



LCB FINANCE PLC
ANNUAL REPORT 2024/25

STRATEGIC STEPS PIVOTAL PROGRESS



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In the year under review for LCB Finance, every decision we made was driven by a clear strategy and long-term vision.

We expanded our footprint, enhanced digital capabilities, strengthened our capital position, and invested in our people, all while maintaining strong governance and operational discipline. These steps translated into solid financial results, improved ratings, and growing stakeholder confidence.

The development we achieved was no coincidence. It was the result of deliberate planning, focused execution, and a commitment to value creation at every level. With strategic steps, we have created pivotal progress that will ensure our continued success in the years ahead.

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Website
lcbfinance.lk

Introduction to the GRI Report

The financial sector plays a critical role in driving sustainable development, fostering economic resilience, and empowering communities. As LCB Finance continues to evolve as a trusted non-bank financial institution, we recognize the growing responsibility to operate not only as a profitable enterprise but also as a responsible corporate citizen. In line with this commitment, we are pleased to present our first-ever Sustainability Report aligned with the Global Reporting Initiative (GRI) Standards, marking a significant and transformative milestone in our journey towards greater transparency, accountability, and stakeholder engagement.

The Global Reporting Initiative (GRI) is the most widely adopted sustainability reporting framework in the world. It provides standardized guidelines for organizations to report on their environmental, social, and governance (ESG) performance in a manner that is consistent, comparable, and credible. By adopting the GRI Standards, LCB Finance is aligning itself with global best practices in sustainability disclosure—ensuring that our stakeholders, including regulators, investors, customers, employees, and communities, have a clear and comprehensive view of our non-financial performance and our broader impact on society and the environment.

This report is not merely a reflection of compliance; it is an expression of our values and long-term commitment to sustainable business practices. It allows us to identify and disclose our material sustainability issues, track our progress against defined indicators, and communicate how we are creating value beyond financial returns. It also enables us to critically evaluate how our business operations intersect with key global and local sustainability challenges such as climate change, social equity, responsible lending, financial inclusion, and ethical governance.

As a financial institution operating in a rapidly changing macroeconomic and regulatory environment, we believe that transparency in our ESG performance is essential for building stakeholder trust, managing risk, and ensuring long-term resilience. Through this report, we aim to provide insights into our strategies, policies, practices, and performance in areas such as environmental responsibility, community engagement, employee development, customer protection, and corporate governance.

The decision to adopt GRI reporting at this stage of our growth reflects our ambition to elevate our sustainability agenda, benchmark ourselves against international standards, and continuously improve our practices. It also reinforces our belief that financial performance and sustainability are not mutually exclusive, but mutually reinforcing.

This inaugural GRI-aligned Sustainability Report has been prepared in accordance with the GRI Standards (2021) – Core Option. It includes disclosures that are most relevant to our stakeholders and material to our operations. The report has been developed through a structured process of internal consultation, stakeholder feedback, and alignment with our business strategy and risk management framework.

We view this as the beginning of a new chapter in our corporate narrative—one that places equal emphasis on financial health, ethical behavior, social responsibility, and environmental stewardship. As we move forward, LCB Finance is committed to deepening its sustainability initiatives, strengthening ESG governance structures, and enhancing the quality and frequency of our disclosures.

We thank all our stakeholders who have supported us in this journey and look forward to building a more sustainable, inclusive, and resilient future together.

Reporting Principles & Scope

This Sustainability Report marks a significant milestone for LCB Finance PLC, as it is our first-ever report aligned with the Global Reporting Initiative (GRI) Standards. Prepared in accordance with the GRI Standards 2021 – Core Option, this report reflects our growing commitment to transparent and accountable reporting on the environmental, social, and governance (ESG) dimensions of our operations.

As a responsible licensed finance company, we understand that sustainable business performance must go beyond financial profitability to encompass the broader impacts we create on society, the environment, and the economy. This report is our first step in institutionalizing a structured, internationally recognized sustainability reporting framework and sharing that journey with our stakeholders.

REPORTING PERIOD AND FREQUENCY

The information contained in this report pertains to the **financial year from 1st April 2024 to 31st March 2025**, which aligns with the company's fiscal year and annual reporting cycle. This time frame captures all material sustainability activities, performance metrics, and stakeholder engagements carried out within the reporting year.

This report is designed to be published on an **annual basis**, with the intention of embedding sustainability reporting into our long-term corporate strategy and disclosure processes. Over time, we will refine and expand our

sustainability disclosures, ensuring continuous improvement and alignment with evolving global best practices.

REPORTING SCOPE AND BOUNDARIES

The **scope of this report** includes all business operations under the direct control of **LCB Finance PLC**, encompassing our **head office and the full network of branches located across Sri Lanka**. The report focuses on aspects where we have direct operational control and influence, including our products, services, people, internal policies, and branch-level initiatives.

At this stage, the report **does not include data from suppliers, external partners, or joint ventures**, unless specifically stated. However, recognizing that sustainability is a value chain-wide responsibility, we are committed to gradually expanding our reporting boundaries to include upstream and downstream impacts—especially in relation to procurement practices, customer impact, and community engagement.

REPORTING METHODOLOGY AND DATA SOURCES

This report has been compiled in adherence to the GRI Standards, using the four core content principles and four quality principles as defined by GRI:



1. Stakeholder Inclusiveness

We recognize the importance of our stakeholders in shaping a sustainable future for the organization. During the reporting period, we engaged with various stakeholders—including customers, employees, investors, regulators, and community representatives—to understand their expectations and incorporate their feedback into our sustainability strategy and disclosures.



2. Sustainability Context

Our performance is presented within the broader context of national development priorities (such as the Central Bank of Sri Lanka's financial inclusion strategy and sustainable finance roadmap), global ESG trends, and the socioeconomic challenges faced by Sri Lanka as it emerges from a difficult economic period.



3. Materiality

We have focused this report on the most material topics that reflect LCB Finance's significant ESG impacts and are most likely to influence the decisions of our stakeholders. A structured internal materiality assessment was undertaken, involving key departments, Senior Management, and available stakeholder insights.



4. Completeness

We have strived to present a balanced and complete view of our performance, covering all material aspects to a reasonable degree of accuracy and detail. Where data limitations exist, we have clearly indicated the same.

The **quality of the report** has been ensured by adhering to the GRI principles of **accuracy, balance, clarity, comparability, reliability, and timeliness**. Data presented in the report is drawn from verified internal records, management reporting systems, financial statements audited by our External Auditors (Ernst & Young), and inputs from the relevant business units.

All financial data is presented in **Sri Lankan Rupees (LKR)** unless otherwise stated. Non-financial data, such as employee statistics, environmental impact metrics, and community initiatives, has been collected using in-house systems and validated by respective departmental heads.

ASSURANCE AND LIMITATIONS

As this is our first GRI-aligned report, we have not sought external assurance. However, internal reviews and validation processes were conducted to ensure the integrity of the data disclosed. We aim to explore third-party assurance in future reporting cycles as our sustainability reporting processes mature and stakeholder expectations evolve.

OUTLOOK AND FUTURE ENHANCEMENTS

LCB Finance views this report as the foundation of our sustainability journey—a platform from which we will continue to build, measure, and communicate our non-financial performance. While this inaugural report focuses on internal operations and directly controllable impacts, we are actively working to enhance the breadth and depth of our disclosures in future reports.

Our long-term objective is to fully integrate sustainability into our business strategy, decision-making processes, and organizational culture—so that our actions today create meaningful value for future generations.

GRI Standards Used

This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021 – Core Option. As LCB Finance PLC’s first GRI-aligned report, this marks a significant step in our journey towards enhanced transparency, accountability, and stakeholder engagement through globally recognized sustainability reporting standards.

The decision to adopt the Core option reflects our current level of maturity in sustainability reporting, ensuring that we meet the baseline expectations of stakeholders by covering key material topics and disclosures that are most relevant to our operations, while also allowing flexibility as we further develop our ESG data collection, management, and reporting capabilities.

At this stage, no GRI Sector Standards have been applied, as GRI has not yet published sector-specific standards for the non-bank financial services or licensed finance company category. However, we have referred to best practices in the financial services sector globally and within Sri Lanka to guide the contextual relevance of our disclosures.

Where applicable, our reporting references local regulatory frameworks such as the Central Bank of Sri Lanka’s Sustainable Finance Roadmap, the Finance Business Act, and applicable ESG-related guidelines from the Colombo Stock Exchange (CSE). We also remain informed by developments in other sustainability frameworks and intend to explore integrated reporting and sector alignment in future reporting cycles.

All GRI content index references and disclosures included in this report are based on the GRI 2021 Standards, ensuring consistency, comparability, and credibility of the information provided. A complete GRI Content Index is included at the end of this report for ease of reference and verification by stakeholders.





**STRENGTH
IN EVERY
METRIC**

About Us

LCB Finance PLC is a licensed finance company, regulated by the Central Bank of Sri Lanka, with a proud history of providing financial services to communities across Sri Lanka. Since its establishment, LCB Finance has evolved to become one of the most trusted names in the financial sector, particularly recognized for its dedication to supporting rural economies and small and medium-sized enterprises (SMEs).

With a strong focus on serving underserved regions, LCB Finance offers a wide range of products and services, including savings accounts, fixed deposits, leasing, personal and business loans, SME financing, microfinance, gold loans, and trade finance. Our growing branch network and robust digital capabilities enable us to serve clients across the island, ensuring financial inclusion and empowering businesses at the grassroots level.



Vision

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



Mission

To excel in providing financial services to rural communities and small and medium entrepreneurs, developing tailored products and services that address the specific financial needs related to ongoing economic activities in the areas surrounding our expanding branch network. We aim to be the financier to the growth of the rural economy, while continuing to strengthen our business relationships with corporate clients.



Values

At LCB Finance, we are committed to upholding the following core values, which guide our operations and interactions with clients, partners, and the communities we serve:

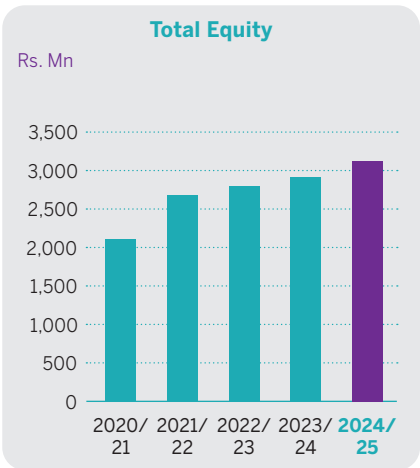
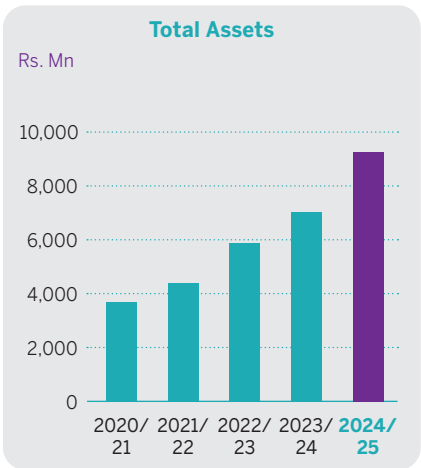
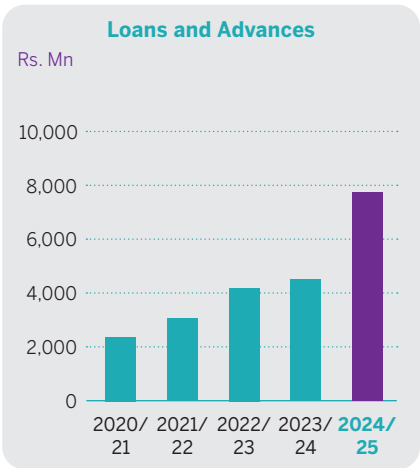
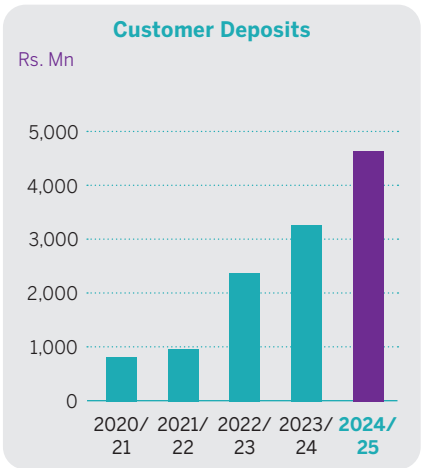
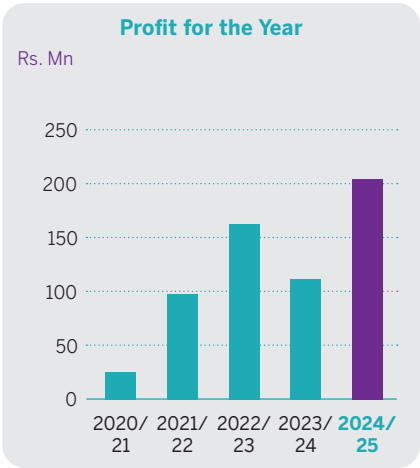
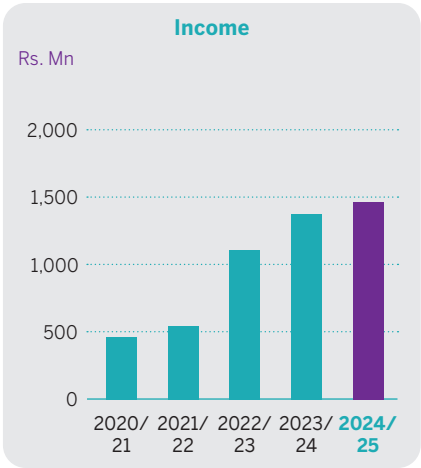
- **Honesty:** We uphold the highest standards of honesty in every aspect of our business, ensuring transparency and integrity in all our actions.
- **Accountability:** We take full responsibility for our decisions, actions, and performance, maintaining clear communication with all stakeholders.
- **Transparency:** We believe in being open and clear about our business practices, financial performance, and sustainability efforts, particularly as we embark on this journey of sustainability reporting with our first GRI report.
- **Continuous Improvement:** We are dedicated to constantly enhancing our products, services, and operations to stay ahead of industry trends and meet the evolving needs of our clients.
- **Ethical Standards:** We maintain the highest ethical standards and adhere to all regulatory requirements, ensuring our business is conducted with the utmost integrity.
- **Sustainability:** We are committed to promoting sustainability across our operations and striving for long-term environmental and social responsibility.
- **Social Responsibility:** Actively seeking opportunities to contribute to the well-being of our communities, we aim to make a meaningful impact on society, with a focus on rural economic growth.
- **Excellence:** Delivering excellence in all areas of our business, from customer service to governance, remains our core mission.

