	11,727,694,421
Contingent Liabilities and commitments				
Net Asset per Share	1.53	1.74	2.07	2.22

Figures in brackets indicate deductions

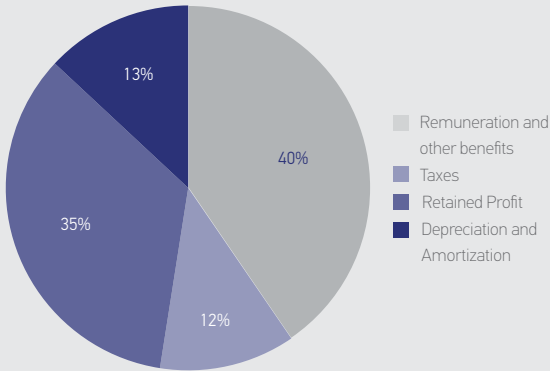
Certification

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

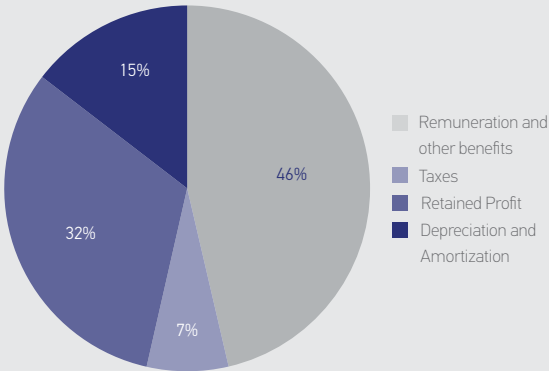
31.03.2019	31.03.2020	31.03.2021	31.03.2022	31.03.2023	31.03.2024
LKR	LKR	LKR	LKR	LKR	LKR
643,777,198	511,939,133	1,004,439,250	1,397,632,551	2,063,128,895	3,887,692,725
691,744,740	860,630,696	654,692,844	989,433,452	2,444,830,041	1,755,472,300
125		-			
		-			
11,556,026,398	12,639,536,352	12,410,797,757	15,813,299,649	19,478,300,774	19,057,508,451
506,659	506,659	506,659	506,659	506,659	506,659
18,913,569	-	(0)			-
	-				-
171,667,000	173,173,036	275,850,871	227,670,130	204,594,222	232,946,818
3,732,303	27,736,580	27,698,763	27,698,763	27,593,548	-
169,724,190	178,252,821	197,387,965	228,572,088	251,463,240	359,901,560
393,818,513	399,678,109	376,158,647	359,055,285	324,062,193	324,299,107
249,583,725	225,922,647	185,422,647	101,422,647	37,422,647	38,550,183
	137,210,457	217,810,352	196,496,795	180,642,208	186,439,061
13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018	25,012,544,427	25,843,316,864
6,617,344,955	6,585,234,705	7,011,525,892	8,695,180,272	13,274,968,572	14,485,136,166
131,273,907	58,777,776	24,279,289	38,990,640	3,763,272	47,637,705
					17,953,458
4,958,735,615	6,086,325,326	4,778,758,726	5,458,426,482	6,062,427,129	6,050,495,203
217,163,369	96,622,133	40,644,066	80,227,351	228,236,872	558,959,632
22,088,492	29,972,864	30,135,378	32,796,379	45,722,533	39,543,426
		1,029,465,109	2,072,877,341	2,187,519,136	1,058,730,444
	126,200,873	213,877,899	207,778,444	199,066,151	219,443,235
11,946,606,338	12,983,133,677	13,128,686,359	16,586,276,909	22,001,703,665	22,477,899,269
-					
1,640,493,541	1,791,478,691	1,791,478,691	2,205,463,801	2,205,463,801	2,205,463,801
312,394,541	379,974,122	430,600,704	550,047,308	805,376,961	1,159,953,794
1,952,888,082	2,171,452,813	2,222,079,395	2,755,511,109	3,010,840,762	3,365,417,595
13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018	25,012,544,427	25,843,316,864
18.18	17.50	17.89	22.19	24.24	27.10

VALUE ADDED STATEMENT

	2023/2024	2022/2023		
Income	6,591,404,778	5,994,085,935		
Other Income	15,065,243	12,249,081		
Cost of borrowing and services	(4,250,407,673)	(3,651,051,365)		
Provisions	(505,038,637)	(556,092,219)		
Value Added Tax	(104,704,556)	(42,825,463)		
	1,746,319,155	1,756,365,969		
Distribution Value Added	As at 31.03.2024	As at 31.03.2023		
To employees				
Remuneration and other benefits	450,124,348	40%	413,680,997	46%
To Government				
Taxes	134,005,692	12%	64,300,254	7%
To Expansion and Growth				
Retained Profit	383,555,790	34%	284,308,614	32%
Depreciation and Amortization	145,311,174	13%	130,043,715	15%
	1,112,997,004	1	892,333,580	1.0



VALUE ADDED AS AT 31.03.2024



VALUE ADDED AS AT 31.03.2023

GLOSSARY OF TERMS

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

The system of accounting wherein revenue is recognized at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

ASSET AND LIABILITY COMMITTEE (ALCO)

The committee that is responsible for managing assets and liabilities of the Company.

AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

Average weighted prime lending rate (AWPLR) AWPLR is calculated by the Central Bank weekly based on commercial bank's lending rates offered to their prime customers during the week

ACTUARIAL VALUATION

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets and other relevant costs and values.

C

CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash equivalents are short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value.

COLLECTIVE IMPAIRMENT

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually Significant and to cover losses that have been incurred but has not yet been identified at the reporting date.

COMMERCIAL PAPER

An unsecured, debt instrument issued by a company, to finance short-term funding requirements. The debt is usually issued at a discount, reflecting prevailing market interest rate.

COMMITMENTS

Credit facilities approved but not yet utilized by the clients as at the reporting date. Compounded annual growth rate (CAGR)

CONTINGENCIES

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

COST METHOD

A method of accounting where by the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profiles of the investee rising subsequent to the date of acquisition.

CORPORATE GOVERNANCE

It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

CORPORATE SUSTAINABILITY

Business approach that creates long-term consumer and employee value by creating a 'green' strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural and economic environment.

GLOSSARY OF TERMS

COST TO INCOME RATIO

Operating expenses excluding impairment charge/gold loan auction losses as a percentage of total operating income (net of interest expenses).

CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

Risk of financial loss, if a customer or counterparty fails to meet an obligation under a contract.

CREDIT RISK MITIGATION

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

DIVIDEND COVER

Profit attributable to ordinary shareholders as a percentage of gross dividends; indicates number of times dividend is covered by current year's distributable profits.

DIVIDEND PAY-OUT RATIO

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

DIVIDEND PER SHARE (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

DIVIDEND YIELD

Dividend expressed as a percentage of market value of a share. In absence of any capital gains, this shows the return on investing on a share relative to its market price.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's earnings attributable to an ordinary share in issue.

ECONOMIC VALUE ADDED (EVA)

A measure of performance considering cost of total invested equity.

EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

EFFECTIVE TAX RATE

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

EVENTS AFTER THE REPORTING PERIOD

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

F**FAIR VALUE**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

FINANCE LEASE

The lessor retains ownership of the asset but transfers substantially all risks and rewards of ownership to the lessee.

FINANCIAL ASSETS

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer 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 original or modified terms of a debt instrument.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

FINANCIAL LIABILITIES

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity

G**GROSS DIVIDEND**

The proportion of profit distributed to shareholders including the tax withheld.

GUARANTEES

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation

H**HIRE PURCHASE**

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I**IMPAIRED LOANS**

Impaired loans are loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

IMPAIRMENT CHARGE/(REVERSAL)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually Significant.

INDIVIDUAL SIGNIFICANT LOANS

Exposure which are above a certain threshold decided by the management which should be assessed for objective evidence, measurement and recognition of impairment on an individual basis.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEREST COVER

Earnings before interest and taxes divided by interest cost. This indicates the number of times interest expenses is covered by earnings before interest and tax; ability to cover interest expenses.

INTEREST SPREAD

Represents the difference between the average interest rate earned on average interest earning assets and the average interest rate paid on average interest bearing liabilities.

GLOSSARY OF TERMS

K

KEY MANAGEMENT PERSONNEL (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

L

LENDING PORTFOLIO

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily.

LOSS GIVEN DEFAULT (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

LOAN TO VALUE RATIO (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property.

M

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

MATERIALITY

The relative Significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

N

NET ASSETS VALUE PER SHARE (NAV)

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interest bearing liabilities.

NET INTEREST MARGIN (NIM)

Net interest income expressed as a percentage of average interest earning assets.

NON-PERFORMING LOANS/ ADVANCES (NPL)

The aggregate value of the advances portfolio that has been delinquent for a period of more than six months.

NON-PERFORMING LOANS COVER

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense) NPL RATIO Total non-performing loans as a percentage of the total lending portfolio.

O

OFF-BALANCE SHEET TRANSACTIONS

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share; reflects number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

PROBABILITY OF DEFAULT (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

R

RELATED PARTY

Parties have the ability to control or exert a Significant influence over the company's financial and operating decisions.

RETURN ON ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average shareholders' funds/ equity.

REPURCHASE AGREEMENT (REPO)

Contract to sell and subsequently repurchase government securities at a specified date and price.

RISK-WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S**SHAREHOLDERS' FUNDS**

Total of issued and fully paid share capital and revenue reserves.

