Your Vision Our Action

Lanka Credit and Business Finance PLC
Annual Report 2022/23

LCB finance

Your Vision Our Action

Led by our relentless quest to do good, and as a sustainable entity that has continually worked towards creating positive change, we are proud to have followed through on our strategy which has always entailed the enhancing of lives and the environment in which we operate. This strategy is shaped by our stakeholders, and what we do, most significantly in the SME sector, has an impact that reaches far and wide, fostering an empowering energy that creates growth and positivity. Each day we empower those who have been previously marginalised, giving them the tools to redefine and transform their lives; in essence, their hopes and aspirations become the guideline for our efforts. Your vision is our action.

Contents

About Us

Lanka Credit and Business Finance PLC, known as LCB Finance is a fully fledged emerging financial institution in Non-Banking Financial Institution (NBFI) Sector which is established with the approval of Central Bank of Sri Lanka. The Company serves over 51,500 customers across the country leveraging the extensive branch network distributed through 15 key locations.

VISION

To be the most popular Financial Service Provider in Sri Lanka.

MISSION

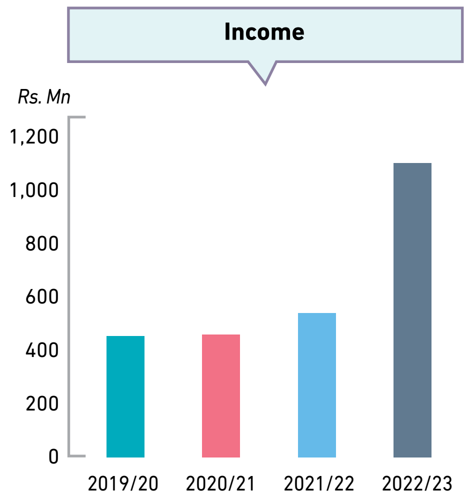
To excel in providing Financial Services to the rural communities and small and medium entrepreneurs by developing products and services which are designed, to meet the specific financial requirements relating to the ongoing economic activities in the respective catchment areas of our existing and expanded branch network and be the financier to the growth of the rural economy, whilst continuing to develop our business relationships with corporate clients.

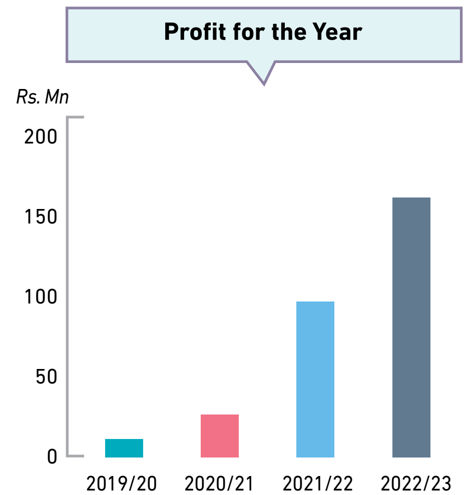
VALUES

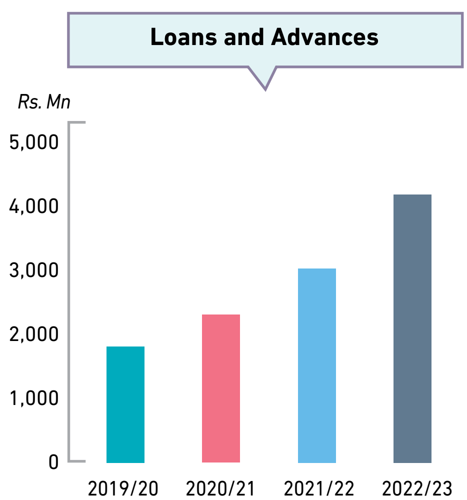
LCB Finance is committed to honesty, transparency, and accountability. We strive to maintain the highest ethical standards in all business aspects and build trust with our clients and partners. We are committed to continuously improving our products and services and staying ahead of industry trends and regulatory changes. We are also dedicated to promoting sustainability and social responsibility. We actively seek opportunities to support our communities and contribute to a better future for all. Our values and objectives are at the heart of everything we do, and we are committed to delivering excellence in all aspects of our business.

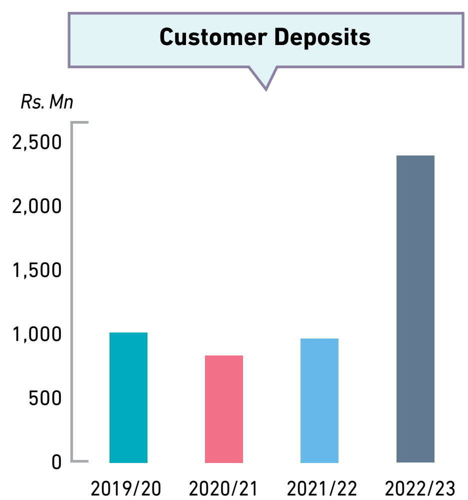
Financial Highlights

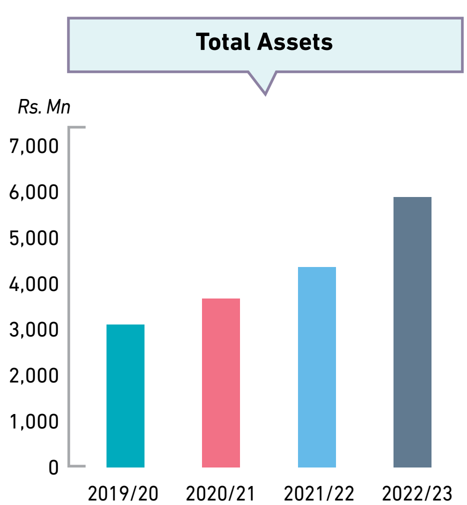
Performance Indicators	2022/2023	2021/2022	Change
Operating Results (Rs.)			
Income	1,104,019,440	541,564,212	104%
Interest Income	1,031,981,246	504,110,594	105%
Profit Before Taxation	212,553,791	238,518,062	-11%
Profit After Taxation	162,770,755	97,581,979	67%
Financial Position (Rs.)			
Total Assets	5,877,500,382	4,356,666,078	35%
Loans & Advances, Leases and Hire Purchase	4,180,232,444	3,026,957,639	38%
Customer Deposits	2,380,339,395	962,635,583	147%
Borrowing	566,941,929	586,370,993	-3%
Shareholders Fund	2,796,190,433	2,680,889,259	4%
Investor Information (Rs.)			
Net Asset Value per share	3.54	3.39	4%
Earning Per Share	0.21	0.12	67%
Dividend Per Share	0.06	-	100%
Market Value Per Share (Closing)	2.50	2.20	14%
Statutory Ratios (%)			
Tier 1 Capital Adequacy Ratio (Minimum Requirment 8.50%)	45.15%	54.04%	-16%
Total Capital Adequacy Ratio (Minimum Requirment 12.50%)	45.15%	54.04%	-16%
Capital Funds to Deposits Liability Ratio (Minimum Requirment 10.00%)	119.75%	283.18%	-58%
Liquid Asset Ratio	22.53%	24.01%	-6%
Other Ratios (%)			
Return on Assets (Before Tax)	4.15%	5.94%	-30%
Return on Equity(After Tax)	5.94%	4.08%	46%
Net Interest Margin (NIM)	12.12%	10.58%	15%
Loan to Customer Deposits	175.61%	314.44%	-44%
Net Non-Performing Loans Ratio (Net NPL)	8.97%	3.23%	178%

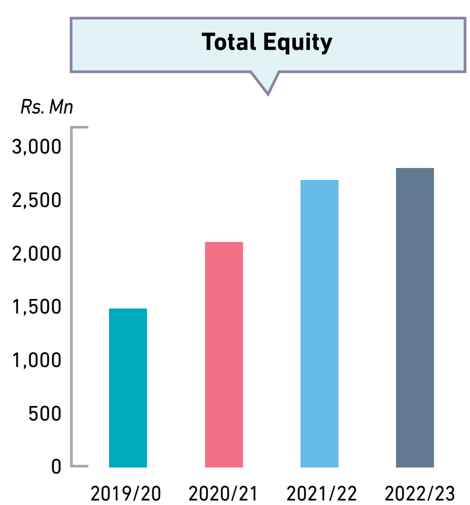

Income
Rs. Mn
1,200
1,000
800
600
400
200
0
2019/20
2020/21
2021/22
2022/23


Profit for the Year
Rs. Mn
200
150
100
50
0
2019/20
2020/21
2021/22
2022/23


Loans and Advances
Rs. Mn
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23


Customer Deposits
Rs. Mn
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23


Total Assets
Rs. Mn
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23


Total Equity
Rs. Mn
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23

Non Financial Highlights

	2022/2023	2021/2022
Intellectual Capital		
Credit rating (ICRA ratings)	B+ (POSITIVE)	B+ (STABLE)
Human Capital		
Total employees (N)	158	127
New Recruitment (N)	70	94
Staff Remunerations (Rs '000')	145,811	106,401
Investment In training and development (Rs '000')	1,500	269
Social and relationship capital		
Interest to depositors (Rs '000')	295,865	58,974
Employees (Rs '000')	125,105	90,155
Community development program (N)	3	2
Access points (branches)	15	12
Manufactured Capital		
Branches (N)	15	12
New branch opening (N)	3	4
Fixed assets (Rs '000')	132,131	123,231
Depreciation and amortization (Rs '000')	61,957	44,835
Fixed asset addition (Rs '000')	49,208	69,630
Investment in technology (Rs '000')	1,284	2,600
Economic Value Distributed to		
Deposit (Rs '000')	295,865	58,974
Employment (Rs '000')	125,105	90,155
Government (Rs '000')	97,661	42,912

About this Report

Lanka Credit and Business Finance PLC (LCB Finance) is pleased to present its 4th integrated annual report which provides an analysis of the financial and non-financial performance for the financial year ending 31 March 2023 in accordance with the reporting requirement of the integrated reporting framework which considers six-capital management reporting structure, providing our stakeholders with an inclusive representation of the Company and its performance during the year under review.

Scope and Boundary

This report covers the operations of LCB Finance from 1st April 2022 to 31st March 2023 and presents information on the operating environment, financial and operations performance, and an overview of governance and risk management while offering an assessment of LCB's sustainable value creation process over the short-, medium- and long-term period.

The most recent past report for the Financial Year 2022/23 is available to our valued shareholders in only digital form to provide a comprehensive understanding of the business activities and performance of shareholder investments.

Standards and Principles of Preparation

The financial statements presented in this Report are developed and presented in compliance with the Sri Lanka Financial Reporting Standards, the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No.42 of 2011. The Management and the Board of Directors undertake the responsibility for the information included in this report as such adhering to governance practices.

Inquiries

Queries and clarifications, if any, on this annual report are to be directed to:

Name: Asanka Melroy Galbadaarachchi
Address: LCB Finance PLC
Tel: 0112825404
E-mail: asanka@lcbfinance.lk

Your hopes, our strategy

Our Milestones

2016

- Incorporation of Lanka Credit & Business Limited under the Companies Act No.07 of 2007 (Reg. No. PB5329)
- Commenced business operations in the Galle branch

2017

- Branch network expanded to 03 new Branches at Karandeniya, Mirissa and Pelawatta
- Branch network expanded to 03 new Branches at Karandeniya, Mirissa and Pelawatta

2018

- Lanka Credit and Business Limited acquired City Finance Corporation Limited with the approval of the Monetary Board of Central Bank of Sri Lanka
- Lanka Credit and Business Finance Limited was incorporated by changing the name of City Finance Corporation Limited Branch
- Addition of two branches to the branch network – Kohuwala and Rathgama

2019

- Relocation of the Galle branch from Pettigalawatta to Wackwella
- Addition of one more branch at Karapitiya
- Appointed as the CBSL authorised money dealer for currency exchange

2020

- Receipt of the South Asian Excellence Award 2019 as the Emerging Finance Company of the year
- Addition of a branch in Negombo and relocation of the Mirissa branch to Matara
- Procured e-Finance, the new core banking system with a revamping of Company's IT infrastructure

2021

- Successful implementation of e-finance system
- Award received - Global Economics Awards 2021, Fastest Growing Financial Firm in Sri Lanka 2020/21
- Obtain SLIP system for direct customer transactions
- Increased share capital to 2 Bn in compliance with CBSL guidelines.
- Improving ICRA rating from [SL]B stable outlook to [SL] B+ Stable outlook.
- Achieved profit before tax of 100 Mn as at 31/03/2021.
- Achieved a total asset base of 3.6 Bn within a very short period.

2022

- The Company listed it's shares on CSE during the year and become a Public Listed entity.
- Award received - The Most Committed Finance Company to the Rural Development By South Asian Business Awards 2021
- Increased share capital to 2.5 Bn incompliance with CBSL guidelines.
- Achieved profit before tax of 238.5 Mn for the year ended 31st March 2022
- Achieved a total asset base of 4.3 Bn within a very short period.
- Expansion of Branch network from 8 to 12

2022-23

- **Compliance Award in the category of "Emerging Listed Companies" at TAGS Awards Ceremony 2022**
- **Awarded the "Sustainable Finance Institute of the Year 2022" by the South Asian Business Excellence Awards 2022**
- **Expansion of branch network from 12 to 15**
- **Achieved a profit before tax of Rs. 212 Mn for the year ended 31st March 2023**
- **Achieved a total asset base of Rs. 5.8 Bn**

"The commendable dedication, commitment and untiring efforts of the CEO, corporate management and all the other employees in achieving the given targets have contributed to the growth and profitability of the company for the year 2022/23, which is presented in this annual report after making provisions for NPL based on the impairment requirements in SLFRS 9. "

Emeritus Professor W M Abeyrathna Bandara
Chairman

I am delighted, at the outset, to present to you the growth in operations and remarkable increase in the profits of LCBF for the financial year 2022/23, amidst a most unfavorable economic, social, and financial conditions that prevailed in Sri Lanka in the recent past.

Conducting business activities, adhering to all regulatory requirements, within an unfavorable and risky environment was a real challenge faced by the company during this period. However, the management team of the company successfully managed these challenges, mitigating them by adopting proactive strategies, maintaining a continuous monitoring and controlling process while responding appropriately and timely to all environmental and regulatory changes.

The commendable dedication, commitment and untiring efforts of the CEO, corporate management and all the other employees in achieving the given targets have contributed to the growth and profitability of the company for the year 2022/23, which is presented in this annual report after making provisions for NPL based on the impairment requirements in SLFRS 9.

The branch network of LCBF increased to 15 branches during 2022/23 with the opening of new branches in Kuliyapitiya, Tangalle, Embilipitiya, Maharagama, Akuressa, Deiyandara and Kegalle. Increase in business volumes, assets, liabilities and profits with the opening of new branches motivated the management to expand the branch network up to 22 branches at the end of 2023, along with the proposed amalgamation under the Master Plan for Consolidation of Non-Bank Financial Institutions of CBSL. However, the company plans to implement its expansion programme with appropriate precautionary actions and with in-depth studies in relation to the prevailing uncertainties, slow economic recovery, possible changes in the capital and financial markets, the new regulatory requirements, social responsibility, corporate governance, possible adverse changes in the labour markets and the policies to be implemented by the government to overcome the existing crisis.

We were required to amalgamate with a suitable licensed leasing company under the Master Plan for Consolidation of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. Accordingly, the process we commenced to merge with a Co-operative Leasing Company Limited (CLCL) is currently in its last stages and is to be completed during the year 2023. This merger is expected to improve the capital and the business volume of LCBF in future. An appropriate internal restructuring will be adopted to handle the expected expansion in the business activities of LCBF in order to continue to be a profitable venture.

I would like to take this opportunity to appreciate and thank our valuable customers who placed confidence in us irrespective of the unfavorable conditions such as high interest rate environment and the downward economic trends that prevailed in the country. In the future, LCBF intends to develop an appropriate marketing strategy to expand its business into the corporate sector without concentrating only on the retail sector. We believe that a suitable mix of corporate and retail business is vital in achieving the anticipated sustainable growth targets of the company.

I take this opportunity to extend my sincere thanks to the Executive Director / CEO, members of the Corporate Management team, and all the other staff members for their dedication, commitment, and untiring efforts to uplift LCBF to the existing level amidst the increased competition and the adverse conditions in the marketplace. We understand that conducting continues staff training programs, establishing a career development path, and introducing a reward system based on the performance of employees are needed in the future to avoid possible high labour turnover and to increase employees' contribution and commitment to ensure the future growth of the company.

As the Chairman, I would like to extend my appreciation and gratitude to all our shareholders for their support and contribution in raising the required capital placing confidence in us. We will formulate future business plans and strategies of LCBF with the optimism of earning sufficient income to distribute dividends to the shareholders, after making provisions to meet the increasing future capital requirements for the expected growth to create capital gains for the shareholders.

I also wish to extend my sincere gratitude to the members of the Board for their contribution in raising initial capital as well as additional capital required from time to time irrespective of the high risk and minimum return for their investments. I must appreciate their contribution as members in the board sub committees and their dedication, commitment, and invaluable guidance and advice in formulating business strategies and policies, using their expertise and experience as well as their effective participation in board level decision making.

Emeritus Professor
W M Abeyrathna Bandara
Chairman

"Our business strategy proved successful and LCB Finance was able to record the highest growth of the Company during the past six years. We disbursed business loans for more than 50% of the community-based organisations, societies and co-oporatives."

K G Leelananda
Chief Executive Officer/Executive Director

It gives me great pleasure to share with you the performance of LCB Finance that ended successfully demonstrating remarkable achievement during the year enhancing our strength and optimism of the future.

The beginning of the year 2022 witnessed the post-COVID recovery with every aspect of life returning to normalcy and the economy gradually picking up following prolonged stagnation and subdued performance during the intensified pandemic period.

This was short-lived as the Country was hard hit by an acute economic crisis towards the second quarter of the year crippling the economy and leading to a contraction and political instability. The already volatile economy weakened by the pandemic was faced with unsustainable debt and a severe balance of payment crisis having a negative impact on growth. Against this backdrop, the economy contracted by 7.8 percent with all key sectors recording a subdued performance. Of all sectors, the manufacturing and construction sectors suffered the most due to input and supply chain disruptions.

The resultant social unrest fuelled by emerging price hikes of essential goods, frequent power disruptions, gas and fuel shortages, lack of raw material due to supply chain disruptions, skyrocketing inflation and rising cost of living took centre stage following the collapse of the economy. Added to this anguish, was the rapidly depreciating rupee value against the US dollar and the high inflation mainly driven by food inflation during the period. The household income of the low-income earning segment was severely affected by these developments that contributed to protests during the period.

The non-banking financial sector also continued to be challenged by interest rate risk, inflation, access to funding/liquidity risks, asset quality deterioration as well as macroeconomic policy uncertainty. However, the sector continues to expand during the period amidst the economic contraction experienced in the country growing in terms of assets and deposits with adequate capital and liquidity buffers.

Strategic Focus

Amidst these developments, we had to apply prudent thinking in formulating strategies to navigate the company through unprecedented turmoil. We were mindful of developing strategies to align with the subtle changes in the macroeconomic environment and specifically support our growth. In this process, one of our main concerns was to look for new channels for business developments where we intensified our focus on the corporative sector in Sri Lanka, a silent contributor to the local economy.

Likewise, we expanded our branch network in rural areas in increasing our market share capturing better business opportunities. Based on the approval of CBSL, we obtained permission to open 10 new branches where the first round of expansion will cover all the districts in the Country while by the end of the next financial year, we intend to open a total of 24 branches.

We were also highly concentrated on retail business where we targeted customers who are doing small businesses and individuals given the low defaulting rate which was an advantage for the Company. Since customers in village areas were repaying their loans without interruption, most of our branches were able to make a profit during the period.

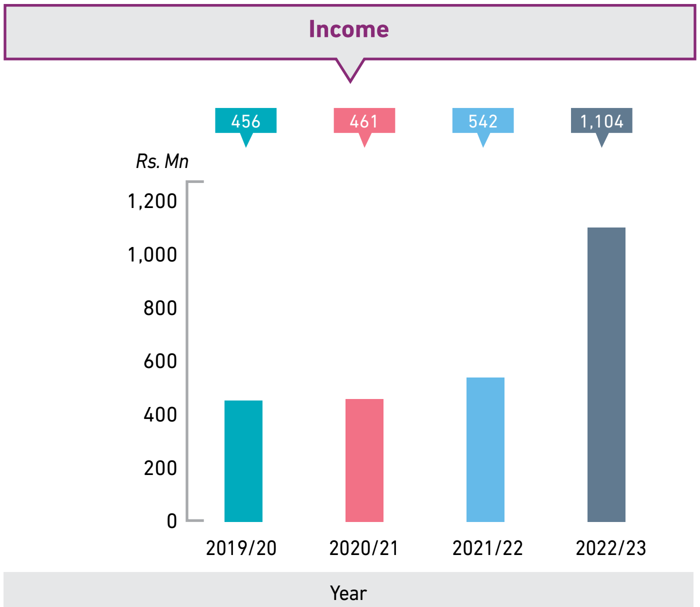
To strengthen our foundation as a trusted financial service provider, we were also planning to amalgamate with cooperative leasing institutions having already acquired CITI Finance in 2018.

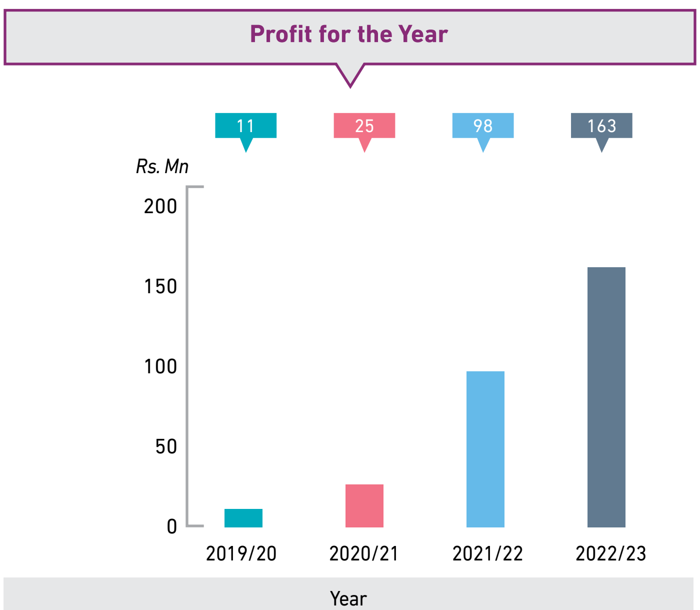
Company Performance

Our business strategy proved successful and LCB Finance was able to record the highest growth of the Company during the past six years. We disbursed business loans for more than 50% of the community-based organisations, societies and co-oporatives. With greater emphasis on the Corporative segment, we were able to accumulate a considerable number of deposits customers. As a result, our deposit base increased by more than 100% during the period and were able to maintain a higher-than-expected liquidity ratio from CBSL (CBSL required 15% but we were able to maintain 20%).

Prior to the commencement of the financial year, we prepared our revenue targets for the financial year in discussion with branch managers, credit officers, Board of Directors, as well as business experts engaging over three days in brainstorming sessions and considering the current macroeconomic factors and financial environment. Based on the outcome, we have established our budget targets for the year meeting the CBSL's expected budget margin. We also made the employees and branch staff realize the necessity to improve our business volumes.

This approach was successful where our deposits grew by more than 100% and our credit grew by 35%. Likewise, the investment portfolio also increased while maintaining a higher-than-expected liquidity position. We also complied with capital adequacy and maintained high profitability during the period sustaining the improvement of all key financial indicators. We recorded a profit of Rs. 162Mn as opposed to the Rs. 97Mn recorded in the previous





We also continued to improve our service delivery through continuous improvement of our IT platform to provide technology-driven banking facilities such as SMS banking, palm top system, and utility bill payments.

financial year. Our net interest income grew from Rs. 399Mn in the previous financial year to Rs.604Mn in the year under review. Similarly, total operating profit also increased to Rs. 676Mn from Rs. 436 Mn in the previous financial year.

Throughout the journey, the high-interest rate environment remained a challenge and we were compelled to calculate it into customer interest rates. However, we were also selective of new customer onboarding specifically evaluating their repayment capacity which subsequently led to a decline in loan growth.

Key Highlights

The continued expansion of the branch network to increase our rural presence is a significant milestone during the year. Besides, we increased our penetration into the Corporative segment, even establishing a separate unit for the same and selecting a retired person from the cooperatives to develop a separate arm to provide services for the corporative sector. At the branch level too we selected cooperative sector development officers to assist the grassroots-level cooperatives affiliated to all our 16 branches. Furthermore, CBSL's monetary board granting permission to merge with a corporative leasing company was another significant highlight during the period under review.

We also continued to improve our service delivery through continuous improvement of our IT platform to provide technology-driven banking facilities such as SMS banking, palm top system, and utility bill payments. Similarly, we developed an SME unit to expand our service delivery to the customers. We also gave priority to improving the skills and knowledge of employees apart from managing the overall costs through carefully handling branch budgets, and utility bills and introducing quotas for fuel consumption.

Awards & Rewards

LCB Finance was selected as the Most Committed Finance Company to Rural Development by South Asian Partnership Summit.

Social Responsibility

Our Kuliyapitiya branch organised an annual dry food item distribution for 50 deaf and blind people in collaboration with the Deaf and Blind association of Sri Lanka. In addition, we commenced an agriculture project linking with SANASA societies where we provided loan facilities for customers who are into greenhouse cultivation. We also conducted corporative awareness programs free of charge for the benefit of the corporative members in addition to joining hands with the Finance House Association for a tree planting program.

Future Ahead

Considering our prudent approach in navigating the company during the year and sustaining our growth in the long term, we are optimistic about our ability to create value in the phase ahead. Although the future is unpredictable, we will continue to take a flexible approach to strategy formulation based on the changing dynamics of the operating environment. Therefore, for the next financial year, we will mainly aim at building strong financial relationships with the corporative sector in Sri Lanka to raise the income level of poor people through corporative-oriented financial services and develop the network through the corporative sector. Furthermore, we will also expand our presence in Sri Lanka covering all the districts. In doing so, we will increase our technology orientation including the introduction of an ATM system for improved customer convenience.

Acknowledgement

I wish to take this opportunity to express my sincere gratitude to the Chairman and the Board of Directors, the Corporate Management and the staff members for their invaluable contribution in driving our progress during the year under a turbulent business landscape. This remarkable achievement was possible only due to your unwavering commitment to navigating the Company to its next level of achievement and the continued guidance and support during that process.

Last, but not least, I wish to thank our shareholders, the customers and regulators for their trust and loyalty to us and their continued support in the development and growth of the Company.

K G Leelananda
Chief Executive Officer/
Executive Director

Your dreams, our measures

Management discussion and analysis

Operating Environment

Global Economy

Three key factors continue to shape the global economy during the financial year 2022: tightened monetary policy stance amidst highlighted inflation, the impact of Ukraine Russia war, the enduring impact of the COVID pandemic, and continued disruptions to the supply chain. The Global economy demonstrated a weak profile during the period showing a growth slowdown or contraction in many economies including negative growth in the largest economies. A negative growth was witnessed in China, Russia and the US as well as the Eastern European countries that were particularly affected by the war in Ukraine and international sanctions imposed on Russia. In this milieu, Global growth decelerated from 6.0 percent in 2021 to 3.2 percent in 2022 and is expected to plunge to 2.7 percent in 2023. Global inflation also continued to rise during the year which remained widespread across advanced economies with greater unevenness in emerging and developing economies.

Russia Ukraine war had created uncertainty in energy supplies particularly gas supply cuts to Europe impacting the fossil fuel trade and contributing to an increase in natural gas prices. Besides, the war had led to many other impediments including higher energy prices, weaker consumer confidence and slow progress in manufacturing due to supply chain disruptions and rising input costs.

The ongoing pandemic impact also continues to weigh on the global macroeconomic outlook. In particular, the continued lockdowns and mobility restrictions in China due to its Zero COVID-19 strategy continue to impact the local demand as well as the global economic activity with disruptions to the global supply chain. Besides, the resurgence of the pandemic also continues to threaten the economic recovery in sub–Saharan Africa with growth lagging behind advanced economies due to low vaccination rates.

Local Economy

The financial year 2022 marked the deepest economic contraction of the Sri Lankan economy since independence mainly driven by the acute economic crisis and the global developments that impacted the post-pandemic recovery. The post-pandemic recovery was reversed as a result with all key sectors witnessing a notable contraction. As per the provisional estimates of the Department of Census and Statistics (DCS), the real GDP contracted by 7.8 per cent in 2022, compared to a growth of 3.5 percent in 2021. The exacerbation of long-standing macroeconomic weaknesses due to the widening government deficit, and the impact of policy delays to address these issues amidst untimely taxation and agricultural reforms contributed to the escalation of economic crisis and political upheaval during the period.

The country was faced with an acute foreign currency shortage amidst the rapid depreciation of the rupee value against the US dollar leading to fuel shortages, prolonged power cuts, supply chain disruptions, a dearth of raw materials due to import restrictions, and a rise in the cost of production. In addition, the upward revisions in utility prices due to increasing global energy prices and the supply-side pressures amidst the depreciation of the exchange rate continue to have pressure on the economy. The disposable incomes of households also faced pressure due to rising inflation mainly driven by food inflation and tax hikes.

In the backdrop of high domestic inflation and the developments in the domestic and global economy, the CBSL maintained the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 14.50 percent and 15.50 percent, respectively. This was driven by the high inflationary pressures that necessitated the maintenance of a tight monetary policy stance during the year while assisting to strengthen the disinflation expectations.

Non-Banking Financial Institutions (NBFI) sector Performance

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector witnessed expansion during the year despite the economic contraction experienced in the country. Although the sector was faced with challenges such as falling credit growth, declining profitability, and increasing non-performing loans as indicated by Stage 3 loans, the NBFI sector grew in terms of assets and deposits and adequate capital and liquidity buffers during 2022.

Assets

The asset base of the sector expanded by Rs. 123 billion recording a growth of 8.3 percent and stood at Rs. 1,611.2 billion by the end of 2022, compared to the 6.1 percent growth recorded in 2021. This was mainly due to the growth in loans and advance portfolio followed by an increase in investments and liquid assets. Loans and advances accounted for 74.4 per cent of the total assets of the sector while finance leases dominated the loans and advances portfolio of the sector.

Liabilities

Customer deposits continued to dominate the liabilities of the LFCs sector and accounted for a share of 53.7 percent of total liabilities. Deposits increased by Rs. 81.1 billion recording a year-on-year growth of 10.4 percent to Rs. 864.4 billion, while borrowings declined by 1.0 percent to Rs. 322.6 billion during 2022.

Financial Capital

Overview

Amidst macroeconomic uncertainties and related challenges, our prudent strategies enabled us to successfully navigate the Company during the year recording remarkable achievements. We were able to demonstrate the highest growth of the Company during the past six years. Our flexible approach to adopting strategies such as greater emphasis on corporative segments for business development, expansion of the branch network to increase our rural market share as well a high concentration of small businesses and individuals who have a considerably low defaulting rate proved successful in contributing to the Company's growth during the period. In addition, our pre-planned revenue targets for the year based on the discussions with employees and the current macroeconomic landscape were effective in driving business volumes during the period.

As a result, we were able to disperse over 50% of the loans to community-based organisations, societies and cooperatives while accumulating a considerable number of deposit customers increasing the deposit base by 100%. We also maintained a higher-than-expected liquidity ratio (by CBSL) and maintained high profitability with improvements in all key financial indicators.

The high-interest rate environment remained a challenge during the financial year which compelled us to calculate it into customer interest rates. Nevertheless, we remain steadfast on our strategic approach while being selective of new customer onboarding assessing them for their repayment capacity despite a decline in loan growth.

Revenue

LCB Finance's revenue grew by 104 percent to Rs. 1,104 Mn in 2022/23 FY from Rs. 541.5 Mn in the previous year. The Company's profit after tax increased by 67 percent to Rs.162.7 Mn during the reporting period against the Rs. 97 Mn reported in the corresponding period of the previous year. This increased revenue was mainly due to an increase in interest income on loans and advances and other operating income by 527.9 Mn, and 40.8 Mn respectively compared to the previous year.

Profitability

LCB Finance's profit before tax (PBT) reported a negative growth of -11 percent to Rs.212.5Mn as against Rs.238.5Mn profit before tax reported in the corresponding period of the previous year. Retained profits of the Company for the year recorded Rs.202.9 Mn vis a vis Rs. 95.81 Mn reported in 2021/22.

This growth in profitability was attributed to the increase in interest income, revenue generation and loans & advances and Lease and Hire purchases receivable. As opposed to the industry sector performance during the year, the Company was able to maintain a lower NPL ratio due to the effectiveness of the recovery process. The net NPL ratio as of 31st March 2023 remained at 8.97% and the Company's Gross NPL Advance amount as of 31st March 2023 remained at Rs. 913 Mn as opposed to the previous year's Rs. 445 Mn.

Assets and Liabilities

LCB Finance's total asset base grew by 35 percent during the year under review to Rs.5,877.50 Mn as of 31 March 2023, mainly due to the branch expansion and the organic growth strategy adopted. The Company's assets and liabilities increased mainly due to the rapid increase in customer deposits as a result of the trust they have placed in LCB Finance PLC.

Portfolio Performance

LCB Finance's growth in product portfolio is mainly attributed to the growth in customer deposits followed by loans & advances, leases and hire purchase products. Portfolio performance is mainly driven by the branch expansion and the organic growth strategy adopted.

Cost Management

Personnel costs increased from Rs. 106.4 to Rs. 145.8 is mainly due to the new recruitment for the branch expansion.

Social and Relationship Capital

LCB's Social and Relationship Capital consists of our shared values, commitments and knowledge that we have nurtured through cultivating healthy relationships with our stakeholders which in turn form the basis of our reputation and trust that we have earned over the years. Therefore, these intangibles play a critical role in ensuring long-term value and continued growth of the Company.

By continually encouraging mutually beneficial relationships with our stakeholders and supporting their individual and collective well-being, we have been able to establish strong ties sustaining our social license to operate.