As we publish our **first GRI (Global Reporting Initiative) report**, these values will continue to shape our commitment to transparency, sustainability, and ethical business practices. The GRI standards will guide us in ensuring that our operations remain aligned with global best practices in sustainability and corporate responsibility.

Financial Highlights

Performance Indicators	2024/2025	2023/2024	Change
Operating Results (Rs.)			
Income	1,455,780,148	1,379,715,429	6%
Interest Income	1,323,027,160	1,202,448,835	10%
Profit Before Taxation	282,685,308	148,557,883	90%
Profit After Taxation	204,513,741	122,093,673	68%
Financial Position (Rs.)			
Total Assets	9,248,483,934	7,013,430,881	32%
Loans & Advances, Leases and Hire Purchase	7,756,726,342	4,508,662,546	72%
Customer Deposits	4,643,459,643	3,270,214,658	42%
Borrowing	1,069,967,819	604,675,532	77%
Shareholders Fund	3,123,407,365	2,919,497,811	7%
Investor Information (Rs.)			
Net Asset Value per share	3.95	3.69	7%
Earning Per Share	0.26	0.15	68%
Market Value Per Share (Closing)	2.60	2.20	18%
Statutory Ratios(%)			
Tier 1 Capital Adequacy Ratio (Minimum Requirement 8.50%)	36.77%	42.07%	-13%
Total Capital Adequacy Ratio(Minimum Requirement 12.50%)	36.73%	42.07%	-13%
Capital Funds to Deposits Liability Ratio(Minimum Requirement 10.00%)	65.79%	85.08%	-23%
Liquid Asset Ratio	14.96%	16.76%	-11%
Other Ratios (%)			
Return on Assets (Before Tax)	4.78%	2.30%	108%
Return on Equity(After Tax)	6.55%	4.27%	53%
Net Interest Margin (NIM)	11.94%	10.75%	11%
Loan to Customer Deposits	167.05%	137.87%	21%
Net Non-Performing Loans Ratio (Net NPL)	5.01%	10.00%	-50%

Financial Highlights



Non - Financial Highlights

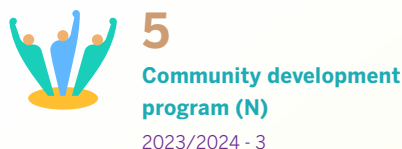
Human Capital



Economic Value Distributed



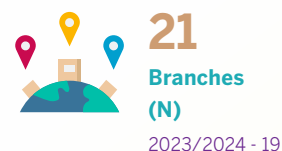
Social and Relationship Capital



Intellectual Capital



Manufactured Capital



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 Karadeniya, 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

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
- Improved 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

2019

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



2022

- The Company listed its shares on CSE during the year and became a public listed entity
- Award received - The Most Committed Finance Company to Rural Development By South Asian Business Awards 2021
- Increased share capital to 2.5 Bn in compliance 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

2023

- 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 5.8 Bn

2024

- Tags award for Compliance certificate - 2023
- Increased the branch network to 19 branches
- Increased the deposit base to 3.3 Bn
- Asset base was increased to 7 Bn

2025

- Tags awards for Compliance and Corporate Governance - 2024
- Increased the branch network to 21 branches
- Upgraded LRA rating from [SL] B+ Positive outlook to [SL] BB- Stable outlook
- Increased the deposit base to 4.6 Bn
- Asset base was increased to 9.2 Bn
- Increased share capital to 3 Bn
- Achieved profit before tax 282.6 Mn for the year ended 31st March 2025
- Introduce first Global Reporting initiative (GRI) aligned sustainability report.



Chairman's Message



“The Company's profit before tax improved quite significantly during the year 2024 /25 up to Rs. 282.6 Mn from Rs. 148.6 Mn reported during 2023/24”

Dear Shareholders,

The operating environment that prevailed during the period under consideration was when our country commenced emerging from an economic crisis caused by economic mismanagement for decades which resulted in depleted foreign exchange reserves, creating a breakdown in the supply and distribution of basic requirements of the citizens for our country.

The year 2024 /25 registered signs of improvement in the foreign exchange reserves of our economy resulting from strict import controls, increase in exports, improved worker remittance and recovery of the tourism industry creating confidence in an economic recovery.

Direct and indirect taxes made it challenging for borrowers to meet their repayment commitments as their disposable income diminished. Further, the escalation in prices of basic, fuel and electricity disrupted the debt service over that is considered when dispensing credit.

The progress that our company made amidst the aforesaid countless challenges during the financial year 2024/25 is very creditable and makes me proud of the achievements as a team.

Irrespective of the volatility in micro-economic conditions during the year under review, our deposits grew during the year by Rs. 1,373.2 Mn and the cost of funds was efficiently controlled through prudent assets and liability management.

The Company's profit before tax improved quite significantly during the year 2024 /25 up to Rs. 282.6 Mn from Rs. 148.6 Mn reported during 2023/24.

We plan to offer a quick and smooth experience for customers when they interact with the Company by to elevating our digital platform.

The earnings reported in 2024/25 translated into earnings per share (EPS) of Rs. 0.26 and ensured that the Company's net asset value per share appreciated from Rs. 3.69 to Rs. 3.95 during the period under review.

I am pleased to inform the shareholders that the Board of Directors has recommended a interim dividend of Rs.0.15per share for the period 2025/2026.

Despite the declaration of this dividend which was announced after 3 years, I must emphasize that the company is still compliant with capital adequacy ratios and buffers set out by the regulator.

We continue to closely monitor the changes to environmental, social and governance practices (ESG) both locally globally, whilst remaining compliant with current regulations in this regard from the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE).

Our commitment to corporate governance continues to be the focus of the Board of Directors . The Board has been working with the CEO / Executive Director, the corporate management team, holding Board and Board Subcommittee meetings and discussions to provide guidance and directions on the company's business strategies, and management practices, with a view to delivering the best services to our customers and shareholders as we enhance our business volumes.

Our Branch Managers are actively engaged with entrepreneurs from rural areas to uplift the way of life of the local

“The earnings reported in 2024/25 translated into earnings per share (EPS) of Rs. 0.26 and ensured that the Company's net asset value per share appreciated from Rs. 3.69 to Rs. 3.95 during the period under review.”

community by marketing our lending products, in particular, whilst developing their savings habits, in general.

Looking ahead, we believe the year 2025/26 will be defined by the impact of the policies of the government targeting growth of the export, tourism and agriculture sectors , alongside a continued inflow of foreign exchange from migrant worker remittances.

I extend my heartfelt thanks to my colleagues on the Board for being supportive in every aspect and to our CEO/Executive Director, Corporate Management team and all other employees for their dedication and outstanding performance throughout the year. Their efforts have been instrumental in delivering the results we report today and will undoubtedly be the key to our future success.

I also wish to express my appreciation to the officials of the Central Bank of Sri Lanka and Colombo Stock Exchange for their ongoing support in ensuring effective financial operations of the company.

To our loyal customers , thank you for your continued trust and the strong relationship we share. We remain committed to safeguarding your interest and strictly adhere to the Finance Customer Protection Regulations issued by the Central Bank of Sri Lanka.

Finally, to our valued investors, your patience and confidence in us during the dividend hiatus is deeply appreciated. We are optimistic of our future and, with continued support of our stakeholders and dedicated staff, we remain committed to our long-term vision of being a resilient and a trusted finance company in Sri Lanka.



D. Thotawatta
Chairman

Chief Executive Officer's Review



“Our loan book expanded by 72%, fueled largely by expansion of Loan Portfolio and This year also marks a landmark milestone for LCB, as we publish our first Global Reporting Initiative (GRI) aligned sustainability report”

As we step into the financial year 2025, I take this opportunity to reflect on the journey we have traversed and the vision that has guided us through an ever-evolving global and local economic landscape. Despite numerous external pressures, we remained anchored by innovation, strategic foresight, and resilience—qualities that continue to shape our progress.

I take immense pride in the strides we have made this past year. Through strategic planning and unwavering focus, we strengthened our market position, expanded our footprint, and navigated adversity with a sense of purpose. Our ability to adapt swiftly to changing conditions while staying committed to our core values has enabled us to emerge stronger and more capable than ever before.

Digital transformation continues to be at the heart of our strategic direction. We have intensified our efforts to digitize our services and products, ensuring enhanced operational capabilities and seamless customer experiences across our network. The implementation of a centralized software platform has significantly improved service delivery, and as we continue expanding our branch network across the island, we aim to integrate these digital enhancements more holistically into all customer touchpoints.

The year 2024/25 brought with it significant macroeconomic headwinds, yet we remained focused on stability and sustainable value creation. By embracing innovation and optimizing operations, we ensured business continuity and stayed aligned with our long-term goals. As we look to the future, we are gearing our resources and expertise towards priority sectors—particularly supporting small and medium enterprises (SMEs), empowering self-employed women entrepreneurs, and

expanding our exposure in trade finance, lease finance, and gold loans. These areas will form the foundation of our sustained growth strategy in the coming years.

During the financial year under review, our gross income increased by 6%, primarily driven by a rise in interest income. Our loan book expanded by 72%, fueled largely by expansion of Loan Portfolio In parallel, customer deposits recorded a growth of 42%, while our total assets grew by 32% compared to the position as at 31st March 2024. Our operating profit before taxes on financial services surged to Rs. 388.5 Mn, reflecting a significant increase of 76% compared to the previous year. After accounting for income tax provisions amounting to Rs. 78.2 Mn, our profit after tax for the year stood at Rs. 204.5 Mn, up from Rs. 82.4 Mn in 2023/24.

Amidst continued macroeconomic challenges, we maintained a strong capital base—an essential element for long-term resilience and sustainable expansion. Our capital adequacy ratios remained comfortably above regulatory thresholds throughout the year, demonstrating prudent capital management and robust financial discipline.

I am pleased to share that during the year, the credit rating of our Company was upgraded from 'B+ with Stable outlook' to 'BB- with Stable outlook' by Lanka Rating Agency. This recognition reflects our financial soundness, improved asset quality, and strategic vision for the future.

Our proactive approach to capital management—anchored by frequent and robust deliberations at our Assets and Liabilities Committee (ALCO) meetings—helped us optimize our balance sheet and improve our total capital adequacy ratio to 36.73%.

A key focus area has been the quality and sustainability of our lending portfolio, particularly within the SME, agriculture, and microfinance segments. Our branch

teams continue to work closely with rural communities, supporting income-generating activities and contributing meaningfully to the broader development of the rural economy.

This year also marks a landmark milestone for LCB, as we publish our first Global Reporting Initiative (GRI) aligned sustainability report. This step underscores our commitment to transparency, accountability, and responsible corporate citizenship. By aligning with global standards for sustainability reporting, we affirm our pledge to measure and communicate our environmental, social, and governance (ESG) performance in a credible and consistent manner—laying a solid foundation for long-term sustainable value creation.

Environmental sustainability has become an increasing priority for us. As part of our ESG commitment, we recognize the need to mitigate our carbon footprint. We have initiated plans to install solar power systems at selected branches—an important first step in our longer-term ambition to adopt environmentally responsible corporate practices.

Looking ahead to 2025, we remain fully aware of the economic and operational challenges that may arise. Yet, we are prepared. With the strength of a skilled and compassionate team, the support of our stakeholders, and the trust of our depositors and shareholders, we move forward with confidence and optimism.

I extend my heartfelt gratitude to our valued customers for their continued loyalty and engagement, which inspire us to strive for excellence. I am equally grateful to our shareholders for their faith in our vision and for their investment in our growth, especially as a listed entity on the Colombo Stock Exchange.

I take this opportunity to thank our Corporate and Senior Management teams and all employees across our

branch network and head office. Your commitment, passion, and diligence have been central to the success we report today. Human capital remains our most valuable asset, and we are committed to continuous skill development across the organization to meet the competitive demands of the financial services industry.

I would also like to acknowledge the strategic guidance and steady leadership of our Chairman and the Board of Directors, whose insight and direction have been instrumental in steering the Company through this pivotal year.

Further, I extend my sincere appreciation to the Governor, the Governing Board, the Monetary Policy Board, and officials of the Central Bank of Sri Lanka for their continued support in maintaining a strong and transparent regulatory environment that fosters growth and stability.

Lastly, I wish to thank our External Auditors, Ernst & Young, for their professionalism and timely execution of the statutory audit process.

Together, with the collective strength of our people, partners, and patrons, we look forward to building a more resilient, responsible, and future-ready LCB—continuing to deliver long-term value to all our stakeholders.