T**TIER I CAPITAL**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

TIER II CAPITAL

Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

TOTAL SHAREHOLDER RETURN

Combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

USEFUL LIFE

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V**VALUE ADDED**

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth

Y**YIELD TO MATURITY**

Discount rate at which the present value of future cash flows would equals the security's current price

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 2: General Disclosures 2021	2-1 Organizational details	3	A gray cell indicates that reasons for omissions are not permitted for the disclosure of that a GRI Sector Standard Reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	78			
	2-3 Reporting period, frequency and contact point	1			
	2-4 Restatements of information	2			
	2-5 External assurance	182			
	2-6 Activities, value chain and other business relationships	32-34			
	2-7 Employees	54-66			
	2-8 Workers who are not employees	—	2.8	Not Applicable	AAF does not engage workers who are not employees
	2-9 Governance structure and composition	6,7			
	2-10 Nomination and selection of the highest governance body	139			
	2-11 Chair of the highest governance body	18-20			
	2-12 Role of the highest governance body in overseeing the management of impacts	103-107			
	2-13 Delegation of responsibility for managing impacts	103-107			
	2-14 Role of the highest governance body in sustainability reporting	103-107			
	2-15 Conflicts of interest	103-107			
	2-16 Communication of critical concerns	103-107			
	2-17 Collective knowledge of the highest governance body	91-102			
	2-18 Evaluation of the performance of the highest governance body	103-107			
	2-19 Remuneration policies	103-107			
	2-20 Process to determine remuneration	103-107			
	2-21 Annual total compensation ratio	103-107			
	2-22 Statement on sustainable development strategy	78			
	2-23 Policy commitments	55			
	2-24 Embedding policy commitments	108-137			
	2-25 Processes to remediate negative impacts	108-137			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 2: General Disclosures 2021 (Contd.)	2-26 Mechanisms for seeking advice and raising concerns	108-137			
	2-27 Compliance with laws and regulations	108-137			
	2-28 Membership associations	108-137			
	2-29 Approach to stakeholder engagement	35-37			
	2-30 Collective bargaining agreements	–	2.30	Not Applicable	Collective Bargaining Agreements are not available at AAF
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	39-40			
	3-2 List of material topics	38-40			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	9,10			
	201-2 Financial implications and other risks and opportunities due to climate change	26-28			
	201-3 Defined benefit plan obligations and other retirement plans	60-61			
	201-4 Financial assistance received from government	–	201-4	The Company did not receive any financial assistance from the Government	
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	–	202-1	Not Applicable	This information is not available.
	202-2 Proportion of senior management hired from the local community	87-102			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	9			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	65			
	205-2 Communication and training about anti-corruption policies and procedures	58			
	205-3 Confirmed incidents of corruption and actions taken	—	205-3	Not Applicable	No such incidents occurred
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics	—	Not Applicable	Not Applicable	Not Applicable
GRI 206: Anti- competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	—	Not Applicable	Not Applicable	Not Applicable
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 207: Tax 2019	207-1 Approach to tax	144			
	207-2 Tax governance, control, and risk management	144			
	207-3 Stakeholder engagement and management of concerns related to tax	144			
	207-4 Country-by-country reporting	—	207-4	Not Applicable	AAF does not have overseas presence
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	—			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	—			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 301: Materials 2016 (Contd.)	301-2 Recycled input materials used	—	301-2	Not Applicable	As a financial service provider, recycled materials are not used in AAF's products
	301-3 Reclaimed products and their packaging materials	—	301-3	Not Applicable	As a financial service provider, recycled materials are not used in AAF's products
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	80-82			
	302-2 Energy consumption outside of the organization	—	302-2	Not Applicable	AAF does not track this
	302-3 Energy intensity	—	302-3	Not Applicable	AAF does not track this
	302-4 Reduction of energy consumption	80-82			
	302-5 Reductions in energy requirements of products and services	—	302-5	Not Applicable	AAF products and services do not consumer energy
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	80-82			
	303-2 Management of water discharge-related impacts	80-82			
	303-3 Water withdrawal	—	303-3	Not Applicable	AAF does not engage in water withdrawal
	303-4 Water discharge	—	303-4	Not Applicable	AAF dose not engage in water discharge
	303-5 Water consumption	80-82			