Our key stakeholder groups include;

1. Customers
2. Employees
3. Investors
4. Suppliers
5. Community
6. Government/Regulators

Customer Relations

Customer is the key element that ensures our path to success. Hence, over the years, we have made continuous efforts to nurture our customer relations understanding their unique financial needs and creating solutions to support their financial requirements. As a result, we have been able to acquire a total customer base of over 35,000 customers as of the financial year under consideration.

How we sustain Customer relations

1. **Product Portfolio:** We have created a unique product portfolio that includes a range of financial solutions including saving products, leasing products and personal and business loans. During the year, we introduced the following two products to suit the changing customer requirements.

Prathilaba	Diriyata Saviyak
A deposit product where the customer can deposit a lesser amount to get the face value of the certificate at the end of the specific period.	A hassle-free loan scheme where a customer is eligible for a personal guarantor loan with a short repayment period.

2. **Personalized Communication System:** We have established a personalised customer communication system between our sales staff and the customers by providing flexibility to voice their concerns thereby addressing those concerns in a timely and effective manner. We continually invest in training our customer service representatives on necessary product information and customer service for better service delivery.
3. **Marketing and Communication:** Utilizing BTL marketing techniques such as brochures, posters, door to door campaigns as well as social media platforms such as Facebook, we regularly touch base with our potential customers communicating our distinct product range and their benefits in supporting their financial welfare.
4. **Awareness Programs and Knowledge Sharing:** We have established strong links with Corporative Societies in Sri Lanka and continue to sustain these ties through conducting awareness programs and knowledge-sharing sessions related to financial literacy free of charge for the members of these societies upon request. In addition, we conducted business forums for the people in selected towns through the Chamber of Commerce creating product awareness and networking platform.

Employee Relations

Employees are an important part of organisational success as they are directly responsible for carrying out the Company's mission. Hence, we continue to support their professional and personal growth by providing them opportunities for learning and development, rewards and recognition, and benefits to keep them motivated and enhance productivity. Currently, LCB has a total workforce of 158 employees who are spread across the head office and the branch network. Most of them have worked with us for over three years while we maintain an industry-par turnover rate.

How we sustain Employee relations

1. **Learning & Development:** We have provided exposure to learning and development opportunities through conducting various trainings utilising Central Bank Training Centre as well as qualified banking professionals. In this way, we strive to inculcate the necessary skills and knowledge in them to better serve the customers.
2. **Benefits & Work-life balance:** We have provided our employees with a range of benefits that includes an insurance scheme, salary increments on the first day of the year, statutory benefits (EPF/ETF), a loan scheme, and annual bonuses. We have also allowed our employees to purchase shares from the Company giving them a sense of ownership of their workplace. In addition, we have promoted work-life balance by nurturing a conducive work culture within the organisation and establishing a favourable leave policy.
3. **Rewards & Recognition:** We organised a staff annual get-together at Kabalana Hotel - Matara Road, Kathaluwa, Ahangama on 7th January 2023. This was a full-day event where employees' were recognised for their contribution and the best branch was honoured with Board of Directors participation.

Investor Relations

We have fostered strong relations with our shareholders and investors given the significant role they play in directly and indirectly influencing our decision-making. We keep them regularly updated on the Company's performance by communicating with them monthly, quarterly, as well as annually through the Annual Report and at the Annual General Meeting of the Company. By formulating prudent strategy and implementing appropriate risk management measures, we make every effort to safeguard the interests of the shareholders and the investors securing positive returns on their investments.

Supplier Relations

Our supplier relations include the relations we have established with suppliers who provide us with furniture, infrastructure, software and IT, transportation, advertising, and promotions. They indirectly contribute to our business growth by providing these essential items that are necessary to deliver enhanced products and services to our clientele. We nurture supplier relations by keeping communication channels open with the suppliers and being transparent in our business dealings.

Community Relations

As a responsible corporate entity, we understand our obligation to contribute to the betterment of society and hence support community upliftment through various activities. These initiatives have provided us with the social license to operate developing mutually beneficial connections with the community in which we function.

During the year, we carried out the following activities to support community upliftment.

1. LCB's Kuliyapitiya branch carried out its annual distribution of dry food packages for 50 blind people in collaboration with the Sri Lanka Welfare Society of The Blind.
2. Implemented an agricultural project, namely, the Green House Project in the Hambantota area where through our corporative societies provided loans for the customers who are into cash crop cultivation.
3. Carried out a corporate awareness program free of charge for the benefit of corporative members.

Government Relations

We have sustained strong relations with regulatory bodies by adhering to all the required regulatory frameworks, rules and regulations issued by the Central Bank of Sri Lanka (CBSL), and Tax authorities including timely payment of tax, return submissions and reporting to the CBSL.

Manufactured Capital

The Company's manufactured capital is fundamental to our progress as it is these tangible assets (that include a collection of physical, material, and technological infrastructure) that allow the smooth function of our business operations across the island. Therefore, we consider manufactured capital as a vital component in our value creation process as it brings about efficiencies and customer convenience enabling us to well respond to the current market needs and provide innovative financial solutions to the customers.

LCB Finance's Manufactured Capital includes;

1. Branch Network
2. IT Infrastructure
3. Machinery, office equipment, furniture and fittings, name boards, motor vehicles

We have made the following investments into improving our manufactured capital during the year under review.

Manufactured Capital	Investments during 2022/23
Motor Vehicles	5,659,730
Machinery	1,010,000
Office Equipment	8,433,775
Furniture and Fittings	20,005,955
Name Board	6,504,436
Computer Equipment and Software	7,594,469

Island-wide Branch Network

Our island-wide branch network comprises 15 branches in total and is operated in reaching various customer segments across the nation. During the year, we added 3 new branches in key strategic areas of Embilipitiya, Maharagama, and Kegalle. Through branch expansion, we intend to increase our market share thereby enhancing our visibility and brand exposure which would positively impact our profitability in the long term. All branches are equipped with the necessary IT facilities and infrastructure to better serve the customers.

IT Infrastructure

In transitioning towards an e-finance platform, we continue to adopt technology at a greater speed bringing most of our manual systems and processes under a technology-driven platform. One of the key objectives is to centralise our branch network to enhance customer experience and higher efficiency. In this regard, we have considerably improved the IT infrastructure and IT security aspects ensuring flexibility and greater convenience to the customer service representatives as well as the customers. Currently, we engage a total of 5 employees (inclusive of one trainee) as our IT cadre in driving IT transition.

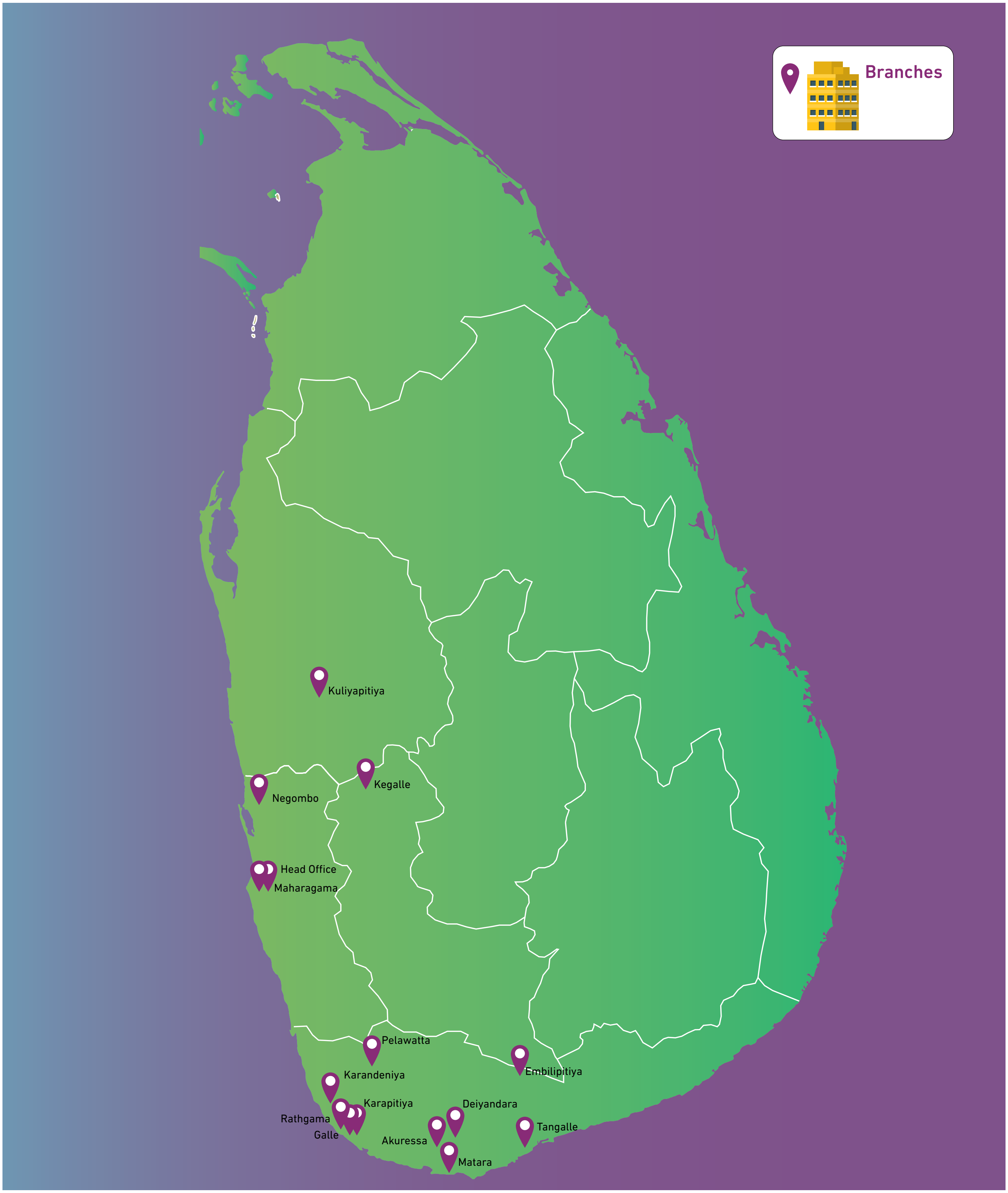
During the year, the following IT infrastructure upgrades were carried out;

- Introduced Slip Transactions
- Introduced Palm Top banking facility for the collection officers. This will enable the customers to conduct their financial transactions from wherever they are.
- Implementation of a DR site

IT security implementations include;

- Developing new policies and procedures with the Board's approval
- Comply with CBSL risk resilience requirement

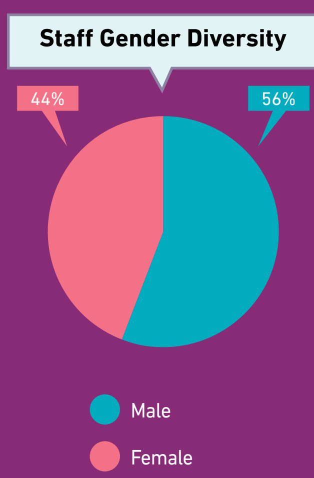
Moving forward, we plan to implement a CEFT transaction facility in the near term. In addition, we will also consider ATM transactions in partnerships with a commercial bank in the Country. We will further purchase an HRM system for improved human resource management, and introduce a mobile application for the customers to carry out transactions apart from considering TLP solutions and incident management solutions. In this process, we will also expand our IT cadre for better implementation of these IT systems.



Branches
Kuliyapitiya
Kegalle
Negombo
Head Office
Maharagama
Pelawatta
Embilipitiya
Karandeniya
Karapitiya
Deiyandara
Rathgama
Galle
Akuressa
Tangalle
Matara

Human Capital

We consider our human capital as a vital asset that drives the Company's success ensuring its sustainable growth in a continually challenging operating landscape. The knowledge and the expertise of our carder enhances the economic value of the Company in gaining competitive advantage. As such we continually make an effort to enhance their professional and personal progress thereby enhancing their aptitude to create value for the company.



At LCB, we have formulated a Human Resource Policy to address the needs of the employees covering a range of issues. In developing the HR policy, we have placed greater emphasis on non-discrimination, ensuring diversity and equal opportunity for all. Likewise, we have also ensured gender representation and equal and fair treatment at all levels of operations.

At present, we maintain a 61:39 male-to-female ratio amongst a total staff of 158 employees who are spread across management, marketing and sales, branch network, treasury, financial product services, as well as administrative and support functions of the Company. Given the continued expansion of our branch network, a total of 70 new employees were added to the Company during the year under review. Most of these employees fall under the executive and trainee category and are between 21-30 years of age.

During the year, the staff turnover rate remained within the industry average given the various measures we have implemented including growth opportunities, guiding their career path through performance evaluation, benefits and incentives.

LCB's Human Resource Policy focus on the following key areas in managing human capital;

1. Training and Development
2. Performance-based assessment
3. Employee Motivation
4. Health and Safety
5. Complaint mechanism

Recruitment takes place on a yearly basis based on the requirement at the Head office and branch levels. Relevant departments are requested to notify the human resource requirement for the next financial year and based on which a cadre list is prepared before calling for vacancy applications. Job positions are usually advertised through job sites, social media platforms and LinkedIn, though also give priority to employee referrals in recruitment.

While we ensure that all employees are recruited impartially without any discrimination based on gender, religion and ethnicity, the selection is exclusively based on the employee's suitability for the vacant position. These include evaluating their qualification, experience, general conduct and the potential for efficiency and quality service delivery relating to the job role.

Learning and Development Opportunities

Professional development and continued education of employees ensures that knowledge and skills stay relevant and up to date. This will contribute to better service delivery and sustainable business growth over time. Therefore, during the year, we conducted 23 trainings focusing on areas such as Credit, Marketing, Recovery, Leadership, Teamwork, and Motivation. We employed the resources at Central Bank Training Centre and qualified banking professionals to conduct these training sessions. One employee was also sent overseas for training to obtain better field exposure. We believe that such training will provide the necessary foundation to contribute to business expansion in the longer term.

Recruits were oriented through an induction program to welcome them and settle them into their new job role while regular training sessions were conducted for employees on a monthly basis.

Performance Appraisal

Performance appraisals are essential for the growth of the Company and its employees as it improves morale encouraging the employees to work more towards achieving organisational goals. Hence, over 60% of LCB staff are evaluated based on set targets that are carried out on a monthly basis. Based on these assessment outcomes, we recognise their valuable contribution with salary increments, rewards and promotions.

Furthermore, performance evaluation outcomes are utilised to identify the training gaps of employees thereby providing them with learning and development opportunities to enhance their competencies for better work performance.

Encouraging Employee Motivation

Balancing one's professional life and personal obligations is vital to ensure the physical and emotional well-being of employees. This will in turn ensure a more loyal and productive workforce. Therefore, the Company continue to promote work-life balance by sustaining a conducive work environment where people feel welcomed and implementing a favourable leave policy. Likewise, we have also offered our employees a range of benefits from an insurance scheme, statutory benefits, annual salary increments to benefits.

Health and Safety

As a service organisation, our health and safety risks at the workplace are minimal compared to an industrial environment. Nevertheless, we have put in place general health and safety measures to protect the employees and the customers from accidents or injuries occurring at the workplace. To this end, the Company has also offered field staff a personal accident cover to safeguard them from difficulties arising from unexpected incidents.

Grievance Handling

We have ensured that employees' grievances are handled on time to sustain their motivation and determination to work for the Company. For this purpose, we have appointed a separate board committee (2 DGMs and 1 AGM) for grievance handling where staff channel their concerns to the Committee upon which a report is prepared for the CEO regarding the necessary corrective actions.

Human Resource-related Compliance

In addition to the Country's law, we adhere to all the human resource-related compliance that includes;

- Shop and Office Act
- Non-discriminatory Policy
- Child Labour & Forced Labour Regulations
- Maternity benefits per ordinance
- Employment of Women, Young Persons and Children Act and Labour

Natural Capital

Our commitment to saving the environment emerges from our moral responsibility as a corporate to ensure environmental sustainability by aligning our business activities and operations with the same. Hence, we strive to conduct business activities in a responsible manner minimising our impact on the larger ecosystem in which we operate. Our environmental strategy focuses on preventing negative environmental impact while considering safeguarding environmental resources and processes that support the current and future prosperity of our business and the expectations of the stakeholders.

Our Environmental Policy aims to;

1. Inculcate environmentally conscious behaviours within the organisation
2. Conserve Energy
3. Conserve Water
4. Optimise resource usage

Environmental Awareness of Employees

The first step we have taken in minimising our impact on the environment is the awareness raising of employees on the importance of environmentally conscious behaviour within the organisation. This has enabled us to create a culture change within the organisation where employees understand their crucial role in supporting environmental sustainability and the necessity to act responsibly in realising it.

Energy Conservation

Energy consumption within the organisation is limited to the use of electricity and fuel for vehicles when travelling to other locations for official purposes. Therefore, we have made a continued effort to reduce energy consumption within the head office and branch level by communicating to the staff regarding the conscious use of electricity, the necessity to switch off lights, fans as well as A/C units when not in use. As for the fuel, we have allocated fuel quotas.

Water Conservation

Water usage within the organisation is limited to the usage of water for day-to-day activities. We have made an effort to minimise water wastage by educating staff on the same and monitoring water usage within the organisation.

Resource Optimisation

In our gradual transformation towards a technology-driven workplace and e-finance platform, we have been able to considerably reduce our dependency on manual processes thereby reducing paper usage within the Company. Currently, our paper usage is only limited to essential printouts while we encourage both sides printing where possible. As we move forward, sustaining efficiency improvements, waste reduction and minimizing resource usage continue to be on our agenda in promoting growth and protecting the planet.

Intellectual Capital

Our Intellectual Capital or the knowledge intangibles that include tacit knowledge, systems, processes, and protocols differentiate us from other industry players ensuring our competitive edge. Therefore, we endeavour to enhance our intellectual capital towards improved business performance and creating value for the stakeholders.

LCB's Intellectual Capital includes;

1. Knowledge and Expertise of Employees
2. IT Systems and Protocols
3. Brand Value

Employee Competencies

We understand the vital role played by our employees in our business progression and support their personal and professional growth in contributing to the sustainable growth of the Company. By improving their industry know-how, our employees will be in a better position to deliver exceptional service to the customers. Therefore, we have made training and development of our employees a top priority, having organised various trainings during the year to fulfil the existing skill gaps and new knowledge needed for career succession.

Based on the training needs identification through performance evaluation, we have identified the knowledge and skill requirements of employees both at the operational divisions and branches. After which, necessary technical and soft skill training programs were organised utilising resources from Central Bank Training Centre and other qualified banking professionals as guest speakers. A few selected staff members were also sent on foreign trainings to gain new skills and knowledge relevant to their field while expanding their network.

Overall investment into human capital development has strengthened our position in the marketplace while enhancing our ability to be innovative and adapt to changing market dynamics thereby clearing the strategic pathway to sustain the future growth of the Company.

IT Systems and Protocols

In our aim to establish an e-finance platform towards faster and more efficient financial transitions, we have embraced digitalisation at a greater speed continually investing in the automation of our systems and processes. By leveraging the power of technology, we believe that we will be able to strengthen our position in the marketplace, grabbing better opportunities and higher market share. For this purpose, we have carried out IT infrastructure upgrades as well as IT security enhancements in ensuring greater convenience and flexibility to the customer service representatives as well as the customers.

New IT implementations during the year and future plans;

IT Infrastructure

- Introduced Slip Transactions
- Introduced Palm Top banking facility for the collection officers. This will enable the customers to conduct their financial transactions from wherever they are.
- Implementation of a DR site

IT security

- Developing new policies and procedures with the Board's approval
- Comply with CBSL risk resilience requirement

Future Plans

- Implementation of CEFT transaction facility
- Offer ATM transactions in partnership with a local commercial bank
- Purchase an HRM system for improved human resource management
- Introduce mobile applications for the customers

Key Highlights

- LKR 1.5 Mn Training investment
- IT infrastructure and Security upgrades
- Two new products during FY: 'Prathilaba' & 'Diriyata Saviyak'
- BTL marketing: Brochures, posters, door-to-door campaigns
- Awareness and Knowledge-sharing sessions for Corporative Societies
- Awarded "Most Committed Finance Company for Rural Development" by South Asian Partnership Summit.
- Regulatory Compliance

Brand Value

The Company's brand image is a vital intangible asset that portrays what we stand for in the public realm. Over the year, we have been able to establish our brand identity as a reliable, customer-friendly, innovative and technology-driven leasing and finance Company in the Country. This image has been fundamental to mobilising rural masses including corporative societies towards regional expansion and portfolio growth.

By utilising various BTL marketing activities and social media platforms such as Facebook, we strive to reach our potential customers by communicating our unique product portfolio and other valued added offerings to ensure their financial welfare. These BTL promotional campaigns utilize brochures, posters as well as door-to-door communication in improving the customer perception of our brand and its ability to uplift them from their current financial impediments. With the same intent, we have conducted awareness programs and knowledge-sharing sessions for the corporative societies free of charge.

Furthermore, we conduct meetings for people in business forums in selected towns through the Chamber of Commerce in creating product awareness and networking platforms.

During the year we were selected as the "Most Committed Finance Company for Rural Development" by South Asian Partnership Summit, affirming our brand image as a trusted and reliable financial institution that is committed to uplifting the progressive masses.

Compliance

LCB finance complies with all the relevant compliance measures in ensuring ethical business operations. The Company is a domiciled, publicly listed company incorporated in Sri Lanka and was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The Company adhere to the rules, directive and guideline stipulated by the following regulatory bodies;

- Central Bank of Sri Lanka
- Inland Revenue Department
- Colombo Stock Exchange (CSE)
- Security Exchange Commission (SEC)

Board of Directors

Emeritus Professor W.M. Abeyrathne Bandara
Chairman

He is a senior academic with strong dedication and commitments, target oriented, self-motivated person having over 40 years' service in the university system of Sri Lanka in the field of business Management and Financial Management and practical experience in formulation and implementation of business strategies, over all administration, monitoring and controlling, team management, and problem solving, both in the government and private sector organizations such as, Commercial Banking, Development Banking. Finance Companies, Primary dealing companies, Government Ministries, Govt. authorities and Non-Government Organizations

Kandegoda Gamage Leelananda
Executive Director/
Chief Executive Officer

He holds a Management degree from the University of Jayewardenepura, Diploma in HRM at Aquinas University College. Chartered Licentiate at Chartered Institute of Sri Lanka 1993 and Intermediate Banking & Finance Diploma at IBSL. He has successfully completed courses on Private Enterprise Development at Harvard USA Management in Finance at NTUC at Singapore University, Co-operative Banking System Course conducted in South Korea, Netherland and Canada: A System Study at Banka Italia Italy. Since 2001, he has contributed towards the growth of Sanasa Development Bank over 15 years and reached the 2nd. Key Executive Post "The Senior Deputy General Manager" in the Bank.

A.G. Maheen Priyantha
Director

Mr. Maheen has experience in the business sector for 25 years. He is Entrepreneurial with commercial acumen and excellent management skills He holds a Human Resource Management Degree from NIBM- Sri Lanka. He also serves as the Managing Director & Chairman in Maweli Traders (PVT) Ltd. Furthermore, he also serves as the managing Director in Yakkalamulla Tea Factory (Pvt) Ltd and a Director of the Board of Udumullagoda Tea Factory (Pvt) Ltd. He has Strong leadership skills, new business development and Comprehensive understanding of financial management principles. He is a Senior Director of Lanka Credit and Business Finance PLC and a Director of Singhe Capital Investments Limited, Binelco Marketing (pvt) Ltd, Niriella Motors (Pvt) Ltd, Isuru Trading (Pvt) Ltd.

Ranjan Lal Masakorala
Director

Mr. Ranjan holds a Diploma in Management –Japan –University of Tokyo and functions as the Director of Premium Cars Japan. He is the Managing Director of Hotel Kabalana (Pvt) Ltd and The Villa Hotel Unawatuna. He is the Managing Director of Udumullagoda Tea Factory (Pvt) Ltd. He is the Proprietor of the Vista Tours, Uneth Car sale and a Director of Yakkalamulla Tea Factory. He is the Director of Niriella Motors Private Limited and Isuru Motors Private Limited.

U.K. Harith Ruwan Ranasinghe
Director

He had followed a Management Trainee Course –AOTS-LKCM-Japan; Management Trainee Course-NIPM He has served as an Assistant Superintendent / Superintendent in Sri Lanka State Plantation Corporation; Managing Director at Thalgampala Tea Company (Pvt) Limited; Chairman and promoter of UKG Enterprise; Director of L & H Capital Partners (Pvt) Limited; Secretary - Galle Business Club. Past Chairman of Sri Lanka Tea Factory Owners' Association and also the Chairman of Sinha Capital Investments Ltd.

S.W. Subasinghe
Non-Executive / Independent Director

Mr. Subasinghe was appointed to the Board of LCBF in April, 2018. His previous work experience includes serving as the Divisional Secretary of Galle Four Gravets, G/ Nagoda Division and also the Tawalama Division. He has also held the positions of Assistant Secretary in the Ministry of Youth Affairs and Skills Development, Project Director in the Upgrading of the Niyagama Vocational Training Center project, Director at the HRM Department of Technical Education and Training, Assistant Secretary in the Ministry of Technical Education and Vocational Training (SLAS) and a Graduate Teacher in the Department of Education. He holds a Master of Business Administration Degree from the University of Ballarat, Australia and a Post Graduate Diploma in Educational Administration from the University of La Trobe in Melbourne Australia. In addition, he has also completed a B.Sc. Management (Public Administration) Specialization Degree from the University of Sri Jayewardenepura, Sri Lanka.

Vijitha Lokunarangoda
Director

Managing Director - Galle Highway Express and Narangoda Group of Companies; Vice President of Old Boys Association – Mahinda College Galle. Inspector of Fisheries, Department of Fisheries.

Gayan Kalhara Nanayakkara
Director

He holds a Joint Hons. BSc degree in Computer Science with Management Studies from the University of Nottingham UK. Currently holds the position of director of Mahesland Estates Private Limited, Wijaya Tea Factory Private Limited, Naindawa Tea Factory Private Limited and Etambagahawila Tea Factory Private Limited.

Ashwin Welgama Nanayakkara
Director

Mr, Ashwin holds MSc. in Law and Accounting - London School of Economics UK, LLB in Law - London School of Economics UK, Director NEM Construction (Pvt Ltd.

Dushmantha Thotawatte
Non-Executive / Independent Director

Bachelor of Commerce (Special) Degree at University of Sri Jayawardenapura, Masters in Arts Financial Economic at University of Colombo, Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Former Chief Executive Officer Lanka Sathosa Ltd., Additional General Manager - Finance of National Water Supply and Drainage Board. He is the Chairman of Canwill Holdings (Pvt) Ltd. Also a Board Member of People`s Bank and a Board Member of Sri Lanka Insurance Corporation.

Kapila Indika Weerasinghe
Director

He holds a Diploma in Chartered Accountancy in Germany; He is the Managing Director / Chairman of Transline GMBH - Transport & Packaging and R K W Courier Service. He is a leading businessman in Germany.

Mahesh Katulanda -
Non-Executive / Independent Director

Mr. Mahesh is a Senior Attorney at Law in the Supreme Courts, holding several key roles throughout their career, including Chairman and Commissioner of the Office on Missing Persons. They have also served as a Director in various companies and governmental bodies, such as Sri Lanka Insurance (General) Ltd., and the Marine Environment Protection Authority. In addition, they have been involved in committees and organizations related to water resource management and the legal profession. Their expertise has been utilized as a Legal Adviser to the Minister of Irrigation and Water Management. Overall, their distinguished career reflects a strong commitment to the legal field and public service.

Management Team

Nalaka De Silva
DGM – Operations & Recoveries

Felician Jayakody
DGM – Credit

Aruna Vithanage
DGM – Business Development & Fund Mobilization

Kelum Wannige
AGM - Finance & Strategic Planning

R.M.G. Ratnayake
AGM – Compliance

Sajith Suranga
Head of IT

A.M. Galbadaarachchi
Head of Finance

W.L.I. Dinushani
Senior Manager – Legal

Anusha Fernando
Senior Manager – Legal Recovery

Milinda Madushan
Manager – Finance

Nuwan Ranga
Manager – Finance

Buddhini Darshika Mathararachchi
Manager - Risk

A.A. Weerasekera
Manager – Internal Audit

D.M.W. Bandara
Manager – Administration

Magage Piyatissa
Manager – Cooperative Development

Buddhika Ratnayaka
Manager – Human Resources

Imesh Sandarathna
Manager – Legal

Suneth Gayan De Silva
Manager – Leasing

S. Sasikumar
Manager – Recovery

Thilak Bandara
Manager – Credit

Nisansala Dias
Manager – Kohuwala Branch

Indika Pushpakumara
Manager – Galle Branch

Lakshitha Iman
Manager – Karapitiya Branch

Niluka Akmeemana
Act. Manager – Karandeniya Branch

Sangeeth Liyanaarchchi
Manager – Kuliyapitiya Branch

Sakunthala Karunanayake
Manager – Akuressa Branch

Hasitha Dayan
Manager – Rathgama Branch

Wijaya Dassanayaka
Manager – Business Development

Lionel Hettihewa
Manager – Kegalle Branch

Dulanga Vinod
Manager – Embilipitiya Branch

Sudharaka Perera
Manager – Maharagama Branch

Prasad Subasinghe
Manager – Deiyandara Branch

Chaminda Gamage
Manager – Negombo Branch

Sampath Fernando
Manager – Pelawatta Branch

Gayan Priyankara
Manager – Tangalle Branch

Rukshan Sameera
Regional Manager - Southern

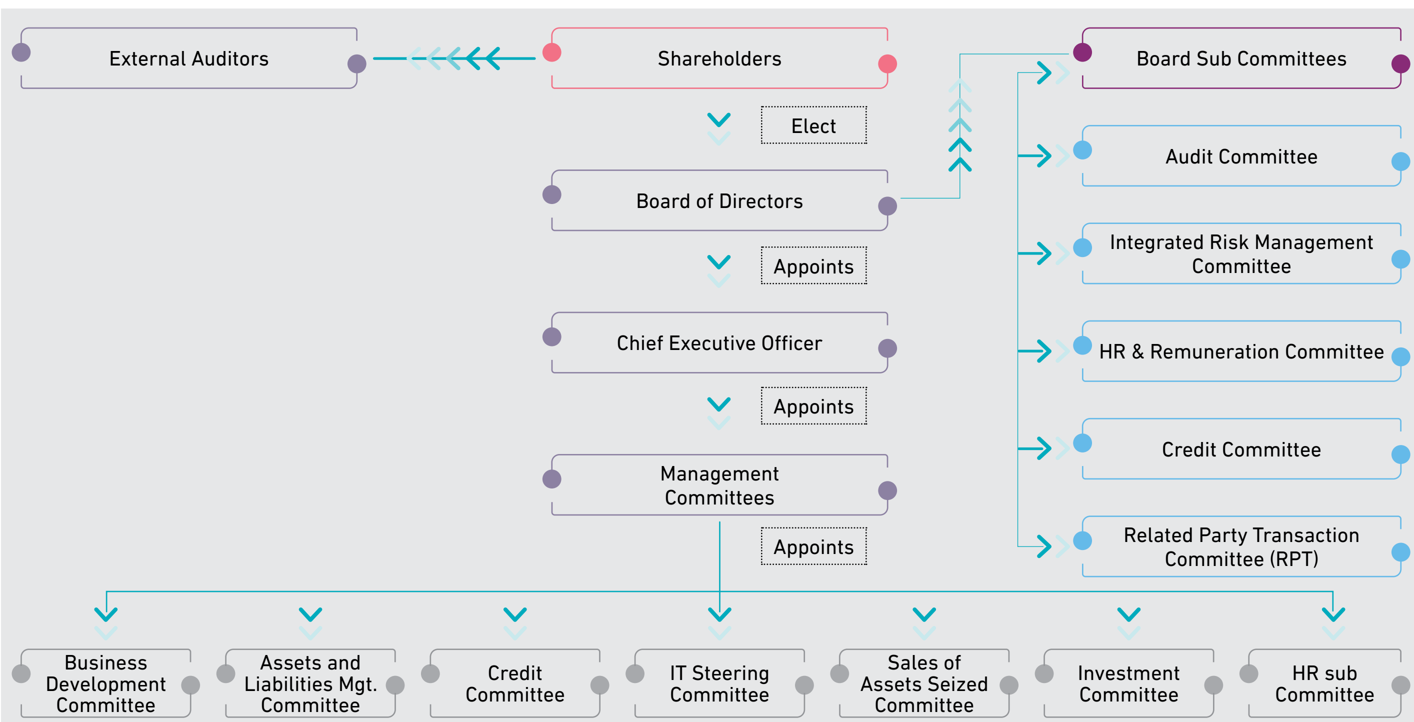
Corporate Governance

An effective Corporate Governance system enables a Company to cultivate a culture of integrity, transparency and accountability driving positive performance and sustainable growth. Hence, at Lanka Credit and Business Finance PLC, we consider Corporate Governance as a pivotal aspect in determining the Company's prudent strategic direction as it directs, controls, and monitors the performance to ensure robust and balanced progress of the Company. With this commitment, we uphold the highest standards of Corporate Governance and ethical business practices in facilitating sustainable growth of the Company thereby delivering to the interest of all stakeholders.

LCB Finance PLC's Board and the Board appointed committees hold the responsibility for ensuring governance of the Company providing a clear direction complying with principles of good governance preserved in the Code of Best Practices for Corporate Governance issued by the Institute of Chartered Accountants, Sri Lanka, and the Finance Companies (Corporate Governance) Direction No.3 of 2008 and Direction No.5 of 2021.

Governance Structure

The Board of Directors holds supreme responsibility for the affairs of the Company and has set in place an appropriate governance structure to facilitate the discharge of its duties. The Board Sub Committees assist the Board in its supervision of functions in specialised areas requiring significant attention. The governance structure of the Company is aligned with its business strategy and direction through effective engagement and communication with its stakeholders, Board of Directors, Board Sub Committee and Management.