K. G. Leelananda
Chief Executive Officer

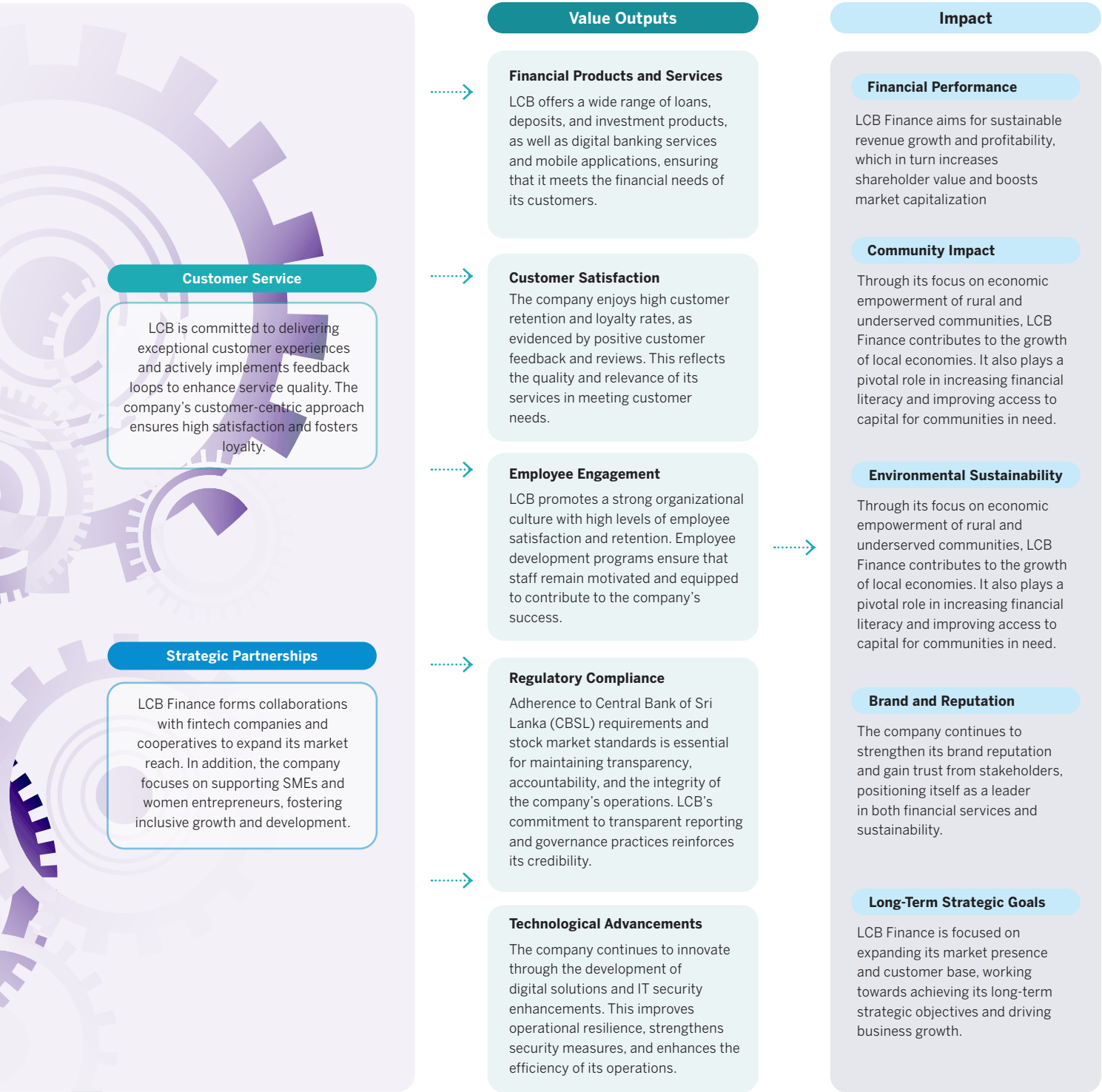
Value Creation Model

LCB Finance operates a comprehensive business model that creates sustainable value for a wide range of stakeholders, including customers, employees, shareholders, and communities. The company’s value creation approach is built on its ability to effectively leverage various forms of capital—financial, human, intellectual, technological, social and relationship, and natural—to drive its operations and growth.

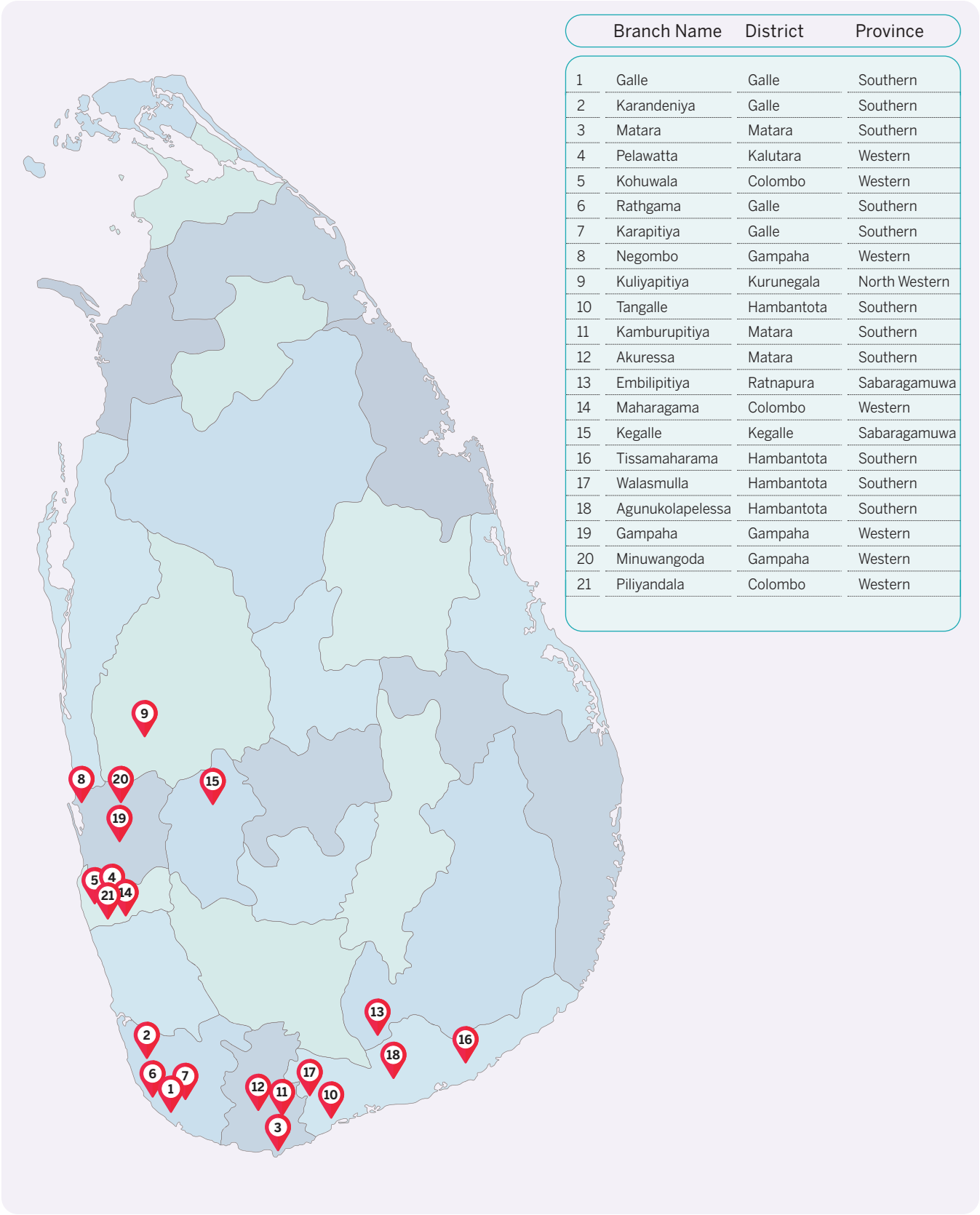


Conclusion

LCB Finance’s value creation model integrates financial performance with social and environmental responsibilities. By effectively utilizing its various capital inputs, the company optimizes its operations to deliver substantial value to its stakeholders. This holistic approach ensures that LCB remains resilient and adaptable in a dynamic financial landscape, positioning itself as a trusted and innovative financial institution that contributes positively to society and the environment.



Geographic Presence & Market Served



Materiality Assessment Process

The Materiality Assessment Process is a key element in aligning LCB Finance's strategy with the interests and expectations of our stakeholders, as well as in determining which environmental, social, and governance (ESG) issues are most relevant to our business operations. This process ensures that we focus on material issues that can drive sustainable value creation for all stakeholders. Our assessment process involves identifying, engaging, and prioritizing key ESG issues that are aligned with the interests of our stakeholders and that will have the most significant impact on the organization and its stakeholders.

1. IDENTIFICATION OF MATERIAL ISSUES

To begin the materiality process, LCB Finance identified key ESG issues through a combination of internal analyses, stakeholder engagement, and industry research. This helped the company pinpoint those issues that have a direct or indirect impact on our operations, reputation, and long-term success.

- Credit Risk Management
- Regulatory Compliance
- Interest Rate Risk Management
- Liquidity Management
- Environmental, Social, and Governance (ESG) Risks
- Market Risk and Strategic Risk
- Technology and Innovation
- Financial Inclusion
- Employee Welfare and Development
- Community Engagement and Social Responsibility

2. MATERIALITY ASSESSMENT PROCESS STEPS:

2.1 Identify Stakeholders

Stakeholder identification is the first critical step in our materiality assessment. The company recognizes a diverse group of stakeholders

who influence or are affected by our operations. These include:

- Employees
- Customers
- Regulators (e.g., Central Bank of Sri Lanka)
- Investors and Shareholders
- Local Communities
- Suppliers and Partners
- NGOs and Industry Associations

Each stakeholder group has different interests, expectations, and concerns. Recognizing these variations allows us to focus on the most relevant ESG issues for our business and industry.

2.2 Determine Potential Material Issues

In this step, we assess the broader landscape of ESG risks and opportunities, referring to local and international standards, benchmarks, and industry practices. By analyzing business risks, regulatory pressures, and market dynamics, we identified potential material issues. Examples include:

- Environmental Risks – such as carbon emissions, water usage, and waste management practices.
- Social Risks – such as financial inclusion, employee welfare, and community engagement.
- Governance Risks – including ethical conduct, transparency, and regulatory compliance.

These issues were then aligned with our business operations and growth objectives to understand their potential materiality.

2.3 Engage with Stakeholders

Stakeholder engagement is a vital aspect of our materiality assessment. To ensure our identified ESG issues reflect the concerns and interests of our key stakeholders, we engaged with them through:

- Surveys and Questionnaires- Sent to a diverse group of stakeholders to gather their feedback.
- Interviews and Focus Groups- Held with employees, customers, and industry experts to gain deeper insights.
- Public consultations- Engaging local communities through workshops and information-sharing events.
- Investor Calls and Annual Meetings- Discussions with shareholders and investors to understand their focus on ESG aspects.

This engagement process provides us with direct feedback and insights into the most critical ESG issues, helping to shape our priorities.

2.4 Prioritize Material Issues

Following the stakeholder engagement process, we evaluated the identified issues based on their importance to stakeholders and the company's impact. The prioritization was done by scoring the issues on:

- Relevance to stakeholders – How important is the issue to our stakeholders (e.g., customers, employees, investors)?
- Impact on the company – How significant is the issue in terms of financial, operational, and reputational impact?

The prioritized list of material issues was categorized as high, medium, or low priority. This classification helped us focus resources on the issues with the greatest impact on our business and stakeholders.

Materiality Assessment Process

2.5 Integrate Material Issues into Reporting and Strategy

Once the material issues were prioritized, we integrated them into our business strategy and reporting processes. The material issues form the foundation of our sustainability strategy and inform key decision-making processes. They also guide our performance metrics and sustainability targets, which will be tracked over time and reported in the GRI Report.
For example:

- Issues such as Financial Inclusion and Employee Welfare are directly tied to our customer and employee satisfaction goals.
- Environmental Sustainability (e.g., reducing carbon emissions) has been integrated into our long-term strategy, including our goal of transitioning to renewable energy sources.

2.6 Monitor and Review Materiality Regularly

Materiality is dynamic, and it is crucial that we regularly review and update the issues as they evolve. LCB Finance has established a system for continuous monitoring of ESG issues, which includes:

- Regular Feedback Loops - We continuously engage with stakeholders to ensure we capture emerging issues.
- Annual Reviews - A review of material issues takes place annually, ensuring our strategy remains relevant and aligned with stakeholder expectations and external market conditions.
- Quarterly Updates - These will help assess any emerging risks or opportunities related to material ESG factors.

This review ensures that we remain responsive and adaptable to changes in the market or shifts in stakeholder priorities.

3. IMPACT AND RELEVANCE

Each of the material issues identified through this process has a significant impact on the company's ability to achieve long-term sustainable growth. These issues are:

- Environmental Impact - Actions related to waste management, energy consumption, and resource conservation.
- Social Impact - How we address the needs of underserved communities through financial inclusion and how we support employee well-being.
- Governance Impact - Ensuring compliance with laws and regulations, maintaining transparency, and promoting ethical business practices.

By addressing these material issues, we not only enhance our ability to manage risk but also create long-term value for our stakeholders.

4. STRATEGIC RESPONSE AND INTEGRATION WITH BUSINESS STRATEGY

The material issues identified through the assessment have been integrated into our business strategy. This includes:

- Aligning Material Issues with Strategic Priorities - We focus on key areas like financial inclusion, employee welfare, and ESG risks as part of our overall strategy.
- Enhancing Stakeholder Engagement - Continuing to engage stakeholders to ensure their views influence our strategic decisions.

- Performance Metrics- Tracking and reporting on how these issues are being addressed through key performance indicators.

By embedding material issues into the core of our strategy, we ensure that LCB Finance remains responsive, adaptive, and committed to sustainability.