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	—	3_3	Not Applicable	None of the properties owned and operated by AAF are situated adjacent or in a manner that threatens the conservation of biodiversity.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—			
	304-2 Significant impacts of activities, products and services on biodiversity	—			
	304-3 Habitats protected or restored	—			
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	—			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			Information unavailable/incomplete
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	—			Information unavailable/incomplete
GRI 305: Emissions 2016 (Contd.)	305-2 Energy indirect (Scope 2) GHG emissions	—			Information unavailable/incomplete
	305-3 Other indirect (Scope 3) GHG emissions	—			Information unavailable/incomplete
	305-4 GHG emissions intensity	—			Information unavailable/incomplete
	305-5 Reduction of GHG emissions	—			Information unavailable/incomplete
	305-6 Emissions of ozone-depleting substances (ODS)	—	305-6	Not Applicable	AAF’s operations do not generate ODS
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	—	305-6	Not Applicable	AAF does not currently track NOx and SOx emissions
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	80-82			
	306-2 Management of significant waste-related impacts	80-82			
	306-3 Waste generated	80-82			
	306-4 Waste diverted from disposal	80-82			
	306-5 Waste directed to disposal	80-82			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	—			Not applicable
	308-2 Negative environmental impacts in the supply chain and actions taken	—	308-2	Not Applicable	No such incidents occurred
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	56-57			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	54-58			
	401-3 Parental leave	54-58			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	92			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	97			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	62			
	403-2 Hazard identification, risk assessment, and incident investigation	62			
	403-3 Occupational health services	62			
	403-4 Worker participation, consultation, and communication on occupational health and safety	62			
	403-5 Worker training on occupational health and safety	62			
	403-6 Promotion of worker health	62			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62			
	403-8 Workers covered by an occupational health and safety management system	62			
	403-9 Work-related injuries	62			
	403-10 Work-related ill health	62			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	57-58			
	404-2 Programs for upgrading employee skills and transition assistance programs	57-58			
	404-3 Percentage of employees receiving regular performance and career development reviews	57-58			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	64			
	405-2 Ratio of basic salary and remuneration of women to men	64			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	40			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	65			
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	–	407-1	Not Applicable	AAF does not have any collective bargaining agreements
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	–	407-1	Not Applicable	AAF does not have any collective bargaining agreements
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	AAF does not engage in Child labour			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor				
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	AAF does not engage in forced or compulsory labour			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor				
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	65			
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	39-40			

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	—	411-1	Not Applicable	AAF interacts with all ethnic groups in the community in a non-discriminatory manner.
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	67-77			
	413-2 Operations with significant actual and potential negative impacts on local communities	—	413-2	Not Applicable	The Company does not have any operations with significantly negative impact on the local community.
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	—			
	414-2 Negative social impacts in the supply chain and actions taken	—			
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 415: Public Policy 2016	415-1 Political contributions	—	415-1	Not Applicable	AAF does not make any political contributions

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIRE- MENT(S) OMITTED	REASON	EXPLANATION
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	69			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	—	416-2	Not Applicable	AAF does not engage in any products or services that endanger the health and safety of its customers
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	32-34			
	417-2 Incidents of non-compliance concerning product and service information and labeling	—	417-2	Not Applicable	No such incidents occurred
	417-3 Incidents of non-compliance concerning marketing communications	—	417-3	Not Applicable	No such incidents occurred
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	38-40			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	—	418-1	Not Applicable	No such incidents occurred

FINANCIAL CALANDER

SUBMISSION OF THE INTERIM FINANCIAL STATEMENTS IN TERMS OF THE RULE 7.4 OF THE COLOMBO STOCK EXCHANGE (CSE

Quartely Publication CSE	Date Published	Quarter Deadline
31st March 2023	15th May 2023	30th May 2023
30th June 2023	11th August 2023	15th August 2023
30th September 2023	15th November 2023	2nd November 2023
31st December 2023	15th February 2024	7th February 2024
31st March 2024	29th May 2024	30th May 2024

Newspaper Publication	Date Published	Deadline
31st March 2023	21 August 2023 Daily News	30th June 2023
	21 August 2023 Dinamina	
	21 August 2023 Thinakaran	
30th September 2023	13 November 2023 Thinakaran	30th December 2023
	13 November 2023 Daily News	
	13 November 2023 Dinamina	
31st March 2024	28 June 2024 Dinamina	30th June 2024
	28 June 2024Thinakaran	
	28 June 2024 Daily News	

Audited Financial CSE Publications	Date Published	Deadline
31st March 2023	30th June 2023	30th June 2023
31st March 2024	27th June 2024	30th June 2023

Annual Report	Date Published	Deadline
FY 2022/2023	10th August 2023	30th August 2023
FY2023/2024	Yet to publish	30th August 2024

Annual General Meeting	Date Published	Deadline
FY 2022/2023	01st September 2023	30th September 2023
FY2023/2024	Schedule on 23rd September 2024	30th September 2024