Governance Framework

The Corporate Governance Framework of LCB Finance PLC complies with the following regulatory requirements.

- Companies Act No.7 of 2007
- Finance Business Act No. 42 of 2011
- Finance Leasing Act, No.56 of 2000
- The Finance Companies Directions, rules, determinations, notices, and guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka in terms of the Finance Business Act Directions No.05 of 2021 on Corporate Governance and Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons
- The Code of Best Practice on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission.
- Continuing Listing Rules of the Colombo Stock Exchange (CSE)

Section	Corporate Governance Principle	Compliance
1. BOARD'S OVERALL RESPONSIBILITIES		
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, establishing a corporate culture, and ensuring compliance with regulatory requirements.	The Board approved Strategic Business Plan for 2022-2027 is in place. The Board and the Management are well aware of the strategic objectives and organizational values which have been communicated throughout the Company. Further, the Board approved Strategic Plan for 2023-2025 has also been established. Amended business plan 2023-2027 approved on 26 May 2022 - BP no 2022/349/05/M
1.2 Business Strategy and Governance Framework		
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	Board approved Strategic Plan for 2022-2027 and projected financial statements / budget for the year 2023 are in place. The Board measures corporate performance against predetermined goals. The Company's Strategic Plan for 2022-2027 includes measurable goals for the next four years.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	The Board approved governance framework is in place.
1.2.c	Assessing the effectiveness of its governance framework periodically.	The Annual assessment on the governance framework by the Board of Directors is to be implemented.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board approved functions and responsibilities of the Exective Director/CEO and Chairman is in place which complies with the section 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021. The Chairman and CEO positions are held by two individuals, and the functions of the Chairman and the Managing Director are clearly documented, defined, and separated by the Board, thereby preventing unfettered powers for decision making being vested in one individual.
		There is a clear division of responsibilities between conducting the business of the Board and the day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and ensuring its effectiveness. CEO's role is primarily to conduct the business operations of the Company with the help of Corporate Management. The roles of the Chairman and the CEO are clearly distinct from one another.
1.3 Corporate Culture and Values		
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour.	The Company invests in building Human Resources culture and there is a people management strategy in place that focuses on leadership and management culture, and embeds cultural values across all levels of the organization. A Board approved Code of Conduct for employees is in place. The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The Code of Conduct emphasize that the understands the value in acting with integrity.

Section	Corporate Governance Principle	Compliance
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board approved Code of Conduct is available to all employees and it is to be amended to cover Board of Directors. This Code focuses mainly on the following areas: Fair dealing, protection, and proper use of the Company's assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and on, and harassment, health, and safety, discipline, etc.
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Being developed
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, to project a balanced view of the Company's performance, position and prospects with the public and regulators.	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.
1.4 Risk Appetite, Risk Management, and Internal Controls		
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	The Board approved Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to Credit Risk, Liquidity Risk, and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. Initiatives taken to strengthen the Internal Audit Department to review the accuracy of financial/non-financial information which are used by the Board and Board sub Committees and review the same helps the process by carrying out audits to assess the internal controls over financial reporting and MIS. Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report, and their opinion was submitted to the Board.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place.
1.5 Board Commitment and Competency		
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	The views of the Board of Directors on issues under consideration are ascertained, and a record of such deliberations are reflected in the minutes.

Section	Corporate Governance Principle	Compliance
		Further, the Board is in complete control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders. Please refer bellow table for Directors attendance for Board meetings and sub Committee meetings.

Director	Board Meeting	BAC	BIRMC	RPTRC	HR & Rem. Committee
Prof. Mr. W. M. Abeyratne Bandara (Chairman),	11/12				
Mr. K.G. Leelananda (Executive Director)	12/12		4/4		Ab
Mr. U.K.H.R. Ranasinghe	12/12			Ab	
Mr. A.G. Maheen Priyantha	12/12				
Mr. V. Lokunarangoda	12/12				
Mr. R.L. Masakorala	12/12				
Mr. G.K. Nanayakkara	12/12	6/6			
Mr. A.W. Nanayakkara	11/12		3/4		
Mr. D. Thotawatta	11/12	5/6		1/1	1/1
Mr. M. Katulanda	10/12				
Mr. K.I. Weerasinghe	11/12				
Mr. S.W. Subhasinghe (Resigned in March 2023)	9/12	4/6	3/4	1/1	1/1

Section	Corporate Governance Principle	Compliance
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	Most of the members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Market experts and professional services are to be obtained to share new knowledge. Any training programs relevant to the Board will be communicated to the Board by the Company Secretary for the Directors' participation.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary. Evaluation of performance of main Board and sub committees by each director are to be completed for the year 2022/23.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	Board to adopt a procedure for external consultation to be utilized when necessary.
1.6 Oversight of Senior Management		
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management.	In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors and all Heads of Departments have been identified as Key Responsible Persons (KRPs).
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	Job Descriptions of the Key Responsible Personnel are approved by the Board and include the functions and responsibilities of the KRPs. Areas and limits of authority of the KRPs are covered under the Delegation Authority (DA) limits assigned to them.

Section	Corporate Governance Principle	Compliance
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	All KRPs having necessary academic and Professional qualification, Skills and experience. The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process as per the recruitment policy. Information related to experience and qualifications is verified through their affidavit and declaration, which is submitted to the CBSL. Further, the physical documents/ confirmations are verified and obtained from the candidates during the on-boarding process.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the CEO.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	The Company has established a Board approved succession plan for Senior Management. Board approved on 24 March 2023 for KRPs
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Chief executive Officer are called regularly to the Broad meetings Board Meetings to review policies and monitor the progress towards the corporate objectives. The other KRPs attend Board meetings on invitation.
1.7 Adherence to the Existing Legal Framework		
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.	A Board approved code of conduct and Communication policies are in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Recruiting Directors & other KRPs of suitable caliber and obtaining fit & propriety of members annually.
2. GOVERNANCE FRAMEWORK		
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021.	A Board approved Governance Framework is in place
3. COMPOSITION OF THE BOARD		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	Most of members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.

Section	Corporate Governance Principle	Compliance
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	The Board consisted of 12 Directors up to 12.03.2023 and then number of Directors have reduced to Eleven, which is within the statutory requirement. Prof. Mr. W. M. Abeyratne Bandara (Chairman), Mr.K.G.Leelananda (Executive Director) Mr.U.K.H.R.Ranasinghe Mr.A.G.Maheen Priyantha Mr.V.Lokunarangoda Mr.R.L.Masakorala Mr.G.K.Nanayakkara Mr.A.W.Nanayakkara Mr.D.Thotawatta Mr.M.Katulanda Mr.K.I.Weerasinghe
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	The period of service of all Directors of the year 2023 is below nine years.
3.4	Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	None of the Non-Executive directors of the Company have exceeded nine years of service as at 31st March 2023
3.5 Executive Directors		
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of directors of the Board.	Mr. K.G. Leelananda is the only Executive Director of the Company who currently holds the position of Chief Executive Officer.
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	In 2023, no such circumstance transpired.

Section	Corporate Governance Principle	Compliance
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	Mr. K.G. Leelananda is the only Executive Director of the Company who currently holds the position of Chief Executive Officer.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	
3.5.e	The Executive Directors are required to report to the Board through the CEO.	
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Mr. K.G. Leelananda(Executive Director/CEO) does not hold any executive directorships or senior management positions in any other Company.
3.6 Non-Executive Directors		
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct.	The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.	None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7 Independent Directors		
3.7.a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	During the year until 12th t March 2023, the Board comprised of 4 Independent Non- Executive Directors and end of the year ,the Board Comprised of 3 Independent Non – Executive Directors. The composition of the Board of Directors is published on page 45 of the Annual Report.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, a proven track records, and sufficient experience in the given fields. A brief profile of their expertise and experience is given on pages 34 to 36.
3.7.c	A Non-Executive Director shall not be considered independent if such:	
3.7.c.i	Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company.	In 2023, no such circumstance occurred.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	In 2023, no such circumstance occurred.
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	In 2023, no such circumstance occurred.

Section	Corporate Governance Principle	Compliance
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director.	In 2023, no such circumstance occurred.
3.7.c.v.	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.	In 2023, no such circumstance occurred.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	In 2023, no such circumstance transpired.
3.7.c.vii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the stated capital in a Company or business organization, in which any of the other directors of the FC is employed or a director;	Mr. A.G.Maheen Priyantha held directorship in Nation Lanka Finance PLC during the year.
3.7.c.viii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	In 2023, no such circumstance transpired.
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	In 2023, no such circumstance arose.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	In 2023, no such circumstance transpired. Declarations are to be obtained from the Directors regarding the status of their independence / non-independence against the specified criteria.
3.8	Alternate Directors	There were no Alternate Director appointments.
3.9	Cooling off Periods	In 2023, no such appointments were made.
3.10 Common Directorships		
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another finance Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Mr. A.G. Maheen Priyantha held directorship in Nation Lanka Finance PLC during the year.

Section	Corporate Governance Principle	Compliance
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	As per declarations given by the directors for the year 2023, none of the directors holds office as a director of more than 20 Companies.
4. ASSESSMENT OF FIT AND PROPER CRITERIA		
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board shall nominate, elected as a director after assessing Fitness and Propriety as per direction and forward for CBSL approval in line with the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	A person over the age of 70 years shall not serve as a director of an FC.	Chairman is above the age of 70 years and approval was obtained from CBSL for extension for one year to hold the directorship as per the Direction.(CBSL approval received on the 2nd extension until 23 July 2023 via ldd 14 Jul 2022)
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following;	In 2023, no such appointments occurred other than chairman. Chairman is above the age of 70 years and approval was obtained from CBSL for extension for one year to hold the directorship as per the Direction.
4.3.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.	In 2023, Annual Assessment of all directors have been completed and submitted to CBSL for the approval.
4.3.b	Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	In 2023, no such appointments occurred.
4.3.c	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1⁄5) of the total number of directors.	Only one director exceeded age of 70years in 2023, no any other appointments occurred during the year.
4.3.d	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	In 2023, no such appointments occurred.
5. APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT		
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.
6. THE CHAIR AND THE CHIEF EXECUTIVE OFFICER		
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	The roles of the Chairman and the Chief Executive Officer are separated and not performed by the same individual.

Section	Corporate Governance Principle	Compliance
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	The Chairman, Prof.Mr. W.M.A.Bandara is an Independent, Non- Executive Director. Hence, the appointment of a Senior Director has not arisen. Chairman's performance is to be assessed for the year 2023.
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	
6.4 Responsibilities of the Chairperson		
6.4.a	Provide leadership to the Board;	Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled. The Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman. The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	
6.4.d	Ensure the Board works effectively and discharges its responsibilities	
6.4.e	Ensure all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	
6.4.j	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	
6.5 Responsibilities of the CEO		
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include	The Board approved functions and responsibilities of the Chief Executive Officer are in place.

Section	Corporate Governance Principle	Compliance
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives;	The C E O functions as the apex executive in charge of the day-to-day operations of the Company and he acts as a direct liaison between the Board and Management of the Company.
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions;	
6.5.c	Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behavior.	
6.5.d	Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non- compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	
7. MEETINGS OF THE BOARD		
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board Meetings for the year have been scheduled at the end of the previous year and an annual meeting calendar is submitted to the Board. Special meetings are conducted as and when required. 12 Board Meetings were held during the year. A Board approved procedure is in place to obtain consent through the circulation of written resolutions / papers other than those under urgent circumstances. 84 circular resolutions have been passed during the year.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	A Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	The Annual Board meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings. Directors are given notice of at least 3 days for regular Board Meetings.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	In 2023, no such incidents occurred.

Section	Corporate Governance Principle	Compliance
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	No meetings were held only with the participation of the Non- Executive Directors, without the Executive Directors being present during the year. Will be complied from year 2024 .
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	In terms of the Company's Article 26, there is a requirement in place for the Directors to declare the nature of their interest. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting.
7.8	A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance. During the year 2023, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on page 43 of the Annual Report.
7.9 Scheduled Board Meetings and Ad Hoc Board Meetings		
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Please refer 'Directors' Attendance and Committee Memberships' table given on page 43 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes.
8. COMPANY SECRETARY		
8.1.a.	The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	In terms of section 221 of the Companies Act No. 07 of 2007, a qualified Company Secretarial services provider (P R Secretarial Services Ltd) with adequate experience has been appointed by the Board as the Company Secretary.
8.1.b.	The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	The Company would comply with the direction by appointing a Company Secretary considered as Senior Management by 01st July 2024. A transitional period until 01st July 2024 has been granted to comply with the same.
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	All Directors have access to the advise and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions, and regulations are followed.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	The Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.

Section	Corporate Governance Principle	Compliance
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	The Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes. Minutes of the Board meetings are maintained for a minimum period of 5 years and other documents pertaining to board decisions are maintained for a minimum period of 6 years.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) 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 and regulations; directions. (e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted; (f) the decisions and Board resolutions.	Minutes of the Board meetings are recorded in sufficient detail.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Minutes are available for the inspection of the Directors.
9. DELEGATION OF FUNCTIONS BY THE BOARD		
9.1	The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board approved delegation authority limits is in place.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Asset and Liability Committee is in operation.

Section	Corporate Governance Principle	Compliance
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board's capacity to perform its duties has not been impacted by its delegation of authority.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is to be reviewed to ensure it fulfills the demands of the Company.
10. BOARD SUB-COMMITTEES		
	A transitional period until 01.7.2024 will be granted. However, during the transitional period provisions contained in "Section 8: Board Appointed Committees" of the Finance Companies (Corporate Governance) Direction No.03 of 2008 will be applicable.	
	Board Sub-Committees	
	FCs with asset base of more than Rs. 20 bn	
	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.	In terms of the FBAD No.05 of 2021, the Company has in operation a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC), and Board Related Party Transactions Review Committee (BRPTRC). In addition, Board Credit Committee (BCC) have been formed.
	Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	There were 6 BAC meetings and 04 BIRMC meetings held during the year 2023. Please refer 'Directors' Attendance and Committee Memberships' table given on page 43 of the Annual Report.
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	Written Term of References clearly specifying the authority and duties are in place for each Sub-Committee.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub- Committee, at the Annual General Meeting of the Company.	Performance, duties, and functions of all subcommittees are disclosed on pages 84 to 91 of the Annual Report.
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary is the Secretary to the Board Nomination Committee, Board Human Resources and Remuneration Committee, and Board Related Party Transaction Review Committee. Further, Internal Audit manager and Risk Manager are the secretary to the Board Audit Committee, and Board Integrated Risk Management Committee respectively. Minutes of all of the above Committees are submitted to the Board for their review.
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 84 to 91 of the Annual Report.

Section	Corporate Governance Principle	Compliance
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub- committees to avoid undue concentration of power and promote new perspectives.	When necessary, the Chairs and members of the Board's subcommittees will be taken into consideration for rotation.
10.2 Board Audit Committee (BAC)		
	The following shall apply in relation to the Board Audit Committee.	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	The Board appointed Mr. D. Thotawatta as the Chairman of the Board Audit Committee w.e.f. 24th August 2020. Mr. D. Thotawatta is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, having Master of Art in Financial Economics degree from University of Colombo.He graduated from the University of Sri Jayawardenepura, Sri Lanka with a Degree in B.Com specializing in Financial Accountancy.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	During the year 2022/23, the committee consisted of three Non-Executive Directors where majority were Independent. Considering the resignation of Independent Director , Mr. S.W Subasinghe the committee composition changed w.e.f 24.03.2023 as follows. The Board Audit Committee consist with three Independent Non- Executive Directors and one Non Executive Director. Members are Mr D Thotawatta (Chairman) Independent, Non-Executive Director MR Mahesh Katulanda– Independent, Non - Executive Director Mr W M Abeyrathne Bandara– Independent, Non- Executive Director Mr G K Nanayakkara - Non- In depended Non- Executive Director All of them have expertise and knowledge in the fields of banking, finance, Legal, information technology, etc.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA)	Internal Audit Manager functions as the Secretary of the Audit Committee.
10.2.d	External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	The Auditor’s appointments, service periods, and fees are determined and recommended by the BAC at the end of each financial year.
	ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	E&Y functions as the External Auditor of the Company. The Company will adhere to the aforesaid section once it takes effect on 01st July 2024.
	iii. The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	E&Y functions as the External Auditor of the Company. The Company will adhere to the aforesaid section once it takes effect on 01st July 2024.

Section	Corporate Governance Principle	Compliance
	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.	We will ensure BAC to obtain representation from the External Auditors on their independence and that the audit is carried out in accordance with the applicable standards and best practices.
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	During the year 2023, the External Auditor provided the following non- audit services of which conforms with the governance rules and requirements. This service was not handled by Audit partner. - Post Implementation Review of ECL model in line with SLFRS 09.
	vi. The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Auditing Standards. The Audit Engagement Letter for the year ending 31st March 2023 has been submitted to the Board Audit Committee.
	vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on:	Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption, and compliance with Accounting Standards and other legal requirements take place, and required clarifications are obtained in respect to all areas before being recommended for Board's approval.
	(i) major judgemental 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.	
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	The Board Audit Committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors. We will ensure to hold committee meeting with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss.
	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.	The Committee has reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31st March 2022.

Section	Corporate Governance Principle	Compliance
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 98 to 99 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting".
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	BAC monitors this through regular reporting from the Internal Audit Department.
10.2.g	Internal Audit function:	
	i. The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes	There is an in-house Internal Audit Department and a Chief Internal Auditor to be appointed.
	ii. The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively.	There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too.
	iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	Board Audit Committee has discussed the adequacy of the scope, functions, and resources of the Internal Audit Department.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;	The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department;	Performance appraisal of the Manager of Internal Audit for the year 2023 is to carried out.
	(iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care;	In terms of the Organization Chart of LCB Finance PLC, the Head of Internal Audit reports directly to the BAC and the audit work has been performed with impartiality proficiency and due care.
	(v) Ensure the Internal Audit Function carries out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies.	BAC reviews the annual compliance review conducted by Internal Audit Function.
	(vi) Examine the major findings of internal investigations and management's responses thereto.;	There is regular reporting to the BAC on the status of investigations.
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The progress of implementation of recommendations of CBSL on-site investigation report to be reviewed by BAC quarterly basis

Section	Corporate Governance Principle	Compliance
10.2.i	Meetings of the Committee	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Every BAC meeting is duly recorded and minutes are submitted to the Board for its information.
	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.	Members of the Board Audit Committee, the Manager of Internal Audit, and the AGM Finance attend the meetings. Chief Executive Officer attend by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	We will ensure to hold committee meeting with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss.
10.3 Board Integrated Risk Management Committee (BIRMC)		
	The following shall apply in relation to the BIRMC	
10.3.a.	The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Committee consisted of Two Non-Executive Directors. The Chief Executive officer and Manager Risk may attend the meetings upon invitation. The Committee closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
10.3.b	The secretary to the committee may preferably be the CRO.	Manager of Risk functions as the Secretary to the BIRMC.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once on two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee has an appropriate process to assess the impact of all risks periodically through identified risk indicators and management information.
10.3.d	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	The Company's risk appetite is developed through a Risk Tolerance Limit Statement, which articulates the individual and aggregate level and types of risk that LCB Finance PLC will accept or avoid, in order to achieve its strategic business objectives.
10.3.e.	The BIRMC shall review the Company's risk policies including RAS, at least annually.	the Risk policies are reviewed by BIRMC on an annual basis.

Section	Corporate Governance Principle	Compliance
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	In fulfilling its responsibilities, the Committee reviewed the adequacy and effectiveness of Management Committees to manage risks within quantitative and qualitative risk limits. BIRMC assessed the adequacy and effectiveness of the Assets & Liabilities Committee (ALCO) to address specific risks.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	BCP is to be reviewed by the BIRMC
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Head of Compliance and Head of Risk performance for the year 2023 is to be assessed by BIRMC
10.3.i	Compliance function	
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	The BIRMC has established an independent Compliance Function.
10.3.i.ii	For a Company with an asset base of more than Rs. 20 bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A Compliance Officer has been appointed.
10.3.i.iii	For FCs with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	
10.3.i.iv	The 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;	Board approved policies and procedures are in place.
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	Board approved Compliance policy is in place and communicated to Senior management and branch mangers
	(iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.
	(iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Company is in the process of implementing some items of the Corporate Governance direction.

Section	Corporate Governance Principle	Compliance
	v) Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards	Board approved new product policy is available to streamline the process of designing or redesigning a product in the Company.
	vi) Highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time-frame, and	Compliance Audits are carried out periodically and action is taken to rectify if deviations are noted.
	vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity	With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.
10.3.j Risk management function		
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk- taking activities across the FC.	The Company is to establish an Independent Risk Management function.
10.3.j.ii	For FCs with an 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.	N/A
10.3.j.iii	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Risk Management functions currently handled by the Risk Manager and a CRO is to be appointed.
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: a) various potential risks and frauds b) possible sources of such risks and frauds; c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. d) effective measures to control and mitigate risks at prudent levels; and e) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	Risk Management functions currently handled by the Risk Manager and a CRO is to be appointed.
10.3.j.v	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management.	Risk Management functions currently handled by the Risk Manager and a CRO is to be appointed. It will be complied once recruit the CRO.

Section	Corporate Governance Principle	Compliance
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Risk Management functions currently handled by the Risk Manager and a CRO is to be appointed hence it will be implemented accordingly.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	The Board of Directors have the ultimate responsibility for the risk management of the Company. Minutes of the BIRMC meetings is tabled at the subsequent Board meeting and the Chairman of BIRMC briefs the main Board, on significant issues raised and decisions taken at the committee meetings, enabling the Board to make correct decisions.
10.4 NOMINATION COMMITTEE		
	The following shall apply in relation to the Nomination Committee:	
10.4.a.	The committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The committee is comprise one independent director and Two Non-Executive Director and one Executive Director. The members with effect from 24th March 2023 are Prof. Mr.W.M.A. Bandarai (Chairman), Mr. U.K.H.R.Ranasinghe , Mr.A.G.Maheen Priyantha and Mr. K.G. Leelananda
10.4.b	Secretary to the nomination committee may preferably be the Company Secretary.	Secretary to the committee is the Company Secretary.
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.	Selection/appointing new directors and senior management in accordance with CBSL Directions. We ensure to develop a policy Selection and appointment of KRPs will be carried out with the recommendation of the Board Nomination Committee and in accordance with the Recruitment policy.
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).	The Committee ensures that this has complied with the terms of FBA (Assessment of Fitness and Propriety of Key Responsible Persons)
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is carried out to conform with the stated section.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals.
10.4.g	The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and senior management.	The qualification and experience of CEO and senior management have been documented in job descriptions (JDs) which were recommended by the BHRRC and approved by the Main Board.

Section	Corporate Governance Principle	Compliance
10.4.h	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The Company conforms to the stated section.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Company conforms to the stated section.
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management.	This is considered at the BNC and BNC is responsible for the selection, nomination, appointment, election, and retirement of KRPs.
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the Board Nomination Committee is not involved in the decision-making process for their own appointment or re- appointment. Moreover, the Board Chairperson abstains from the meeting when the topics of discussion concern the appointment of the successor.
10.5 Human Resources and Remuneration Committee		
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.	The Committee is comprised of two Independent Non-Executive Directors and one Executive Director , committee is chaired by Prof.Mr.W.M.A.Bandara (Non Executive Indepensent Director) . Other members of the committee are Mr.D.Thotawatta and Mr.M.Katulanda
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	The Company Secretary functions as the secretary to the committee.
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	A Remuneration and Benefits Policy of the Company for the salaries, allowances, and other financial benefits related to the Executive Directors and senior management which are to be decided by the BHRRC is to be developed.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The Remuneration and Benefits Policy has to be formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices.
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	The remuneration and benefits policy is to be developed. and approve by the main Board.

Section	Corporate Governance Principle	Compliance
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take an excessive risk or to act in self-interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest.
10.5.g	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	We ensure to performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance are to be reviewed by the BHRRC. Financial benefits have been decided based on their performances.
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	The committee adheres to the stated section.
11. INTERNAL CONTROLS		
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and integrity of the MIS through the critical management information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report', and their opinion is submitted to the Board.
11.2	A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimize the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies.	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12. RELATED PARTY TRANSACTIONS		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	The Board has established a Board Related Party Transactions Review Committee, in conformity with the Direction.
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	All Related Party transactions were carried out in accordance with the requirement of the Direction & other statuary requirement.

Section	Corporate Governance Principle	Compliance
12.1.c	The business transactions with a related party that is covered in this Direction shall be the following: i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	All related party transactions have been disclosed in the Financial Statements.
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/ institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Guide is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.

Section	Corporate Governance Principle	Compliance
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FC's 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 counter-party; c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	We ensure not to engage in related party transactions in a manner "more favorable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company. Further board approved prudent limits in place.
13. GROUP GOVERNANCE		
13.1	Responsibilities of the FC as a Holding Company.	The Company is 72% owned subsidiary of LCB Limited. Further, the Company does not have subsidiaries or associates.
13.2 Responsibilities as a Subsidiary		
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company is 72% owned subsidiary of LCB Limited. The Company fulfills its own legal and governing obligations.
14. CORPORATE CULTURE		
	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Code of Conduct is available for all employees including Corporate and Senior Management. This Code focuses mainly on the following areas: Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc.
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company make arrangerecords of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.

Section	Corporate Governance Principle	Compliance
14.3	A FC shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. We initiate to reviews the policy on an annual basis.
15. CONFLICTS OF INTEREST		
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction , and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall; i. Identify circumstances that 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 directors 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 is to be addressed.	Managing conflicts of interest is included in Corporate Governance Policy and the policy is to be reviewed periodically.
16. DISCLOSURES		
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	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. Further, such statements are published in the newspapers in Sinhala, Tamil and English.
	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.	This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 94 to 96 of the Annual Report.

Section	Corporate Governance Principle	Compliance
	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.	Details of the Directors including names and transactions with the Finance Company are given on pages 174 to 175 of the Annual Report. Annual declaration is to be obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.
	iii. Appraisal of Board Performance • An overview of how the performance evaluations of the Board and its committees have been conducted	A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self- assessment is submitted to the Board enabling Directors to discuss relevant matters if any.
	iv. Remuneration • A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the FC to its directors and senior management.	Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget. All employee's annual promotions, increments, bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behavior. The remuneration structure of the staff, Senior Management and Executive Directors shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivize employees to take excessive risk or act in self-interest. Directors fees are given in Note No. 46.2 in page 175 of the financial statement.

Section	Corporate Governance Principle	Compliance
	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.	Details of the Directors including names and transactions with the Finance Company are given on pages 174 to 175 of the Annual Report. Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company. The nature of relationship if any between the Chairperson and the CEO and the relationship among members of the Board. Net accommodation for Directors – Nil
	vi. Board Appointed Committees • The details of the chairperson and members of the board committees and attendance at such meetings.	Please refer 'Directors' attendance and Committee Memberships' tables are given on page 43 of the Annual report.
	vii. Group Structure • The group structure of the FC within which it operates. • The group governance framework	The Company is 72% owned subsidiary of Lanka Credit and Business Limited. The Company fulfills its own legal and governing obligations.
	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.	Given on pages 93 to 96 of the Annual Report.

Section	Corporate Governance Principle	Compliance
	ix. Statement of 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.	Given on pages 97 to 99 of the Annual Report.
	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.	The Corporate Governance Report is set out on pages 40 to 83 of the Annual Report of the Company. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
	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.	A Board approved Code of Conduct for directors and for all employees are in place. Please refer the Chairperson's message on pages 10 to 11 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	Please refer 'Management Discussion and Analysis' on pages 17 to 33 and CEO's Review on pages 12 to 15.
	xiii. Communication with Shareholders • The policy and methodology for communication with shareholders. • The contact person for such communication.	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.

The Code of Best Practice on Corporate Governance 2013 was issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1	**THE BOARD** The Board of Directors at LCB Finance PLC (the "Company") represents professionals from different disciplines such as Legal, Marketing, Management, Finance, Information Technology and they bring with them a wealth of business experience to provide leadership to the Company.		
A.1.1	Board meetings	Complied	Board meetings are planned well ahead and dates of the monthly meetings are finalized at the end of the previous year. Board meetings are mainly focused on reviewing the performance of the Company and more on strategic planning and the Company's future directions. Special Board meetings are convened whenever necessary. These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders. During the reviewed period 12 Board meetings were held. Please refer 'Directors' attendance and Committee Memberships' table given on page 43 of the Annual report.
A.1.2	Responsibilities of the Board	Complied	The Board while acting in line with the Company's values is responsible for the formulation of a sound business strategy for the organization. The Management formulates three years strategic plan which addresses future challenges, which would be tabled, discussed, and approved by the Board. The Board takes necessary steps to fulfill the duties entrusted to them by securing the integrity of the information, managing risks, and implementing an effective internal control system. In this process, compliance ensures that all applicable laws and regulations and adherence to the Company's ethical standards and corporate values are met to ensure that all stakeholders' interests are taken into consideration in the corporate decision-making process.
A.1.3	Agreed procedure on seeking independent professional advice	Complied	A Board approved Corporate Governance policy is included the directors to seek independent professional advice as and when required.
A.1.4	Advice and services of the Company Secretary	Complied	The Board members to have full access to the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with. Legal matters for which the Board needs clarification are referred to the Company Secretary. She provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgement of directors	Complied	All directors are free to bring independent judgement to aid with the decision-making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources, and standards of business conduct. Different arguments and ideas are recorded in detail by the Company Secretary with a view to indicate the rationale in which decisions are arrived at.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1.6	Dedicating adequate time and effort by the directors	Complied	All directors of the Company dedicate adequate time and effort at Board and Committee meetings to fulfill their duties. Further, they also spend their time before and after the meetings, to ensure that the duties and responsibilities owed to the Company are discharged according to the highest standards.
A.1.7	Training for new and existing directors	To be Complied	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as directors. Training program to be arranged relevant to the Board are communicated to the Board by the Company Secretary for the director's participation.
A.2	**CHAIRMAN AND CEO** Board of Directors does not intervene with the Company's day-to-day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive toward the Company's Strategic Vision and to ensure the effectiveness of the Board. The CEO's role is to conduct the business operations of the Company with the help of the Corporate and Senior Management. Hence, the roles of the Chairman and the CEO are clearly distinct from one another.		
A.2.1	Separation of the roles of Chairman & CEO	Complied	There is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and for its effectiveness. The CEO's role is primarily to conduct the business operations of the Company with the help of corporate management. The roles of the Chairman and the CEO are clearly distinct from one another. Chairman and the CEO positions are held by two individuals and the functions of the Chairman and the CEO are clearly documented, defined, and separated by the Board, thereby preventing unfettered powers for decision making being vested in one individual.
A.3	**CHAIRMAN'S ROLE** Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating the effective discharge of Board functions.		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.3.1	Role/functions of the Chairman	Complied	The following functions of the Chairman were approved by the Board. • To provide leadership to the Board. • Maintain and ensure a balance of power between the Executive and Non- Executive Directors. • Secure effective participation of both Executive and Non-Executive Directors. • To ensure that the Board works effectively and discharges its responsibilities. • To ensure that all key issues are discussed by the Board in a timely manner. • To implement decisions / directions of the regulator. • Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and maintaining minutes in an orderly manner to the Company Secretary. • Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities. • Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of the shareholders are communicated to the Board. • Annual assessment of the performance and the contribution during the past 12 months of the Board.
A.4	**FINANCIAL ACUMEN** The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as four Board members having Accounting and financial qualifications including one director is qualified Chartered Accountants and having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A 4	Financial acumen and knowledge	Complied	The Chairman of the Audit Committee, Mr. D. Thotawatta is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, MA in Economics from the University of Colombo and graduated from the University of Sri Jayawardenepura, with a Degree in B.Com specializing in Financial Accounting. Prof. Mr. W. M. A. Bandara has a Master Degree in Business Administration (MBA) Finance from the University of Ottawa,Canada and B. Sc. Business Administration from the University of Sri Jayawardenepura and ACCA (Intermediate Level). Mr. K.G.Leelananda graduated in B.Sc.Management (Sp) from the University of Sri Jayawardanepura, Licentiate in Chartered Accountancy from ICSL and Intermediate Banking & Finance, Institute of Bankers of Sri Lanka. Mr.A.W.Nanayakkara has a Master degree in Accounting & Law from the London School of Economics (UK) and LLB in Law and Regulations from the London School of Economics (UK). These members of the Board have the ability to offer to advice & guidance on matters of finance to the Board.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.5	**BOARD BALANCE** The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making.		
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	Complied	Ten out of Eleven directors of the Board are NEDs which complies with the minimum number prescribed by this Code, which is a minimum of two NEDs or NEDs equivalent to one-third of the total number of directors, whichever is higher. This ensures that the views of Non-Executive Directors are taken into consideration in Board decisions.
A.5.2 & A.5.3	Independence of NEDs	Complied	Three out of Ten NEDs are independent which complies with the minimum prescribed by this Code which is at a minimum two NEDs or NEDs equivalent to one-third of NEDs appointed to the Board of Directors whichever is higher should be 'independent'.
A.5.4	Annual declaration of NEDs	To be Complied	Every NED of the Company are to make written declarations as to their independence against the specified criteria set out , which is in line with the requirements of Schedule H of this Code. Declaration for the year 2023 are to be obtained.
A.5.5	Annual declaration by the Board on the independence of directors	Complied	The Board has determined the independence of directors based on the declarations submitted by the NEDs as to their independence as a fair representation and will continue to evaluate their independence on this basis annually in line with CBSL directions, the SEC and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are: Prof Mr.W.M.A.Bandara, ,Mr.D.Thotawatta, Mr. M.Katulanda, Mr.S.W.Subasingha (resigned)
A.5.6	Alternate Director	Complied	At present, there are no alternate Directors. (No such a requirement has arisen)
A5.7 & A5.8	Requirement to appoint a 'Senior Non-Executive Director' and make himself available for confidential discussions.	Complied	The current Chairman of the Company is an Independent Non-Executive Director. Hence, the requirement to appoint a 'Senior Non-Executive Director' has not arisen.
A5.9	Chairman holds meetings with NEDs only without EDs	Not Complied	During the year the Chairman has not met the Non-Executive Directors, in the absence of the CEO.
A.5.10	Recording of concerns in Board minutes	Complied	Deliberations raised by the Directors are part of the Board Meetings and such information is adequately detailed by the Company Secretary in the minutes. The Company Secretary minutes as to how the decision had arrived at all times. All minutes are kept in a detailed manner.
A.6	**SUPPLY OF INFORMATION** The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties.		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied	The Executive Management of the Company should ensure that the directors are provided with adequate information in a timely manner and make every effort to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquiries/ concerns for additional information, where necessary. The Chairman ensures that all directors are briefed adequately on issues arising at Board meetings.
A.6.2	Adequate time for Board meetings	Complied	According to the Articles of Association of the Company, all Board members are given notice well ahead of the meeting, and all minutes of previous meetings, agenda, and Board Papers are dispatched in advance. Further, adequate notice is given to all directors prior to emergency/ special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.
A.7	**APPOINTMENT TO THE BOARD** Company has a formal and transparent procedure in place to appoint new Directors.		
A.7.1& A.7.2	Presence of a Nomination Committee and annual assessment of the composition of the Board.	Complied	LCB Finance PLC has set up its own Board Nomination Committee. The Committee is authorized to implement a procedure to assess the skill, knowledge, and experience required for the selection and appointment of new directors and the CEO for the Company. The final decision is taken by the Board in terms of the procedure approved by the Board to appoint new directors which is a formal and transparent procedure. The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board match the strategic demand of the market.
A.7.3	Disclosure of information to shareholders upon appointment of New Directors	Complied	All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his/her directorships in other companies, and the number of shares he/she holds in the Company, whether he/she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director. There are no such appointments to the Board in this manner during the year under review.
A.8	**RE-ELECTION** The Code requires all Directors to submit themselves for re-election, at regular intervals and at least once every three years.		
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	To be Complied	The procedure to be adopted by the Company to re-elect by rotation