BUILDING REACH, ENHANCING ACCESS



Operating Environment

GLOBAL ECONOMIC OUTLOOK FOR 2024/25

As of early 2025, the global economy continues to expand at a moderate pace, sustaining the recovery trajectory established in the aftermath of the pandemic. According to the International Monetary Fund's (IMF) April 2024 World Economic Outlook, global real GDP growth is estimated at 3.2% in 2024, with a slight improvement to 3.3% in 2025, broadly consistent with the growth momentum observed in 2023.

Performance of Advanced and Emerging Economies

Economic activity in advanced economies is projected to strengthen marginally, underpinned by subsiding inflationary pressures, resilient labour markets, and stabilising monetary policies. Growth is forecast to increase from 1.6% in 2023 to 1.7% in 2024, and further to 1.8% in 2025. Easing financial conditions and improved consumer sentiment are expected to support a gradual rebound in investment and consumption.

In contrast, emerging market and developing economies (EMDEs) are anticipated to face a slight moderation in growth, easing from 4.3% in 2023 to 4.2% in both 2024 and 2025. This deceleration reflects tighter external financing conditions, uneven post-pandemic recoveries, and continued exposure to external shocks, including commodity price volatility and capital outflows.

Inflation Trends and Monetary Policy Outlook

Global inflation is on a downward trajectory. After peaking in 2022 and moderating to 6.8% in 2023, inflation is forecast to decline further to 5.9% in 2024 and 4.5% in 2025. While headline inflation is falling in most regions, core inflation—excluding food and energy—remains elevated in some sectors, pointing to persistent supply-side constraints and wage pressures.

Advanced economies are expected to reach their inflation targets sooner, aided by decisive monetary tightening cycles in previous years. However, many EMDEs may experience a slower disinflation path due to structural rigidities and exchange rate fluctuations. Central banks across the globe are adopting a cautious stance, balancing the need to maintain price stability while supporting growth.

Geopolitical Risks and Structural Headwinds

Despite the improved macroeconomic environment, the global outlook remains clouded by a range of downside risks. Rising geopolitical tensions, particularly between major economies such as the United States and China, have introduced renewed trade policy uncertainty. The imposition of new tariffs and retaliatory measures has dampened investor confidence and constrained global trade and capital flows.

As a result of these developments, the IMF has issued a downward revision to its 2025 global growth forecast, lowering it to 2.8%—the weakest annual expansion since the height of the COVID-19 pandemic in 2020.

In addition, demographic pressures—especially aging populations in advanced economies—are expected to weigh on labour supply and long-term growth prospects. Productivity growth remains subdued, reinforcing the need for strategic investments

in innovation, education, and digital transformation.

Outlook and Policy Priorities

While the global economy remains on a recovery path, sustaining this momentum requires proactive, coordinated policy action. The IMF stresses the urgency of structural reforms, targeted fiscal measures, and multilateral cooperation to address deep-rooted vulnerabilities and promote inclusive, sustainable growth. In summary, the global economy is expected to grow modestly in the near term, supported by easing inflation and stabilised policy frameworks. However, the presence of persistent geopolitical tensions and structural impediments underscores the fragility of the recovery. Navigating these challenges will require a careful balancing act between short-term stabilisation and long-term transformation.

Source: International Monetary Fund, World Economic Outlook – April 2024: Steady but Slow – Prospects for the Global Economy

LOCAL ECONOMIC REVIEW

Broad-Based Recovery and Strengthening Macroeconomic Stability

Sri Lanka's economy witnessed a notable turnaround in 2024, marking a decisive departure from the profound economic crisis experienced two years prior—widely regarded as the most severe in the nation's post-independence era.

This resurgence was underpinned by a comprehensive and coordinated reform agenda, combining disciplined fiscal consolidation, prudent monetary policy adjustments, and sustained progress under the International Monetary Fund's Extended Fund Facility (IMF-EFF) programme.

The continued advancement of external debt restructuring negotiations, combined with improved governance, transparency, and regulatory reforms,

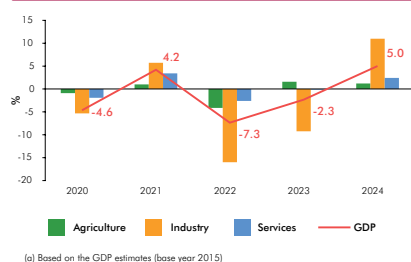
played a critical role in restoring investor confidence and re-establishing macroeconomic stability. These concerted efforts laid a robust foundation for renewed growth and long-term resilience.

In 2024, real gross domestic product (GDP) expanded by 5.0%, effectively reversing two consecutive years of economic contraction. Significantly, this marked the first instance since 2017 in which all four quarters recorded positive real GDP growth, reflecting a broad-based and sustainable recovery.

The economic rebound was largely driven by a revitalisation of the industrial sector, with strong gains in manufacturing and construction, supported by improving supply chain conditions and increased domestic investment. The services sector also exhibited sustained expansion, led by the accommodation, transport, and communication sub-sectors—benefiting from the recovery in tourism and mobility. Additionally, the agriculture sector contributed positively, supported by favourable weather and improved input availability.

In nominal terms, GDP rose to Rs. 29,898.6 billion, while gross national income (GNI) reached Rs. 29,153.9 billion, reflecting improved economic activity and external income flows. GDP per capita increased to Rs. 1,364,235 (USD 4,516) and GNI per capita to Rs. 1,330,255 (USD 4,404), driven by stronger output and a relative appreciation of the Sri Lankan rupee.

Figure 1.8: Annual Real GDP Growth Rates (a)

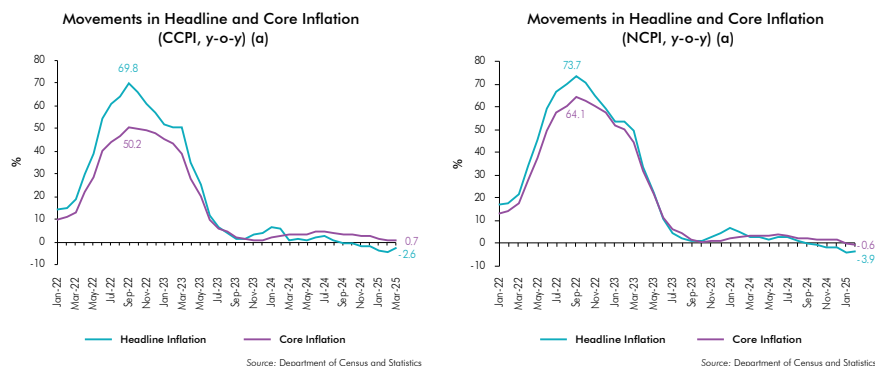


Source: Department of Census and Statistics

Together, these outcomes signal a return to economic normalcy, with growing momentum across key sectors and a macroeconomic environment more conducive to investment, employment, and sustainable development. Looking ahead, continued policy discipline and structural reforms will be critical to consolidating gains and mitigating risks to long-term growth.

Inflation and Price Stability

Figure 1.1: Inflation Dynamics in Sri Lanka



Maintaining price stability remained a central priority for monetary policy in 2024, with the Central Bank's concerted disinflationary efforts yielding significant progress throughout the year. While inflation initially experienced a temporary uptick early in the year—driven by adjustments to the value added tax (VAT) and upward pressures on food prices—the trend reversed from March onwards, transitioning into a deflationary phase by September 2024.

This improvement was supported by several key factors, including targeted reductions in electricity tariffs implemented in March and July, subdued consumer demand amid cautious spending behaviour, favourable base effects from the previous year's high inflation, and a strengthening domestic currency which helped ease imported inflationary pressures.

As a result, headline inflation, as measured by the Colombo Consumer Price Index (CCPI), declined markedly from 4.0% at the end of 2023 to -1.7% by the close of 2024. The annual average inflation rate dropped sharply to 1.2%, down from 17.4% in 2023. Similarly, the National Consumer Price Index (NCPI) registered a year-end deflation of -2.0%, with an annual average inflation of 1.6%, compared to 4.2% and 16.5%, respectively, in the prior year.

These outcomes reflect the effective implementation of monetary and fiscal measures to restore price stability, while also creating a more predictable economic environment conducive to sustainable growth and improved consumer confidence.

Table 1.1: Movements of Inflation (y-o-y)

		2013=100			2021=100				%
		Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024	Jan-2025	Feb-2025	
Headline Inflation	CCPI	4.2	12.1	57.2	4.0	-1.7	-4.0	-4.2	-2.6
	NCPI	4.6	14.0	59.2	4.2	-2.0	-4.0	-3.9	
Core Inflation	CCPI	3.5	8.3	47.7	0.6	2.7	1.2	0.7	0.7
	NCPI	4.7	10.8	57.5	0.9	1.3	-0.2	-0.6	
Food Inflation	CCPI	9.2	22.1	64.4	0.3	0.8	-2.6	-0.2	0.6
	NCPI	7.5	21.5	59.3	1.6	-1.0	-2.5	-1.1	
Non-Food Inflation	CCPI	2.0	7.5	53.4	5.8	-3.0	-4.7	-6.1	-4.1
	NCPI	2.2	7.6	59.0	6.3	-2.9	-5.2	-6.0	

Note: The Department of Census and Statistics commenced publishing NCPI and CCPI with the new base year, 2021=100, from the data releases of January 2023 and February 2023, respectively, and discontinued the publication of NCPI and CCPI with the old base year, 2013=100.

Source: Department of Census and Statistics

Operating Environment

Inflation Expectations

Inflation expectations across both corporate and household sectors aligned closely with actual inflation trends during 2024. At the start of the year, short-term inflation expectations—for horizons of three, six, and twelve months—exceeded the Central Bank's 5% target, largely influenced by the VAT adjustments introduced earlier in the year. However, following successive reductions in utility tariffs and improvements in price stability, these expectations steadily declined throughout the year. By October 2024, near-term inflation expectations had fallen below the 5% target, signaling increased confidence in the Central Bank's ability to maintain price stability.

Medium-term inflation expectations among corporate respondents remained well anchored, fluctuating within ± 2 percentage points around the 5% target. This consistency reflects a broad-based trust in the monetary policy framework and its commitment to sustaining low and stable inflation over time.

Monetary Policy and Financial Sector Developments

Throughout 2024, the Central Bank maintained an accommodative monetary policy stance aimed at nurturing economic recovery and supporting growth. Market interest rates experienced a broad-based decline, which improved access to credit for businesses and households. This easing of financial conditions facilitated a notable increase in private sector lending during the latter half of the year, stimulating both consumption and investment activities. Consequently, the positive momentum in economic growth was reinforced by enhanced credit flows and a more supportive financial environment.

External Sector Performance and Exchange Rate Movements

The external sector demonstrated continued resilience in 2024 despite ongoing global uncertainties. Strong inflows from tourism earnings and workers' remittances contributed to a current account surplus for the second consecutive year. This surplus helped offset a widening trade deficit, which was driven by a resurgence in imports reflecting economic recovery and pent-up demand.

Gross official reserves were significantly bolstered, reaching record levels supported by net foreign exchange purchases of USD 2,846 million by the Central Bank—the highest annual net purchase on record. This inflow improved foreign exchange liquidity and contributed to the stability of the currency.

Accordingly, the Sri Lankan rupee appreciated by 10.7% against the US dollar in 2024, closing the year at Rs. 292.58/USD. The currency also strengthened against other major currencies, including the euro (17.8%), pound sterling (12.3%), Japanese yen (22.5%), Chinese yuan (13.9%), Indian rupee (13.9%), and Australian dollar (21.7%). The appreciation was supported by improved foreign exchange market liquidity, market-driven exchange rate management, and limited intervention by the Central Bank, which primarily focused on purchasing foreign currency to strengthen reserves rather than selling.

Foreign Debt Service Payments

External debt service payments rose substantially to USD 4.2 billion in 2024, up from USD 2.8 billion in 2023. This increase reflected the resumption of repayments on debt that had previously been under standstill arrangements, particularly during the latter half of the year. While overall government repayment levels remained stable, there was a marked shift from capital repayments to interest payments.

Notably, 2024 marked the initiation of repayments related to restructured international sovereign bonds (ISBs), including the first capital repayment of the Paris Club Development Initiative (PDI) bond. The Central Bank's external debt service obligations also increased significantly, with private sector corporations contributing to the rise through higher foreign debt repayments.

Despite these pressures, Sri Lanka's robust macroeconomic performance and strengthened foreign exchange reserves ensured the continued sustainability of external debt obligations.

Fiscal Developments and Sovereign Ratings

Sri Lanka's fiscal position showed meaningful improvement in 2024, supported by enhanced revenue mobilisation efforts that enabled the achievement of a primary fiscal surplus. Ongoing fiscal consolidation measures, coupled with successful debt restructuring initiatives, contributed to a stronger sovereign credit profile.

These fiscal improvements were reflected in sovereign credit rating upgrades by international rating agencies, which restored investor confidence and enhanced Sri Lanka's access to international capital markets. The improved ratings and strengthened fiscal discipline positioned the country to better manage future financial obligations and support sustained economic growth.

NON-BANK FINANCIAL INSTITUTIONS SECTOR REVIEW: FINANCE COMPANIES

The Finance Companies (FCs) sector in Sri Lanka experienced robust growth and demonstrated commendable resilience throughout 2024, maintaining capital and liquidity levels comfortably above regulatory minimums.

This performance highlights the sector’s strengthened position as a critical contributor to the country’s financial system and its continued role in fostering financial inclusion across diverse segments of the population.

Sector Composition and Reach

At the end of 2024, the FCs sector comprised 32 licensed finance companies, collectively accounting for 5.4% of total financial sector assets. The sector’s extensive branch network—totaling 1,908 branches, with 1,265 located outside the Western Province—enabled widespread access to financial services across urban and rural areas, thereby supporting the government’s financial inclusion objectives.