BRANCH LISTING

	REGION	BRANCH	ADDRESS
1	WESTERN REGION	HEAD OFFICE	NO.76, PARK STREET, COLOMBO-02.
2		KALUTARA	No. 344, MAHA WEEDIYA, KALUTARA SOUTH.
3		NEGOMBO	NO. 295, MAIN STREET, NEGOMBO.
4		MORATUWA	NO. 16, NEW DE SOYZA ROAD, RAWATHAWATTA, MORATUWA.
5		GAMPAHA	NO.69, COLOMBO ROAD, GAMPAHA.
6		KOTAHENA	NO 31, KOTAHENA STREET, COLOMBO 13.
7		WELLAWATTA	NO. 344, GALLE ROAD, WELLAWATTE
8		MATHUGAMA	K & W CENTRE, NO. 5,GAMINI MAWATHA, ALUTHGAMA ROAD, MATHUGAMA
9		PANADURA	NO 114, D.S SENANAYAKE MAWATHA. PANADURA.
10		GRANDPASS	NO. 428, MADAMPITIYA ROAD, COLOMBO-14.
11		MATTAKULIYA	NO. 3/810, FARM ROAD, MATTAKULIYA, COLOMBO 15
12		ELAKANDA	NO.327,THIBIRIGASYAYA, HENDALA, WATTALA.
13		HOMAGAMA	NO. 78 A, AVISSAWELLA ROAD, HOMAGAMA.
14	CENTRAL REGION	MATALE	NO. 242, MAIN STREET, MATALE.
15		GAMPOLA	NO. 63. NUWARA ELIYA ROAD, GAMPOLA.
16		DIGANA	NO. J/2005/11/02, RAJAWELLA, DIGANA.
17		HATTON	NO. 36, SIDE STREET, HATTON
18		NAWALAPITIYA	NO. 75, AMBAGAMUWA ROAD, NAWALAPITIYA.
19		RAGALA	NO. 67, MAIN STREET, RAGALA, HALGRANOYA.
20		TALAWAKELLE	NO.08/2, NUWARA ELIYA ROAD. THALAWAKELE.
21		PUNDALUOYA	NO. 250/B/7, KADADORA PITIYA ROAD, PUNDALUOYA.
22		MASKELIYA	NO.244, MAIN STREET, MASKELIYA.
23		NAULA	NO.26, DAMBULLA ROAD, NAULA.
24		KATUGASTOTA	144, KURUNEGALA ROAD, KATUGASTHOTA.
25		BOGAWANTHALAWA	NO. 90, BIRDWELL BAZAAR, BOGAWANTHALAWA.
26		WATTEGAMA	NO. 55, MAIN STREET, WATTEGAMA.
27		PUSSELLAWA	NO. 305, NUWARA ELIYA ROAD, PUSSELLAWA.
28		AGARAPATHANA	NO. 34, MAIN STREET, AGARAPATHANA.
29		HAWA ELIYA	NO. 26, UDUPUSSELLAWA ROAD, HAWA ELIYA.
30		KOTAGALA	NO.179/1,MAIN STREET,KOTAGALA.
31		HANGURANKETHA	NO.16, RAGALA ROAD, RIKILLAGASKADA, HANGURANKETHA.
32		DAYAGAMA	NO B/1, DAYAGAMA BAZZAR, DAYAGAMA.

BRANCH LISTING

	REGION	BRANCH	ADDRESS
33	EASTERN REGION	BATTICALOA	NO. 187, TRINCO ROAD, BATTICALOA.
34		CHENKALADY	NEW MARKET ROAD, CHENKALADY.
35		KALMUNAI	NO.69, MAIN ROAD, KALMUNAI.
36		SAMMANTHURAI	NO. 120, AMPARA ROAD, KARUVADDUKAL-02, SAMMANTHURAI.
37		AKKARAIPATTU	NO. 155, AMPARA ROAD, AKKARAIPATTU.
38		VALAICHENAI	MAIN STREET, VALACHCHENAI
39		KINNIYA	NO.88, MAIN STREET, SINNA KINNIYA, KINNIYA 03
40		TRINCOMALEE	NO.285, CENTRAL ROAD, TRINCOMALEE
41		KALAWANCHIKUDY	NO.172, MAIN STREET, KALAWANCHIKUDY.
42		KANTHALE	NO. 137, MAIN STREET, KANTHALE.
43		POTTUVIL	MAIN STREET, POTTUVIL.
44		THIRUKKOVIL	Main Street,Thirukkovil
45		NINTHAVUR	NO. 42/11,MAIN STREET, NINTHAVUR 24.
46		SERUNUWARA	44A, R.B.3, SERUNUWARA
47		MUTHUR	BATTICALOA ROAD, ALEEM NAGAR, MUTHUR.
48	NORTH WESTERN REGION	WENNAPPUWA	223/3 A, COLOMBO ROAD, WENNAPPUWA.
49		CHILAW	NO.39, COLOMBO ROAD, CHILAW.
50		KURUNEGALA	NO.30, SOORATHISSA MAWATHA, KURUNEGALA.
51		UDAPPUWA	NO.75, DIVISION NO 02, UDAPPUWA.
52		PUTTALAM	NO.12/A KURUNEGALA ROAD, PUTTALAM.
53		KALPITIYA	MAIN STREET, KALPITIYA.
54	NORTHERN REGION I	JAFFNA	NO.56/22B, STANLEY ROAD, JAFFNA.
55		CHAVAKACHCHERI	NO.04, A9 ROAD, CHAVAKACHCHERI.
56		POINT PEDRO	NO. 374B, RAJINA BUILDING COMPLEX, MAIN STREET, POINT PEDRO.
57		CHUNNAKAM	NO. 15, STATION ROAD, CHUNNAKAM.
58		NELLIADY	NO 82, POINT PEDRO ROAD, NELLIADY, KARAVEDDY.
59		CHANGANAI	MAHAN THANGA PLAZA, MAIN STREET, CHANGANI.
60		VELANAI	VAGALAVADI, VELANI.
61		ACHCHUVELY	NO. 53, AVARANGAL ROAD, ATCHUVELY.
62		MANIPAY	NO. 260,MANIPAY ROAD, MANIPAY.
63		KILINOCHCHI	NEAR MURUGAN TEMPLE, A9 ROAD, KILLINOCHCHI.
64		MULLAITIVU	MAIN STREET, MULLAITIVU.