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.9	**APPRAISAL OF BOARD PERFORMANCE** The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.		
A.9.1 & A.9.2	Annual appraisal of the Board's performance and the performance of its Sub-Committees.	To be Complied	The performance of the Board is to be evaluated by the Chairman and the directors for the year 2023. The Board subcommittees also are to be carry out a self-assessment for 2023 process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and being in line with good governance.
A.9.3	Disclosure of criteria used for performance evaluation	Complied	The Company Secretary and the Board subcommittee secretaries submit the self-evaluation questionnaire to each director and obtain their individual responses.
A.10	**DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS** The Code requires that details of directors be disclosed in the Annual Report for information of the shareholders.		
A.10.1	Disclosures on Directors in the Annual Report	Complied	The following details pertaining to each director are disclosed in the Annual Report (a) Brief profile with expertise and experience - pages 34 to 36 (b) Other business interests - pages 174 to 175 Remuneration - Note 46.2 on page 175 Status of independence -pages 94 to 96. Details of Board Meetings and Board Committee Meetings held during the year - page 43.
A.11	**APPRAISAL OF MANAGING DIRECTOR** The Code requires the Board to assess the performance of the Managing Director at least annually to ascertain the degree to which the Managing Director met the pre-set financial and non-financial targets.		
A.11.1 & A11.2	Setting annual targets and the appraisal of the performance of the CEO/Managing Director	Complied	Assessment of the performance of the CEO is carried out by the Board on an ongoing basis to ensure that the performance of the Company is achieved.
B.	DIRECTORS' REMUNERATION		
B.1	**REMUNERATION PROCEDURE** This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.		
B.1.1	Establishment of a Remuneration Committee	Complied	The Company has a Board Human Resources and Remuneration Committee which has the power to evaluate, assess, and decide matters that may affect the Human Resources Management of the Company.
B.1.2	Composition of the Remuneration Committee	Complied	Two Members of the Board Human Resources and Remuneration Committee are Independent and the Chairman of the Committee is appointed by the Board.
B.1.3	Chairman and the Members of the Committee	Complied	Please refer to 'Board Human Resources and Remuneration Committee Report' on page 90 for details of the Chairman and the Members of the Board Human Resources and Remuneration Committee.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B.1.4	Determination of the remuneration of Non-Executive Directors, including members of the Remuneration Committee	Complied	Remuneration and Benefits Policy of the Company is to be developed, the salaries, allowances, and other financial benefits related to the directors and senior management are to decide by the BHRRC.
B.1.5	Ability to consult the Chairman and/ or the Managing Director and to seek professional advice by the Committee	Complied	The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Company's expense.
B.2	**LEVEL AND MAKE-UP OF REMUNERATION** The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of directors.		
B.2.1	Remuneration packages of Executive Directors	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.2	Competitiveness of levels of remuneration	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.3	Comparison of remuneration with other companies in the Group	Not Applicable	The Board HR& Remuneration Committee, where necessary, reviews the Company's remuneration levels in relation to the industry standards of the country.
B.2.4	Performance-based remuneration of Executive Directors	Complied	During the year under review, the Company did not provide performance-based remuneration for Executive Director.
B.2.5	Executive Share Options	Not Applicable	No Executive Share Options were granted during the year.
B.2.4	Performance-based remuneration of Executive Directors	Complied	During the year under review, the Company did not provide performance-based remuneration for Executive Director.
B.2.5	Executive Share Options	Not Applicable	No Executive Share Options were granted during the year.
B.2.6	Designing the performance-related remuneration of Executive Directors.	Complied	The Board approved a challenging but transparent set of targets for the CEO via annual budget. These targets are intended to provide the highest value to all stakeholders.
B.2.7 & B.2.8	Early termination of Executive Directors	Not arisen	This is in line with the contract of appointment.
B.2.9	Levels of remuneration of Non-Executive Directors	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B.3	**DISCLOSURE OF REMUNERATION** The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.		
B.3.1	Disclosure of Remuneration	Complied	Please refer to 'Board Human Resources and Remuneration Committee Report' in page 90 or disclosure of the names of the Remuneration Committee members and the Remuneration Policy of the Company. Please refer Note 46.2 to the Financial Statements for the aggregate remuneration paid to Directors.
C.	RELATIONS WITH SHAREHOLDERS		
C.1	**CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS** The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.		
C.1.1	Use of Proxy Votes	Complied	The Parent Company holds 72% of the shares.
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	Complied	The Parent Company holds 72% of the shares. Refer to shareholding on page 179 to 180. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance, and the Financial Statements together with the Report of the Auditors thereon are considered separately.
C.1.3	Availability of Board Subcommittee Chairpersons.	Complied	Board Subcommittee Chairpersons are available at the AGM, to answer any questions raised at the AGM.
C.1.4 & C1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	Complied	Annual Reports are dispatched to all shareholders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.
C.2	**COMMUNICATION WITH SHAREHOLDERS** The Code requires effective communication with shareholders. The Company is a fully owned subsidiary of Sampath Bank PLC.		
C.2.1	Channel to reach all shareholders of the Company	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.2	Policy and methodology for communication	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.4 & C.2.6	Contact person in relation to shareholder matters	Complied	The main contact person is the Company Secretary.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
C.2.5	Process to make all directors aware of major issues and concerns of shareholders	Complied	Any major issue of concern of shareholders are informed to Board Members by the Company Secretary.
C.2.7	Process responding to shareholder matters	Complied	Respond to Share holder via Company Secretary on the matters arisen.
C.3	**MAJOR AND MATERIAL TRANSACTIONS** The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company if entered into.		
C.3.1	Disclosures on proposed major, transactions	Not Applicable	There were no major transactions involving the acquisition or disposal of assets greater than half of the net asset value of the Company.
D.	ACCOUNTABILITY AND AUDIT		
D.1	**FINANCIAL REPORTING** This Principle requires the Board of the Company to present a balanced and understandable assessment of the company's financial position, performance, and prospects.		
D.1.1	Board's Responsibility for Statutory and Regulatory Reporting	Complied	The Board is well aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner and a statement to this effect is given on pages 94 to 96 of this Annual Report. The Company has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Leasing Act, No. 56 of 2000, the Finance Business Act, No. 42 of 2011, and amendments thereto, in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, the Company has complied with the reporting requirements prescribed by regulatory authorities such as the Central Bank of Sri Lanka and the Colombo Stock Exchange.
D.1.2	Declarations by Directors in the Directors' Report	Complied	The Annual Report of the Board of Directors on the state of affairs of the Company on pages 94 to 96 contains the declarations as required by the Code.
D.1.3	Statements by Directors' and Auditors' on responsibility for financial reporting	Complied	The 'Responsibility for Financial Statements for the preparation and presentation of financial statements is given in Note 1.5 on page 109 of the Annual Report. Please also refer pages 100 to 103 for the Independent Auditor's Report.
D.1.4	Management Discussion and Analysis	Complied	Please refer to 'Management Discussion and Analysis' (MD&A) set out on pages 17 to 33 presented as an integrated report covering all aspects referred to in the code.
D.1.5	Declaration by Board on the going concern of the business	Complied	Please refer to 'Annual Report of the Board of Directors on the state of affairs of the Company' and Note No. 3 Estimates and Assumptions to the Audited Financial Statements on page 110.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.1.6	Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)	Not applicable	No such event occurred during the financial year.
D.1.7	Declaration by Board on Related Party Transactions	Complied	Each Director and KRP have declared their interest in transactions with the Company during the year ended 31st March 2023, if any. Internal controls are placed within the Company to identify, record, and disclose related party transactions. All Related Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note No 46 to the Audited Financial Statements.
D.2	**INTERNAL CONTROL** The Code requires the Company's Board to ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders is in place.		
D.2.1	Directors to conduct an annual review of internal controls	Complied	The Company obtained the External Auditor's Certification on the Directors Responsibility Statement on Internal Control over Financial Reporting included in the Annual Report.
D.2.2	Need for an Internal Audit Function	Complied	The Company has established an Internal Audit Function headed by the Manager Internal Audit who is independent and reports directly to the Board Audit Committee. The Board Audit Committee exercises oversight over the same. The Board Audit Committee reviews the Internal Audit function at regular intervals.
D.3	**AUDIT COMMITTEE** The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting, and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.		
D.3.1	Composition of the Audit Committee	Complied	Details of the members, are given on the 'Board Audit Committee Report' on pages 86 to 87.
D.3.2	Duties of the Audit Committee	Complied	As stated in the report of the Board Audit Committee of the Company, it regularly reviews the scope of the External Auditors, results, and effectiveness of the audit. It also ensures that non-audit services provided by External Auditors do not affect their independence.
D.3.3	Terms of Reference of the Audit Committee	Complied	Terms of Reference of the Board Audit Committee are in place and approved by the Board of Directors. This clearly explains the purpose of the committee, its duties, and responsibilities, together with the scope and functions of the committee. The committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, internal audit, and risk management procedures of the Company.
D.3.4	Disclosure of names of the members of the Audit Committee	Complied	Names and composition of the members of the Audit Committee are given under Audit Committee Report on pages 86 to 87.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.4	**CODE OF BUSINESS CONDUCT AND ETHICS** The Code requires the Company to adopt an internal Code of Conduct and Ethics to be adhered to by all directors and members of the senior management of the Company.		
D.4.1	Disclosures on the presence of Code of Business Conduct and Ethics.	Complied	The Code of Conduct is available for all employees including Corporate and Senior Management. This Code focuses mainly on the following areas: Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination, and harassment, health, and safety, discipline, etc. Further code of conduct is amended to include board of directors.
D.4.2	Affirmative Statement by the Chairman	Complied	Please refer to the Chairman's message for details on pages 10 to 11.
D.5	**CORPORATE GOVERNANCE DISCLOSURES** Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Central Bank of Sri Lanka (CBSL). Finance Business Act Directions No. 05 of 2021 on Corporate Governance, Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons, Section 7.10 of the Listing rules of the Colombo Stock Exchange on Corporate Governance.		
D.5.1	Annual Corporate Governance Report in the Annual Report	Complied	Corporate Governance reports is given on pages 40 to 83 in the Annual Report.
SECTION 2 : SHAREHOLDERS			
E.	INSTITUTIONAL INVESTORS		
E.1	**SHAREHOLDER VOTING** Parent Company holding 72% of the equity of the Company and the rest is 28%.		
E.1.1	Communication with shareholders	Complied	Parent Company holds 72% of shares and rest 28% requested information is provided via Company Secretary in a timely manner.
E.2	**EVALUATION OF GOVERNANCE DISCLOSURES** The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.		
E.2.1	Encourages Institutional Investors to give due weight to relevant governance arrangements	Complied	Institutional investors kept apprised of the Company's governance practices through the Annual Report to ensure that due weightage is given to good corporate governance.
F.	OTHER INVESTORS;		
F.1	INVESTING/DIVESTING DECISION		
F.1.1	Seek independent advice in investing or divesting decisions.	Not applicable	
F.2	SHAREHOLDER VOTING		
F.2.1	Encourage voting by Individual Investors in general meetings	Complied	The Parent Company and shareholders use its voting rights at the AGMs.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
G.	**SUSTAINABILITY REPORTING** Sustainability is a business approach that creates long-term stakeholder value. It focuses on managing risks arising from economic, environmental, and social aspects. Sustainability reporting aims towards the goals of sustainable development in the context of business strategy and activities.		
G.1.1	Economic Sustainability	Complied	Please refer to 'Management Discussion and Analysis' on pages 17 to 33.
G.1.2	The Environment	Complied	This is covered in the 'Management Discussion and Analysis' on pages 17 to 33.
G.1.3	Labour Practices	Complied	Please refer 'Management Discussion and Analysis' on pages 17 to 33.
G.1.4	Society	Complied	Please refer 'Management Discussion and Analysis' on pages17 to 33
G.1.5	Product and Service Responsibility	Complied	Please refer to 'Management Discussion and Analysis' on pages 17 to 33.
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of the 'Management Discussion and Analysis' on pages 17 to 33.
G.1.7	Sustainable Reporting & Disclosure	Complied	Please see the contents of the 'Management Discussion and Analysis' on pages 17 to 33.

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE

Rule No.	Applicable Requirement	Compliance Status	Comment
Non-Executive Directors			
7.10.1(a)	2 or 1/3 of the total number of Directors should be Non-Executive Directors whichever is higher.	Complied	The Board consists of Ten (10) NED's out of a total number of nine (11) directors.
Independent Directors			
7.10.2 (a)	2 or 1/3 of Non-Executive Directors appointed to the Board whichever is higher shall be independent	Complied	The Board comprised four Independent Non-Executive Directors out of Total number of Directors 12 up to 12th March 2023 and one Independent director resigned from the 13th March 2023.
7.10.2(b)	Submission of declarations annually, declaring the independence of directors	To be Complied	Declarations are to be obtained from the directors regarding their independence/non-independence status against the specified criteria.
Disclosure Relating To Directors			
7.10.3(a)	The Board shall annually determine the independence or non-independence of Directors.	Complied	The Board is well aware of the requirement and the Board evaluates the independence of directors.
	Names of Independent Directors should be disclosed in the Annual Report	Complied	The names of the Independent Directors are set out on pages 94 to 96 of the Annual Report.
7.10.3(b)	The basis for the Board's determination of Independent Directors,if criteria specified on independence is not met.	Complied	The Board determines the independence of directors based on the criteria set out in the CSE Listing Rule No. 7.10.4. The requirement is met.
7.10.3(c)	Publish a brief resume of each Director	Complied	Profiles of each director have been published on pages 34 to 36 of the Annual Report.
7.10.3(d)	Provide a brief resume of new Directors appointed to the Board	Complied	There were no new appointments to the Board during the year 2023.

Rule No.	Applicable Requirement	Compliance Status	Comment
Criteria For Defining Independence			
7.10.4 (a-h)	Determination of Independence	Complied	The Board has met the criteria of defining independence which is in line with CSE and CBSL Directions on Corporate Governance.
Remuneration Committee			
7.10.5(a)	Composition	Complied	During the year under review, the Board HR & Remuneration Committee comprised of Prof. Mr.W.M. Abeyratne Bandara (Chairman), Mr. D. Thotawatta, and Mr. M.Katulanda. all members are Independent Directors
7.10.5(b)	Recommendation on Remuneration for Executive Directors, CEO and/or equivalent position	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
7.10.5(c)	Names of Directors comprising the Remuneration Committee	Complied	Published in the Annual Report on pages page 90 under HR & Remuneration Committee Report.
	Remuneration Policy	Complied	Policy is given in HR& Remuneration Committee Report on page 90.
	Aggregated remuneration paid to Directors	Complied	Published in the Annual Report of the Board of Directors on the state of affairs of the Company on pages 94 to 96 of the Annual Report.
Audit Committee			
7.10.6(a)	Composition and Role of the Audit Committee	Complied	All members of the Board Audit Committee are Independent, Non-Executive Directors and the Committee comprises of Mr. D.Thotawatta (Chairman) , Mr. M. Katulanda, Prof.Mr.W.M. Abeyratna Bandara .Mr.G.K.Nanayakkara . Please refer to the contents of the Board Audit Committee Report on pages 86 to 87 for the role of the Audit Committee.
	Chairman of the Audit Committee	Complied	The Board appointed Mr.D.Thotawatta as the Chairman of the Board Audit Committee w.e.f. 24th August 2020 Mr.D.Thotawatta is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and having Master degree in Financial Economics from University of Colombo. He graduated from the University of Sri Jayawardenepura, Sri Lanka with a Degree in B.Com specializing in Financial Accounting.
	Attendance at Audit Committee Meetings	Complied	Members of the Board Audit Committee, the Head of Internal Audit, and the Head of Finance attend the meetings. CEO attend by invitation.
7.10.6(b)	i) Preparation, presentation, and adequacy of disclosures in the financial statements of the Company in accordance with Sri Lanka Accounting standards.	Complied	The Company is in compliance with Sri Lanka Accounting Standards (SLFRS&LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka. This fact is stated in Note No 1.5 on page 109 to the Audited Financial Statements under Statement of Compliance.

Rule No.	Applicable Requirement	Compliance Status	Comment
	ii.) Compliance with financial reporting requirements, information requirements of the Companies Act, and other relevant financial reporting-related regulations and requirements.	Complied	The Company is in compliance with the requirements of the Companies Act No. 7 of 2007. This fact is stated in Note 2.1 on page 109 to the Audited Financial Statements under Statement of Compliance.
	iii) Process to ensure that the Company's internal control and risk management are adequate to meet the requirements of the Sri Lanka Auditing standards.	Complied	The Auditor's certification on the Directors Responsibility Statement on Internal Controls over Financial Reporting included in the annual report has been obtained. The Company assesses the internal controls via Risk & Control Self Assessment (R&CSA) process.
	iv) Assessment of the independence and performance of the Company's external auditors	Complied	The Board Audit Committee (BAC) assesses the independence of External Auditors and their performance. The Board Audit Committee regulatory reviews the scope of the External Auditors and the effectiveness of the audit. Furthermore, the committee ensures that non-audit services provided by External Auditors do not affect their independence.
	v) Recommendations to the Board pertaining to the appointment, reappointment and to approve the remuneration and terms of engagement of the external auditor.	Complied	The Board Audit Committee makes recommendations to the Board for appointment of the External Auditor for audit and non-audit services, their service period, audit scope and audit fee.During financial year not such requirement arisen
7.10.6(c)	Names of Directors comprising the Audit Committee.	Complied	Published in the Annual Report on pages 86 to 87 under Audit Committee Report.
	Determination of the independence of the Auditors and the basis for such determination	Complied	
	Report of the Audit Committee setting out the manner of compliance by the Company	Complied	Please refer the report of the Audit Committee, published on pages 86 to 87 of the Annual Report.

Risk Management

Risk Management is an integral part of good management and governance as it allows for identifying, analysing, and responding to risk factors that may hinder the progress of the Company. By timely identification of such risks, the Companies can prepare to minimize or mitigate the impact of risks before it occurs thereby ensuring sustainable growth.

We, at Lanka Credit and Business Finance PLC consider risk management as a significant component that impacts all our transactions including the development of financial products, and services, dispensing credit and investment activities.

Risk Management

Risk management is the understanding and managing of the organisation's risk environment in all business activities through the introduction of mitigation measures to contain such identified risks to acceptable levels. In this process, we take into consideration the full spectrum of risks including, liquidity, market, credit, interest, exchange, compliance, and operational risks.

Risk Governance Framework

A robust governance framework acts as a guideline for the Company to identify risks and implement an effective risk management strategy to minimise and eliminate risks. Therefore, the Company's risk management framework has been established to ensure that risks are identified and managed with a consistent approach across all business operations and risk types and that all decisions are in line with the risk appetite of the Company.

The Board of Directors, the Board appointed Audit Committee and the Integrated Risk Management Committee exercise the overall control of the risk management process and are responsible for ensuring effective risk management of the Company.

Board Committees	
Board	The Board of Directors been responsible for the establishment and overseeing the risk management mechanisms and orderly implementation of the risk framework in the Company. Board approves the policies procedures, strategies covering all operations of the company. The Board appointed committees ensure compliance with the Directives of the Board across the company and report to the Board areas of noncompliance for necessary action if observed

Board Committees	
Board Integrated Risk Management Committee (BIRMC)	BIRMC is the Board subcommittee responsible for overseeing the risk management function of the company in line with the directions of the regulatory authoritys and those of the Board of Directors. The Committee interacts with the Chief Executive officer/ Executive Director to meet it terms of reference which is Risk management
Board Audit Committee	This committee looks into Operational Risk arising out of violation of Regulatory Directives and systems and procedures stipulated in Board approved operational Manuals and procedural in house circulars by any staff member across the company. The Board of Directors functions through the Head of Internal Audit who reports Direct to the Board Audit Committee the audit findings and implement related Directive of the committee as appropriate and follow up compliance and rectification of shortcomings observed
Board related party Transaction Monitoring Committee	This committee oversight the all related party transaction and give recommendation and approval for it
Board HR Remuneration Committee	HR and Remuneration committee give recommendation approval for the corporate management remuneration and review the HR policies regularly.

Management Committees	
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, Segment wise credit exposures. The investment committee functions under ALCO to evaluate and make recommendation to ALCO on matters relating to investments.
Credit Committee	The Committee is responsible for formulating credit policies and procedures relating to Credit Administration of the company subject to the approval of the Board of Directors. The committee also approve credit which exceeds the authority delegated to CEO/ executive Director for Credit Administration

Risk Categorisation and Risk Management Strategies

Credit Risk

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first instance, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs.

Risk Management

We concentrate on lending to credit worthy borrowers through effective evaluation of credit applications strengthening the collateral cover by adopting a prudent loan to value ratio and effective credit supervision.

Stressed macroeconomic conditions in 2022 have an impact on the credit risk of the company. Since importers continued to be stymied by the restriction of non-essential imports, while the ban on the import of chemical fertilisers had a direct impact on some of the agriculture sector customers. At the same time, construction sector, Transport sector and consumer sector customers appeared to be under stress due to the prolonged economic downturn attributed. For the mitigation of Credit risk arise due to the above stress situation the management has decided to reduce 50% monthly Credit disbursement and further limit to disburse to stress sectors while increasing interest rates.

Liquidity Risk

Liquidity risk is the risk that a Company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Risk Management

The Assets and Liabilities Management Committee monitors the liquidity position of the Company on a regular basis and recommends to the Management the necessary corrective measures. Also, the Company maintained the liquid assets above the required minimum requirement of the CBSL.

Market Risk

Market risk refers to the risk of losses in the Company's trading book due to changes in equity prices, interest rates, credit spreads, foreign exchange rates, commodity prices, and other indicators whose values are set in a public market.

Risk Management

The Assets and Liabilities Management Committee identify, measure, monitor, and control exposure to market risk considering its complexity, and risk profile.

Operational Risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems, or policies such as employee errors, system failures, fraud or criminal activity and any other event that disrupts business processes.

Risk Management

Operational risk management is carried out by the Assets and Liabilities Management Committee through a continual cyclic process which includes risk assessment, risk decision making, and implementation of risk controls, which result in adoption, acceptance, mitigation, or avoidance of risk.

Compliance Risk

Compliance risk is exposure to legal penalties, financial penalties, and material loss that a Company faces when it fails to act in accordance with regulatory directions, industry laws and regulations, internal policies and procedures or prescribed best practices.

Risk Management

Compliance Risk Mitigation is under the purview of the Head of Compliance who, considering the possibilities of the occurrence of compliance violations in the Company initiate processes to develop and implement across the Company, through Board-approved policies, procedures and guidelines to mitigate or prevent the exposure of the Company to such risks.

Legal Risk

Legal risk is the potential for losses due to regulatory or legal action. Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against the Company.

Risk Management

Head of Legal monitors the legal activities of the Company and advises the management on legal risk management, evaluating responses to such risks professionally, taking into consideration, among others, court determinations against the Company due to weak documentation, or occurrence of acts of misconduct of employees resulting in loss to customers and the Company etc.

Strategic Risk

Strategic risk is the risk which arises due to failed business decisions, or lack thereof. Strategic risk is often a major factor in determining a Company's worth, particularly observable if the Company experiences a sharp decline in a short period of time.

Technology Risk

Technology risk arises from the use of computer systems in the day-to-day conduct of the Company's operations, reconciliation of books of accounts, and storage and retrieval of information and reports. The risk can occur due to the choice of faulty or unsuitable technology and the adoption of untried or obsolete technology as well as virus attacks, hacking etc.

Mitigation

Head of IT identifies risks, evaluates, prioritises, and coordinates with Management to eliminate or control the probability or impact due to unforeseen circumstances such as system failures, natural calamities, virus attacks/ hacking etc using all available technical solutions or through manual intervention. He is responsible for maintaining the offsite back facility to meet any contingency.

The Board Audit Committee is a sub-committee of the Board of Directors chaired by an independent non-executive director and comprising exclusively of non-executive directors to assist the Board in fulfilling its oversight responsibility on financial reporting, internal controls, internal audit and external audit related affairs of the Company.

Committee Composition

The Audit Committee is comprised of three Non-Executive Directors of whom two are Independent Directors. The Committee is chaired by Independent Director Mr. Dushmantha Thotawatte, who is fellow member of the Institute of Chartered Accountants with considerable experience in the field of Auditing and Finance.

The following members served in the Board appointed Audit Committee during the twelve months period ended 31st March 2023.

Mr. D. Thoawatte (IND/NED)
Mr. S.W. Subasinghe (IND/NED)
Mr. G.K. Nanayakkara (NED)
(IND - Independent Director,
NED - Non-Executive Director)

Brief Profiles of the members are given under the Board of Directors in the Annual Report.

The Head of Internal Audit functions as the Secretary to the Audit Committee.

Meetings

The Audit Committee met 6 times during the year. The attendance of the members at Audit Committee Meetings was as follows:

Member	No. of Meetings
Mr. Dushmantha Thoawatte (Chairman to the Committee)	5/6
Mr. S.W. Subasinghe	4/6
Mr.G.K. Nanayakkara	6/6

The Chairman, Executive Director and other Directors and other senior management team members also attended these meetings by invitation as and when required. On the invitation of the Audit Committee, Company's External Auditor, M/s. E&Y attended 2 Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

Audit Committee Charter

The terms of reference of the Audit Committee are clearly defined in the Audit Committee charter which is reviewed and revised annually. The Charter was approved in September 2018 and will be reviewed annually. This process ensures that new developments and concerns are adequately addressed.

Role of The Audit Committee:

The functions of the Committee are geared to assist the Board of Directors in fulfilling effectively its oversight responsibility on financial reporting, internal controls, internal audit & external audit related affairs of the Company. The Committee has been empowered to:

- Examine internally any matter within the scope of the charter relating to the financial and other related affairs of the Company
- Make recommendations on matters connected with engagement, re-engagement, removal of external auditors, service period and audit fees. The Committee periodically reviews the independence, objectivity and effectiveness of the audit process in conformity with applicable standards and best practices.
- Monitor and follow-up the Internal Audit programme and External audit plan, review the External Auditors
- management letter and Internal Audit reports, and follow up on findings and recommendations.
- Review risk management measures and examine the adequacy, efficiency and effectiveness of the Internal Control System over financial reporting.
- Ensure that efficient and sound financial reporting system is in place to provide accurate, appropriate and timely information to the Board and other stakeholders.
- Review the quality and appropriateness of Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards.
- Review the compliance of financial reporting obligations under Finance Business Act No. 42 of 2011, Rules and Directions issued by the Central Bank of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act No. 15 of 1995 and the Continuous Listing Rules of CSE. Review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders.
  Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Performance of the Head of Internal Audit was evaluated by the committee.

Audit committee has discharged its duties during 2022/23 within the scope of the charter as stated below.

Financial Reporting

The Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, Finance Business Act no 42 of 2011, the Companies Act No.7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act no.15 of 1995, rules and regulations of CBSL Directions.

The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed the internal controls on financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws & regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments.

The Committee reviewed the progress of the implementation of SLFRS 9 in the preparation of financial statements for the financial year. The company obtained the service of leading accounting advisory services firms Ms/ EY in the implementation of SLFRS 9.

External Audit

The Audit Committee is empowered by the Board to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, Audit fee and any resignation or dismissal of the auditor. The committee is satisfied that there is no conflict of interests between the Company and the Auditor. The Committee is thus satisfied that there is no cause to compromise the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit process in accordance with applicable standards and best practices. The Audit

Committee ensured that the engagement of an audit partner shall not exceed five years and that the 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 as per section 8 (2) c) of Direction No.3 of 2008 issued under the Finance Business Act no 42 of 2011.

The annual Financial Statements 2022/23 was reviewed and recommended for the approval of the Board. The External Auditor's Engagement and Management Letters and Management's responses thereto were also reviewed. The Committee also met with the External Auditor at one meeting without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The letter of representation issued by the Board to the External Auditor and Independence confirmation letter issued by the External Auditor have been reviewed by the Audit Committee.

The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the external auditor's independence and objectivity. Policy on engagement of the external auditor to provide non-audit services had been reviewed and approved by the Committee.

The Audit Committee has recommended to the Board of Directors that Messrs. E&Y be appointed as External Auditor of the Company for the financial year 2018/19 on ward up to 5 years.

Internal Control

The Audit Committee, through the internal audit process, had reviewed the effectiveness of internal controls and procedures 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 statements present a true and fair view.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31st March 2023, as required by Finance Companies (Corporate Governance) Direction 03 of 2008 and 05 of 2021, based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Controls" issued by Institute of Chartered Accountants of Sri Lanka.

Internal Audit

The committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the Internal Audit Division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

Executive summary of audit carried out at branches by the Internal Audit Department has been reviewed by the Audit committee and issue instructions to strengthen the weak area of internal control of the branch.

Regulatory Compliance

The Audit Committee closely scrutinizes the compliance of mandatory statutory requirements and systems and procedures in place to ensure the compliance of such requirements.

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No.42 of 2011 and other reporting requirements under SEC, CSE and CBSL regulations.

Committee Evaluation

An annual evaluation of the Committee is carried out by the Board with contributions from individual Committee Members.

Dushmantha Thotawatte
Chairman

Audit Committe

Integrated Risk Management Committee Report

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

Composition of the committee

The Board Integrated Risk Management Committee (BIRMC) comprises three members who are Directors.

Members of the Board	Position
Mr. S.W. Subhasinghe - Chairman to the Committee	Independent Non-Executive Director
Mr. Aswin Nanayakkara	Non-Executive Director
Mr. K.G. Leelananda	Executive Director/CEO

Permanent members of the Management Level Risk committee are as follows.

Members of the Management	Position
Mr. R.M Gnanaratne	Head of Compliance
B. D. Mathararachchi	Manager Risk

Committee Functions

The Board of Directors of LCB Finance PLC is accountable to design the control environment and set up the Risk Appetite levels to mitigate and effectively manage risks associated with Finance Business. It has delegated the oversight of risk management to the BIRMC and Audit Committees. The BIRMC reviews significant risks and the related risk management and mitigation and reports back to Board any improvements needed, while Audit Committee focuses predominantly on the financial risks and reviews the effectiveness of the risk process as a third line of defense. Each and every department is responsible for identifying, assessing and managing the risks in their respective area. The combined assurance process optimizes assurance coverage and ensures that significant risks are adequately addressed, enabling an effective control environment and ensuring the integrity of information used for decision making and reporting.

Risks and opportunities are identified by the BIRMC throughout the year and assessed potential impact to the Company and mitigations action need to be taken.

Roles and responsibilities

The approved Terms of Reference for the BIRMC stipulates authority, structure, responsibilities and tasks of the BIRMC. Accordingly, the primary responsibilities of the BIRMC includes,

- Assessing all risks such as credit, market, liquidity, operational and strategic risks of the Company on a monthly basis through appropriate risk indicators and management information.
- Reviewing the adequacy and effectiveness of ALCO (Assets and Liability Committee) to address specific risks and manage those risks within quantitative and qualitative risk limits specified by the Committee
- Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies, regulatory and supervisory requirements.
- Taking appropriate action against the officers responsible for failure to identify specific risks and take prompt corrective measures as recommended by the Committee and/or as directed by the Central Bank Corporate Governance Directions.
- Meeting at least quarterly to assess all aspects of risk management including the updated Business Continuity Plan.
- Approving in principle, all policies relating to risk management and submit it for the approval of the Board
- Establishing protective risk management culture within the Company.
- Periodically reviewing the risk exposures of the Company to be in line with its risk and business strategies and objectives.

In addition to the above, the Committee may perform such other functions, which are necessary or appropriate for the discharge of its duty.

Meetings

The appointed Board Integrated Risk Management Committee met during the financial year to evaluate and address risks faced by the organization. During the year the Committee met three times on a quarterly basis. The attendance of members at meetings is stated as follows

Member	No. of Meeting
Mr. S.W. Subhasinghe	3/4
Mr. Aswin Nanayakkara	3/4
Mr. K.G. Leelananda	4/4
Mr. R.M Gnanarathna	4/4
B.D. Matararachchi	4/4

The discussions and conclusions reached at the meeting are recorded in minutes and circulated to the Board of Directors for information and advice. Critical issues are taken for discussion at the Board level.