In December 2024, the Central Bank introduced a revised framework for Phase II of the Masterplan for Consolidation of the FCs sector. This initiative, including a detailed three-year execution plan commencing 31 March 2025, aims to enhance the sector’s resilience and ensure its long-term sustainability through structural reforms and capacity building.

Asset Growth and Loan Portfolio Expansion

The sector’s total asset base expanded by Rs. 235.2 billion (13.9%) in 2024, reaching Rs. 1,930.7 billion, compared to a modest growth of 5.7% in 2023. This substantial growth was primarily fueled by a significant expansion in the loans and advances portfolio, which rose by Rs. 265.4 billion (22.8%) to Rs. 1,430.2 billion—a sharp turnaround from the 2.6% contraction recorded in the previous year.

This segment grew by 18.7% during the year, reflecting sustained demand for asset-backed financing.

Loans secured by gold, the second largest segment, increased their share from 18.7% to 19.8% of the portfolio and recorded a notable growth of 30.4%, demonstrating continued preference for collateralised credit facilities in the sector.

Conversely, financial assets measured at amortised cost, primarily government securities and other debt instruments, contracted by 39.9%, a reversal from the 71.1% growth in 2023, largely due to strategic portfolio rebalancing away from passive investments towards more active lending.

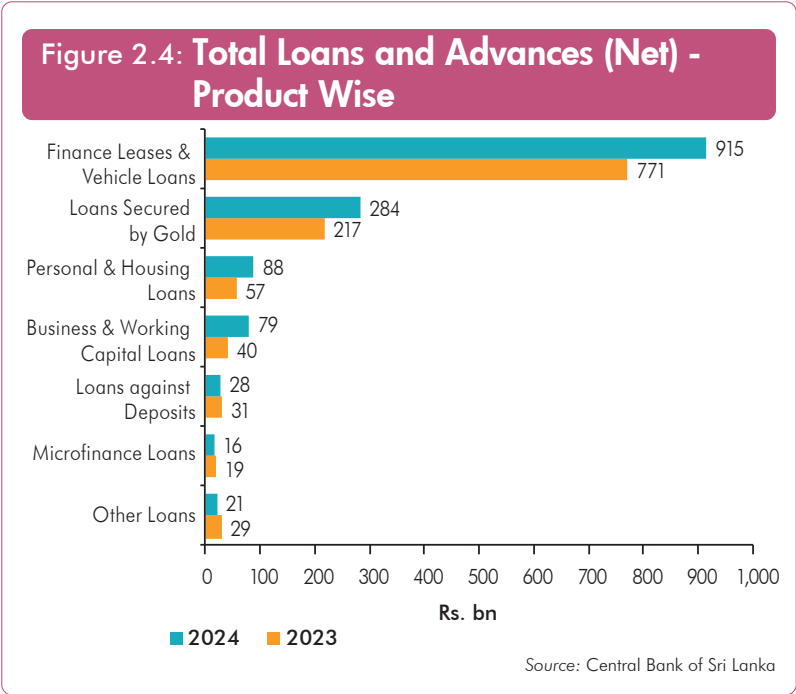
Improvement in Asset Quality

The sector’s asset quality showed marked improvement during 2024, as reflected by the decline in the gross non-performing loan (NPL) ratio to 11.3%, down from 18.0% at the end of 2023. This significant reduction indicates enhanced credit risk management and recovery efforts.

Further strengthening credit risk buffers, the impairment coverage ratio for NPLs increased to 41.9% in 2024, compared to 32.6% the previous year. This translated into a net NPL ratio improvement to 6.6% from 12.1%, signaling healthier asset quality and more prudent provisioning.

Liquidity and Funding Profile

The FCs sector maintained liquidity well above regulatory minimums throughout 2024. Regulatory liquid assets totaled Rs. 220.9 billion at year-end, representing a liquidity surplus of Rs. 105.1 billion against the stipulated minimum requirement of Rs. 115.8 billion—although this surplus declined from Rs. 151.5 billion in 2023 due to increased lending activity.



Loans and advances represented the largest component of the asset base, accounting for 74.1% of total sector assets by year-end. Within this portfolio, finance leases and vehicle loans remained dominant, constituting 64.0% of total loans, although their share slightly declined from 66.2% in 2023.

Operating Environment

On the liabilities side, customer deposits remained the dominant funding source, constituting 54.7% of total liabilities. Deposits grew by Rs. 121.4 billion (13.0%) to Rs. 1,056.4 billion, reflecting sustained depositor confidence and sector outreach. Borrowings increased by 15.3%, reaching Rs. 305.4 billion, providing further funding diversification and supporting the sector's asset growth.

Profitability and Efficiency

The FCs sector recorded a strong financial performance in 2024, with profit after tax (PAT) rising by 20.9% to Rs. 59.7 billion, driven primarily by a 24.3% increase in net interest income to Rs. 191.8 billion. Non-interest income also grew modestly by 1.4% to Rs. 33.8 billion, contributing to overall profitability.

Profitability ratios improved in line with these results, with return on assets (ROA) increasing to 6.1% from 5.2%, and return on equity (ROE) rising to 13.5% from 12.7%. The sector's operating efficiency also advanced, as evidenced by a decline in the efficiency ratio to 50.8% from 52.8% the previous year, indicating better cost management relative to income generation.

Capital Adequacy and Regulatory Compliance

The capital base of the FCs sector strengthened by 8.6%, increasing from Rs. 329.1 billion in 2023 to Rs. 357.4 billion at the end of 2024. Except for two companies, all FCs complied with the minimum core capital and capital adequacy requirements.

Although the sector's core capital and total capital ratios experienced marginal declines—to 20.4% and 21.2%, respectively, from 21.1% and 22.3% in 2023—they remained well above the regulatory minimums, reflecting a robust capital position capable of supporting future growth and absorbing potential shocks.

OUTLOOK

The FCs sector's strong growth trajectory in 2024, coupled with improvements in asset quality, liquidity, and profitability, underscores its growing significance in Sri Lanka's financial landscape. With the planned consolidation initiatives under the Masterplan Phase II and continued regulatory oversight, the sector is poised to enhance its resilience, expand outreach, and contribute meaningfully to financial inclusion and economic development in the medium to long term.

*Sources - CENTRAL BANK OF SRI LANKA
ANNUAL ECONOMIC REVIEW 2024*

Financial Capital



The financial year ended 31 March 2025 marked a milestone year for LCB Finance PLC, showcasing the resilience and adaptability of our financial capital strategy in a shifting economic landscape. Amid macroeconomic uncertainty, we demonstrated significant financial growth and stability, underscored by robust revenue generation, improved profitability, disciplined cost controls, and a strengthened balance sheet.

Our approach to managing financial capital is rooted in principles of prudence, transparency, and long-term value creation—ensuring continued trust among shareholders, investors, regulators, and other stakeholders. Throughout the year, we remained committed to strategically deploying financial resources to support sustainable lending, digital innovation, infrastructure expansion, and inclusive growth, in alignment with both GRI standards and broader stakeholder expectations.

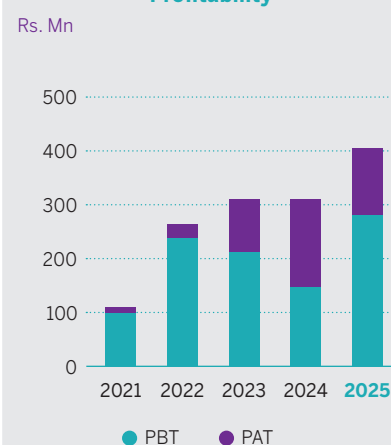
REVENUE AND PROFITABILITY PERFORMANCE

LCB Finance recorded total income of Rs. 1.46 billion for the year, representing a steady 6% year-on-year growth compared to Rs. 1.38 billion in 2023/24. This increase was predominantly driven by enhanced yields across our lending portfolios, with strong contributions from term loans, gold-backed credit, and lease financing.

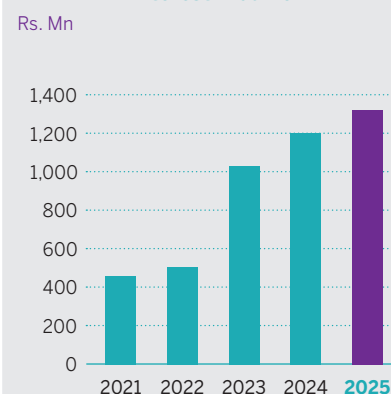
Interest Income Growth

- Total interest income rose to Rs. 1.32 billion, a 10% increase year-on-year, reflecting the increased volume and improved pricing of lending products.
- Loans and receivables generated Rs. 952.4 million in interest income, up by 10%, driven by increased disbursements and timely collections.
- Lease rentals and hire purchases contributed Rs. 245.3 million, a staggering 123% increase from the prior year, indicating strong uptake of asset-backed financing.
- Interest income from financial investments, however, declined significantly to Rs. 83.1 million (from Rs. 195.1 million), reflecting a deliberate reallocation of capital from passive investments toward higher-margin lending assets.

Profitability

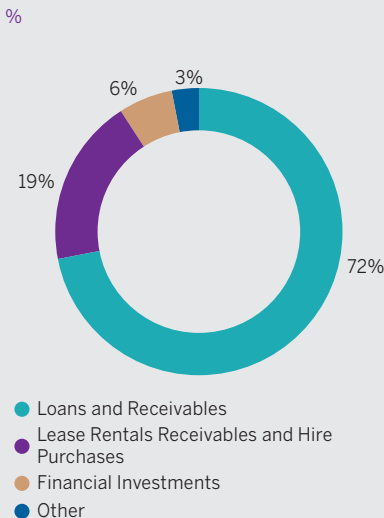


Interest Income



Financial Capital

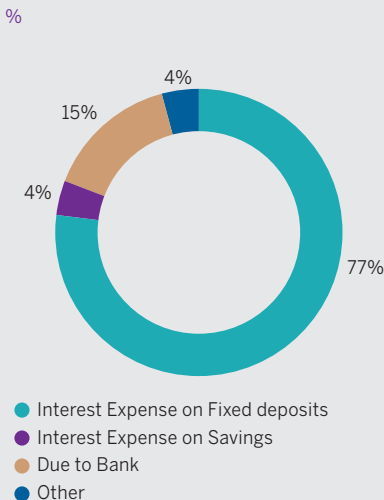
Composition of Interest Income



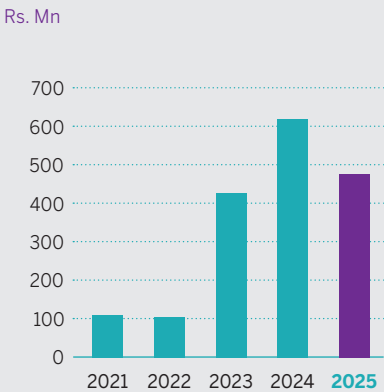
NET INTEREST MARGIN AND COST OF FUNDS

Net interest income (NII) improved markedly to Rs. 846.8 million, compared to Rs. 582.3 million in the previous year—a 45% growth. This was achieved through effective liability management, resulting in a 23% reduction in interest expenses to Rs. 476.2 million. The optimisation of our funding mix, with increased reliance on lower-cost customer deposits, played a key role in this margin expansion.

Composition of Interest Expenses



Interest Expenses



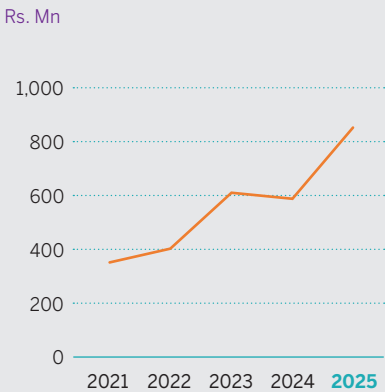
DIVERSIFICATION THROUGH NON-INTEREST INCOME

LCB Finance continues to diversify its revenue streams, reducing dependency on traditional lending products:

- Fee and commission income grew to Rs. 67 million, supported by increased transaction volumes in leasing, insurance intermediation, and service charges on digital platforms.
- Other operating income stood at Rs. 65.7 million, comprising recoveries, dividends, and gains from disposal of assets. Although lower than the previous year, these income sources continue to provide a stable cushion to operating revenue.

This resulted in a total operating profit of Rs. 979.6 million, up from Rs. 759.6 million in 2023/24—a 29% year-on-year increase, indicating the effectiveness of revenue enhancement initiatives and improved operational leverage.

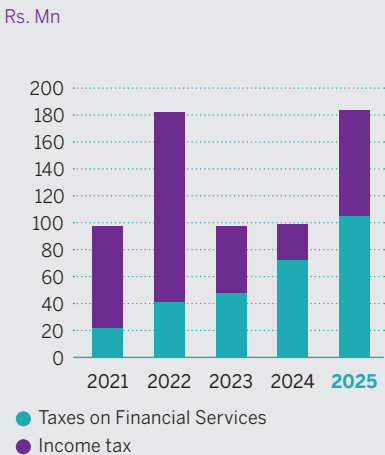
Non-Interest Income



IMPAIRMENT AND CREDIT RISK COSTS

The Company maintained strong credit underwriting standards, with impairment charges of only Rs. 89.5 million (6% of net operating income), reflecting the high quality of our loan book and the success of our proactive recovery efforts. As a result, net operating income rose to Rs. 890.1 million, registering a 40% year-on-year increase.

Taxation



OPERATING EFFICIENCY AND COST MANAGEMENT

While continuing to invest in our long-term growth strategy, we maintained a disciplined approach to cost management.