	REGION	BRANCH	ADDRESS
65	NORTHERN REGION I (Contd.)	PUTHUKKUDIYIRUPPU	NO.02, PARANTHAN ROAD, PUTHUKKUDIYIRUPPU, MULLAITIVU.
66		ODDUSUDDAN	MULLAITIVU, MAIN STREET, VIDYAPURAM, ODDUSUDDAN
67		VAVUNIYA	NO 156, KANDY ROAD, VAVUNIYA.
68		MANNAR	NO. 5, FIRST CROSS STREET, PETHA, MANNAR.
69		CHEDDIKULAM	MAIN STREET, CHEDDIKULAM.
70		MULANKAVIL	MANNAR ROAD, MULANKAVIL
71	SABARAGAMUWA REGION	KEGALLE	NO. 245, MAIN STREET, KEGALLE.
72		RUWANWELLA	NO. 104. MAIN STREET, RUWANWELLA.
73		RAKWANA	NO 29, MAIN STREET, RAKWANA
74		BALANGODA	NO 16, REST HOUSE APPROACH ROAD, BALANGODA.
75		EHELIYAGODA	NO. 36, MAIN STREET, EHELIYAGODA
76	SOUTHERN REGION	GALLE	170/172, KADAWEDIYA, MAIN STREET, GALLE
77		MATARA	79, 81 ANAGARIKA DHARMAPALA MAWATHA, MATARA.
78		BERUWALA	NO.199, "JAYATHU", GALLE ROAD, BERUWALA.
79	UVA REGION	MONERAGALA	NO.141, FIRST LANE, WELLAWAYA ROAD, MONARAGALA.
80		BADULLA	NO. 49, COCOWATTE ROAD, BADULLA.
81		MAHIYANGANAYA	NO.23A, NEW TOWN, MAHIYANGANAYA.
82		WELIMADA	NO. 51, NUWARA ELIYA ROAD, WELIMADA.
83		HAPUTALE	NO.27, MAIN STREET, HAPUTALE.
84		PASSARA	NO.289, MAIN ROAD,PASSARA.
85		BIBILE	NO 06,OPPOSITE HOSPITAL, BATTICLOA ROAD, BIBILE.

NOTICE OF THE VIRTUAL 13TH ANNUAL GENERAL MEETING OF ASIA ASSET FINANCE PLC FOR THE YEAR ENDED 31 MARCH 2024

NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting of Asia Asset Finance PLC will be held online via a virtual platform on 23 September 2024 at 10:00 a.m. and the business to be brought before the meeting will be as follows:

AGENDA

- 1) To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31 March 2024 and the report of the auditors thereon.
- 2) To re-elect Mr. S. S. R. D. De Silva Gunasekera who was appointed to office on 15 September 2023 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.
- 3) To re-elect Mr. T. C. D. Kumarasiri who was appointed to office on 01 April 2024 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.
- 4) Mr. K. G. K. Pillai retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself re-election in terms of Article 88 of the Articles of Association.
- 5) Mr. K.R. Bijimon retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.
- 6) Mr. G. Alexander retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.
- 7) To re-appoint Messrs. BDO Partners Chartered Accountants who are deemed to be re- appointed as auditors of the Company until the conclusion of the next annual general of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for financial year ending 31st March 2025 and to authorize the directors to determine their remuneration therefor.
- 8) To authorize the directors to determine the contribution to charities for the ensuing 2024/2025

BY ORDER OF THE BOARD OF DIRECTORS OF ASIA ASSET FINANCE PLC

Sgd
Company Secretary
 Colombo, 20 August 2024

Notes:

- * A Shareholder is entitled to appoint a proxy to attend and vote at this meeting on his/he behalf.
- * A proxy need not be a Shareholder of the Company.
- * A Shareholder wishing to vote by proxy may use the Form of Proxy enclosed
- * To be valid the completed Form of Proxy must be lodged with the Registrars, Central Depository Systems (Pvt) Ltd, Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, or email to company secretary on companysecretary@asiaassetfinance.lk.
- * Shareholders/Proxy holders are kindly requested to have with them their National Identity Card or a similar form of accepted identity when joining the virtual meeting.