Conclusion

The members of the Integrated Risk Management Committee Collectively evaluated the performance of the newly –set-up committee. The committee is on the view that Lanka Credit and Business Finance PLC is on the right path towards meeting the challenges of risk management and compliance, safeguarding the interest of the stakeholders and towards sustainable operations.

Mr. S.W. Subhasinghe
Chairman, Board Integrated Risk Management Committee

The Board HR & Remuneration Committee is a Board sub-committee chaired by an independent non-executive director and comprising of two Independent directors and one non-executive director to assist the Board in fulfilling its oversight responsibility on Human Resources and Remuneration matters are carried out in transparency.

Committee Composition

The RPTR Committee is comprised of two Independent Directors and one non-executive director. The Committee is chaired by Independent Director Mr. S.W. Subhasinghe.

The following members served in the Board appointed HR and Remunerations Committee during the twelve months period ended 31st March 2023.

Mr. S.W. Subasinghe (IND/NED), Mr. D. Thotawatte (IND/NED) Mr. K.G. Leelananda (ED-Executive Director)
(IND - Independent Director, NED - Non-Executive Director)

Brief Profiles of the members are given under the Board of Directors in the Annual Report.

Meetings

The HR & Remunerations Committee met one time during the year since need not arise to meet thereafter during the year. Attendance of the members at HR & Remuneration Committee Meetings was as follows:

Member	No. of Meetings
Mr. S.W. Subhasinghe (Chairman to the Committee)	1/1
Mr. Dushmantha Thoawatte	1/1
Mr. K.G. Leelananda	Ab

Board HR & Remunerations Committee Charter

The terms of reference of the Board HR & Remuneration Committee are clearly defined in the HR & Remuneration Committee charter which is reviewed and revised annually. The Charter was approved in July 2022.This process ensures that new developments and concerns are adequately addressed.

Role of The Board HR & Remuneration Committee:

The functions of the Committee are geared to assist the Board of Directors in fulfilling its oversight responsibility on Human Resources and Remuneration matters are carried out in transparency in accordance to the relevant directives.

The Committee has been empowered to:

- The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.
- The secretary to the human resource and remuneration committee may preferably be the company secretary.
- The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the company and fees and allowances structure for non-executive directors.
- There shall be a formal and transparent procedure in developing the remuneration policy.
- 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 company. The policy shall be subject to periodic review of the Board, including when material changes are made.
- The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.
- 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.
- The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.
- Any other activity deemed necessary for effective functioning of the committee with the approval of the Board of Directors

Regulatory Compliance

The Board HR & Remuneration Committee closely scrutinizes the compliancev of mandatory statutory requirements and systems and procedures in place to ensure the compliance of such requirements.

Committee Evaluation

An annual evaluation of the Committee is to be carried out by the Board with contributions from individual Committee Members.

S.W. Subhasinghe
Chairman

Board Human Resources & Remuneration Committee

Related Party Transactions Review Committee Report (RPTR)

The Board Related Party Transactions Review Committee is a Board sub-committee chaired by an independent non-executive director and comprising of two Independent directors and one non-executive director to assist the Board in fulfilling its oversight responsibility on transactions with related parties are being conducted at arm's length basis and in complying with relevant directives and rules.

Committee Composition
The RPTR Committee is comprised of two Independent Directors and one non-executive director. The Committee is chaired by Independent Director Mr. S.W. Subhasinghe.

The following members served in the Board appointed Audit Committee during the twelve months period ended 31st March 2023.

Mr. S.W.Subasinghe (IND/NED),
Mr. D. Thotawatte (IND/NED)
Mr. U.K.H.R.Ranasinghe (NED)
(IND - Independent Director,
NED - Non-Executive Director)

Brief Profiles of the members are given under the Board of Directors in the Annual Report.

Meetings
The RPTR Committee met one time during the year since need not arise to meet thereafter during the year. Attendance of the members at RPTR Committee Meetings was as follows:

Member	No. of Meetings
Mr. S.W.Subhasinghe (Chairman to the Committee)	1/1
Mr. Dushmantha Thoawatte	1/1
Mr.U.K.H.R. Ranasinghe	Ab

RPTR Committee Charter
The terms of reference of the RPTRC are clearly defined in the RPTRC charter which is reviewed and revised annually. The Charter was approved in November 2022. This process ensures that new developments and concerns are adequately addressed.

Role of The RPTR Committee:
The functions of the Committee are geared to assist the Board of Directors in fulfilling its oversight responsibility on transactions with related parties are being conducted at arm's length basis and in complying with relevant directives and rules.
The Committee has been empowered to:

- Review whether the Company abide by the prohibition applicable to granting accommodation, creating liabilities providing services to related parties as defined in the direction.
- Control granting favorably treatment to related parties.
- Introduce prudent limits to control activities with related parties in relation to company's regulatory capital with the approval of the Board of Directors.
- Obtained from the Directors and Key management Personnel (KMP) declarations on their transactions with related parties as defined by CBSL.
- Ensure that no Director or KMP of the Company engage in any board meeting or any committee discussion or participate in the approval of any related party transactions in which he/she is a related party and he/she should provide all material information concerning the transactions subject to such discussion
- Ensure that the Company comply with any future direction of the central Bank of Sri Lanka applicable to Related Party Transaction.
- The Committee shall maintain Minutes of their deliberation having appointed a secretary from its member and maintain an up to date master list of all related party Transactions.
- The Secretary should forward a copy of the minutes of meetings to the CEO /Executive Director for his information.
- The Committee shall meet at least once in six months or if a need arises to convey a meeting as appropriate.
- Any other aspect deemed necessary..

Regulatory Compliance

The Audit Committee closely scrutinizes the compliance of mandatory statutory requirements and systems and procedures in place to ensure the compliance of such requirements.

Committee Evaluation

An annual evaluation of the Committee is to be carried out by the Board with contributions from individual Committee Members.

S.W. Subhasinghe
Chairman

Related Party Transactions Review Committee

Your aspirations, our inspiration

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

The Directors of Lanka Credit and Business Finance PLC (formerly City Finance Corporation Limited) have pleasure in presenting to the shareholders their Annual Report together with the Audited Financial Statements for the year ended 31st March 2023. The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards.

General

Lanka Credit and Business Finance PLC (formally known as City Finance Corporation Limited) (the "Company) was restructured as a result of an investment made by Lanka Credit and Business Limited under the guidance of the Central Bank of Sri Lanka in May 2018. The Company is a domiciled, public limited liability company incorporated in Sri Lanka and it was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto.

The registered office and the principle place of business of the Company is located at No.76, S De S Jayasinghe Mawatha, Kohuwala, Nugegoda.

Principle Activities

The Company provides a comprehensive range of financial services encompassing accepting deposits and providing credit facilities such as finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loans, revolving loans business/personal loans and other credit facilities.

Financial Statement

The financial statements of the Company are prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the directions issued under the said Finance Business Act.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 19th June 2023

The Financial Statements for the year ended 31 March 2023 was completed and was duly signed by the AGM- Finance & Strategic Planning, Director/ Chief Executive Officer and Chairman of the Company.

Going Concern

The Board of Directors had reviewed the Company's Business Plans and is satisfied that the Company had adequate resources to continue its business operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern concept.

Auditors' Report

The Auditors of the Company are Messrs. Ernst & Young, Chartered Accountants. Messrs. Ernst & Young carried out the audit on the Financial Statements of the Company for the year ended 31st March 2023. The Auditors express a clean opinion of the financial position of the Company as at 31st March 2023 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Changes in Accounting Policies

The significant accounting policies adopted and changes in accounting policies in the preparation of the Financial Statements are given on pages are as set out in the financial statements.

Financial Results & Appropriations

Interest Income

Total interest income of the Company for the year ended 31 March 2023 was Rs. 1,031.98 Mn (Rs.504.11 Mn in 2022). Components of interest income are given in Note 8 to the Financial Statements.

Profit and Appropriations

The Company has recorded Rs. 212.5 Mn in profit before tax and Rs. 162.77 Mn in profit after tax in 2023 (Profit for the year was Rs. 97.58 Mn in 2022). The Company's Total Comprehensive Income (net of tax) for the year is Rs. 162.71 Mn (Total Comprehensive income was Rs. 97.59 Mn in 2022).

Taxation

The Income Tax rate applicable to the Company's operations is 24% until 30th September 2022 after that 30% (2022:24%). The Company is also liable for VAT on financial services at 18%, and Crop insurance levy at 1% on PAT.

The Company has also provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 (Income Taxes).

Dividends

The Board of Directors of the company has not recommended dividends for the year ended 31st March 2023.

Reserves

	2023 Rs. '000	2022 Rs. '000
Statutory Reserve Fund	54,088	45,949
Retained Earnings	202,969	95,807

Donations
The total amount of donations made during the year under review is Rs. 684,360.90

Stated Capital
The Stated Capital of the Company as at 31st March 2023 was Rs. 2,539,133,400 represented by 790,168,780 Voting Shares.

Auditors

The Auditors of the Company during the year were Messrs Ernst & Young, Chartered Accountants.

Audit fees paid to Ernst & Young for the year ended 31st March 2023 by the Company amounted to Rs. 1,987,200 (2022: Rs. 1,581,000).

The Auditors have expressed their willingness to continue in office. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Directors
The names of the Directors who held office as at the end of the accounting period are given below:

Prof. W. M. A. Bandara (resigned w.e.f. 26.07.2023)
Mr. S. W. Subasinghe (resigned w.e.f. 13.03.2023)
Mr. D. Thotawatte
Mr. A. W. Nanayakkara
Mr. M.P.A. Gamage
Mr. G.K. Nanayakkara
Mr. U. K. H. R. Ranasinghe
Mr. K. G. Leelananda
Mr. R. L. Masakorala
Mr. V. Lokunarangoda
Mr. K.I. Weerasinghe
Mr. M. Katulanda

Executive Director
Mr. K. G. Leelananda

Non-Executive Directors
Mr. A. G. M. Priyantha
Mr. R. L. Masakorala
Mr. U. K. H. R. Ranasinghe
Mr. K. I. Weerasinghe
Mr. G. K. Nanayakara
Mr. V. Lokunarangoda
Mr. A. W. Nanayakkara

Independent Non-Executive Directors
Prof. W. M. A. Bandara
Mr. S. W. Subasinghe
Mr. D. Thotawatte
Mr. M. Katulanda

Interest Register
The Company maintains an interests register in terms of the Companies Act, which is deemed to form part and parcel of this annual report and available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31st March 2023 as recorded in the interests register are given in this report under Directors' shareholding.

Directors' Interest in Shares

Name of the Director	No. of Directorates/equivalent positions held in companies/ societies/ bodies corporate
1. Prof. W. M. A. Bandara	United Engineering Services (Private) Limited (Chairman)
2. Mr. K. G. Leelananda	Lanka Credit and Business Limited
3. Mr. S. W. Subasinghe	NIL
4. Mr. K. I. Weerasinghe	Lanka Credit and Business Limited Transline GMBH- Transport and Packaging–(Managing Director) RKW Courier Service –(Chairman)
5. Mr. R. L. Masakorala	Hotel Kabalana Pvt Ltd-(Managing Director) Udumulla Tea Factory Pvt Ltd-(Managing Director) Lanka Credit and Business Limited-(Director) The Villa Hotel-(Proprietor) Vista Tours -(Proprietor) Uneth Car Sale –(Proprietor) Niriella Motors Private Limited-(Director) Binelco Marketing Private Limited (Director)
6. Mr. U. K. H. R. Ranasinghe	L & H Capital Partners (Pvt) Ltd Singhe Capital Investment Limited, Lanka Credit and Business Limited
7. Mr. A. G. M. Priyantha	Maweli Trasers Pvt Ltd -(Director) Yakkalamulla Tea Factory Pvt Ltd-(Director) Udumulla Tea Factory Pvt Ltd -(Director) Royana Holding Pvt Ltd -(Director) Lanka Credit and Business Limited-(Director) Singhe Capital Investment Limited-(Director) Niriella Motors Private Limited-(Director) Binelco Marketing Private Limited (-Director) Nation Lanka Finance PLC

Name of the Director	No. of Directorates/equivalent positions held in companies/ societies/ bodies corporate
8. Mr. G. K. Nanayakkara	Etambagahawila Tea Factory –(Director) Mahesland Tea Factory –(Director) Wijaya Tea Factory-(Director) Naindawa Tea Factory-(Director)
9. Mr. V. Lokunarangoda	Thurusaviya Fund under Ministry of Finance –(Chairperson) Agriculture Sector Modernization Project under Ministry of Plantations –(Director) Galle Highway Express-(Managing Director) Narangoda group of companies-(Managing Director)
10. Mr. D. Thotawatte	NIL
11. Mr. A. W. Nanayakkara	NEM Construction Pvt Ltd-(Director)

Related Parties' Transactions with the Company

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the interests register in due compliance with the provisions of the Companies Act, LKAS 24.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 46 to the financial statements.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Appointments during the financial year

NIL

Resignations during the financial year

Mr. S. W. Subasinghe – Resigned w.e.f. 13.03.2023
Resignations after the financial year
Prof. W. M. A. Bandara – Resigned w.e.f. 26.07.2023

Board sub committees

The Board of Directors of the Company has formed five committees in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and Direction No.05 of 2021 as per the recommended best practices on Corporate Governance. The following Directors served as members of the Audit Committee, Integrated Risk Management Committee, HR & Remuneration Committee , Credit Committee, Board Related Party Transactions Review Committee and Board Nomination Committee.

The Board Audit Committee for the FY 2022/23

Mr. D. Thotawatte	Chairman
Mr. S. W. Subasinghe	Member
Mr. G. K. Nanayakkara	Member

The Board HR Remuneration Committee FY 2022/23

Mr. S. W. Subasinghe	Chairman
Mr. D. Thotawatte	Member
Mr. K. G. Leelananda	Member

The Board Credit Committee FY 2022/23

Mr. V. Lokunarangoda	Chairman
Mr. R. L. Masakorala	Member
Mr. U. K. H. R. Ranasinghe	Member

Integrated Risk Management Committee FY 2022/23

Mr. S. W. Subasinghe	Chairman
Mr. K. G. Leelananda	Member
Mr. A. W. Nanayakkara	Member

Board related party Transaction Monitoring Committee FY 2022/23

Mr. D. Thotawatte	Chairman
Mr. S. W. Subasinghe	Member
Mr. U. K. H. R. Ranasinghe	Member

Board Nomination Committee as at 31st March 2023

Prof. Mr.W.M.Abeyrathna Bandara Chairman
Mr. U.K.H.R. Ranasinghe Member
Mr.A.G. Maheen Priyantha Member
K.G.Leelananda Member

The Remuneration and Other Benefits of the Directors

Director's fees and other emoluments were

Executive Director	Rs. 11,190,000/=
Non - Executive Directors	Rs. 10,130,000/=

Annual General Meeting

The Virtual Annual General Meeting will be held on 25th August 2023 at 2.30 p.m. at No. 76, S. De S. Jayasinghe Mawatha, Kohuwela via Online platform.

Prof. W. M. A. Bandara
Chairman

Mr. K. G. Leelananda
CEO/Executive Director

P.R. Secretarial Services (Pvt) Ltd
Company Secretaries

26th July 2023
Colombo

Independent Assurance Report

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

Building a better working world

PNS/JN/SDV

TO THE BOARD OF DIRECTORS OF LANKA CREDIT AND BUSINESS FINANCE PLC

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

We were engaged by the Board of Directors of Lanka Credit and Business Finance PLC (the "Company") to provide assurance on the Director's Statement on Internal Control Over Financial Reporting included in the Director's Statement on Internal Control (the "Statement") included in the annual report for the year ended 31 March 2023.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

Ernst & Young

19 June 2023
Colombo

Director's Statement on Internal Control Over Financial Reporting

REPORTING RESPONSIBILITY

The Board of Directors ("the Board") of Lanka Credit and Business Finance PLC (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of Internal Control in place at Lanka Credit and Business Finance PLC. ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting which is regularly reviewed and enhanced by the Board taking into account the changes in business environment and regulatory guidelines.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to risks and controls over Financial Reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting.

The key mechanisms that have been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions approved by the Board.
- Key functional areas of the company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such policies/ charters before seeking the approval of the board. Such policies/charters are regularly reviewed, updated and approved by the board.
- The company's Internal Audit Department checks compliance with policies and procedures and the effectiveness of the internal control systems/ information system controls on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non- compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Committee. The type and frequency of audits of business units/processes are determined by the level of risk assessed, in order to provide an independent and objective report. All significant findings identified by the Internal Audit Department are submitted to the Board Audit Committee.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and the Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the "Board Audit Committee Report".
- In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design, implementation and effectiveness, on an on-going basis.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration for requirements of SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls around the management information systems and reports required for model validation and compliance in line with SLFRS 9.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the system of Internal Control of the Company.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

Dushmantha Thotawatte
Chairman – Board Audit Committee

K.G. Leelananda
CEO/Executive Director

19 June 2023

Independent Auditor's Report

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

PNS/JN/SDV/TW

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LANKA CREDIT AND BUSINESS FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of Lanka Credit and Business Finance PLC (the "Company"), which comprise the statement of financial position as at 31 March 2023, Income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2023, 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 (SLAuS). 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 issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter

Allowance for impairment losses on financial assets at amortised cost - Loans and receivables and Lease rentals receivables and hire purchases carried at amortized cost
 	
As at 31 March 2023, allowance for impairment losses on financial assets at amortised cost - Loans and receivables and Lease rental receivables and hire purchases carried at amortized cost net of allowance for impairment losses amounted to LKR 4,180 Mn and is disclosed in notes 21 & 22 to the financial statements.
 	
This was a key audit matter due to the materiality of the reported allowance for impairment losses which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets at amortised cost - Loans and receivables and Lease rentals receivables and hire purchases.
 	
Key areas of significant judgments, estimates and assumptions used by management in the assessment of the allowance for impairment losses included the following;
 	
- Management overlays to incorporate the current economic contraction.
- The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.
	In addressing the adequacy of the allowance for impairment losses on financial assets at amortised cost - Loans and receivables and Lease rentals receivables and hire purchases carried at amortized cost, our audit procedures included the following key procedures.
	- We assessed the alignment of the Company's allowance for impairment losses computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report.
	- We evaluated the Internal controls over estimation of allowance for impairment losses, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management
	- We checked the completeness, accuracy and classification of the underlying data used in the computation of allowance for impairment losses by agreeing details to relevant source documents and accounting records of the Company
	- In addition to the above, following procedures were performed.
	- **For financial assets at amortised cost - Loan and receivables and Lease rentals receivables and hire purchases assessed on an individual basis for impairment:**
	  » We evaluated the reasonableness of credit quality assessment.
	  » We checked the arithmetical accuracy of the underlying individual impairment calculations.
	  » We evaluated the reasonableness of key inputs used in allowance for impairment losses made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows.
	
	- **For financial assets at amortised cost - Loan and receivables and Lease rentals receivables and hire Purchases assessed on a collective basis for impairment:**
	  » We tested key inputs as disclosed in notes 21 and 22 and the calculations used in the allowance for impairment losses.
	  » We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each of those scenarios.
	
	We assessed the adequacy of the related financial statement disclosures set out in notes 21 & 22 of the financial statements.

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and internal controls over financial reporting Company's financial reporting process is significantly reliant on IT system with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following: • We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. • We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. • We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. • We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other Information included in the 2023 Annual Report

Management is responsible for the other information. The other information comprises the Company's 2023 annual report, but does not include the financial statements and our auditor's report thereon. The Company's 2023 annual report is expected to be made available after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance in the financial statement

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 audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics 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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young

19 June 2023
Colombo

Income Statement

Year ended 31 March 2023	Note	31.03.2023 Rs.	31.03.2022 Rs.
Income	7	1,104,019,440	541,564,212
Interest Income	8	1,031,981,246	504,110,594
Less: Interest Expenses	9	(427,366,144)	(104,982,427)
Net Interest Income		604,615,102	399,128,168
Fee and Commission Income	10	39,592,621	45,836,522
Less: Fee and Commission Expenses		-	-
Net Fee and Commission Income		39,592,621	45,836,522
Net Other Operating Income/(Expense)	11	32,445,572	(8,382,904)
Total Operating Profit		676,653,295	436,581,786
Impairment(Charge)/Reversal	12	(90,994,761)	61,695,234
Net Operating Income		585,658,534	498,277,020
Less : Operating Expenses			
Personnel Costs	13	(145,811,074)	(106,401,014)
Depreciation and Amortization	14	(61,957,077)	(44,834,695)
Other Operating expenses	15	(117,459,076)	(67,109,515)
		(325,227,227)	(218,345,223)
Operating Profit before Tax on Financial Services		260,431,307	279,931,796
Taxes on Financial Services	16	(47,877,516)	(41,413,734)
Profit before tax		212,553,791	238,518,062
Less: Income tax (expense)/Reversal	17	(49,783,037)	(140,936,083)
Profit for the Year		162,770,755	97,581,979
Basic earnings per share (Rs.)	18	0.21	0.12

The accounting policies and notes on pages 109 to 178 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2023	Note	31.03.2023 Rs.	31.03.2022 Rs.
Profit for the year		162,770,755	97,581,979
Other comprehensive income/ (expenses)			
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	36.2	(84,936)	13,941
Deferred tax effect on actuarial gain/(loss)	31.0	25,481	(1,952)
		(59,455)	11,989
Other comprehensive income for the year, net of tax		(59,455)	11,989
Total comprehensive income for the year, net of tax		162,711,300	97,593,968
Attributable to :			
Equity holders of the parent company		162,711,300	97,593,968
		162,711,300	97,593,968

The accounting policies and notes on pages 109 to 178 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2023	Note	31.03.2023 Rs.	31.03.2022 Rs.
Assets			
Cash and Cash Equivalent	19	179,594,556	229,434,047
Financial Investment at amortised Cost	20	809,683,821	746,819,780
Financial assets at amortised Cost - Loans and Receivables	21	3,738,803,049	2,634,321,859
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	22	441,429,394	392,635,779
Other Financial Assets	23	31,361,557	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	24	219,753,524	19,508,717
Financial Investment at Fair value through Other Comprehensive Income	25	315,813	315,813
Other Non Financial Assets	26	56,320,987	55,345,017
Investment Property	27	180,000,000	-
Property, Plant and Equipment	28	97,223,763	84,108,889
Right of Use Assets	29	69,643,533	73,443,343
Intangible Assets	30	34,907,586	39,121,865
Deferred Tax Asset	31	18,462,799	64,691,455
Total Assets		5,877,500,382	4,356,666,078
Liabilities			
Financial Liabilities at amortised Cost - Due to Banks	32	566,941,929	586,370,993
Financial Liabilities at amortised Cost - Due to customers	33	2,380,339,395	962,635,583
Other Financial Liabilities	34	85,609,323	81,104,538
Other Non Financial Liabilities	35	42,055,952	40,778,035
Retirement Benefits Liabilities	36	6,363,350	4,887,670
Total Liabilities		3,081,309,949	1,675,776,819
Equity			
Stated Capital	37	2,539,133,400	2,539,133,400
Reserves	38	54,087,738	45,949,200
Retained Earnings	39	202,969,295	95,806,659
Total Equity		2,796,190,433	2,680,889,259
Total Equity and Liabilities		5,877,500,382	4,356,666,078
Net asset Value per share	37.3	3.54	3.39

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

keerthi

Kelum Wannige
AGM - Finance & Strategic Planning

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

K.G. Leelananda
Director/CEO

Emeritus Professor W.M. Abeyrathne Bandara
Chairman

The accounting policies and notes on pages 109 to 178 form an integral part of the Financial Statements.

19th June 2023
Colombo

Statement of Changes of Equity

Year ended 31 March 2023	Stated Capital Rs. (Note 37)	Retained Earnings Rs. (Note 39)	Statutory Reserve Rs. (Note 38)	Total Equity Rs.
Balance as at 01 April 2021	2,039,133,400	26,734,853	41,070,102	2,106,938,355
Net Profit / (Loss) for the Year	-	97,581,979	-	97,581,979
Other Comprehensive Income Net of Tax	-	11,989	-	11,989
Transfer to Statutory Reserve Fund	-	(4,879,099)	4,879,099	-
Total Comprehensive Income for the Year, Net of Tax	-	92,714,869	4,879,099	97,593,967
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	500,000,000	-	-	500,000,000
Shares issue Cost	-	(23,643,063)	-	(23,643,063)
Total Transactions with Equity Holders	500,000,000	(23,643,063)	-	476,356,937
Balance as at 31 March 2022	2,539,133,400	95,806,659	45,949,200	2,680,889,259
Balance as at 01 April 2022	2,539,133,400	95,806,659	45,949,200	2,680,889,259
Net Profit / Loss) for the Year	-	162,770,755	-	162,770,755
Other Comprehensive Income Net of Tax	-	(59,455)	-	(59,455)
Transfer to Statutory Reserve Fund	-	(8,138,538)	8,138,538	-
Total Comprehensive Income for the Year, Net of Tax	-	154,572,762	8,138,538	162,711,300
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Dividend Paid	-	(47,410,127)	-	(47,410,127)
Total Transactions with Equity Holders	-	(47,410,127)	-	(47,410,127)
Balance as at 31 March 2023	2,539,133,400	202,969,295	54,087,738	2,796,190,433

The accounting policies and notes on pages 109 to 178 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March 2023	Note	31.03.2023 Rs.	31.03.2022 Rs.
Cash Flows Used in Operating Activities			
Profit before tax from continuing operations		212,553,791	238,518,062
Adjustments for			
Depreciation and Amortization	14	41,591,568	44,834,695
Provision/(Reversal) for Defined Benefit Plans	36.1	1,871,057	1,186,501
Gain/(Losses) from Change in fair value of Investment Properties	27	(20,457,020)	-
Fair Value (gain) / loss from Share Investments & Unit Trust	11	(7,189,330)	10,813,684
Dividend Received	11	(899,287)	(561,832)
Gain/(Loss) on Termination/Modification of ROU Assets	11	(2,648,282)	-
Impairment Reversal/(Charges) for Loans & receivable and Lease rentals receivables & Hire Purchases		85,073,977	(61,771,515)
Impairment Reversal/(Charges) for Financial Investments		554,874	76,281
Operating Profit before Working Capital Changes		310,451,349	233,095,876
Working Capital Adjustments			
(Increase) / Decrease Lease Rentals Receivables and Hire Purchases		(64,566,778)	(80,457,144)
(Increase) / Decrease Loans and Receivables		(1,312,267,120)	(578,879,103)
(Increase) / Decrease Other Financial Assets		(14,442,043)	(9,155,836)
(Increase) / Decrease Other Non Financial Assets		(975,969)	(17,482,541)
Increase / (Decrease) in Other Liabilities		6,923,343	(89,751,464)
Increase / (Decrease) in Due to Customers		1,417,703,812	131,051,653
Cash Flow from/(used in) Operating Activities		342,826,594	(411,578,560)
Gratuity Paid	36	(480,313)	(595,050)
Income Tax Paid		(3,528,900)	-
Net Cash from Operating Activities		338,817,381	(412,173,610)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	28.1	(49,208,365)	(69,630,765)
Acquisition of Intangible Assets	30	(1,283,800)	(2,600,000)
Net Investment Acquisition		(63,379,714)	(2,279,890)
Net Investments in Shares & Unit Trust		(193,055,478)	-
Dividend Received		899,287	561,832
Net Cash Flows from/(Used in) Investing Activities		(306,028,069)	(73,948,823)
Cash Flows from (used in) Financing Activities			
Proceeds from Issuance of Share Capital	37	-	500,000,000
Dividend Paid		(46,074,752)	-
Share Issue Cost		-	(23,643,063)
Net Proceeds from Interest Bearing Loans & Borrowings	32.2	8,326,228	51,048,930
Payment of Capital portion of Lease Liabilities	29.2	(14,480,696)	(12,127,180)
Net Cash used in Financing Activities		(52,229,219)	515,278,687
Net Increase in Cash and Cash Equivalents		(19,439,908)	29,156,255
Cash and Cash Equivalents at the beginning of the year		199,080,144	169,923,889
Cash and Cash Equivalents at the end of the year		179,640,236	199,080,144

The accounting policies and notes on pages 109 to 178 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Lanka Credit and Business Finance PLC (formally known as City Finance Corporation Limited) (the "Company) was restructured as a result of an investment made by Lanka Credit and Business Limited under the guidance of the Central Bank of Sri Lanka in May 2018. The Company is a domiciled, public listed company incorporated in Sri Lanka and it was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto.

The registered office and the principle place of business of the Company is located at No.76, S De S Jayasinghe Mawatha, Kohuwala, Nugegoda.

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits and providing credit facilities such as finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loans, revolving loans business/personal loans and other credit facilities.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent and the controlling party is the Lanka Credit and Business Limited, which is incorporated in Sri Lanka.

1.4 Approval of Financial Statements by Directors

The Financial Statements of the Lanka Credit and Business Finance PLC for the year ended 31 March 2023 was authorized for issue in accordance with a Resolution of the Board of Directors on 19 June 2023.

1.5 Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRSs (hereafter "SLFRS").

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Accounting policies and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007 and Finance Business Act No.42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, and applied consistently, with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following.

- Financial Assets at fair value through profit or loss at fair value (Note 24)
- Financial Assets at fair value through other comprehensive income (applicable from 1stApril 2018) at fair value (Note 25)
- Investment properties, which is measured at cost at the time of acquisition subsequently, measured at fair value, which reflects market conditions at the reporting date (Note 27)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation based on actuarial valuation (Note 36)

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is also the Company's functional and presentation currency.

2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non - current) is presented in Note 43.

2.5 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard -LKAS 01(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.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an Accounting Standard or interpretations and as specifically disclosed in the accounting policies.

2.6 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's presentation as set out in the Financial Statements.

2.7 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, Cash and cash equivalents include cash in hand, balances with banks net of unfavorable bank balances and securities purchased under repurchase agreement (less than three months).

2.8 Events after the Reporting Date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, which is disclosed in Note 45 to the Financial Statements.

2.9 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 - "Presentation of Financial Statements".

2.10 Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and unemployment). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. However, in light of the ongoing economic crisis, the Company has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments and 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 next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows.

3.1 Impairment losses on loans and receivables

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates driven by a number of factors, changes which can result in different levels of allowances.

Accordingly, the Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics.

As per SLFRS 09, the Company's expected credit loss (ECL) calculations are output of complex models with
a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their fair values and their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward – looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

3.2 Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instrument is described in Note 40 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 40 to the Financial Statements.

3.3 Taxation

The Company is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The Company has adopted the requirements of the New Inland Revenue Act and deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

3.4 Defined Benefit Plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate for the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 36 to the Financial Statements.

3.5 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortization of property, plant, equipment and intangible assets at each reporting date. The judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.6 Provisions, Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 44 to the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

4.1 Financial Instruments- Initial Recognition, Classification and Subsequent Measurement

4.1.1 Date of Recognition

All financial assets and liabilities are initially recognized on the trade date. i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trade means purchases or sales of financial assets within the time frame generally established by regulation or convention in the market place.

4.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

4.1.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the Income Statement when the inputs become observable, or when the instrument is derecognized.

4.1.4 Measurement categories of Financial Assets and Financial Liabilities

On initial recognition, a financial asset is classified as measured at,

- Amortized cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

a) Financial Assets at Amortized cost:

The Company only measures loans, receivables, and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial Assets consist of cash and bank balances, securities purchased under repurchase agreements, placement with banks, lease rentals receivable & stock out on hire, loan receivables, and other financial assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b) Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Previous years, the Company has recorded its non- quoted equity investments as FVPL. However current year onwards it has recorded as FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

c) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and Reverse Repo.

4.1.5 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

a) Financial liabilities held for trading

b) Financial liabilities designated at fair value through profit or loss

(ii) Financial liabilities at amortized cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement.

ii. Financial Liabilities at Amortized Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' 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 assets for a fixed number of own equity shares at amortized cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortization is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are de recognized as well as through the EIR amortization process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and debentures.

4.1.6 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2018.

4.1.7 De recognition of Financial Assets and Financial Liabilities

a) De recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de recognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.

- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de recognition if either:

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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

After recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de recognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b) De recognition - Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

-In the principal market for the asset or liability, or
-In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 39 to the Financial Statements.

4.1.8 Impairment of Financial Assets

4.1.8.1 Expected Credit Loss Principles

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

The Company recognizes expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 40.4.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognized, the Company recognizes allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered (partial) de recognition of the financial asset.

b. The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash 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 calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de recognized and is still in the portfolio.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method is summarized below

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

c. Loan Commitments:

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

d. Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability – weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within provisions.

e. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognized in OCI is recycled to the profit or loss upon de recognition of the assets.

f. Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behavior, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

g. Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

4.1.8.2 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognized in the income statement.

4.1.8.3 Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan reinitiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. De recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not de recognized, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 42.4.1. The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is de recognized as explained in Note 4.1.7(a).

4.1.8.4 Write-off of Financial Assets at Amortized Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

4.1.8.5 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral.

Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

4.1.8.6 Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

4.1.8.7 Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial

Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

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

4.2 Leases

The Company applied Sri Lanka Accounting Standard -SLFRS 16 (Leases) with effect from 1 April 2019.

At the commencement date of a lease, the Company recognise a liability to make future lease payments (i.e., the lease liabilities) and an asset representing the right to use of the underlying asset during the lease term (i.e., the right-of-use asset), the interest expense on the lease liabilities and the depreciation expense on the right-of-use asset are recognized separately in line with the requirements of SLFRS 16-Leases.

Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Company will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

For the contracts entered on or after the effective date of transition, the Company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used. After the assessment of whether a contract is, or contains, a lease, the Company determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(a) Separating components of a contract

The Company determines, the right to use an underlying asset is a separate lease component if both of the following criteria are met.