- Operating expenses rose to Rs. 501.6 million, up from Rs. 416.1 million in the previous year, as we expanded our physical and digital footprint.
- Personnel costs accounted for Rs. 240 million, reflecting investment in talent acquisition, training, and retention strategies.
- Depreciation and amortisation increased to Rs. 95.4 million, following capital investment in core banking systems, digital platforms, and leased infrastructure.
- Other operating expenses remained controlled at Rs. 166.3 million, comprising utilities, compliance, marketing, and general administration.
- Despite the increase in absolute costs, cost-to-income ratio improved, showcasing enhanced efficiency. Profit before tax (PBT) more than doubled to Rs. 282.7 million, compared to Rs. 148.6 million in 2023/24. After accounting for income tax of Rs. 78.2 million, net profit rose by 67% to Rs. 204.5 million, translating to an EPS of Rs. 0.26.

COMPREHENSIVE INCOME AND SHAREHOLDER VALUE

Beyond net profit, total comprehensive income reached Rs. 203.9 million, after accounting for an actuarial loss of Rs. 0.6 million on retirement benefits. This compares favorably with Rs. 123.3 million recorded in the prior year, underscoring LCB Finance's strengthened ability to deliver long-term value.

- Net asset value (NAV) per share increased to Rs. 3.95, from Rs. 3.69, supported by earnings retention

and prudent capital deployment.

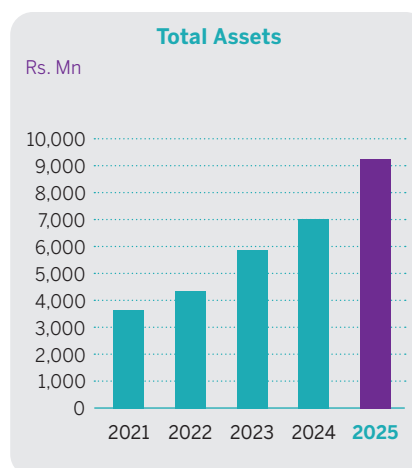
- The Company did not declare a dividend for the year, opting to reinvest earnings to fund future growth, in line with our capital conservation policy and strategic roadmap.

BALANCE SHEET STRENGTH AND ASSET GROWTH

LCB Finance's total assets expanded by 32% to Rs. 9.25 billion, up from Rs. 7.01 billion in 2023/24, driven primarily by lending growth and operational scalability.

Asset Composition Highlights:

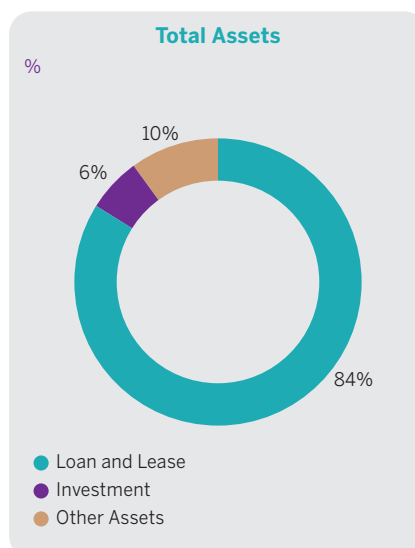
- Loans and receivables grew to Rs. 6 billion, up from Rs. 3.75 billion, reflecting both volume growth and improved customer retention.
- Lease rentals and hire purchases nearly doubled to Rs. 1.75 billion, marking leasing as a strategic growth segment.
- Cash and cash equivalents were maintained at Rs. 217 million, ensuring sufficient liquidity buffers.
- Financial investments at amortised cost declined to Rs. 578 million, in line with our focus on productive asset allocation.



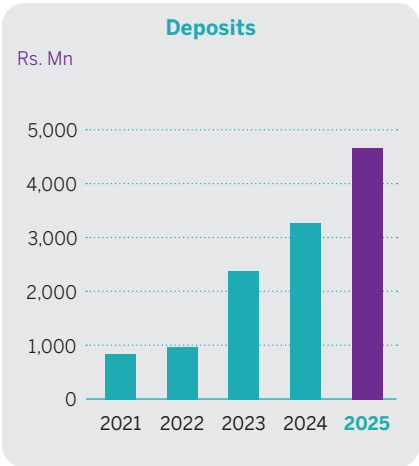
LIABILITY MANAGEMENT AND CAPITAL ADEQUACY

Total liabilities increased to Rs. 6.13 billion, aligned with our asset growth trajectory. This was driven by:

- Customer deposits, our primary source of funding, increased to Rs. 4.64 billion, reflecting depositor trust, attractive product offerings, and market penetration.
- Bank borrowings increased to Rs. 1.07 billion, providing funding diversification and supporting longer-tenor lending portfolios.



Financial Capital



EQUITY AND RETAINED EARNINGS

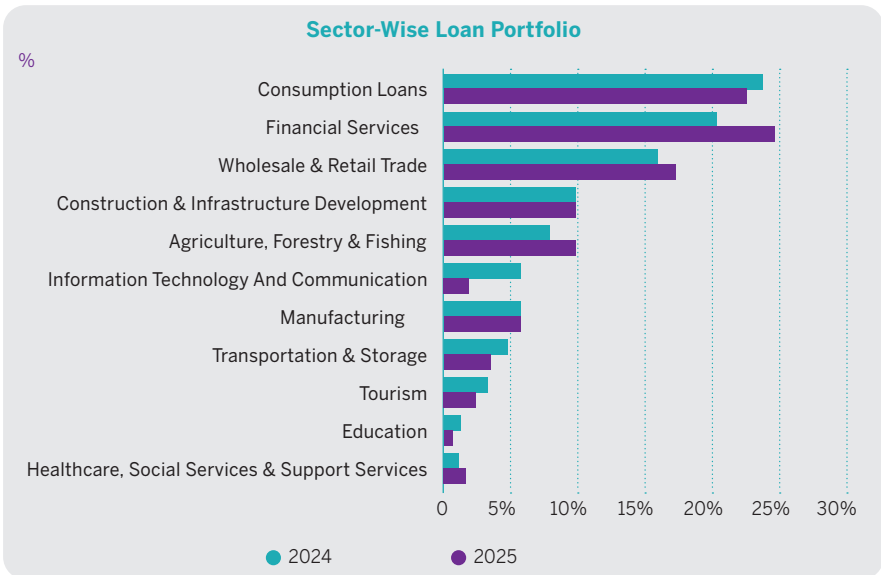
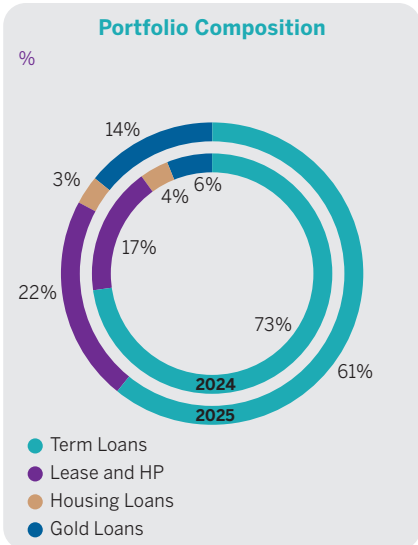
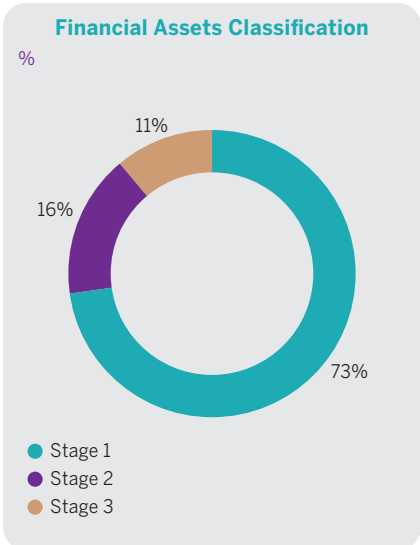
- Total equity stood at Rs. 3.12 billion, up from Rs. 2.92 billion, demonstrating continued capital accumulation.
- Retained earnings increased to Rs. 508.7 million, compared to Rs. 320.7 million in the previous year, strengthening our internal capital generation capacity.

LCB Finance remains comfortably capitalised, adhering to regulatory capital adequacy norms under the Finance Business Act, and maintaining strong tier I and total capital ratios.

FORWARD OUTLOOK AND STRATEGIC ALIGNMENT

The financial performance in 2024/25 reflects the resilience of LCB Finance's financial capital strategy in navigating external challenges, maintaining profitability, and investing for the future. As we move forward, our focus will be on:

- Expanding our loan portfolio with a continued emphasis on quality over volume.
- Broadening access to financial services through digitalisation and inclusive product design.
- Enhancing risk-adjusted returns through disciplined asset-liability management.
- Reinforcing our capital base to support regulatory compliance, future growth, and stakeholder expectations.



CONCLUSION

In alignment with GRI principles and integrated reporting practices, the 2024/25 financial year reflects LCB Finance's commitment to prudent financial management, sustainability-driven performance, and value creation. We remain focused on maintaining robust financial fundamentals, ensuring responsible stewardship of capital, and generating positive economic outcomes for all stakeholders. Our financial capital is not merely a source of profitability, but a foundation for achieving our broader goals—promoting inclusive finance, enabling economic opportunity, and building a more resilient, equitable financial ecosystem in Sri Lanka.

Social and Relationship Capital



At LCB Finance, social and relationship capital lies at the heart of our long-term value creation strategy. It is reflected in the strength of our relationships—with customers, employees, regulators, suppliers, communities, and other stakeholders—and our ongoing efforts to cultivate trust, inclusion, transparency, and mutual accountability.

In 2024/25, we deepened our commitment to stakeholder engagement, enhanced responsible lending practices, and strengthened supplier governance. These efforts reflect a conscious transition towards stakeholder-driven growth and sustainability, with our social and relationship capital acting as a critical enabler of both financial resilience and social progress.

STAKEHOLDER ENGAGEMENT AND ESG TRANSPARENCY

Recognising the importance of inclusive and transparent communication, LCB Finance adopted a structured stakeholder engagement approach to ensure that sustainability disclosures and corporate actions reflect diverse stakeholder priorities.

Key initiatives included:

- **Hosting ESG-focused stakeholder forums** that brought together employees, regulators, investors, customers, and civil society representatives to share expectations on key sustainability issues.
- **Deploying annual stakeholder surveys** to update the ESG materiality matrix, ensuring the relevance of our disclosures and guiding responsible business practices.
- **Publishing stakeholder concerns and company responses** within this Annual Report to promote transparency and two-way accountability.

Through these mechanisms, LCB ensures that stakeholder insights are directly linked to governance, risk, and ESG strategy, strengthening the credibility of our sustainability journey.

RESPONSIBLE LENDING: PROMOTING FINANCIAL INCLUSION WITH ACCOUNTABILITY

Responsible finance is fundamental to our business model. As a financial intermediary with influence over the economic wellbeing of individuals and enterprises, LCB Finance is committed to ethical, inclusive, and ESG-aligned lending practices.

In 2024/25, we implemented targeted training programmes for our lending teams to reinforce the application of ESG principles throughout the credit lifecycle. These included:

- **Workshops on responsible lending and sustainable finance**, highlighting their societal impact.
- **Training on the legal framework governing securities and guarantees**, supporting ethical and lawful credit issuance.
- **On-the-job training and mentoring** to guide loan officers in incorporating ESG factors during assessment and documentation.
- **Capacity building on credit assessment tools**, including financial report interpretation and post-credit monitoring methodologies.

Social and Relationship Capital



These initiatives not only enhance internal expertise but also ensure that LCB's lending practices align with national financial inclusion goals and international sustainability standards.

ASSESSING THE IMPACT OF RESPONSIBLE LENDING

Our commitment to social impact goes beyond credit disbursement. We continuously assess the socioeconomic and environmental outcomes of our financed projects using a combination of post-credit management tools, impact indicators, and borrower engagement.

This structured impact measurement includes:

- **Periodic project reviews** to evaluate if loans are used as intended and deliver sustainable outcomes.
- **Borrower consultations and reporting** to encourage the achievement of ESG-related goals.
- **Social and environmental performance tracking**, especially for green loan products or loans disbursed to underserved segments.

By measuring the tangible benefits of responsible lending, we refine our credit offerings to better meet community needs while supporting the broader transition toward sustainable development.

ETHICAL PROCUREMENT AND SUSTAINABLE SUPPLIER RELATIONSHIPS

As a responsible corporate citizen, LCB Finance applies stringent ethical, environmental, and social criteria to its procurement activities, reinforcing our role in fostering sustainable and inclusive value chains.

SUSTAINABLE SOURCING AND SUPPLIER SELECTION

LCB's procurement policy is guided by a strong commitment to:

- **Environmental impact reduction**, through partnerships with suppliers who use low-carbon processes and sustainable materials.
- **Social responsibility**, requiring suppliers to uphold fair labour practices, worker safety, and human rights.
- **Legal compliance**, mandating adherence to all local and international laws.
- **Support for local suppliers**, thereby promoting regional economies and reducing transportation emissions.

We conduct regular supplier audits and evaluations, prioritise long-term partnerships with certified sustainable vendors, and promote transparent reporting of environmental and social performance.

SUPPLIER CODE OF CONDUCT

All vendors are expected to comply with LCB's Supplier Code of Conduct, which outlines our expectations on:

- **Business ethics**, integrity, and anti-bribery practices.
- **Labour and human rights** adherence.
- **Environmental stewardship**, including pollution control and waste reduction.
- **Legal and regulatory compliance** at both domestic and global levels.
- **Quality standards and continuous improvement**, through total quality management (TQM) frameworks.

This code is embedded in our Procurement Policy and Procedure Manual, and it is enforced through continuous monitoring and corrective action processes.