FORM OF REQUEST FOR ANNUAL REPROT

ASIA ASSET FINANCE PLC

Dear Shareholders,

NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting of Asia Asset Finance PLC will be held online via a virtual platform on 23 September 2024 at 10:00 a.m. and the business to be brought before the meeting will be as follows: Please note that no shareholder will be permitted to be physically present at the venue except for the Board of Directors and the key officials in Company.

Shareholders who wish to participate at the Virtual AGM will be forwarded 'log in' information prior to the date of the meeting, in the form of a video link. To enable such facility, you are requested to forward your details by perfecting the enclosed Online Registration Form.

The Annual Report will be made available on the CSE Website 'www.cse.lk' and the Company website 'www.asiaassetfinance.lk'.

If you wish to receive a printed copy of the Annual Report, kindly inform the Company by completing and forwarding the enclosed "Form of Request" to reach the following Company address or e mail to companysecretary@asiaassetfinance.lk;

Att: Ms, Chalani Gonaduwa
Asia Asset Finance PLC
No. 76,
Park Street,
Colombo 02

The printed report will be forwarded within eight (8) market days from the receipt of the written request.

Please contact the following staff member of the Company between 9.00 a.m. to 5.00 p.m. on any working day, if you need any assistance;

Name of the staff member	Contact Number	Email Address
Ms. Chalani Gonaduwa, Company Secretary	0117699074	companysecretary@asiaassetfinance.lk

We are enclosing herewith the Notice of the 13th AGM, Form of Proxy, the online registration form and Form of Request.

BY ORDER OF THE BOARD OF DIRECTORS OF
ASIA ASSET FINANCE PLC

sgd
Company Secretary
Secretaries at Colombo, this 20 August 2024

FORM OF PROXY

ASIA ASSET FINANCE PLC

I/We
 ofbeing a Shareholder/s* of the above named Company, hereby
 appoint.....of.....failing him/her.

- | | | | |
|--------------------------------|----------------|---|----------------|
| (1) Mr. V. A. Prasanth | or failing him | (5) Mr. G. Alexander | or failing him |
| (2) Mr. R. J. A. Gunawardena | or failing him | (6) Mr. K.R. Bijimon | or failing him |
| (3) Mr. R. A. B. Basnayake | or failing him | (7) Mr. K. G. K. Pillai | or failing him |
| (4) Mr. J. P. D. R. Jayasekara | or failing him | (8) Mr. S. S. R. D. De Silva Gunasekera | or failing him |

as my/our* proxy to represent me/ us* and speak and vote for me/us* on my/our* behalf at the Virtual 13th Annual General Meeting of Asia Asset Finance PLC to be held on 23 September 2024 at 10:00 a.m. via online platform and at any poll which may be taken in consequence thereof at the aforesaid meeting, and at any adjournment thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31 March 2024 and the report of the auditors thereon.	☐	☐
2. To re-elect Mr. S. S. R. D. De Silva Gunasekera who was appointed to office on 15 September 2023 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.	☐	☐
3. To re-elect Mr. T. C. D. Kumarasiri who was appointed to office on 01st April 2024 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.	☐	☐
4. Mr. K. G. K. Pillai retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	☐	☐
5. Mr. K.R. Bijimon retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association	☐	☐
6. Mr. G. Alexander retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	☐	☐
7. To re-appoint Messrs. BDO Partners Chartered Accountants who are deemed to be re- appointed as auditors of the Company until the conclusion of the next annual general meeting of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for financial year ending 31st March 2025 and to authorize the directors to determine their remuneration therefor.	☐	☐
8. To authorize the directors to determine the contribution to charities for the ensuing 2024/2025	☐	☐

Signed thisday of.....2024

.....
 Signature of shareholder

.....
 N.I.C.No

- Note:
1. A proxy need not be a Shareholder of the company.
 2. Instruction as to completion appear overleaf

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filing in legibly your full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be deposited at Central Depository Systems (Pvt) Ltd, Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting or email to company secretary on companysecretary@asiaassetfinance.lk.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

ONLINE REGISTRATION FORM

ASIA ASSET FINANCE PLC

To: Asia Asset Finance PLC
No. 76,
Park Street,
Colombo 02,
Sri Lanka

01.	Name of the Shareholders	
02.	Shareholder's Address	
03.	Shareholder's NIC/ Passport No./ Company Registration No.	
04.	CDS Account Number [If applicable]	
05.	Shareholder's Contact Number	
06.	Shareholder's E-mail	
07.	Name of the Proxyholder (if applicable)	
08.	Proxyholder's NIC No. / Passport No.	
09.	Proxyholder's Contact Number	
10.	Proxyholder's E-mail	

.....
Shareholder's Signature

.....
Date

Notes;