- The lessee can benefit from use of the asset either on its own or together with other resources that are available to the lessee.
- The underlying asset is neither dependent on, nor highly interrelated with, the other underlying assets in the contract.

For contracts in which the Company becomes the lessee, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. On the other hand, when the Company is the lessor, the guidance given in Sri Lanka Accounting Standard – SLFRS 15 on "Revenue from Contracts with Customers" (SLFRS 15) is applied to allocate transaction price to separate components.

(c) Determination of lease term

All lease liabilities are to be measured with reference to the estimate of lease term. Accordingly, the Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In this assessment, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, only upon the occurrence of a significant event or significant change in circumstances that are within the control of the Company as a lessee. In addition, as per SLFRS 16, the Company revises lease term only if there is a change in the non-cancellable period of lease.

d) Amortization of Right to Use Asset

Company amortized it's Right to Use Assets over the lease period of the respective asset

4.3 Property, Plant &Equipment

4.3.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

4.3.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. 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 the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

4.3.3 Cost Model

An item of property, plant & equipment that qualifies or recognition as an asset is initially measured at its costs. Costs include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it.

The cost of self- constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs.

When parts of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant& equipment.

The Company applies the cost model to property, plant & equipment and records at cost of purchase or construction together with any incidental expense thereon less accumulated depreciation and any accumulated impairment losses.

Changes in the expected useful life are accounted by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

4.3.4 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day to day servicing o property, plant and equipment are charged to the Statement of Comprehensive Income.

4.3.5 Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

4.3.6 Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized in the profit or loss in the period in which they occur.

4.3.7 De-recognition

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is de recognized.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

4.3.8 Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant &equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The rates of depreciations based on the estimated useful lives are as follows:

Category of Asset	Rate of Depreciation (per annum)
Office Equipment	25%
Computer Equipment	20%
Office furniture & Fittings	20%
Motor vehicles	25%
Name Board	50%
Machinery	25%
Computer Software	25%
Computer Software- E-finance system	10%

4.3.9 Change in Estimates

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

4.4 Intangible Assets

The Company's intangible assets include the value of computer software.

4.4.1 Basis of Recognition

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses if any.

4.4.2 Subsequent Expenditure

Subsequent expenditure on Intangible Asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

4.4.3 Useful Economic life, Amortization and Impairment

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

4.4.4 Amortization

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

The Class of Intangible Assets	Useful Life	Amortization Method
Computer software	4 Years	Straight line method
Computer software (new e-finance system)	10 Years	Straight line method

The residual value of the intangible asset is zero.

The unamortized balances of Intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

4.4.5 De recognition

Intangible assets are de recognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de recognition of the asset, Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the year the asset is de recognized.

4.5 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement.

4.6 Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both, Investment properties are initially measured at cost and the fair value model is used for subsequent measurement in accordance with Sri Lanka Accounting Standard (LKAS 40) – Investment Property. The cost of the investment property comprises of its purchase price and any directly attributable expenditure.

Fair valuations of the properties are carried out by independent valuer/ valuers having appropriate professional qualifications, the difference between the carrying amount of the item and its fair value is recognized directly to the Income Statement, if it is a gain or a decline in value

4.7 Dividend Payable

Dividends on ordinary shares are recognized as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

4.8 Retirement Benefit Obligations

4.8.1 Defined Benefit Plan -Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No.12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

The Company recognizes 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.

Interest Cost

Interest cost is the expected increase due to interest at the end of the year. (The benefits are one year closer to settlement).

Funding Arrangements

The Gratuity liability is not externally funded.

4.8.2 Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's total earnings (as defined in the Employees' Provident Fund) to the Employees' Provident Fund.

Employees' Trust Fund

The Company contributes 3% of the employee's total earnings (as defined in the Employees' Trust Fund) to the Employees' Trust Fund.

4.9 Statutory Reserve Fund

The reserves recorded in the equity on the Company's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 5% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

4.10 Provisions

Provisions are recognized 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 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 date, taking into account the risks and uncertainties surrounding the obligations at that date.

The expense relating to any provision is presented in the income statement net of any reimbursement.

4.11 Recognition of Interest Income and Interest Expense

4.11.1 Interest Income and Interest Expense

Under both SLFRS 9 and LKAS 39, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortized cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognizes interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortized through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired (as set out in Note '40.4.1 and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognized using the contractual interest rate under net interest income.

4.11.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

4.12 Fee and Commission Income and Expenses

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

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Company earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

a) **Fee Income earned from services that are provided over a certain period of time**
   Fees earned for the provision of services over a period of time are accrued over that period.

b) **Fee Income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

4.13 Other operating income

(a) Dividend Income

Dividend income is recognized when the right to receive income is established. Usually, this is the ex- dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

(b) Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognized when received.

(c) Other Income

Other income is recognized on an accrual basis.

4.14 Personnel Expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

4.15 Taxes

As per Sri Lanka Accounting Standard –LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the Income Statement, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

4.15.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantially enacted on the reporting date and any adjustment to the tax payable in respect of prior years.

Accordingly, provision for taxation is based on the profit for the year 2018 adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017(Inland Revenue Act No.10 of 2006 and amendments thereto up to 31 March 2018) and the amendment thereto, at the rate specified in Note 17 to the Financial Statements.

4.15.2 Deferred tax

Deferred tax is recognized using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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 the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 17 and Note 30 to the Financial Statements respectively.

4.15.3 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

4.15.4 Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

As per Notice published by the Department of Inland Revenue dated November 29, 2019, NBT was abolished with effect from December 1, 2019.

4.15.5 Debt Repayment Levy

As per the provisions of the Finance Act No.35 of 2018, Debt repayment levy has been imposed for a limited period from 01 October 2018 to 31 December 2021.

A levy of 7% is charged monthly on the value addition attributable to the supply of financial services as specified in section 36 of Finance Act No. 35 of 2018 along with section 25C of the Value Added Tax (VAT) Act No. 14 of 2002.

As per notice published by the Department of Inland Revenue dated January 20, 2020, DRL was abolished with effect from January 1, 2020

4.15.6 Withholding Tax (WHT) on Dividends

Withholding tax on dividends distributed by the Company that arise from the distribution of dividends of the company is recognized at the time of liability to pay the related dividend is recognized. At present, the rate of 14 % is deducted at source.

As per Notice dated February 18, 2020 published by the Department of Inland Revenue, requirement to deduct WHT on dividends has been removed effective January 1, 2020.

4.15.7 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on liable gross turnover of the Company and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years.

ESC is not payable on turnover on which income tax is payable.

As per Notice published dated January 1, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 1, 2020.

4.16 Regulatory provisions

4.16.1 Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

4.16.2 Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 “Insurance of Deposit Liabilities” issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October 2010.The said Scheme was renamed as the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

The deposits to be insured shall include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Silence
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No.3 of 2008 for Registered Finance Companies

- Deposit liabilities held as collateral against any accommodation granted
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at the end of the month within a period of 15 days from the end of the respective month.

4.16.3 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011, and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

4.17 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

4.18 Segment Reporting

The Company's segmental reporting is based on the following operating segments identified based on products and services;

- Leasing
- Hire Purchase
- Term Loans
- Others

A segment is a distinguishable component of a Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

4.19 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent liabilities and Contingent assets'.

Financial guarantees and undrawn loan commitments

Currently the Company has issued financial guarantees. The company has established a policy to recognize and measure its financial guarantees and undrawn loan commitments, Accordingly, the financial guarantees are initially recognized in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and - under LKAS 39 - the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or - under SLFRS 9 - an ECL provision.

The premium received is recognized in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under LKAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

Currently the company has a commitment to settle the City Finance Fixed Deposits (FD) liability to its customers. It is required to settle the final 45% commencing from 30 September 2020.

5. CHANGES IN ACCOUNTING POLICIES

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

On 4 December 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued COVID-19-Related Rent Concessions - amendment to SLFRS 16 Leases. 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 the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, On 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 01 April 2021.

However, the amendments to Sri Lanka Accounting Standard - SLFRS 16 (Leases): COVID-19 Related Rent Concessions also did not have a material impact on the Financial Statements of the Company.

5.2Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

On 15 January 2021, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement:
According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

Prospective assessments:
A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

LKAS 39 retrospective assessment:
To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.

Separately identifiable risk components:
While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients.

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021.

The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such.

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if,

The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time and;

At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment.

The Company is in the process of assessing potential impact of implementation of the aforementioned amendments.

The Company has applied all relevant accounting standards which have been issued up to 31 March 2023 in the preparation of the Financial Statements for the year ended 31st March 2023

6.SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued, but not yet effective, upto the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.1 Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.2 SLFRS 17 Insurance Contracts

On 8 January 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, issued on 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after

1 January 2025, with comparative figures required. Early application is permitted; provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

6.3 Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

6.4 Amendments to LKAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

6.5 Amendments to LKAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

6.6 Amendments to LKAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 01 January 2023.

7. INCOME

	31.03.2023 Rs.	31.03.2022 Rs.
Interest Income (Note 8)	1,031,981,246	504,110,594
Fee and Commission Income (Note 10)	39,592,621	45,836,522
Other Operating Income (Note 11)	32,445,572	(8,382,904)
	1,104,019,440	541,564,212

8. INTEREST INCOME

	31.03.2023 Rs.	31.03.2022 Rs.
Interest Income on Loans and Receivables (Note 8.1)	710,915,003	371,014,154
Interest Income on Lease rentals receivables and Hire Purchases (Note 8.2)	82,127,242	42,392,025
Interest Income on Financial Investments	212,432,725	62,203,880
Penalty Interest	26,506,276	28,500,535
	1,031,981,246	504,110,594

8.1 Interest Income on Loans and Receivables

	31.03.2023 Rs.	31.03.2022 Rs.
Interest Income on Term Loans	571,165,487	311,614,006
Interest Income on Housing Loans	49,810,067	40,535,903
Interest Income on Gold Loans	89,939,449	18,864,245
	710,915,003	371,014,154

8.2 Interest Income on Lease rentals receivables and Hire Purchases

	31.03.2023 Rs.	31.03.2022 Rs.
Interest Income on Lease rentals receivables	78,940,496	37,823,587
Interest Income on Hire Purchases	3,186,747	4,568,438
	82,127,242	42,392,025

9. INTEREST EXPENSE

	31.03.2023 Rs.	31.03.2022 Rs.
Due to Banks	117,951,320	37,574,478
Due to Customers (Note 9.1)	295,865,294	58,974,553
Interest Expenses on Lease Liability (Note 29.2)	13,549,530	8,433,395
	427,366,144	104,982,427

9.1 Due to Customers

	31.03.2023 Rs.	31.03.2022 Rs.
Interest Expense on Fixed deposits	284,850,166	43,326,791
Interest Expense on Savings	11,015,128	15,647,762
	295,865,294	58,974,553

10. NET FEE AND COMMISSION INCOME

	31.03.2023 Rs.	31.03.2022 Rs.
Documentation and processing fees	39,592,621	45,836,522
	39,592,621	45,836,522

11. NET OTHER OPERATING INCOME/(EXPENSE)

	31.03.2023 Rs.	31.03.2022 Rs.
Dividend Income	899,287	561,832
Other Income	1,251,654	1,868,948
Fair Value gain/(loss) from Share Investments	2,751,307	(10,813,684)
Adjustment for change in fair value of Unit trust	4,438,023	-
Gain/(Loss) from change in fair value of Investment Properties	20,457,020	-
Gain/(Loss) on Termination of ROU Assets	503,577	-
Gain/(Loss) on Modification of ROU Assets	2,144,705	-
	32,445,572	(8,382,904)

12. IMPAIRMENT CHARGE/(REVERSAL)

12.1 Collective

	Note	31.03.2023 Rs.	31.03.2022 Rs.
Loans and Receivables	21.2	60,561,186	(93,678,871)
Lease rentals receivables and Hire Purchases	22.2	(4,327,469)	27,688,681
Other Financial Assets		2,965,642	76,281
		59,199,359	(65,913,909)

12.2 Individual

	31.03.2023 Rs.	31.03.2022 Rs.
Loans and Receivables	22,238,950	7,338,585
Lease Rentals Receivable & Hire Purchases	9,556,453	(3,119,911)
Other Financial Assets	-	-
	31,795,402	4,218,674
Total Impairment charges/ (Reversal)	90,994,761	(61,695,235)

12.3 The table below shows the allowance for impairment on financial instruments for the year 2022/2023 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	1,126,811	2,064,624	57,369,750	21,578,929	82,140,114
Lease rentals receivables and Hire Purchases	(81,894)	(710,277)	(3,535,297)	9,556,453	5,228,984
Write off Debtors	-	-	-	660,021	660,021
Other Receivables	2,965,642	-	-	-	2,965,642
	4,010,559	1,354,347	53,834,453	31,795,402	90,994,761

12.4 The table below shows the allowance for impairment on financial instruments for the year 2021/2022 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	9,616,127	(8,666,101)	(94,628,897)	7,338,585	(86,340,286)
Lease rentals receivables and Hire Purchases	12,009,136	3,918,429	11,761,116	(3,119,911)	24,568,770
Write off	-	-	-	-	-
Other Receivables	76,281	-	-	-	76,281
	21,701,544	(4,747,672)	(82,867,781)	4,218,674	(61,695,235)

13. PERSONNEL COSTS

	31.03.2023 Rs.	31.03.2022 Rs.
Salaries and Other Related Expenses	125,104,794	90,423,178
Defined Contribution Plan cost EPF and ETF	8,705,223	7,566,335
Directors' Emoluments	10,130,000	7,225,000
Provision for Gratuity	1,871,057	1,186,501
	145,811,074	106,401,014

14. DEPRECIATION AND AMORTIZATION

	31.03.2023 Rs.	31.03.2022 Rs.
Depreciation of Property Plant & Equipment	36,093,489	22,704,785
Amortization of intangible assets	5,498,079	5,665,548
Depreciation of ROU Assets	20,365,509	16,464,362
	61,957,077	44,834,695

15. OTHER OPERATING EXPENSES

	31.03.2023 Rs.	31.03.2022 Rs.
Audit Related Fees and Expenses	1,987,200	1,581,000
Professional & Legal Expenses	11,167,323	6,419,459
Office Administration & Establishment Expenses	76,303,613	35,143,064
Advertising & Business Promotion Expenses	19,812,977	15,940,139
Other Operating Expenses	8,187,964	8,025,853
	117,459,076	67,109,515

16. TAXES ON FINANCIAL SERVICES

	31.03.2023 Rs.	31.03.2022 Rs.
Value Added Tax on Financial Services	44,227,355	41,413,734
Social Security Contribution Levy on Financial Services	3,650,160	-
	47,877,516	41,413,734

17. TAXATION

17.1The major components of income tax expense for the years ended 31 March are as follows.

	31.03.2023 Rs.	31.03.2022 Rs.
(A) Statement of Profit or Loss		
Current Income Tax		
Income Tax for the year	3,528,900	-
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 31)	46,254,137	140,936,083
	49,783,037	140,936,083
(B) Other Comprehensive Income		
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 31)	(25,481)	1,952
	(25,481)	1,952
(C) Total Tax Expense for the year	49,757,556	140,938,035

17. TAXATION (COND.)

17.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2023 and 2022 is as follows.

		31.03.2023 Rs.	31.03.2022 Rs.
Accounting Profit Before Income Taxation		212,553,791	238,518,062
Adjustments			
Non-Taxable (Income)/ Losses		(31,193,919)	10,251,852
Disallowable Expenses		208,519,333	35,381,783
Allowable Expenses		(169,886,440)	(181,464,721)
Total Statutory Income		219,992,765	102,686,977
IPO tax Relief		-	51,343,489
Claim on Carried Forward Tax Losses		(206,922,765)	-
Taxable Income	Note 17.2 (A)	13,070,000	-
Income Tax Rate (%)		30% & 24%	24%
Income Tax		3,528,900	-
Deferred Taxation Charge/(Reversal)	(Note 31)	46,228,656	140,938,035
Total Tax Expense		49,757,556	140,938,035
Effective tax rate		23%	59%

17.2 (A) Inland Revenue (Amendment) Act, No. 45 of 2022 certified on December 19, 2022 effected several tax changes including increase in corporate tax rates with effect from 01st October 2022. As per the amendment, for the period from 01st April 2022 to 30th September 2022 (first six months) shall be taxed at the rate of 24% and for the period from 01st October 2022 to 31st March 2023 (second six months) shall be taxed at the rate of 30%.

17.2 (B) As a result of the Company's shares been listed on the Colombo Stock Exchange in November 2021, the Company was eligible for tax benefits as follows in terms of the Inland Revenue (Amendment) Act No 10 of 2021,
i.Income tax payable calculated shall be reduced by 50% for the year of assessment 2021/2022
ii.Gains and profits for 3 Years of assessment from 01.04.2022 will be taxable at the reduces rate of 14%

However, such exemption was removed by the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on December 19, 2022.

17.2 (C) Company received an additional assessment notice from Inland Revenue Department subsequent to the financial year ending 31st March 2023 after agreeing with the management, where some adjustments have been made to the declared profit in income tax return submitted for financial year 2019/2020 for an amount of Rs. 18,782,972/- and disallowed the entire loss of Rs. 8,703,256/- declared in income tax return submitted for financial year 2017/2018. Consequently, the total amount of Rs. 27,486,228/- is adjusted to the carried forward tax losses of the Company.

18. EARNINGS PER ORDINARY SHARE

The Company presents basic Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity share holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31.03.2023 Rs.	31.03.2022 Rs.
Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as at 01 April	790,168,780	6,651,699,935
Add : Weighted Average Number of shares issued under private placement	-	1,912,428,213
Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as 31 March	790,168,780	8,564,128,148
Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as 31 March (After consolidation of shares)	790,168,780	790,168,780
Profit Attributable to Ordinary share holders	162,770,755	97,581,979
Basic/Diluted Earnings per Ordinary Share (Rs.)	0.21	0.12

19. CASH AND CASH EQUIVALENT

	31.03.2023 Rs.	31.03.2022 Rs.
Cash in hand	29,681,117	24,009,276
Balances with banks	149,959,121	89,148,104
Securities purchased under repurchase agreement maturing with in 3 months	-	116,283,149
Cash and Cash Equivalent before impairment	179,640,237	229,440,529
Less: Allowance for Impairment	(45,684)	(6,482)
Cash and Cash Equivalent after impairment	179,594,554	229,434,047

19.1 Cash and Cash Equivalent - Cash Flow Purpose

	31.03.2023 Rs.	31.03.2022 Rs.
Cash and Cash Equivalent before allowance for impairment	179,640,237	229,440,529
Bank Overdraft	-	(30,360,385)
	179,640,237	199,080,144

20. FINANCIAL INVESTMENTS AT AMORTISED COST

	31.03.2023 Rs.	31.03.2022 Rs.
Fixed Deposits & Commercial Papers	402,525,682	747,107,564
Treasury Bills	407,961,595	-
Less: Allowance for Impairment Losses	(803,457)	(287,784)
	809,683,821	746,819,780

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

	31.03.2023 Rs.	31.03.2022 Rs.
Term Loans	3,164,401,077	2,397,994,236
Housing Loans	218,215,850	248,365,798
Gold Loans	576,906,978	114,119,012
Factoring Loans	18,679,000	26,347,000
Staff Loans	12,829,068	17,584,622
	3,991,031,973	2,804,410,668
Less : Allowance for Impairment Losses (Note 21.1)	(252,228,923)	(170,088,809)
Less : Day 1 loss Moratorium interest income (Note 21.1)	-	-
	3,738,803,049	2,634,321,859

21.1 Analysis of Loans and Receivables on Maximum Exposure to Credit Risk as at 31 March 2023

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	-	-	246,735,812	246,735,812
Loans and Receivables subject to Collective Impairment	2,546,350,195	452,616,053	745,329,913	3,744,296,161
Allowance for Impairment Losses	(60,892,331)	(21,437,425)	(169,899,167)	(252,228,923)
	2,485,457,864	431,178,628	822,166,558	3,738,803,049

Analysis of Loans and Receivables on Maximum Exposure to credit Risk as at 31 March 2022

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	-	-	221,478,391	221,478,391
Loans and Receivables subject to Collective Impairment	1,858,844,562	261,172,603	462,915,111	2,582,932,277
Allowance for Impairment Losses	(59,765,520)	(19,372,801)	(90,950,488)	(170,088,809)
Moratorium Loan Impairment				
	1,799,079,042	241,799,802	593,443,014	2,634,321,859

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES (COND.)

21.2 Allowance for Impairment Losses

	31.03.2023 Rs.	31.03.2022 Rs.
Movement in Individual Impairment Allowance for Loans and Receivables		
As at 01 April	15,318,553	7,979,967
Net Impairment Charge / (Reversal) for the year	21,578,929	7,338,586
Balance as at 31 March	36,897,482	15,318,553
Movement of Collective Impairment Allowance for Loans and Receivables		
As at 01 April	154,770,256	248,449,127
Net Impairment Charge / (Reversal) for the year	60,561,186	(93,678,871)
Balance as at 31 March	215,331,442	154,770,256
Individual Impairment	36,897,482	15,318,553
Collective Impairment	215,331,442	154,770,256
	252,228,923	170,088,809

21.3 Movement in Allowance for Impairment Losses

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	59,765,520	19,372,801	90,950,488	170,088,809
Charge/(Reversal) to Income Statement (Note 12.3)	1,126,811	2,064,624	78,948,679	82,140,114
Balance as at 31 March 2023	60,892,331	21,437,425	169,899,167	252,228,923

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES

	31.03.2023 Rs.	31.03.2022 Rs.
Gross rentals receivables	690,206,506	592,084,186
- Lease Rentals Receivables	677,806,921	553,041,085
- Amounts Receivable from Hire Purchases	12,399,585	39,043,101
	690,206,506	592,084,186
Less: Unearned Income	(190,559,382)	(146,459,661)
Net rentals receivables	499,647,124	445,624,525
Less : Allowance for Impairment Losses (Note 22.1)	(58,217,730)	(52,988,746)
Total net rentals receivable	441,429,394	392,635,779

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES (COND.)

22.1 Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2023

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	-	-	71,501,778	71,501,778
Lease Rentals Receivable & Hire Purchases subject to Collective Impairment	250,748,972	93,189,953	84,206,422	428,145,347
Allowance for Impairment Losses	(17,801,351)	(10,696,692)	(29,719,687)	(58,217,730)
	232,947,621	82,493,261	125,988,512	441,429,394

Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2022.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	-	-	15,747,327	15,747,327
Lease Rentals Receivables & Hire Purchases subject to Collective Impairment	256,919,729	85,139,408	87,818,061	429,877,198
Allowance for Impairment Losses	(17,883,245)	(11,406,969)	(23,698,532)	(52,988,746)
	239,036,484	73,732,439	79,866,856	392,635,779

22.2 Allowance for Impairment Losses

Movement In Individual Impairment Allowance For - Lease Rentals Receivables & Hire Purchases

	31.03.2023 Rs.	31.03.2022 Rs.
As at 01 April	868,498	3,988,409
Net Impairment Charge / (Reversal) for the year	9,556,453	(3,119,911)
Balance as at 31 March	10,424,951	868,498

Movement in Collective Impairment Allowance for- Lease Rentals Receivables & Hire Purchases

	31.03.2023 Rs.	31.03.2022 Rs.
As at 01 April	52,120,248	24,431,568
Net Impairment Charge / (Reversal) for the year	(4,327,469)	27,688,680
Balance as at 31 March	47,792,779	52,120,248
Individual Impairment	10,424,951	868,498
Collective Impairment	47,792,779	52,120,248
	58,217,730	52,988,746

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES (COND.)

22.3 As at 31 March 2023

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
- Lease Rentals Receivables	306,292,941	371,513,980	-	677,806,921
- Amounts Receivable from Hire Purchases	5,974,511	6,425,074	-	12,399,585
	312,267,452	377,939,054	-	690,206,506
Less: Unearned Income	(88,076,579)	(102,482,803)	-	(190,559,382)
Net rentals receivables	224,190,873	275,456,251	-	499,647,125
Less : Allowance for Impairment Losses				(58,217,730)
Total net rentals receivable				441,429,395

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables	13,573,665	569,251,649	9,258,872	592,084,186
- Lease Rentals Receivables	9,574,902	536,242,668	9,258,872	555,076,442
- Amounts Receivable from Hire Purchases	3,998,763	33,008,981	-	37,007,744
	13,573,665	569,251,649	9,258,872	592,084,186
Less: Unearned Income	(1,401,292)	(141,783,865)	(3,274,504)	(146,459,661)
Net rentals receivables	12,172,373	427,467,784	5,984,368	445,624,525
Less : Allowance for Impairment Losses				(52,988,746)
Total net rentals receivable				392,635,779

22.4 Movement in Allowance for Impairment Losses

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	17,883,245	11,406,969	23,698,532	52,988,746
Charge/(Reversal) to Income Statement (Note 12.3)	(81,894)	(710,277)	6,021,155	5,228,984
Balance as at 31 March 2023	17,801,351	10,696,692	29,719,687	58,217,730

23. OTHER FINANCIAL ASSETS

	31.03.2023 Rs.	31.03.2022 Rs.
Amount due from Holding Company	-	7,585,645
Prov. for Amount due from Holding Company	-	(7,585,645)
Other Receivables	31,361,557	16,919,514
	31,361,557	16,919,514

Long outstanding receivable amount of Rs. 7,585,645/- due from Holding Company (Lanka Credit and Business Ltd) on expenses incurred by the Company on behalf of the parent was fully written off during the year due to irrevocability. This amount had been fully provided for impairment as at the end of the previous year.

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OF LOSS

	31.03.2023 Rs.	31.03.2022 Rs.
Unit Trust	205,018,109	-
Investment in Shares	14,735,415	19,508,717
	219,753,524	19,508,717

25. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2023 Rs.	31.03.2022 Rs.
Investment in CRIB	315,813	315,813
	315,813	315,813

26. OTHER NON FINANCIAL ASSETS

	31.03.2023 Rs.	31.03.2022 Rs.
WHT Receivable	1,009,123	4,281,407
Advance & Prepayments	42,737,486	39,716,499
Stationary and Gift stock	7,382,958	5,371,950
Other Non Financial Assets	5,191,420	5,218,521
NBT on Financial Services	-	756,640
	56,320,987	55,345,017

27. INVESTMENT PROPERTY

	31.03.2023 Rs.	31.03.2022 Rs.
Balance as at 1st April	-	-
Additions to Investment Properties from foreclosure of contracts	129,384,000	-
Additions;		
On Improvements	30,158,980	-
Net Gain/(Losses) from change in fair value	20,457,020	-
Balance as at 31st March	180,000,000	-

Investment Properties includes land and building acquired by the Company from clients who defaulted on accommodations granted. These properties were held by the Company for Capital appreciation and rental purposes.

27.1 Measurement of Fair Values

1.) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers who are not related parties, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31st March 2023.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation technique

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio is depicted in note no.2.1 below	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used. (Note 2.1)	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

2.1) Value

Property	Description	Name of the Valuer	Value per Perch /Sqft Rs.	Extent (Perches/ Sqft)	Value
01. Commercial Building	Land Area	Vlr Gunasekara. A.A.P.D			
Situated at No. 634,	Front	AIV (Sri Lanka)	1,400,000	20.00 Perches	28,000,000
Galle Road, Rajgama	Rear	Incorporated Valuer	900,000	15.28 Perches	13,752,000
	Building				
	Ground Floor		7,500	4,986 Sqft	37,395,000
	First Floor		7,000	4,986 Sqft	34,902,000
	Second Floor		6,500	4,986 Sqft	32,409,000
	Value of Property after depreciation for building @ 15%				130,000,000
	Market value				120,000,000
02. Commercial Building	Land Area	Vlr Gunasekara A.A.P.D	2,800,000	14.35 Perches	40,180,000
Mahaedanda,	Building	AIV (Sri Lanka)			
Karandeniya.	Ground Floor	Incorporated Valuer	9,000	1,471 Sqft	13,239,000
	Upper Floor		8,500	1,330 Sqft	11,305,000
	Value of Property after depreciation for building @ 15%				60,000,000
	Market value				60,000,000
			Total value of the properties		180,000,000

28. PROPERTY, PLANT AND EQUIPMENT

28.1 Gross Carrying Amounts

	Balance As at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Freehold Assets				
Motor Vehicles	44,808,165	5,659,730	-	50,467,895
Machinery	40,280,828	1,010,000	-	41,290,828
Office Equipment	15,873,115	8,433,775	-	24,306,890
Furniture and Fittings	34,804,898	17,999,055	-	52,803,952
Fixture & Fittings	529,019	2,006,900	-	2,535,919
Name Board	13,511,828	6,504,436	-	20,016,264
Computer Equipment & Accessories	17,686,453	7,594,469	-	25,280,922
Total Value of Depreciable Assets	167,494,305	49,208,365	-	216,702,670

28.2 Depreciation

	Balance As at 01.04.2022 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Motor Vehicles	34,056,482	5,952,915	-	40,009,396
Machinery	2,834,081	8,936,726	-	11,770,806
Office Equipment	9,523,923	3,484,950	-	13,008,873
Furniture and Fittings	19,749,634	7,555,582	-	27,305,216
Fixtures & Fittings	283,776	383,754	-	667,530
Name Board	8,726,651	5,701,205	-	14,427,856
Computer Equipment & Accessories	8,210,870	4,078,359	-	12,289,229
	83,385,417	36,093,490	-	119,478,906

28.3 Net Book Values

	31.03.2023 Rs.	31.03.2022 Rs.
At Cost		
Motor Vehicles	10,458,499	10,751,683
Machinery	29,520,022	37,446,747
Office Equipment	11,298,017	6,349,192
Furniture and Fittings	25,498,736	15,055,264
Fixture & Fittings	1,868,389	245,243
Name Board	5,588,408	4,785,177
Computer Equipment & Accessories	12,991,694	9,475,583
Total Carrying Amount of Property, Plant & Equipment	97,223,763	84,108,889

28.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 49,208,365/- (2021/22 - Rs.69,630,765/-).

28.5 Cost of fully depreciated assets of the company as at 31 March 2023 is Rs. 70,851,152/- (2021/22 - Rs.38,150,181/-).

29. RIGHT OF USE ASSETS

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

29.1 Cost

	31.03.2023 Rs.	31.03.2022 Rs.
Balance as at 01 April	121,431,246	84,506,112
Additions and Improvements	27,616,525	36,925,134
Adjustment on Terminations & Modifications	(24,002,074)	-
Cost as at 31 March	125,045,697	121,431,246
Accumulated Amortisation		
Balance as at 01 April	(47,987,903)	(31,523,542)
Charge for the year	(20,365,509)	(16,464,361)
Adjustment on Terminations & Modifications	12,951,249	-
Accumulated Amortisation as at 31 March	(55,402,164)	(47,987,903)
Net Book Value as at 31 March	69,643,533	73,443,343

29.2 Lease Liability

Set out below are the carrying amounts of Lease Liabilities (Included under Other Financial Liabilities in Note 34) and movements during the year.

	31.03.2023 Rs.	31.03.2022 Rs.
Balance as at 01 April	72,804,080	54,926,127
Additions	22,341,213	30,005,134
Accretion of Interest	13,549,530	8,433,395
Payments	(28,030,226)	(20,560,576)
Derecognition on Termination	(6,086,243)	-
Corrections & modifications	(2,914,917)	-
Balance as at 31 March	71,663,438	72,804,080

29.3 Maturity Analysis of Lease Liability

	31.03.2023 Rs.	31.03.2022 Rs.
Less than 01 year	17,964,636	15,235,635
02 to 05 years	33,418,762	38,457,243
More than 05 years	20,280,040	19,111,202
	71,663,438	72,804,080

29. RIGHT OF USE ASSETS (CONTD.)

29.4 Undiscounted Maturity Analysis of Lease Liability

	31.03.2023 Rs.	31.03.2022 Rs.
Up to 03 Months	7,016,869	6,052,119
03 to 12 Months	21,069,007	18,444,357
01 to 03 Years	33,192,807	42,382,683
03 to 05 Years	23,146,150	16,236,900
Over 05 Years	24,807,458	24,956,928
Total	109,232,291	108,072,987

29.5 Reconciliation of Operating Lease Commitments

	31.03.2023 Rs.	31.03.2022 Rs.
Operating Lease Commitments as at 31 March	72,804,080	54,926,127
Impact on discounting	(15,329,645)	(12,127,181)
Impact on Derecognition & Modifications	(8,152,210)	-
New branches opening during the period	22,341,213	30,005,134
Lease Liability as at 31 March	71,663,438	72,804,080

29.6 Sensitivity of Right-of use Assets /Lease Liability to Key Assumptions

Sensitivity to Discount Rates

1% increase/(Decrease) in discount rate as at 31 March 2023 would have impact the lease liability by approximately Rs.1,590,906/ (Rs. 1,656,505) respectively with a similar increase/(decrease) in the Right- of-use Assets. The impact on company's profit before tax for the year would (decrease)/increase by approximately (Rs.10,724)/Rs. 16,439 respectively.

30. INTANGIBLE ASSETS

	31.03.2023 Rs.	31.03.2022 Rs.
Computer Software		
Cost		
As at 01 April	49,923,536	47,323,536
Additions	1,283,800	2,600,000
Cost as at end of the year	51,207,336	49,923,536
Amortisation & impairment		
As at 01 April	(10,801,671)	(5,137,323)
Charge for the year	(5,498,079)	(5,664,348)
Amortisation as at end of the year	(16,299,750)	(10,801,671)
Net book value as at end of the year	34,907,586	39,121,865

Nature and Amortization Method

Intangible Assets represent acquisition of computer softwares from third parties. These softwares are amortized over the estimated useful life as mentioned in the accounting policies in note no. 4.4.4.