SUPPLIER ENGAGEMENT AND PERFORMANCE MONITORING

We maintain open and transparent supplier relationships to ensure compliance and drive continuous sustainability improvements. Our approach includes:



- **Performance evaluation** based on environmental, social, and ethical KPIs.
- **Mandatory sustainability reporting**, submitted regularly by suppliers.
- **Ongoing audits and site visits**, ensuring that ESG requirements are consistently met.
- **Capacity-building support**, including training sessions and guidance to help suppliers strengthen their sustainability practices.

Suppliers that demonstrate exceptional sustainability performance are recognised and may qualify for preferred supplier status, reinforcing positive behaviour across the supply chain.

LOCAL AND DIVERSE SOURCING FOR INCLUSIVE GROWTH

LCB's procurement strategy emphasises partnerships with local, minority-owned, and women-led enterprises. These relationships help:

- Stimulate **local economic development** and entrepreneurship.
- Foster **diversity and inclusion** in our business ecosystem.
- Reduce logistics-related emissions, supporting our environmental goals.

By prioritising local and diverse suppliers, we build strong community ties while contributing to equitable and sustainable value creation across Sri Lanka.

REDUCING ENVIRONMENTAL FOOTPRINT IN SUPPLY CHAINS

LCB works collaboratively with its suppliers to reduce the environmental impact of its procurement operations. Key strategies include:

- **Encouraging waste minimisation** and the use of recyclable materials.
- **Promoting energy-efficient logistics and transportation.**
- **Requiring suppliers to align with our sustainability targets**, as outlined in the Supplier Code of Conduct.
- **Monitoring carbon emissions and resource efficiency** across the supply chain.

These efforts help ensure that our procurement practices are consistent with LCB's broader environmental commitments and climate action objectives.

CONCLUSION

LCB Finance's social and relationship capital reflects our enduring commitment to inclusive finance, ethical business, stakeholder trust, and community empowerment. Whether through responsible lending, transparent ESG reporting, or ethical supply chain governance, we strive to ensure that every relationship we build contributes to long-term, shared value. As we move forward, we remain focused on deepening these relationships through collaboration, transparency, and responsible practices—empowering people and partnerships that drive sustainable development and economic progress in Sri Lanka.



Manufactured Capital



LCB Finance views manufactured capital as the essential physical and technological infrastructure that supports its ability to deliver financial services efficiently, securely, and sustainably. This capital encompasses our branch network, digital platforms, IT systems, communication infrastructure, and operational equipment—each playing a crucial role in facilitating service delivery and long-term value creation for stakeholders.

In 2024/25, LCB continued to strengthen its manufactured capital base through strategic investments in infrastructure expansion, digital technology upgrades, and service accessibility enhancements. These efforts reflect our commitment to improving customer convenience, operational resilience, and institutional scalability, especially in alignment with our long-term sustainability and financial inclusion objectives.

BRANCH NETWORK EXPANSION AND ACCESSIBILITY

As part of our goal to enhance financial accessibility across Sri Lanka, LCB opened two new branches in Minuwangoda and Piliyandala during the 2024/25 financial year. These additions expand our reach to suburban and semi-urban communities with growing demand for inclusive and personalised financial services.

Each new branch has been designed with a modern layout to optimise space utilisation, improve customer experience, and align with accessibility standards. They are fully equipped with real-time connectivity to the central banking system and staffed with personnel trained in digital onboarding, mobile financing solutions, and responsible lending practices.

With this expansion, our total branch footprint now provides enhanced physical access to underserved markets while complementing our digital outreach, ensuring that customers can engage with LCB through their preferred channels—whether in person or online.

INVESTMENT IN DIGITAL AND IT INFRASTRUCTURE

Beyond physical presence, LCB's digital infrastructure remains a critical enabler of efficiency, security, and innovation. In 2024/25, we continued to upgrade our core banking systems to support enhanced transaction processing, faster loan disbursement, and seamless customer experiences. These upgrades ensure high availability, data security, and compliance with emerging regulatory standards.

Our mobile financing platform—a key digital asset—was further strengthened with improved functionality, user interface enhancements, and backend scalability.

It enables customers to access loans, make repayments, and manage accounts without visiting a branch, significantly reducing travel time, paper use, and administrative overheads.

We also invested in secure data management systems, strengthened cybersecurity protocols, and maintained redundancy infrastructure (such as secure data centres and cloud backups) to enhance business continuity and resilience against system failures or cyber incidents.

OPERATIONAL INFRASTRUCTURE AND SUSTAINABILITY INTEGRATION

LCB continues to adopt environmentally conscious infrastructure design and technology use across its operations. The refurbishment of selected branches included energy-efficient lighting systems, low-power devices, and the use of recyclable interior materials, contributing to the Company's broader sustainability goals. Additionally, infrastructure upgrades incorporated features such as digital signage, customer self-service counters, and surveillance and security upgrades, which enhance operational integrity and customer trust.

As part of our digital transformation journey, we also increased our reliance on cloud-based services, reducing the carbon footprint associated with traditional on-premises servers and enabling better scalability.

TECHNOLOGY-DRIVEN SERVICE ENABLEMENT

Our manufactured capital extends into the digital realm through investment in enterprise-grade software, cloud platforms, and AI-based tools that support lending, credit assessment, and ESG data reporting.

These technologies are critical to improving accuracy, speed, and personalisation in customer service delivery.

We also continued the rollout of automated workflow systems for internal processes such as loan application reviews, document management, and customer verification. These platforms not only improve turnaround time but also reduce errors, enable better tracking, and contribute to higher customer satisfaction.

CONCLUSION

LCB Finance's investment in manufactured capital reflects a long-term commitment to infrastructure that delivers convenience, security, efficiency, and sustainability. Whether through the physical expansion of branches or the continuous enhancement of digital systems, we remain focused on building an agile and inclusive financial ecosystem.

In the year ahead, we plan to further invest in digitisation, branch modernisation, and the adoption of smart technologies that will enable us to scale responsibly, remain competitive, and serve our stakeholders with excellence across Sri Lanka's evolving financial landscape.



Piliyandala Branch Opening



We are pleased to announce that our Branch at Rathgama has been moved to our own premises at No. 634, Devinigoda, Rathgama

Human Capital



At LCB Finance, we consider our employees to be the cornerstone of our long-term success and sustainability journey. Our people not only execute our strategic vision but also serve as the face of our values, service ethos, and stakeholder relationships. As such, we continue to invest in attracting, retaining, and developing a high-performing workforce that is diverse, engaged, and future-ready.

During the year under review, we strengthened our commitment to fair employment practices, occupational health and safety, inclusive leadership, and continuous learning—ensuring that our employees are supported, respected, and empowered to thrive in a dynamic financial services environment.

WORKFORCE PROFILE AND EMPLOYMENT PRACTICES

Our workforce is composed of individuals from diverse geographic, educational, and socioeconomic backgrounds. We maintain detailed workforce analytics through a centralised Human Resource Information System (HRIS), which enables effective tracking of employee demographics including gender, age, tenure, job function, and employment type (trainee, probation, permanent, contractual). These insights guide workforce planning, policy decisions, and equitable talent development strategies.

FAIR AND TRANSPARENT HIRING

LCB Finance’s recruitment process is governed by a structured hiring policy that ensures objectivity, inclusivity, and compliance with national labour laws and international labour standards. Key components of our fair hiring process include:

- **Structured, criteria-based interviews** that evaluate technical skills, behavioural attributes, and cultural fit.
- **Inclusive job advertisements** that focus on skill requirements, avoiding gendered language or restrictive criteria.
- **Multidisciplinary interview panels** that help mitigate unconscious bias and promote broader decision-making perspectives.

EMPLOYEE ENGAGEMENT AND RETENTION

To cultivate long-term loyalty and reduce attrition, we implemented a multifaceted retention strategy centred around:

- Employee recognition initiatives such as performance awards, milestone celebrations, and peer-nominated rewards.
- Internal communication platforms that promote transparency, feedback sharing, and a sense of community.
- Work-life balance initiatives, including hybrid working options, wellness leave, and access to counselling services.

POLICY ENHANCEMENTS IN 2024/25

In line with regulatory updates and internal benchmarking, we made several key policy revisions this year:

- Revised leave policies in compliance with the Shop and Office Employees Act.
- Increased minimum basic salary to LKR 21,000 under the Minimum Wages Act.
- Enhanced staff loan policy with higher borrowing limits and reduced interest rates.
- New remuneration framework that links job grades to performance metrics, enhancing transparency and equity.

DIVERSITY, EQUITY & INCLUSION (DEI)

LCB Finance firmly believes that diverse teams drive better innovation, performance, and decision-making. Our diversity, equity, and inclusion (DEI) agenda is embedded across recruitment, talent management, and leadership development.

Building a Diverse Workforce

- We actively seek to recruit from underrepresented regions and communities, providing equal access to employment opportunities regardless of gender, religion, ethnicity, or disability status.
- Unconscious bias training is mandatory for all hiring managers and department heads, helping them recognise and reduce unintentional discrimination during the selection and promotion processes.

Inclusive Work Environment

- We operate under a robust non-discrimination policy, which is reinforced through continuous sensitisation programmes and leadership communication.
- A structured grievance redressal mechanism is in place to handle complaints of bias or harassment, with confidentiality and non-retaliation guarantees.

PROGRESS TRACKING

Our DEI performance is evaluated annually through:

- Workforce diversity dashboards measuring representation across grades, departments, and roles.
- Compensation parity audits to ensure equal pay for equal work.
- Leadership diversity benchmarks, including gender representation targets for managerial and senior roles.

While formal diversity programmes (e.g., for women, persons with disabilities, or LGBTQ+ staff) are still under development, all employees benefit from our inclusive workplace culture and merit-based career pathways.

OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING

We are committed to maintaining a safe, healthy, and resilient working environment for all our employees across branches and departments. Our Health and Safety Management Framework integrates preventative, responsive, and wellness-oriented components.

Safety Infrastructure and Training

- Every branch is equipped with first aid kits, fire safety tools, and evacuation plans, with designated fire wardens and safety marshals trained and appointed.
- We conduct regular workplace safety audits, coordinated by the central HR and Administration teams to identify and rectify hazards.
- Mandatory health and safety training covers topics such as fire drills, emergency evacuation, personal safety, and cyber-risk awareness.

Supporting Mental Health

- In response to rising stress levels in the finance sector, LCB introduced confidential counselling services facilitated through an independent provider.
- Employee insurance plans now include provisions for mental health consultations and therapy.
- We promote wellness-focused practices, such as stress management workshops, mindfulness sessions, and flexible work hours during high-demand periods.

Safety Performance Monitoring

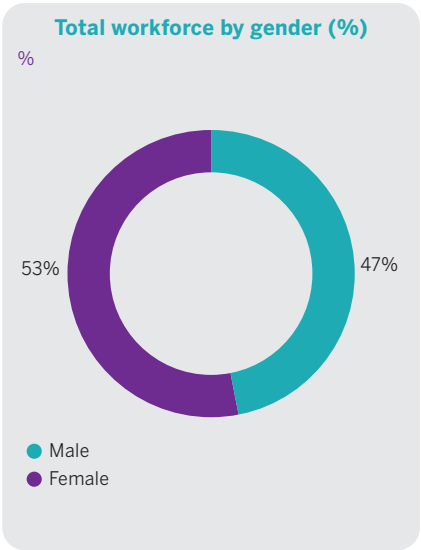
- Training completion rates and emergency response times are tracked as part of our performance scorecards.
- We strive for zero incidents of workplace injury, with all incidents logged and reviewed under a transparent incident response protocol.

LEARNING, DEVELOPMENT, AND CAREER GROWTH

LCB Finance considers learning and development to be a critical enabler of employee potential and business growth. We offer a structured training curriculum comprising internal courses, external certifications, and leadership development programmes.



Human Capital



CONCLUSION

Internal Training Programmes

- Credit and leasing operations, covering loan origination, documentation, and post-disbursement monitoring.
- IT and digital systems training to support digital transformation initiatives.
- Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) compliance training for all front-line staff.
- Legal and regulatory training for staff handling customer documentation and contracts.

External Programmes and Certifications

- Staff were sponsored to complete IBSL and CBSL-accredited certifications, including gold loan operations, compliance, and Power BI for data analytics.
- Finance teams participated in workshops covering tax (VAT, SSCL), RAMIS updates, and internal controls.
- HR staff engaged in e-learning modules on payroll, employee risk, and grievance handling.

Career Development and Leadership

- Career pathways are defined for each role, supported by performance appraisals and mentorship.
- Internal job postings allow employees to explore cross-functional and inter-branch mobility.
- A targeted leadership acceleration programme helps high-potential staff transition into managerial roles, with coaching on communication, strategic planning, and team leadership.

Training Participation and Evaluation

- 80% of staff participated in at least one internal training module.
- 95% attended at least one external training or certification course.
- Training effectiveness is measured using pre- and post-training assessments, feedback surveys, and training ROI analysis, including retention and promotion metrics.

LCB Finance's human capital strategy is rooted in the belief that empowered people build empowered communities. We are proud of the progress made in creating a workplace that is inclusive, safe, growth-oriented, and aligned with our core values. As we look ahead, our focus remains on:

- Attracting top talent from across Sri Lanka's diverse regions and communities.
- Investing in next-generation skills and leadership capabilities.
- Embedding well-being, diversity, and employee voice into all aspects of the employee lifecycle.

By fostering a workforce that is skilled, motivated, and resilient, we aim to build an organisation capable of delivering long-term value to all stakeholders—employees, customers, and society alike.

Natural Capital



OUR ENVIRONMENTAL COMMITMENT

At LCB Finance, we recognize the importance of natural capital as an integral part of long-term value creation. Natural capital encompasses the environmental resources—such as energy, water, and clean air—that underpin our ability to operate sustainably. As a financial institution with a growing national footprint, our activities—direct and indirect—inevitably impact the environment. Therefore, we have made it a strategic priority to mitigate these impacts, support low-carbon development, and contribute meaningfully to Sri Lanka's sustainable future.