1. Online registration form is required to be forwarded to companysecretary@asiaassetfinance.lk or No. 76, Park Street, Colombo 02, Sri Lanka, 48 hours before the time fixed for the meeting
2. In the case of a corporate shareholder, the form must be signed by its authorized attorney (attaching a copy of the certified Board Resolution extract) and
3. if a proxyholder is attending the AGM please attach a copy of the Proxy Form which had been submitted to the Central Depository Systems (Pvt) Ltd, Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka or email to Company Secretary on companysecretary@asiaassetfinance.lk not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF REQUEST
ASIA ASSET FINANCE PLC

TO: Asia Asset Finance PLC
 No. 76,
 Park Street,
 Colombo 02,

REQUEST FOR A PRINTED COPY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31March 2024 OF ASIA ASSET FINANCE PLC

Please forward a printed copy of the “Annual Report” for the financial year ended 31 March 2024 of Asia Asset Finance PLC,

Our / My details are as follows ;

Full Name of the Shareholder :	
Shareholder/s NIC / Passport CDS Account No :	
Company Registration No. / Membership No :	
Address :	
Contact No. :	

.....
Signature of the Shareholder/s

.....
Date

- Note:**
- (1) Kindly perfect the Form of Request by filling in legible your full name, address and the National Identity Card number by signing in the space provided and filling in the date of signature.
 - (2) If the Form of Request is signing by an Attorney, a copy of the relative Power of Attorney should accompany the Form of request.
 - (3) If the request is made by a Company or Corporation this Form must be executed as per the Articles of Association of the Company under the Common Seal of the Company if necessary.
 - (4) In the case of joint shareholding, the request may be executed by the Principal holder.

CORPORATE INFORMATION

NAME OF THE COMPANY

Asia Asset Finance PLC

LEGAL FORM

Incorporated as a Private Limited Liability Company under the Companies ordinance, No 51 of 1938 (Cap 145) on 23 September 1970 and name changed under the Companies ordinance, No 51 of 1938 (Cap 145) on 03 October 2006 and Re-registered under the companies Act No.07 of 2007 on 23 January 2008 and converted to a public company under the companies Act No.07 of 2007 on 20 March 2012

REGISTRATION NUMBER

(Under the Companies Act No.17 of 1982) PVS/PBS 3266

NEW REGISTRATION NUMBER

(Under the Companies Act No.7 of 2007) PB 139 PQ

REGISTERED OFFICE

No 76, Park Street Colombo 02, Sri Lanka

TAXPAYER IDENTIFICATION NUMBER (TIN)

104032664

TELEPHONE

011-7699000

E-MAIL

info@asiaassetfinance.lk

WEBSITE

<https://asiaassetfinance.com/>

COMPANY SECRETORY

Ms. Chalani Gonaduwa,
No. 76, Park Street, Colombo 02.

COMPANY REGISTRAS

M/s Central Depository Systems (Private) Limited (CDS) of Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya

LAWYERS OF THE COMPANY

Shiranthi Gunawardena Associates
No. 22/1, Elliot Place
Colombo 08.

COMPANY AUDITORS - EXTERNAL BDO PARTNERS 65/2,

Sir Chiththapalam A Gardiner Mawatha,
Colombo 02.

BOARD OF DIRECTORS AS AT 31 MARCH 2024

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. S. S. R. D. De Silva Gunasekera
Mr. G. Alexander
Mr. K. R. Bijimon
Mr. K. G. K. Pillai
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

ALTERNATE DIRECTORS

Mr. K.G.K. Pillai
(Alternate director to Mr. K.R. Bijimon) Mr. K.G.K. Pillai has resigned from the position of alternate director to Mr. Bijimon with effect from 28th Feb 2024.

Mr. Basnayake, Senior Independent Non- Executive Director re-designated as Independent Non-Executive Director with effect from 13th May 2024

AUDIT COMMITTEE AS AT 31 MARCH 2024

Mr. R. A.B Basnayake
Mr. V. A. Prasanth
Mr. J. P. D. R. Jayasekara
Mr. K. G. K. Pillai

INTEGRATED RISK MANAGEMENT COMMITTEE

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. S. S. R. D. De Silva Gunasekera
Mr. K. R. Bijimon
Mr. J. P. D. R. Jayasekara

RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31 MARCH 2024

Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon
Mr. R. A. B. Basnayake

REMUNERATION COMMITTEE AS AT 31 MARCH 2024

Mr. V. A. Prasanth
Mr. G. Alexander
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

IT COMMITTEE AS AT 31 MARCH 2024

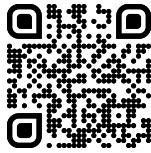
Mr. R. A. B. Basnayake
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. Inditha Jayathilake - Member - DGM - IT

CREDIT COMMITTEE AS AT 31 MARCH 2024

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon

NOMINATIONS COMMITTEE AS AT 31 MARCH 2024

Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara
Mr. K.R. Bijimon
Mr. G. Alexander



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