31. DEFERRED TAXATION

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

	Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2023 Rs.	31.03.2022 Rs.
Deferred Tax Liability						
Capital Allowances for Tax Purposes						
- Property Plant & Equipment	4,232,269	736,765	-	-	3,495,504	650,392
- Intangible Assets	6,681,765	2,312,223	-	-	4,369,542	25,383
Define Benefit Plan- Other Comprehensive Income	25,481	-	25,481	-	25,481	-
Investment Property	6,137,106	-	-	-	6,137,106	-
	17,076,621	3,048,988	25,481	-	14,027,633	675,775
Deferred Tax Assets						
Right of Use Assets	605,972	727,632	-	-	(121,660)	1,194,085
Allowance for Impairment Losses	32,998,963	4,091,630	-	-	28,907,333	(40,588,005)
Defined Benefit Plans	1,934,486	931,235	-	1,952	977,770	(101,252)
Defined Benefit Plan- Other Comprehensive Income		1,952	-	-	(1,952)	1,952
Brought Forward Tax Losses	-	61,987,994	-	-	(61,987,994)	(100,767,090)
	35,539,420	67,740,442	-	1,952	(32,226,503)	(140,260,310)
Deferred income tax charge/ (reversal)			(25,481)	1,952	46,254,137	140,936,083
Net Deferred Tax Liability/ (Asset)	(18,462,799)	(64,691,455)				

With the enactment of Inland Revenue (Amendment) Act No 45 of 2022, income tax rate was revised from 24% to 30% with effect from 01st October 2022. Accordingly, the Company applied 30% income tax rate for the determination of deferred tax in 2023 and recognised an adjustment to deferred tax assets amounting to Rs. 3,692,560/- resulting from increasing in income tax rate.

32. DUE TO BANKS

	31.03.2023 Rs.	31.03.2022 Rs.
Bank Overdrafts	-	30,360,385
Securitised Borrowings and Other Bank Facilities (Note 32.1)	566,941,929	556,010,608
	566,941,929	586,370,993

32. DUE TO BANKS (COND.)

32.1 Due to Banks

	31.03.2023			31.03.2022		
	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.
Bank Overdrafts	-	-	-	30,360,385	-	30,360,385
Term Loan facilities from Banks	371,267,209	195,674,720	566,941,929	221,172,181	334,838,427	556,010,608
	371,267,209	195,674,720	566,941,929	251,532,566	334,838,427	586,370,993

32.2 Term Loan facilities from Banks

Direct Bank Borrowings	As at 01.04.2022 Rs.	Loans Transferred Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2023 Rs.	Period	Security
Term Loans									
Term Loan 01 - Sampath Bank PLC	114,202,359	-	100,000,000	38,879,384	(63,270,020)	(37,106,418)	152,705,305	5 Years	Personal Guarantee
Term Loan 02 - Sampath Bank PLC	7,224,681	-	-	893,521	(7,224,681)	(893,521)	-	5 Years	Personal Guarantee
Term Loan 01 - Cargills Bank	46,579,501	-	-	9,648,104	(20,000,400)	(9,562,005)	26,665,200	5 years	Personal Guarantee
Term Loan 02 - Cargills Bank	99,273,908	-		882,809	(99,273,908)	(882,809)	-	5 years	FD Against
Pan Asia Bank	288,730,159	-	-	62,761,412	(101,904,762)	(62,761,412)	186,825,397	3 years	Loan/Lease Portfolio Mortgage
	556,010,608	-	100,000,000	113,065,231	(291,673,772)	(111,206,166)	366,195,902		
Repurchase Agreements (REPO)	-	-	200,000,000	746,027	-	-	200,746,027		Treasury Bills
Bank Overdrafts	30,360,385	-	-	-	-	-	-		
	586,370,993	-	300,000,000	113,811,258	(291,673,772)	(111,206,166)	566,941,929		

Direct Bank Borrowings	As at 01.04.2021 Rs.	Loans Transferred Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2022 Rs.	Period	Security
Term Loans									
Term Loan 01 - Sampath Bank PLC	128,880,715	-	50,000,000	10,836,060	(66,086,675)	(9,427,741)	114,202,359	5 Years	Personal Guarantee
Term Loan 02 - Sampath Bank PLC	17,232,681	-	-	1,045,497	(10,008,000)	(1,045,497)	7,224,681	5 Years	Personal Guarantee
Sri Lanka Saving Bank Ltd	154,167	-	-	1,964	(154,167)	(1,964)	-	3 years	Personal Guarantee
Sri Lanka Saving Bank Ltd	96,217,057	-	-	6,300,232	(96,217,057)	(6,300,232)	-		
Term Loan 01 - Cargills Bank	72,319,480	-	-	5,663,578	(24,630,958)	(6,772,599)	46,579,501	5 years	Personal Guarantee
Term Loan 02 - Cargills Bank	150,881,698	-	-	7,820,038	(49,860,463)	(9,567,365)	99,273,908	5 years	FD Against
Pan Asia Bank	-	-	300,000,000	3,232,675	(11,269,841)	(3,232,675)	288,730,159	3 years	Loan/Lease Portfolio Mortgage
Sampath Bank PLC	4,141,707	-	-	234,130	(4,141,707)	(234,130)	-	4 years	Motor Vehicle
	469,827,505	-	350,000,000	35,134,174	(262,368,867)	(36,582,203)	556,010,608		
Bank Overdrafts	48,587,036	-	-	-	-	-	30,360,385		
	518,414,541	-	350,000,000	35,134,174	(262,368,867)	(36,582,203)	586,370,993		

33. FINANCIAL LIABILITIES AT AMORTISED COST- DUE TO CUSTOMERS

	31.03.2023 Rs.	31.03.2022 Rs.
Fixed Deposits	1,958,300,564	643,984,165
Savings Deposits	254,699,944	273,266,346
Interest Payable	167,338,886	45,385,072
	2,380,339,395	962,635,583

34. OTHER FINANCIAL LIABILITIES

	31.03.2023 Rs.	31.03.2022 Rs.
Lease Creditors (Note 29.2)	71,663,438	72,804,080
Other Payables	9,056,569	4,823,556
Provisions and Accruals (Note 34.1)	4,889,315	3,476,902
	85,609,323	81,104,538

34. OTHER FINANCIAL LIABILITIES (CONTD.)

34.1 Provisions and Accruals

	31.03.2023 Rs.	31.03.2022 Rs.
Salary Payable	342,285	148,212
Professional Fee Payable	2,470,981	1,918,781
Other Expenses Payable	2,076,049	1,409,909
	4,889,315	3,476,902

35. OTHER NON FINANCIAL LIABILITIES

	31.03.2023 Rs.	31.03.2022 Rs.
Payable - EPF	1,095,607	795,856
Payable - ETF	161,286	116,323
Payable - PAYE Tax	574,006	(58,114)
Payable - WHT	916,035	-
Payable for Tax on Financial & Non Financial Services	8,020,300	12,514,909
Other Payable	28,441,253	24,752,668
Other Tax Payable	2,847,466	2,656,393
	42,055,952	40,778,035

36. RETIREMENT BENEFIT OBLIGATIONS

	31.03.2023 Rs.	31.03.2022 Rs.
Balance at the beginning of the year	4,887,670	4,310,160
Past Service Cost	-	(247,366)
Current Service Cost	1,186,783	1,089,054
Payments made during the year	(480,313)	(595,050)
Interest Charged/(Reversed) for the year	684,274	344,813
(Gain)/Loss arising from changes in the assumption	84,936	(13,941)
Balance at the end of the year	6,363,350	4,887,670

36.1 Expenses on Defined Benefit Plan

	31.03.2023 Rs.	31.03.2022 Rs.
Current Service Cost for the year	1,186,783	1,089,054
Interest Charge for the year	684,274	344,813
Past Service Cost	-	(247,366)
	1,871,057	1,186,501

36. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

36.2 Amount Recognized in the Other Comprehensive Income

	31.03.2023 Rs.	31.03.2022 Rs.
(Gain)/Loss arising from changes in the assumption (Note 36)	84,936	(13,941)
	84,936	(13,941)

Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2023 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Projected Unit Credit Method'' as recommended by LKAS 19-'Employee Benefits'.

36.3 Assumptions

	31.03.2023	31.03.2022
36.3.1 Financial Assumptions		
Discount Rate	20.00%	14.00%
Salary Increment Rate	17% p.a.	10% p.a.
36.3.2 Demographic Assumptions		
Staff Turnover	17%	27%
Retirement Age	60 years	60 years
Mortality	A 1967/70	A 1967/70
	Mortality table	Mortality table

Expected average future working life of the active participants is 5.12 years (2022: 3.18 years).

36.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligations measurement. The sensitivity of the Statement of Financial position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retiring Gratuity obligation for the year.

		2023		2022	
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%	-	(364,764)	364,764	(159,662)	159,662
-1%	-	403,148	(403,148)	168,691	(168,691)
-	1%	430,699	(430,699)	191,856	(191,856)
-	-1%	(394,253)	394,253	(183,986)	183,986

36. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

36.5 Maturity Profile of the Defined Benefit Obligation Plan

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below;

	31.03.2023 Rs.	31.03.2022 Rs.
Weighted Average Duration of the Defined Benefit Obligation	7.20	3.79
Average Time to Benefit Payout	5.12	3.18
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payments		
within the next 12 months	861,532	566,156
between 2 to 5 years	1,853,166	3,664,766
between 6 to 10 years	1,401,340	548,249
beyond 10 years	2,247,311	108,499
	6,363,350	4,887,670

37. STATED CAPITAL

37.1 Issued and Fully Paid-Ordinary Shares

	31.03.2023		31.03.2022	
	No. of Shares	Rs.	No. of Shares	Rs.
At the Beginning of the Year	790,168,780	2,539,133,400	665,168,780	2,039,133,400
New share issued during the Year	-	-	125,000,000	500,000,000
At the End of the Year	790,168,780	2,539,133,400	790,168,780	2,539,133,400

37.2 Rights of Shareholders

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

37.3 Net Asset Value per Share

	31.03.2023 Rs.	31.03.2022 Rs.
Equity Holders Funds	2,796,190,433	2,680,889,259
Total No. of Shares	790,168,780	790,168,780
Net Asset Value per ordinary share	3.54	3.39

38. RESERVES

	2023 Rs.	2022 Rs.
As at 31 March 2022	45,949,200	41,070,101
Transfers During the Year	8,138,538	4,879,099
As at 31 March 2023	54,087,738	45,949,200

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

39. RETAINED EARNINGS

	31.03.2023 Rs.	31.03.2022 Rs.
Balance as at 01 April	95,806,659	26,734,853
Dividend Paid	(47,410,127)	-
Profit for the Year	162,770,755	97,581,979
Other Comprehensive Income not to be Reclassified to Profit or Loss	(59,455)	11,989
Transfers During the Year	(8,138,538)	(4,879,099)
Share Issue Cost	-	(23,643,063)
Balance as at 31 March	202,969,295	95,806,659

Retained earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future losses or dividend payable.

40. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.

Level 2: Valuation technique using observable inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets are valued using models where all significant inputs are observable.

Level 3: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Key methodologies and assumptions used are as follows.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

40. FAIR VALUE OF ASSET AND LIABILITIES (COND.)

Equity instruments at fair value through OCI

Equity instruments at fair value through OCI primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

	31-Mar-23 Rs.					31-Mar-22 Rs.				
		Fair value measurement using					Fair value measurement using			
FINANCIAL ASSETS	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**
Financial Assets Measured at Fair value through Profit or Loss	219,753,524	-	219,753,524	-	219,753,524	19,508,717	-	19,508,717	-	19,508,717
Financial Investment as Fair Value through Other Comprehensive Income	315,813	-	-	315,813	315,813	315,813	-	-	315,813	315,813
TOTAL FINANCIAL ASSETS	220,069,337	-	219,753,524	315,813	220,069,337	19,824,530	-	19,508,717	315,813	19,824,530

Set out below is the comparison, by class, of the carrying amounts and fair values of the Company's Financial Instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of Non- Financial Assets and Non-Financial Liabilities.

	31-Mar-23 Rs.					31-Mar-22 Rs.				
		Fair value measurement using					Fair value measurement using			
FINANCIAL ASSETS	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**
Financial Investment at amortised Cost	809,683,821	-	809,683,821	-	809,683,821	746,819,780	-	746,819,780	-	746,819,780
Financial assets at amortised Cost - Loans and Receivables	3,738,803,049	-	-	-	-	2,634,321,859	-	2,973,161,482	-	2,973,161,482
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	441,429,394	-	-	-	-	392,635,779	-	510,381,939	-	510,381,939
	4,989,916,264	-	809,683,821	-	809,683,821	3,773,777,418	-	4,230,363,201	-	4,230,363,201
FINANCIAL LIABILITIES Due to Customers	2,380,339,395	-	-	-	-	962,635,583	-	654,584,559	-	654,584,559
	2,380,339,395	-	-	-	-	962,635,583	-	654,584,559	-	654,584,559

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

40. FAIR VALUE OF ASSET AND LIABILITIES (CONTD.)

	31.03.2023		31.03.2022	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial Assets				
Cash and Cash Equivalent	179,594,556	179,594,556	229,434,047	229,434,047
Financial Investment at amortised Cost	809,683,821	809,683,821	746,819,780	746,819,780
Other Financial Assets	31,361,557	31,361,557	16,919,514	16,919,514
Total Financial Assets	1,020,639,934	1,020,639,934	993,173,341	993,173,341
Financial Liabilities				
Financial Liabilities at amortised Cost - Due to Banks	566,941,929	566,941,929	586,370,993	586,370,993
Other Financial Liabilities	85,609,323	85,609,323	81,104,538	81,104,538
	652,551,251	652,551,251	667,475,531	667,475,531

The management of the company believes that the fair value of the financial assets which matured within one year is equal to its amortized cost.

It has taken the amortized cost of deposits liability of City Finance Corporation Limited as the fair value of it, Since the Company has started to settle the Fixed Deposits of the City Finance Corporation within next year.

41. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

As at 31 March	2023 Rs.	2022 Rs.
Nature of Assets		
Loan Lease Portfolio	450,000,000	450,000,000
Treasury Bills	259,000,000	-
Fixed Deposit Investment	-	155,000,000

42. RISK MANAGEMENT

42.1 Introduction

Risk is inherent in the financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is mainly exposed to Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

42.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. Integrated Risk Management committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 3 Directors, Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the BIRM Committee, Risk Management function is managed by Risk Management Department (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

Above committees closely monitors any developments related to face for the economic crisis and reviews measures undertaken by the company in response to resulting risk. These actions has helped the company mitigating any adverse effect on its asset liability position that may arise due to the continuously evolving nature of the economic crisis.

42. RISK MANAGEMENT (COND.)

42.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defence". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigates suggested.

Financial Risks		Risk Measures	Mitigates
			Board approved credit policies/ procedures/ framework and annual review
			Delegated authority levels/ segregation of duties
			Setting Prudential limits on maximum exposure
	1. Default Risk	Probability of Default	Overall NPL Ratio setting based on risk appetite
	Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations	Loss Given Default	Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios
		Sector / Asset / Client / Branch Concentrations of Lending Portfolio	Concentration limits for clients/ groups, asset types
	2. Concentration Risk	Concentrations in Repossessed assets	Monitoring of exposures against the limits
	Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)	Macro Credit Portfolio risk measures such as	Trend analysis reported to BIRMC
Credit Risk		a) Provision Coverage	Strict compliance with CBSL Guidelines
		b) Net NPL as a % of Equity Funds	
Interest rate risk		Net Interest Yield and Movement in Net Interest Yield	
		Lending to Borrowing Ratio	
		Tracking of Movements in Money Market rates	
		Marginal Cost of funds / Risk based Pricing	
		Gaps in asset Liability Re-Pricing	Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets
	Adverse effect on Net Interest Income	Cumulative Gaps as a % of Cumulative Liabilities	Setting of Lending to Borrowing ratios
			Gaps limits for structural liquidity,
			Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets
Liquidity Risk	Inability to meet obligations as they fall due	Gaps in dynamic liquidity flows	Volatile Liability Dependency measures
		Stocks of high quality liquid assets	Balance sheet ratios

42. RISK MANAGEMENT (COND.)

42.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Stressed macroeconomic conditions in 2022 have an impact on the Credit risk of the company. Since importers continued to be stymied by the restriction of non-essential imports, while the ban on the import of chemical fertilisers had a direct impact on some of the agriculture sector customers. At the same time, construction sector ,Transport sector and consumer sector customers appeared to be under stress due to the prolonged economic downturn attributed.For the mittigation of Credit risk arise due to the above stress situation the management has decided to reduce 50% monthly Credit disbursement and further limit to disburse to stress sectors while increasing interest rates.

Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. In determining the borrower's credit risk the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility the equity contribution, security cover and guarantors are taken in to consideration.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

42.4.1 Assessment of Expected Credit Losses

The methodology of the impairment assessment is explained in Note 4.1.8 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

42.4.1. (a) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

42. RISK MANAGEMENT (COND.)

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal assessment of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

42.4.1. (b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

42.4.1 (c) Analysis of the total allowance for expected credit losses is as follows.

As at 31st March	2023			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Cash and Cash Equivalent	849,141	-	-	849,141
Term loan Personal Guarantees	12,363,689	2,852,465	52,704,870	67,921,023
Term loan Property Mortgage	44,335,541	17,841,472	85,359,827	147,536,840
Gold Loans	599,617	231,640	9,348,424	10,179,681
Factoring Loans	-	-	18,679,000	18,679,000
Government Undertake Loan	3,593,485	511,848	3,807,045	7,912,379
Lease rentals receivables and Hire Purchases	17,801,351	10,696,692	29,719,687	58,217,730
Sundry Debtors			500,000	500,000
Total allowance for expected credit losses	79,542,823	32,134,117	200,118,854	311,795,794

The methodology used in the determination of expected credit losses is explained in Note 4.1.8 to Financial Statements.

42. RISK MANAGEMENT (COND.)

42.4.1(d) Movement of the total allowance for expected credit losses during the period

	Rs.
Balance as at 01st April 2022	223,871,822
Net Charge/(Reversal) Profit and loss	87,923,972
Balance as at 31 Mar 2023	311,795,794

42.4.1(e) Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses

The following table illustrates the impact of staging of loans by comparing the allowance, if all performing financial assets were in stage 1 or if all such assets were in stage 2 to the actual expected credit loss recorded on these assets.

As at 31st March	Stage 1 and 2 Actual ECL Rs.	ECL - If all performing loans in Stage 1 Rs.	Impact of staging Rs.
Total allowance for expected credit losses	111,676,940	95,235,039	(16,441,901)

As at 31st March	Stage 1 and 2 Actual ECL Rs.	ECL - If all performing loans in Stage 2 Rs.	Impact of staging Rs.
Total allowance for expected credit losses	111,676,940	157,197,860	45,520,920

The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

42.4.1(f) A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due but not classified as impaired because they are less than 90 days past due. Loans past due 30 days or less are not presented in this analysis as they are not administratively considered past due.

	2023		
As at 31st March	31- 60 Days Rs.	61- 90 Days Rs.	Total Rs.
Gold loan receivables	73,976,331	35,411,362	109,387,693
Term loan Personal Guarantees	12,535,321	50,554,890	63,090,210
Term loan Property Mortgage	132,608,781	190,643,233	323,252,014
Government Undertake	7,853,438	4,133,187	11,986,625
Lease rentals receivables and Hire Purchases	70,534,321	46,792,664	117,326,986
	297,508,192	327,535,337	625,043,529

42. RISK MANAGEMENT (COND.)

42.4.1(g) Overview of rescheduled / restructured loans and advances (except individually impaired loans and advances)

As at 31st March	2023						
	Gross Carrying Value			Allowance for ECL			Net Carrying Value
	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Rs.
Term loan Property Mortgage	8,393,316	26,434,513	34,827,829	582,080	4,320,150	4,902,230	29,925,599
Term loan Personal Guarantees	547,763	6,246,739	6,794,502	78,103	1,792,015	1,870,118	4,924,384
	8,941,079	32,681,252	41,622,331	660,183	6,112,165	6,772,348	34,849,983

As at 31st March	2022						
	Gross Carrying Value			Allowance for ECL			Net Carrying Value
	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Rs.
Term loan Property Mortgage	-	59,276,851	59,276,851	-	20,919,645	20,919,645	38,357,206
Term loan Personal Guarantees	-	16,662,203	16,662,203	-	2,145,217	2,145,217	14,516,986
	-	75,939,054	75,939,054	-	23,064,862	23,064,862	52,874,192

42. RISK MANAGEMENT (COND.)

42.4.1(h) Sensitivity of Impairment Provision on Loans and Advances to Customers

The Company has estimated the impairment provision on Loan and advances to customers as at 31st March 2023,subject to various assumptions. The Changes to such assumption may lead to changes in the Impairment provision recorded in the Financial Position.

The following table demonstrates the sensitivity of Impairment provision of the company as at 31st March 2023 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity effect on statement of financial position				Sensitivity Impact of Income statement
	Increase/Decrease in Impairment Provision				
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Rs.
PD/LGD				-	-
PD 1% Increment across all Buckets	3,435,089	666,162	-	4,101,251	(4,101,251)
PD 1% Decrease across all Buckets	(3,435,089)	(666,162)	-	(4,101,251)	4,101,251
LGD 5% Increment	18,211,271	6,406,553	38,452,376	63,070,200	(63,070,200)
LGD 5% Decrease	(18,211,271)	(6,406,553)	(38,452,376)	(63,070,200)	63,070,200
Probability Weighted forward looking Macro Economic Indicators				-	
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	(1,113,138)	(390,647)	-	(1,503,784)	1,503,784
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	1,113,138	390,647	-	1,503,784	(1,503,784)

42.4.1(i) Sensitivity of Impairment Provision on Lease and Hire Purchases to Customers

The Company has estimated the impairment provision on Lease and Hire Purchases to customers as at 31st March 2023, subject to various assumptions. The Changes to such assumption may lead to changes in the Impairment provision recorded in the Financial Position.

The following table demonstrates the sensitivity of Impairment provision of the company as at 31st March 2023 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity effect on statement of financial position				Sensitivity Impact of Income statement
	Increase/Decrease in Impairment Provision				
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Rs.
PD/LGD					
PD 1% Increment across all Buckets	902,065	289,989	-	1,192,054	(1,192,054)
PD 1% Decrease across all Buckets	(902,065)	(289,989)	-	(1,192,054)	1,192,054
LGD 5% Increment	3,897,255	2,341,830	4,224,203	10,463,289	(10,463,289)
LGD 5% Decrease	(3,897,255)	(2,341,830)	(4,224,203)	(10,463,289)	10,463,289
Probability Weighted forward looking Macro Economic Indicators					
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	(352,737)			(473,576)	473,576
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	352,737			473,576	(473,576)

42. RISK MANAGEMENT (COND.)

42.4.2 Credit Quality by Class of Financial Assets

	31-Mar-2023					31-Mar-2022				
	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage Rs.	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage Rs.
Assets										
Cash and bank balances	179,594,556	-	-	179,594,556	3.31%	229,434,047	-	-	229,434,047	5.68%
Financial instruments at amortised cost	809,683,821	-	-	809,683,821	14.94%	746,819,780	-	-	746,819,780	18.49%
Financial assets at amortised Cost - Loans and Receivables	2,390,178,967	1,372,796,194	228,056,812	3,991,031,973	73.62%	1,627,387,873	981,891,404	195,131,391	2,804,410,668	69.42%
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	199,226,495	229,196,489	71,224,141	499,647,124	9.22%	206,383,718	223,493,480	15,747,327	445,624,525	11.03%
Other Financial Assets	31,361,557	-	-	31,361,557	0.58%	16,919,514	-	-	16,919,514	0.42%
Financial Assets Measured at Fair value through Profit or Loss	219,753,524	-	-	219,753,524	4.05%	19,508,718	-	-	19,508,718	0.48%
Financial Investment as Fair Value through Other Comprehensive Income	315,813	-	-	315,813	0.01%	315,813	-	-	315,813	0.01%
Allowance for impairment				(310,446,653)	-5.73%				(223,077,555)	-5.52%
Total	3,830,114,733	1,601,992,683	299,280,952	5,420,941,714	100.00%	2,846,769,462	1,205,384,884	210,878,718	4,039,955,510	100.00%

***Past due but not impaired Leases & Loans**

Past due but not impaired Leases & Loans are those for which contractual interest or principal payments are past due up to 90 days, however as per the Company's assessment do not need to be impaired.

***Past due and impaired Leases & Loans**

Past due and impaired Leases & Loans are those for which contractual interest or principal payments are past due over 90 days, however as per the Company's assessment need to be impaired.

42. RISK MANAGEMENT (COND.)

42.4.2.1 Aging analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

	Past due				
	Less than 30 days 2023 Rs.	31 to 60 days 2023 Rs.	61 to 90 days 2023 Rs.	More than 90 days 2023 Rs.	Total 2023 Rs.
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	63,053,036	48,729,283	42,263,135	146,375,176	300,420,630
Financial assets at amortised Cost - Loans and Receivables	237,848,347	248,778,909	285,272,202	828,953,548	1,600,853,005
	300,901,383	297,508,192	327,535,337	975,328,723	1,901,273,635

42.4.3 Maximum Exposure to Credit Risk

The following tables shows the maximum exposure to credit risk by class of financial assets. It further shows the net exposure to credit risk.

		2023		2022	
As at 31 March	**Note**	**Maximum Exposure To Credit Risk Rs.**	**Net Exposure Rs.**	**Maximum Exposure To Credit Risk Rs.**	**Net Exposure Rs.**
Financial Assets					
Cash and Cash Equivalent	19	179,594,556	179,594,556	229,434,047	229,434,047
Financial Investment at amortised Cost	20	809,683,821	809,683,821	746,819,780	746,819,780
Financial assets at amortised Cost ;					
Loans & Receivables	21	3,738,803,049	1,151,985,536	2,634,321,859	1,373,339,367
Lease rentals receivables and Hire Purchases	22	441,429,394	419,214,394	392,635,779	392,635,779
Other Financial Assets	23	31,361,557	31,361,557	16,919,514	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	24	219,753,524	219,753,524	19,508,717	19,508,717
Financial Investment as Fair Value through Other Comprehensive Income	25	315,813	315,813	315,813	315,813
Total Financial Assets		5,420,941,714	2,811,909,201	4,039,955,509	2,778,973,017

42. RISK MANAGEMENT (COND.)

42.4.4 Offsetting financial assets and liabilities

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed as follows;

	2023			2022		
	Gross amount Rs.	Amount subject to netting but do not qualify for offsetting Rs.	Net amount Rs.	Gross amount Rs.	Amount subject to netting but do not qualify for offsetting Rs.	Net amount Rs.
Financial Assets						
Financial assets at amortised Cost - Loans and Receivables	373,573,229	482,365,181	(108,791,952)	-	-	-
	373,573,229	482,365,181	(108,791,952)	-	-	-
Financial Liabilities						
Repurchase Agreements (REPO)	200,746,027	262,547,656	(61,801,629)	-	-	-
	200,746,027	262,547,656	(61,801,629)	-	-	-

42. RISK MANAGEMENT (COND.)

42.4.5 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2023	Manufacturing	Tourism	Agriculture	Trade
	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalent	-	-	-	-
Financial Investment at amortised Cost	-	-	-	-
Financial assets at amortised Cost - Loans and Receivables	127,869,333	100,331,334	156,658,272	693,376,162
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	52,694,007	593,053	145,429,298	41,498,242
Other Financial Assets	-	-	-	-
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-
Allowance for Impairment				
Total	180,563,340	100,924,387	302,087,570	734,874,405

As at 31 March 2022	Manufacturing	Tourism	Agriculture	Trade
	Rs.	Rs.	Rs.	Rs.
Cash and bank balances	-	-	-	-
Financial Investment at amortised Cost	-	-	-	-
Financial assets at amortised Cost - Loans and Receivables	66,918,817	111,292,739	157,020,227	735,493,297
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	59,047,042	-	197,503,913	21,589,349
Other Financial Assets	-	-	-	-
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-
Allowance for Impairment				
Total	125,965,859	111,292,739	354,524,140	757,082,646

Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	179,594,556	-	-	179,594,556
-	-	-	-	809,683,821	-	-	809,683,821
373,796,834	46,486,013	869,489,074	-	-	-	1,623,024,950	3,991,031,973
19,740,795	57,012,111	25,295,319	-	-	-	157,384,300	499,647,124
-	-	-	-	-	-	31,361,557	31,361,557
-	-	-	-	219,753,524	-	-	219,753,524
-	-	-	-	315,813	-	-	315,813
							(310,446,653)
393,537,629	103,498,123	894,784,393	-	1,209,347,714	-	1,811,770,807	5,420,941,714

Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	229,434,047	-	-	229,434,047
-	-	-	-	746,819,780	-	-	746,819,780
337,592,460	21,755,913	522,143,978	-	-	-	852,193,237	2,804,410,668
22,315,879	22,370,152	21,327,708	-	-	-	101,470,482	445,624,525
-	-	-	-	-	-	16,919,513	16,919,513
-	-	-	-	19,508,717	-	-	19,508,717
-	-	-	-	315,813	-	-	315,813
							(223,077,555)
359,908,339	44,126,065	543,471,686	-	996,078,359	-	970,583,232	4,039,955,508

42. RISK MANAGEMENT (COND.)

42.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing brands. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

42.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points 2023	Sensitivity of Profit or Loss 2023	Sensitivity of Equity 2023
	1/ (-1)	3,661/(3,661)	0.13%
Long Term Loans linked to AWPLR	0.5 / (0.5)	1,830/(1,830)	0.07%
	0.25 / (0.25)	915/(915)	0.03%

42. RISK MANAGEMENT (COND.)

Currency of Borrowings/ Advance	Increase (Decrease) in basis points 2022	Sensitivity of Profit or Loss 2022	Sensitivity of Equity 2022
	1/ (-1)	4,588/(4,588)	0.16%
Long Term Loans linked to AWPLR	0.5 / (0.5)	2,294/(2,294)	0.08%
	0.25 / (0.25)	1,147/(1,147)	0.04%

The base ratio considers in the Interest Rate Sensitivity Analysis is the existing Loan rates. Since only 65% (2022-82%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Financial Assets							
Cash and cash Equivalents	149,913,437	-	-	-	-	29,681,117	179,594,554
Financial Investment at amortised Cost	621,989,164	187,694,656	-	-	-	-	809,683,820
Financial assets at amortised Cost - Loans and Receivables	1,163,525,226	1,248,104,377	849,489,103	336,421,320	141,263,023	-	3,738,803,050
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	68,865,516	97,107,627	204,312,486	71,143,765	-	-	441,429,394
Other Financial Assets	-	-	-	-	-	31,361,557	31,361,557
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	219,753,524	219,753,524
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	2,004,293,344	1,532,906,660	1,053,801,590	407,565,085	141,263,023	281,112,011	5,420,941,712
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	243,376,323	127,890,887	161,522,475	34,152,245	-	-	566,941,929
Financial Liabilities at amortised Cost - Due to customers	1,626,448,536	626,134,507	98,045,000	29,711,352	-	-	2,380,339,395
Other Financial Liabilities	4,234,211	13,730,425	19,388,933	14,029,829	20,280,039	13,945,884	85,609,321
Total Financial Liabilities	1,874,059,069	767,755,819	278,956,408	77,893,426	20,280,039	13,945,884	3,032,890,645
Interest Sensitivity Gap	130,234,275	765,150,841	774,845,182	329,671,659	120,982,984	267,166,127	2,388,051,067

42. RISK MANAGEMENT (COND.)

As at 31 March 2022	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Financial Assets							
Cash and cash Equivalents	205,424,771	-	-	-	-	24,009,276	229,434,047
Financial Investment at amortised Cost	406,480,643	340,339,138	-	-	-	-	746,819,780
Financial assets at amortised Cost - Loans and Receivables	265,168,554	874,939,963	596,312,013	738,209,010	159,692,319	-	2,634,321,859
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	3,476,592	13,069,480	147,144,085	223,313,942	5,631,680	-	392,635,779
Other Financial Assets	-	-	-	-	-	16,919,513	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	19,508,717	19,508,717
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	880,550,559	1,228,348,581	743,456,097	961,522,952	165,323,999	60,753,319	4,039,955,509
Financial Liabilities							
Due to Bank	92,707,171	160,163,887	321,331,637	12,168,298	-	-	586,370,993
Due to customers	541,414,560	333,933,438	77,287,586	10,000,000	-	-	962,635,583
Other Financial Liabilities	-	-	-	-	-	81,104,538	81,104,538
Total Financial Liabilities	634,121,731	494,097,324	398,619,223	22,168,298	-	81,104,538	1,630,111,113
Interest Sensitivity Gap	246,428,828	734,251,257	344,836,874	939,354,654	165,323,999	(20,351,219)	2,409,844,395

42.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

42. RISK MANAGEMENT (COND.)

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The key elements of the Company's liquidity strategy are as follows.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.
- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.
- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

Management of the Company has been maintaining a stable liquidity position to meet strongly any liquidity shock will arise due to any economic crises since the COVID 19 pandemic period and closely monitoring the position on daily basis and taking necessary measures to ensure the safeguard of the entity. The company introduced more rigor to the processes already in place to manage its liquid assets. These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

42. RISK MANAGEMENT (COND.)

42.6 Liquidity Risk (Contd..)

42.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013 and Direction No.07 of 2020.

The Company's liquid asset ratio is 31.3% of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction). Such Liquid assets are maintained in the form of Sri Lanka Government securities.

42.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 March 2023.

As at 31 Mar 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	179,594,554	-	-	-	-	179,594,554
Financial Investment at amortised Cost	646,474,877	205,159,259	-	-	-	851,634,135
Financial assets at amortised Cost - Loans and Receivables	1,486,825,369	1,563,728,200	1,300,546,374	492,459,821	210,647,955	5,054,207,720
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	134,162,876	159,920,537	291,839,958	86,099,096	-	672,022,468
Other Financial Assets	29,097,527	-	-	-	-	29,097,527
Financial Assets Measured at Fair value through Profit or Loss	219,753,524	-	-	-	-	219,753,524
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	2,695,908,727	1,928,807,996	1,592,386,333	578,558,917	210,963,768	7,006,625,741
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	266,165,665	178,688,901	206,049,707	40,046,660	-	690,950,933
Financial Liabilities at amortised Cost - Due to customers	1,760,974,624	759,472,255	122,910,355	44,242,063	-	2,687,599,297
Other Financial Liabilities	20,962,753	21,069,007	33,192,807	23,146,150	24,807,458	123,178,175
Total Financial Liabilities	2,048,103,042	959,230,163	362,152,869	107,434,873	24,807,458	3,501,728,405
Net Financial Asset/Liabilities	647,805,685	969,577,833	1,230,233,464	471,124,045	186,156,310	3,504,897,336

42. RISK MANAGEMENT (COND.)

42.6 Liquidity Risk (Contd..)

As at 31 Mar 2022	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over05 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	228,268,809	-	-	-	-	228,268,809
Financial Investment at amortised Cost	407,679,513	357,899,131	-	-	-	765,578,644
Financial assets at amortised Cost - Loans and Receivables	268,799,925	936,544,074	705,125,066	1,059,760,678	317,207,428	3,287,437,171
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	3,553,901	14,654,375	188,546,651	356,902,143	8,866,221	572,523,291
Other Financial Assets	16,919,513	-	-	-	-	16,919,513
Financial Assets Measured at Fair value through Profit or Loss	19,508,717	-	-	-	-	19,508,717
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	944,730,378	1,309,097,580	893,671,717	1,416,662,821	326,389,462	4,890,551,958
Financial Liabilities						
Due to bank	109,650,425	209,696,692	431,938,094	21,467,656	-	772,752,867
Due to customers	545,636,361	361,116,690	105,621,429	15,030,500	-	1,027,404,980
Other Financial Liabilities	11,419,964	18,444,357	42,382,683	16,236,900	24,956,928	113,440,832
Total Financial Liabilities	666,706,750	589,257,739	579,942,206	52,735,056	24,956,928	1,913,598,679
Net Financial Asset/Liabilities	278,023,628	719,839,841	313,729,511	1,363,927,765	301,432,534	2,976,953,279

42.7 EXCHANGE RATE RISK

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies. Exchange risk could materialize as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2020 on the back of economic fallout, resulting from the COVID-19 pandemic. Management analyses the market condition of foreign exchange and its likely impact to the company However, the impact on Exchange rate risk is minimal as the company does not have a material foreign currency position.

43. MATURITY ANALYSIS

An analysis of financial assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and bank balances	179,594,556	-	-	-	-	179,594,556
Financial Investment at amortised Cost	621,989,164	187,694,656	-	-	-	809,683,820
Financial assets at amortised Cost - Loans and Receivables	1,163,525,226	1,248,104,377	849,489,103	336,421,320	141,263,023	3,738,803,050
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	68,865,516	97,107,627	204,312,486	71,143,765	-	441,429,394
Other Financial Assets	31,361,557	-	-	-	-	31,361,557
Financial Assets Measured at Fair value through Profit or Loss	219,753,524	-	-	-	-	219,753,524
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	**2,285,089,544**	**1,532,906,660**	**1,053,801,590**	**407,565,085**	**141,578,836**	**5,420,941,714**
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	243,376,323	127,890,887	161,522,475	34,152,245	-	566,941,929
Financial Liabilities at amortised Cost - Due to customers	1,626,448,536	626,134,507	98,045,000	29,711,352	-	2,380,339,395
Other Financial Liabilities	18,180,095	13,730,425	19,388,933	14,029,829	20,280,039	85,609,321
Total Liabilities	**1,888,004,953**	**767,755,819**	**278,956,408**	**77,893,426**	**20,280,039**	**3,032,890,645**

43. MATURITY ANALYSIS (COTND.)

As at 31 March 2022	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and bank balances	229,434,047	-	-	-	-	229,434,047
Financial Investment at amortised Cost	406,480,642	340,339,138	-	-	-	746,819,780
Financial assets at amortised Cost - Loans and Receivables	265,168,554	874,939,963	596,312,013	738,209,010	159,692,319	2,634,321,859
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	3,476,592	13,069,480	147,144,085	223,313,942	5,631,680	392,635,779
Other Financial Assets	16,919,514	-	-	-	-	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	19,508,717	-	-	-	-	19,508,717
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	940,988,066	1,228,348,581	743,456,098	961,522,952	165,639,812	4,039,955,509
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	92,707,171	160,163,887	321,331,637	12,168,298	-	586,370,993
Financial Liabilities at amortised Cost - Due to customers	541,414,560	333,933,438	77,287,586	10,000,000	-	962,635,583
Other Financial Liabilities	8,756,662	11,252,252	29,827,651	9,224,157	22,043,816	81,104,538
Total Liabilities	642,878,393	505,349,577	428,446,874	31,392,455	22,043,816	1,630,111,114

44. COMMITMENTS AND CONTINGENCIES

As at 31st March	2023 Rs.					2022 Rs.				
	On Demand	With in 01 year	1-5 years	More than 5 years	Total	On Demand	With in 01 year	1-5 years	More than 5 years	Total
Commitments										
City Finance Deposits	83,304,693	-	-	-	83,304,693	80,263,540	-	-	-	80,263,540
	83,304,693	-	-	-	83,304,693	80,263,540	-	-	-	80,263,540
Contingencies										
Letter of Guarantees Granted	106,500,000	-	-	-	106,500,000	116,100,000	-	-	-	116,100,000
Total Commitments & Contingencies	189,804,693	-	-	-	189,804,693	196,363,540	-	-	-	196,363,540

44.1 Capital commitments

The Company has no commitments for acquisition of Property, Plant & Equipment and Intangible assets incidental to the ordinary course of business.

44.2 Litigation filed by the Company/ 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. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigation against the Company as at 31st Mar 2023 which would have a material impact on the Financial Statements.

45. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Reporting date that require adjustments to or disclosure in the Financial Statements

46. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with the parties who are defined as Related Parties in Sri Lanka Accounting Standard No.24, Related Party Disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

46.1 Parent and Ultimate Controlling Party

The Company is 72.08% owned by Lanka Credit and Business Limited. Hence, Lanka Credit and Business Limited is the parent company and the ultimate controlling party.

46.2 Transactions with Key Managerial Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include Parent Company, the Board of Directors of the Company (including Executive & Non Executive) and Chief Executive Officer of the Company.

As at 31 March	2023 Rs.	2022 Rs.
Short Term Employee Benefits		
Remuneration and other expenses of directors	21,320,000	5,725,000
Total	21,320,000	5,725,000

46.3 Transactions, Arrangements and Agreements involving KMPs and their Close Family Members (CFMs)

46.3.1 Loans and advances granted to KMPs are detailed below.

As at 31 March	2023 Rs.	2022 Rs.
Loans granted during the year	-	-
Loans held at the end of the year	-	-
Interest received on Loans	-	-

46.3.2 Deposits and Borrowings from KMPs are detailed below.

As at 31 March	2023 Rs.	2022 Rs.
Term/Savings deposits accepted during the year	42,046,719	30,000,000
Term/Savings deposits held at the end of the year	15,739,087	41,506,770
Interest payable on Term/Savings deposits	338,064	-
Interest paid on Term/Savings deposits	874,827	1,433,446

No borrowing through debt instruments were made or no investments were made by key management personnel and their close family members during the year 31 Mar 2023. (31 March 2022- Nil).

46.4 Transactions, Arrangements and Agreements involving with Related Entities of KMPs and their CMFs

46.4.1 Loans and Advances

There were no transactions involving with Related Entities of KPMs and their Close Family members during the financial year 2022/2023 (2021/2022 - Nil).

46.5 Transactions with Group Entities

46.5.1 Transactions with Parent Company

As at 31 March	2023 Rs.	2022 Rs.
Due from Parent Company		
Lanka Credit and Business Ltd	-	7,585,645
Provision	-	(7,585,645)
	-	-

Long outstanding receivable amount of Rs. 7,585,645/- due from Holding Company (Lanka Credit and Business Ltd) on expenses incurred by the Company on behalf of the parent was fully written off during the year due to irrevocability. This amount had been fully provided for impairment as at the end of the previous year.

47. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31st March	2023 Within 12 Months Rs.	2023 After 12 Months Rs.	2023 Total Rs.	2022 Within 12 Months Rs.	2022 After 12 Months Rs.	2022 Total Rs.
Assets						
Cash and Cash Equivalent	179,594,556	-	179,594,556	229,434,047	-	229,434,047
Financial Investment at amortised Cost	809,683,820	-	809,683,820	746,819,780	-	746,819,780
Financial assets at amortised Cost - Loans and Receivables	2,411,629,603	1,327,173,447	3,738,803,050	1,140,108,517	1,494,213,342	2,634,321,859
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	165,973,143	275,456,251	441,429,394	16,546,072	376,089,707	392,635,778
Other Financial Assets	31,361,557	-	31,361,557	16,919,514	-	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	219,753,524	-	219,753,524	19,508,717	-	19,508,717
Financial Investment at Fair value through Other Comprehensive Income	-	315,813	315,813	-	315,813	315,813
Other Non Financial Assets	56,320,987	-	56,320,987	55,345,017	-	55,345,017
Investment Property	180,000,000	-	180,000,000	-	-	-
Property, Plant and Equipment	-	97,223,763	97,223,763	-	84,108,889	84,108,889
Right of Use Assets	-	69,643,533	69,643,533	-	73,443,343	73,443,343
Intangible Assets	-	34,907,586	34,907,586	-	39,121,865	39,121,865
Deferred Tax Asset	-	18,462,799	18,462,799	-	64,691,455	64,691,455
Total Assets	4,054,317,190	1,823,183,192	5,877,500,383	2,224,681,663	2,131,984,413	4,356,666,077
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	371,267,209	195,674,720	566,941,929	252,871,058	333,499,935	586,370,992
Financial Liabilities at amortised Cost - Due to customers	2,252,583,043	127,756,352	2,380,339,395	875,347,997	87,287,586	962,635,583
Other Financial Liabilities	31,910,520	53,698,801	85,609,321	20,008,914	61,095,625	81,104,539
Other Non Financial Liabilities	42,055,952	-	42,055,952	40,778,035	-	40,778,035
Retirement Benefits Liabilities	-	6,363,350	6,363,350		4,887,670	4,887,670
Total Liabilities	2,697,816,724	383,493,223	3,081,309,947	1,189,006,004	486,770,815	1,675,776,819
Maturity Gap	1,356,500,466	1,439,689,970	2,796,190,436	1,035,675,659	1,645,213,598	2,680,889,257
Cumulative Gap	1,356,500,466	2,796,190,436	-	1,035,675,659	2,680,889,257	-

48. SEGMENTAL ANALYSIS

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

For management purposes, the Company has identified operating segments based on products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on turnover.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2023 or 2022.

There were no transactions between reportable segments in 2023 or 2022.

	Loans		Lease & Hire Purchase		Others		Total	
For the Year ended 31st March	**2023 Rs.**	**2022 Rs.**	**2023 Rs.**	**2022 Rs.**	**2023 Rs.**	**2022 Rs.**	**2023 Rs.**	**2022 Rs.**
Income								
Interest Income	732,664,038	395,114,991	86,884,483	46,791,723	212,432,725	62,203,880	1,031,981,246	504,110,594
Other Income	35,395,207	40,983,077	4,197,414	4,853,445	32,445,572	(8,382,904)	72,038,194	37,453,618
Total Income	768,059,246	436,098,068	91,081,897	51,645,168	244,878,297	53,820,976	1,104,019,440	541,564,212
Unallocated Expenses							(891,465,648)	(303,046,150)
Profit / (Loss) Before Tax							212,553,792	238,518,062
Income tax (expense)/ Reversal							(49,783,037)	(140,936,083)
Net Profit / (Loss) for the period							162,770,756	97,581,979
Segment Assets	3,738,803,049	2,634,321,859	441,429,394	392,635,779	1,029,437,345	766,328,496	5,209,669,788	3,793,286,135
Unallocated Assets							667,830,594	563,379,943
Total Assets	3,738,803,049	2,634,321,859	441,429,394	392,635,779	1,029,437,345	766,328,496	5,877,500,382	4,356,666,078
Unallocated Liabilities							3,081,309,949	1,675,776,819
Total Liabilities							3,081,309,949	1,675,776,819

49. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL)sets and monitors capital requirements for licensed finance companies. Accordingly finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

50. COMPARATIVE INFORMATION

Reclassification of comparative Information

The presentation and classification of the Financial Statements of the previous year is amended for better presentation and to be comparable with that of the current year presentation.

	Note	As Previously Reported 2022 Rs.	Reclassification	Current Presentation 2022 Rs.
Income Statement				
Interest Expenses	(a)	96,549,031	8,433,395	104,982,427

(a) Interest Expenses on Lease Liability which was previously reported under 'Other Operating Expenses' has been re-arranged to 'Interest Expenses' to confirm to the current year presentation.

Investor Information

Top 20 Major Shareholders as at 31st March 2023

Serial No	Name	Ordinary Shares	%
1.	LANKA CREDIT AND BUSINESS LIMITED	569,538,406	72.08
2.	HELIOS VENTURES (PVT) LTD	27,582,752	3.49
3.	NATION LANKA FINANCE PLC	13,850,000	1.75
4.	MR. KAPILA INDIKA WEERASINGHE	12,500,000	1.58
5.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/MAWELI FINANCE (PVT) LTD	9,615,099	1.22
6.	MR. VICTOR RAJAMANNER RAMANAN	6,000,000	0.76
7.	PEOPLE'S LEASING & FINANCE PLC	5,000,000	0.63
8.	MR. RANASINGHAGE RANAWEERA	4,762,073	0.60
9.	BAMUNU ARACHCHIGE DAYANATHA RANJAN DISSANAYAKE DISSANAYAKE	4,750,000	0.60
10.	MRS. WIMALARATNEGE ARUNI INDIKA KUMARASINGHE	3,071,268	0.39
11.	MR AJITH PRIYADARSHANA MANAWADU	2,632,500	0.33
12.	ANGULUGAHA GAMAGE LASATH NAMAL GAMAGE	2,500,000	0.32
12.	LALITHA ELABADA LIYANAGE	2,500,000	0.32
13	ASPIC CORPORATION LIMITED	2,440,228	0.31
14.	MR. WETHTHINGE JINADASA	1,757,500	0.22
15.	MR. SHASHIKA LAKSHAN MUTHUHETTI GAMAGE	1,757,500	0.22
16.	RANASINGHE ARATCHILAGE WIJERATNE	1,755,000	0.22
17.	MR. MOHAMED FAYAD BAKIR	1,500,052	0.19
18.	MR. RAVINDRA ERLE RAMBUKWELLE	1,420,000	0.18
19.	PEOPLE'S LEASING & FINANCE PLC/MR.R.KANNAN	1,339,000	0.17
20.	MR. ILLAMPERUMA ARACHCHIGE DINETH NADAWA	1,255,670	0.16
21.	ATHURURIGIYA SOUTH SANASA	1,250,000	0.16
22.	M. G. S. LAKSHAN	1,250,000	0.16
23.	MR. DANGAMUWAGE NALIN DHAMMIKA KUMARASIRI	1,250,000	0.16
24.	MR. CHAMATH WEERASINGHE	1,250,000	0.16
25.	MR. DON EDWARD WELIKALA	1,250,000	0.16
26.	MR. KUSHAN DARSHANA JAYASUNDARA	1,250,000	0.16
	Directors' Shareholding	12,770,000	1.62
	Other Shareholding	92,371,732	11.67
	Total Shares	790,168,780	100.00

Public Holding

The Company has opted to adopt option 02 under the section 7.13.1 of the amended Listing Rules which are effective from 17th January 2018.

As at 31.03.2023

Option	Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount (Rs.)	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	433,012,491	10%	21.92%	200	4,807

Top 20 Major Shareholders as at 31st March 2022

Serial No	Name	Ordinary Shares	%
1.	LANKA CREDIT AND BUSINESS LIMITED	569,538,406	72.08
2.	HELIOS VENTURES (PVT) LTD	27,582,752	3.49
3.	NATION LANKA FINANCE PLC	13,850,000	1.75
4.	KAPILA INDIKA	12,500,000	1.58
5.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/MAWELI FINANCE (PVT) LTD	9,800,000	1.24
6.	VICTOR RAJAMANNER	6,000,000	0.76
7.	PEOPLE'S LEASING & FINANCE PLC	5,000,000	0.39
8.	WIMALARATNEGE ARUNI INDIKA	3,071,268	0.33
9.	AJITH PRIYADARSHANA	2,632,500	0.22
10.	ASPIC CORPORATION LIMITED	2,440,228	0.22
11.	RANASINGHAGE	2,311,500	0.20
12.	WETHTHINIGE	1,757,500	0.17
13.	SHASHIKA LAKSHAN	1,757,500	0.16
14.	PEOPLE'S LEASING & FINANCE PLC/MR.R.KANNAN	1,339,000	0.16
15.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/T.V.T. KAMANIKA	1,300,000	0.16
16.	MERIHAGALLE KANKANAMALAGE ROHAN	1,273,110	0.15
17.	ILLAMPERUMA ARACHCHIGE DINETH	1,255,670	0.13
18.	KUSHAN DARSHANA	1,250,000	0.12
19.	KANKANAMGE DINITH YASANTHA	1,200,000	0.12
20.	DASSANAYAKE MUDIYANSELAGE THESHAN	1,143,423	0.11
	Directors' Shareholding	12,770,000	1.62
	Other Shareholding	110,395,923	14.83
	Total Shares	790,168,780	100.00

Public Holding

The Company has opted to adopt option 02 under the section 7.13.1 of the amended Listing Rules which are effective from 17th January 2018.

As at 31.03.2022

Option	Float adjusted market capitalization		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount (Rs.)	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	293,958,590	10%	16.91%	200	4,962

Distribution of Shareholding as at 31st March 2023

Shareholding	Local			Foreign			Total		
	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%
1 To 1,000 Shares	1,893	512,169	0.06	1	2,189	0.00	1,894	514,358	0.07
1,001 To 10,000 Shares	1,759	7,726,989	0.98	-		-	1,759	7,726,989	0.98
10,001 To 100,000 Shares	899	29,560,599	3.74	1	100,000	0.01	900	29,660,599	3.75
100,001 To 1,000,000 Shares	226	61,606,887	7.80	-		-	226	61,606,887	7.80
Over 1,000,000 Shares	32	690,659,947	87.41	-		-	32	690,659,947	87.41
Total	4,809	790,066,591	99.99	2	102,189	0.01	4,811	790,168,780	100.00

Category	No of Shareholders	No of Shares	%
Institutional	4,674	146,266,861	18.51
Individual	137	643,901,919	81.49
Total	4,811	790,168,780	100.00

DIRECTORS SHAREHOLDING

	Name	As at 31.03.2023 Ordinary Shares	As at 31.03.2022 Ordinary Shares
1.	Mr. W. M. Abeyrathne Bandara	270,000	270,000
2.	Mr. Kandegoda Gamage Leelananda	Nil	Nil
3.	Mr. A.G.Maheen Priyantha	Nil	Nil
4.	Mr. Ranjan Lal Masakorala	Nil	Nil
5.	Mr. U.K Harith Ruwan Ranasinghe	Nil	Nil
6.	Mr. Kapila Indika Weerasinghe	12,500,000	12,500,000
7.	Mr. Vijitha Lokunarangoda	Nil	Nil
8.	Mr. Gayan Kalahara Nanayakkara	Nil	Nil
9.	Mr. Dushmantha Thotawatte	Nil	Nil
10.	Mr. Ashvin Welgama Nanayakkara	Nil	Nil
11.	Mr. Mahesh Katulanda	Nil	Nil

Capital Adequacy

Capital Adequacy is one of the Key measures which shows the financial strength and the stability of a finance company. By having a healthy capital adequacy ratio, LCB Finance PLC can create confidence among its investors and create a positive image among prospective investors. Central bank of Sri Lanka issued a new direction (Finance Business Act Direction No. 03 of 2018) to be effect from 01st July 2018. New Capital adequacy framework has introduced a more risk sensitive approach covering credit risk and operational risk. Market risk was not considered under this framework because the sector exposure to market risk was considered to be minimal.

In accordance with Finance Business Act Direction No. 03 of 2018, every finance company shall at all times maintain the minimum capital adequacy ratios of Tier I - 8.5% and Tier II - 12.5% in relation to total risk weighted assets. Tier I, Tier II and Risk weighted assets are defined under this new capital adequacy framework as follows.

Tier I -Core Capital

Tier I capital represents core capital of the company. Core capital includes shareholder's equity and reserve

$$\text{Tier I Ratio} = \frac{\text{Tier I Capital}}{\text{Total Risk Weighted Amount}}$$

Tier II-Supplementary Capital

Tier II capital represents supplementary capital such as instruments containing characteristics of equity and debt, revaluation gains and general provisioning/impairment allowances.

$$\text{Total Capital Ratio} = \frac{\text{Total Capital}}{\text{Total Risk Weighted Amount}}$$

Risk Weighted Assets

Risk weighted assets are a measure of company's assets and off balance sheet exposures, weighted according to their risks, with each asset class assigned a different risk weightage.

As at 31 March 2023, the Company maintained a Tier I ratio of 45.15% and a Tier II ratio also 45.15% because LCB Finance has no any debt capital as at 31 March 2023. Finaly Tier 1 ratio is above the minimum regulatory requirements (Tier I - 8.5%) set by CBSL.

Item	Amount Rs. 000
Tier 1 Capital	2,715,595
Total Capital	2,715,595
Total Risk Weighted Amount	6,014,265
Risk Weighted Amount for Credit Risk	5,418,139
Risk Weighted Amount for Operational Risk	596,126
Core Capital (Tier 1) %	45.15%
Total Capital Ratio %	45.15%

Glossary of Terms

A

Accounting Policies
Principles, bases, conventions, rules and practices that are applied in recording transactions and 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."

Amortized Cost
The systematic allocation of the depreciable amount of an intangible asset over its useful life. The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any deduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Committee (ALCO)
The committee that is responsible for managing assets and liabilities of the Company.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank on a monthly basis based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates. Average weighted prime lending rate (AWPLR) is calculated by the Cenral Bank weekly based on commercial bank's lending rates offered to their prime customers during the week.

B

Basis Point (BP)
One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

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 those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows
Inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment
Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Contractual Maturity
Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Commercial Paper (CP)
An unsecured, short-term debt instrument issued by a company, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Commitments
Credit facilities approved but not yet disbursed to the customers as at the date of the Statement of Financial Position.

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 nonoccurrence of one or more uncertain future events.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other stakeholders.

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 profits of the investee rising subsequent to the date of acquisition.

Cost/Income Ratio
Operating expenses excluding impairment charge as a percentage of net operating income (net of interest expenses).

Credit Ratings
An evaluation of a corporate's ability to repay its obligation or the likelihood of non-defaulting, carried out by an independent rating agency.

Credit Risk
Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

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 recognized financial asset or liability from an entities 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

E

Earnings Per Share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue. Indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Effective Tax Rate
Provision for taxation including deferred tax divided by the profit before taxation.

Equity Method
This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post- acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's shareof the profit or loss and other comprehensive income of the investee.

Events after the Reporting Period
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Equity Instrument
Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

Equity
Total of shareholders' funds: share capital + statutory reserves + other reserves.

Expected Credit Loss
The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure at default
A claim, contingent 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
A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers all risks and rewards of the ownership to the lessee.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Liabilities
A contractual obligation to deliver cash or another financial asset to an other entity.

G

Global Reporting Initiative (GRI)
GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Gearing
Long-term borrowings divided by the total funds available for shareholders.

Going Concern
The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the forseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its opeartions.

Gross Dividend
The portion of profits distributed to the shareholders including the tax with held.

Guarantees
A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual Obligations.

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

Impairment
The value of an asset when the recoverable amount is less than its carrying amount.

Impaired Loan
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowance for Loan and Receivable
Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

Individualy Assessed Impairment
When the impairment is measured on an individual basis for non- homogeneous groups of lending facilities that are considered as individually significant.

Intangible Assets
An intangible asset is an identifiable non-monetary asset without physical substance.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long- term in its economic, social and environmental context

Interest Cover
Earnings before interest and taxes for the year divided by total interest expenses. This provides the number of times interest expenses is covered before interest and tax; the ability to cover interest expenses.

Interst in Suspense
Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin
Net interest income expressed as a percentage of average total assets.

Interest Rate Risk
The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interst Spread
The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and Borrowings.

Invstment Properties
Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securites
Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

K

Key Management Personnel (KMP)
People having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. (The Board of Directors and Corporate Management).

L

Liquid Assets
Assets that are held in cash or can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity Risk
The risk that an entity will encounter due to difficulty in meeting obligations associated with financial liabilities.

Loans Payable
Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

Loss Given Defualt
The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counter party.

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. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower

M

Market Capitalization
Number of ordinary shares in issue multiplied by the market value of a share as at date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates,credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value Per Share (NAV)
Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interst Income
Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Net Interst Margin (NIM)
Net interest income as a percentage of average assets.

Non Performing Loans/ Advances (NPL)
A sum of borrowed money upon which the debtor has not made scheduled payments above 180 days.

NPL Ratio
Total Non-Performing Accommodations (net of interest in suspense and other adjustments) divided by total accommodations (net of interest in suspense and other adjustments).

O

Operational Risk
The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent
An entity that controls one or more subsidiaries.

Probability of Defult (PD)
The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Provision
The amount of an expense that an entity elects to recognize now, before it has precise information about the exact amount of the expense.

R

Related Parties
Parties where one party has the ability to control the other party or exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction
Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreement
Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)
Profit before tax divided by total average assets.

Return of Equity
Profit after tax divided by total average equity.

Risk Wighted Asset
On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

S

Shareholders' Fund
This consists of issued and fully paid up ordinary shares and reserves.

Statutory Reverse Fund
A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 01 of 2003.

Specific Impairment Provision
Impairment is measured individually for loans that are individually significant to the Company.

T

Tier I Capital – Core Capital
Representing permanent shareholders' equity (paid-up shares) and reserves created or increased by appropriations of retained earnings or other surplus, i.e., retained profits and other reserves.

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subbordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

U

Useful Life
Useful life is 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
Value of wealth created by providing financial and other related services less the cost of providing such services. The value added is allocated among employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

Yeild
Rate or return on an investment in percentage terms taking into account annual income.

Notice of Annual General Meeting

LANKA CREDIT AND BUSINESS FINANCE PLC
(Company Registration No. PB 222)
No. 76, S. De S. Jayasinghe Mawatha, Kohuwela

NOTICE OF THE VIRTUAL 61ST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Virtual 61st Annual General Meeting of **LANKA CREDIT AND BUSINESS FINANCE PLC** will be held on **25th August 2023 at 2.30 p.m.** at No. 76, S. De S. Jayasinghe Mawatha, Kohuwela via online platform for the following purposes;

AGENDA

1. To receive and consider the Annual Report of the Board of Directors together with the Audited Financial Statements of the Company for the year ended 31st March 2023 together with the report of the Auditors thereon.
2. To re-appoint M/s. Earnest & Young, Charted Accountants as Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.

By order of the Board of Directors of
LANKA CREDIT AND BUSINESS FINANCE PLC

P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED
Secretaries
At Colombo, this 02nd August 2023

Note:

- No shareholder will be permitted to be physically present at the venue and requested join via online platform.
- Shareholders who wish to participate at the Virtual Annual General Meeting are kindly requested to register their participation for the meeting by completing the enclosed Online Registration Form and have it emailed to anusha@lcbfinance.lk 24 hours prior to the commencement of the meeting (Between 8.30 a.m. to 4.30 p.m.).
- A Shareholder entitled to attend and vote at the meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- A Proxy need not be a Shareholder of the Company.
- A Shareholder wishing to vote by Proxy at the meeting may use the Form of Proxy form enclosed herewith.
- Proxyholders who wish to participate at the Virtual Annual General Meeting are kindly requested to register the participation for the meeting by completing the enclosed Online Registration Form together with the Form of Proxy and have both forms emailed to prsecs@gmail.com or deposited at P. R. Secretarial Services (Private) Limited, No. 59, Gregory's Road, Colombo 7, 48 hours prior to the commencement of the meeting (Between 8.30 a.m. to 4.30 p.m.).
- Shareholders and Proxyholders are kindly advised to have with them their National Identity Card or similar for of acceptance identity when joining the meeting.

Online Registration of Shareholder Details

ONLINE REGISTRATION FORM

To: Lanka Credit and Business Finance PLC
No. 76, S. De S. Jayasinghe Mawatha,
Kohuwela, Sri Lanka

LANKA CREDIT AND BUSINESS FINANCE PLC
VIRTUAL 61ST ANNUAL GENERAL MEETING

1. Full Name of Shareholder:

2. NIC/Passport No./
Company Registration No.

3. CDS Account No.
(If applicable)

4. Address of Shareholder:

5. Contact Telephone No. Fixed line: Mobile:

6. e-mail address:

7. Full Name of Proxyholder /
Power of Attorney (if applicable):

8. Address:

9. NIC/Passport No.

10. Contact Telephone No. Fixed-line: Mobile:

11 e-mail address:

....

Signature of Shareholder Date

Note:

1. All of the above information are mandatory, in order to participate at the meeting.
2. Online registration form is required to be forwarded to prsecs@gmail.com on or before 24th August 2023
3. In the case of a corporate shareholder, the form must be signed under its Common Seal or by its authorized attorney accompanied by a copy of the relative Power of Attorney or the Board Resolution.
4. In the case of a Proxyholder, the form must be signed by the Shareholder.

Form of Proxy

LANKA CREDIT AND BUSINESS FINANCE PLC

I/We..of...

being a Shareholder/s* of the above named Company, hereby appoint (1)... of

.... failing him/her.

(2) Mr. D. Thotawatte	or failing him	(8) Mr. V. Lokunarangoda	or failing him
(3) Mr. K. G. Leelananda	or failing him	(9) Mr. G. K. Nanayakkara	or failing him
(4) Mr. K. I. Weerasinghe	or failing him	(10) Mr. A. W. Nanayakkara	or failing him
(5) Mr. R. L. Masakorala	or failing him	(11) Mr. M. Katulanda	
(6) Mr. U. K. H. R. Ranasinghe	or failing him		
(7) Mr. A. G. M. Priyantha	or failing him		

as my/our* Proxy to represent me/us* and vote and speak for me/us* on my/our* behalf at the Virtual **61st Annual General Meeting** of Lanka Credit and Business Finance PLC to be held on **25th August 2023 at 2.30 p.m. at No. 76, S. De S. Jayasinghe Mawatha, Kohuwela via online platform** and at every poll which may be taken in consequence of 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 Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2023 together with the report of the Auditors thereon.		
2. To re-appoint M/s. Earnest & Young Charted Accountants Charted Accountants as the Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.		

Signed this .... day of... 2023.

....
Signature of shareholder

Note:

i) Please delete the inappropriate words.

ii) Instructions for completion of Proxy are noted below.

iii) A proxy need not to be a shareholder of the Company.

iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

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. The completed Form of Proxy should be deposited at the Secretaries' Office of the Company at No.59, Gregory's Road, Colombo 07, Sri Lanka or email to prsecs@gmail.com not less than 48 hours before the appointed time for the holding the Annual General Meeting (Between 8.30 a.m. to 4. 30 p.m.) and no registration of proxies will be accommodated at the venue on the date of the Annual General Meeting.
4. If you wish to appoint a person other than one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. Article No.20 of the Articles of Association of the Company provides that " A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as it could appoint a proxy.
6. Article No. 21 of the Articles of Association of the Company provides that where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other join shareholders.
7. 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, or
8. 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.

Notes

Corporate Information

Name of the Company
Lanka Credit and Business Finance PLC

Legal Form of the Company
A company incorporated in Sri Lanka on March 03, 1962 and re-registered as a public limited liability company under the Companies Act on March 10, 2008.

The Limited Company was registered as as Public Quoted Company on 21st January 2022 by listing its shares on CSE on 16th November 2021.

The Company is a Licenced Finance Company, licensed by the Monitory Board of the Central Bank of Sri Lanka.

Company Registration Number
PQ 00251997

Registered Office
Lanka Credit and Business Finance PLC
No. 76, S. De. S. Jayasinghe Mawatha, Kohuwala
Tel : +94 11 2825404 – 6
Fax : +94 11 2825405

Company Secretary
P.R. Secretarial Services (Private) Limited
No. 59, Gregory's Road, Colombo 7
Tel : +94 11 2671439
Fax : +94 11 2671440

Auditors to the Company
M/s Ernst & Young Chartered Accountants
No. 201, De Saram Place Colombo 10
Tel : +94 11 2463500
Fax : +94 11 2697369

Central Bank License No.
21

Tax Payer Identity Number (TIN)
124004284

No of Branches
As At 31/03/2023 - 15

Board of Directors
Emeritus Professor W. M. Abeyrathne Bandara
- Chairman / Non-Executive / Independent
Mr. Kandegoda Gamage Leelananda
- Chief Executive Officer / Executive / Non-Independent
Mr. Ranjan Lal Masakorala
- Non-Executive Director / Non-Independent
Mr. Ahalape Gamage Maheen Priyantha
- Non-Executive Director / Non-Independent
Mr. Vijitha Lokunarangoda
- Non-Executive Director / Non-Independent
Mr. Kapila Indika Weerasinghe
- Non-Executive Director / Non-Independent
Mr. Ukwatta Kankanamge Harith Ruwan Ranasinghe
- Non-Executive Director / Non-Independent
Mr. Gayan Kalhara Nanayakkara
- Non-Executive Director / Non-Independent
Mr. Dushmantha Thotawatte
- Non-Executive Director / Independent
Mr. Ashvin Welgama Nanayakkara
- Non-Executive Director / Non-Independent
Mr. Mahesh Katulanda
- Non-Executive Director / Independent

Baord Committees
Board Audit Committee
Human Resource and Remuneration Committee
Related Party Transactions Review Committee
Integrated Risk Management Committee
The Board Credit Committee

Bankers to the Company
Sampath Bank PLC
People's Bank
Cargills Bank
Pan Asia Bank
Bank of Ceylon

Accounting Year-End
31st March

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

LCB
finance