Our sustainability roadmap for the next 3–5 years is guided by a commitment to responsible environmental stewardship. This includes embedding ESG principles into the heart of our operations, reducing our environmental footprint, developing inclusive and climate-smart financial products, and aligning closely with global standards such as the GRI 2021 Standards, United Nations Sustainable Development Goals (SDGs), CSE ESG Guidelines, and the evolving IFRS Sustainability Disclosure Standards (S1 and S2).

- Reducing electricity and water consumption by 10% across our branch network and corporate offices.
- Digitising customer and internal processes to reduce paper usage and travel-related emissions.
- Promoting environmentally friendly financial products, including green loans for solar energy and sustainable agriculture.
- Encouraging customer participation in paperless banking, including digital onboarding, mobile financing, and e-statements.
- Raising awareness through community outreach, particularly around climate-smart financial practices.

ENVIRONMENTAL OBJECTIVES AND PRIORITIES (2025 - 2029)

LCB Finance's environmental strategy is underpinned by clearly defined objectives aimed at reducing operational resource consumption, enhancing customer awareness, and financing green initiatives. Over the next five years, we are focused on:

We believe that by embedding these goals into our operational DNA, we can create lasting value that supports both business growth and environmental resilience.

GREEN PRODUCTS AND CLIMATE-POSITIVE FINANCING

As part of our broader sustainability strategy, we have begun financing activities that actively contribute to positive environmental outcomes. Two flagship offerings include:

Natural Capital

- **Solar Loan Scheme:** This product enables residential and SME customers to invest in rooftop solar panels and energy-saving systems. Through this, we support renewable energy adoption and help lower household and business-level carbon emissions.
- **Agri Loan Scheme:** This facility encourages climate-resilient farming by financing drip irrigation systems, organic fertiliser, and other eco-friendly agricultural inputs. It supports rural livelihoods while promoting more sustainable land-use practices.

To further scale our impact, we are rolling out an island-wide mobile financing platform that brings access to capital directly to underserved communities—minimising environmental impact by reducing travel and physical infrastructure needs. These digital and decentralised solutions contribute to reduced energy use, lower emissions, and enhanced financial inclusion.

REDUCING OPERATIONAL FOOTPRINT THROUGH DIGITAL TRANSFORMATION

One of our most effective environmental interventions has been the acceleration of digitalisation across LCB's service and support systems. Our transition to digital banking has allowed us to make meaningful reductions in resource usage while simultaneously enhancing service delivery.

Key initiatives include:

- Expansion of e-statements and digital notifications, significantly reducing paper consumption.
- Digital customer onboarding and document processing, lowering both paper waste and courier-related fuel consumption.
- Digital workflows for internal operations, including HR, finance, compliance, and loan processing, further reducing resource dependency.

By reducing reliance on physical forms, face-to-face processing, and manual recordkeeping, we are not only enhancing operational efficiency but also reducing the indirect emissions associated with paper production, transportation, and storage.

CLIMATE ACTION AND RESOURCE EFFICIENCY TARGETS

LCB has committed to reducing electricity consumption by 5% annually, achieved through energy-efficient infrastructure upgrades, responsible use policies, and employee awareness initiatives. Water-saving fixtures and behavioural nudges are being introduced in administrative areas to support our 10% water usage reduction goal by 2028.

We also continue to monitor our air-conditioning and lighting systems to optimise usage based on occupancy and natural light conditions. Our procurement policies now favour energy-efficient equipment and recycled office materials, ensuring that even our indirect environmental impacts are addressed responsibly.

MONITORING AND ACCOUNTABILITY

To ensure that our environmental goals translate into measurable outcomes, LCB is enhancing its internal sustainability data infrastructure. Our progress will be tracked through:

- Key ESG performance indicators (KPIs), including electricity and water usage, volume of green loans disbursed, number of customers onboarded digitally, and paper reduction metrics.
- Board-level sustainability dashboards, which are reviewed quarterly to ensure management accountability.
- Department-level ESG focal points, established across finance, HR, compliance, and operations to coordinate, capture, and validate data.
- Third-party limited assurance on ESG data, starting from FY 2025/26, to improve the credibility and transparency of our disclosures.

We are also developing an ESG materiality matrix, which will help us identify priority areas in environmental stewardship and allocate resources more effectively.

TRANSPARENCY, CHALLENGES, AND GLOBAL ALIGNMENT

In our journey toward best-in-class ESG reporting, LCB acknowledges several challenges—particularly inconsistent data across business units, and limited in-house expertise in sustainability reporting. To overcome these gaps, we have adopted a phased approach:

- Partnering with sustainability consultants to develop robust reporting frameworks.
- Conducting staff training on ESG awareness, reporting, and risk assessment.
- Gradual integration of ESG systems across branches and departments.

We are committed to mapping our disclosures to the GRI 2021 Standards and aligning them with the IFRS S1 and S2 guidelines starting in 2025. These efforts will be complemented by ESG-related insights included in the CEO and Chairman's messages and our intent to pursue recognition in national platforms such as the CA Sri Lanka TAGS Awards.

LOOKING AHEAD

Natural capital stewardship is no longer optional—it is a business imperative. As LCB continues to expand its reach and influence within Sri Lanka's financial landscape, we remain unwavering in our commitment to reducing our environmental footprint, empowering green economic activity, and aligning with global sustainability imperatives. Through a combination of innovation, operational efficiency, strategic partnerships, and data-driven accountability, we aim to lead by example—delivering lasting impact for the environment, our customers, and future generations.



Intellectual Capital



LCB Finance continues to strengthen its intellectual capital as a key enabler of innovation, resilience, and sustainable growth. Our intellectual capital comprises the systems, processes, technologies, institutional knowledge, and data assets that allow us to create long-term value for customers, employees, regulators, and society. In 2024/25, we accelerated the deployment of forward-thinking technology, enhanced our data intelligence frameworks, and embedded digitalisation deeper into our operating model, reinforcing our ESG commitments while enhancing organisational agility.

ADVANCING ESG DATA INFRASTRUCTURE

A significant milestone during the year under review was the implementation of a cloud-based ESG data collection platform, which enables cross-departmental visibility and standardisation of sustainability-related data. This platform facilitates real-time collection, consolidation, and reporting of key environmental, social, and governance (ESG) metrics such as electricity and water usage, green lending volumes, gender representation, training hours, and employee engagement scores.

To strengthen strategic decision-making, we began integrating ESG key performance indicators (KPIs) into our enterprise resource planning (ERP) and management information systems (MIS). This integration ensures ESG performance is continuously monitored alongside operational and financial metrics, allowing decision-makers to holistically evaluate the sustainability impact of key business activities.

Additionally, the Company has begun testing artificial intelligence (AI)-driven tools to enhance analysis of climate risk and social impact data. These tools are expected to automate the identification of ESG trends and anomalies, enabling more proactive mitigation of environmental and social risks associated with lending portfolios.

DRIVING SUSTAINABILITY THROUGH INNOVATION AND DIGITAL TRANSFORMATION

Innovation and technology are central to our sustainability strategy. In 2024/25, we scaled several digitisation initiatives aimed at improving operational efficiency, reducing the organisation's carbon footprint, and making financial services more inclusive.

Our digitisation of core financial services—including mobile customer onboarding, digital loan processing, and e-statement rollouts—helped reduce reliance on paper, printing, courier services, and in-person branch visits. These efforts directly contribute to emissions reduction while making financial services more accessible, especially in underserved and rural areas.

In parallel, we made targeted investments in IT infrastructure to strengthen governance, risk monitoring, and customer analytics. These enhancements include the upgrade of core banking systems and the implementation of advanced analytics engines that improve credit risk profiling, fraud detection, and personalised service delivery—all while supporting ESG-aligned decision-making.

Recognising the growing complexity of sustainability reporting, we also commenced the automation of our ESG reporting systems. This will streamline data entry, validation, and dashboard generation for internal governance and external disclosure. Over the next 2–3 years, these systems will be configured to align with global sustainability standards such as GRI 2021, the UN Sustainable Development Goals (SDGs), and the forthcoming IFRS Sustainability Disclosure Standards (S1 and S2).

SAFEGUARDING INFORMATION: CYBERSECURITY AND DATA PROTECTION

As digitalisation deepens, the protection of customer and organisational data has become a top priority. In 2024/25, LCB implemented a formal information classification process to systematically categorise all internal and customer data based on sensitivity, usage, and access privileges. This initiative lays the groundwork for more robust governance over data security, regulatory compliance, and access control.

To further safeguard against data breaches and misuse, a data loss prevention (DLP) tool was deployed across the enterprise. This advanced software solution monitors and prevents unauthorised access to or transfer of sensitive information, such as customer identification data, financial records, and internal confidential files. It also helps detect insider threats and suspicious activities that could compromise data integrity or breach regulatory requirements.

These measures reflect LCB's strong commitment to upholding customer trust, data privacy laws, and digital ethics as we scale our digital operations.

KNOWLEDGE MANAGEMENT AND CUSTOMER-CENTRIC INNOVATION

LCB believes that intellectual capital also encompasses the insights,

feedback, and institutional knowledge that inform service innovation and customer-centricity. During the year, we introduced a digital Customer Feedback and Complaint Resolution Mechanism to systematically collect, monitor, and address customer experiences.

Accessible via the corporate website, the system allows customers to lodge complaints or suggestions, which are automatically tracked through an internal workflow until resolved. Complaints are categorised by theme—such as product experience, delays, or staff interaction—and routed to relevant departments. Performance metrics from this system are reviewed regularly by Senior Management, and insights are used to improve products, processes, and staff training.

This mechanism not only enhances customer satisfaction but also forms part of our broader knowledge ecosystem—enabling continuous learning and adaptive service models that reflect customer needs and social trends.

BUILDING FOR THE FUTURE

Looking ahead, LCB is committed to expanding its intellectual capital by further investing in:

- AI and machine learning models for customer creditworthiness, ESG risk screening, and operational efficiency.
- Staff training on ESG systems, cybersecurity, and sustainability reporting.
- Automated regulatory reporting tools for compliance with evolving global and domestic sustainability standards.

By aligning innovation with ESG priorities, we aim to build a smarter, more adaptive organisation that delivers long-term value and resilient financial services to Sri Lanka's evolving socio-economic landscape.

CONCLUSION

LCB's intellectual capital is a dynamic and growing asset that powers our sustainability transformation. Through enhanced digital systems, smarter data practices, and robust information governance, we are future-proofing our operations while delivering more responsible, efficient, and inclusive financial services. In an era where knowledge and technology define competitive advantage, LCB remains committed to leveraging its intellectual capital to lead in ethical finance, digital innovation, and sustainable development.

TRUST EARNED, RECOGNITION GAINED



Board of Directors



Mr. Dushmantha Thotawatta

Chairman

Bachelor of Commerce (Special) Degree from the University of Sri Jayewardenepura, a Master of Arts of Arts in Financial Economics from the University of Colombo and he is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He previously held the positions of Chief Executive Officer of Lanka Sathosa Ltd, and Additional. General Manager – National Water Supply and Drainage Board. He is currently the Chairman of Canwill Holdings (Pvt) Ltd. and is also a Board Member of People's Bank and Sri Lanka Insurance Corporation.



Mr. K.G. Leelananda

Executive Director / Chief Executive Officer

Mr. K.G. Leelananda holds a Management Degree from the University of Jayewardenepura, a Diploma in HRM at Aquinas University College. He has obtained the Chartered Licentiate at Chartered Institute of Sri Lanka in 1993 and holds an Intermediate Banking & Finance Diploma from IBSL. He has successfully completed courses on Private Enterprise Development in Harvard USA. Furthermore, he holds a qualifications in Management in Finance from NTUC in Singapore University and the Cooperative Banking System Course conducted in South Korea, the Netherlands and Canada. He also successfully completed system study at Banka Italia in Italy. Since 2001, he has contributed towards the growth of SANASA Development Bank PLC and reached the 2nd Key Executive Post "The Senior Deputy General Manager" in the Bank and held the position until 2015.



Mr. Ranjan Lal Masakorala

Non-Executive / Non-Independent Director

Mr. Ranjan holds a Diploma in Management from the University of Tokyo in Japan 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 also the Managing Director of Udumullagoda Tea Factory (Pvt) Ltd. He is the Proprietor of 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.

Board of Directors



Mr. Kapila Indika Weerasinghe

Non-Executive / Non-Independent Director

He holds a Diploma in Chartered Accountancy, Institute of 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.



Mr. Gayan Kalhara Nanayakkara

Non-Executive / Non-Independent Director

Mr. Gayan holds a Joint Degree BSc (Hons) in Computer Science with Management Studies from the University of Nottingham, UK. He currently holds the Director position at Mahesland Estates Private Limited, Wijaya Tea Factory Private Limited, Naindawa Tea Factory Private Limited and Etambagahawila Tea Factory Private Limited.



Mr. Ashwin Welgama Nanayakkara

Non-Executive / Non-Independent Director

Mr. Ashwin holds a MSc. in Law and Accounting from – the London School of Economics UK, an LLB in Law from – the London School of Economics UK, and is a Director of NEM Construction (Pvt) Ltd.


Mr. J.P.C. Jayalath

Non-Executive / Independent Director

Mr. Jayalath has been a professional in information technology for over 35 years, and he has been a Director of Information Technology at the Board of Investment since 2006. Also, when he resigned from the BOI, he had been an Executive Director of the institution. He is academically qualified and a sound professional in the IT stream holding a Bachelor's Degree in Physical Science from the University of Colombo, a postgraduate Diploma in e-Government from the University of Sri Jayawardenepura, and a Master of Public Administration from the University of Sri Jayewardenepura.


Mr. 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. He has 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, he has been involved in committees and organisations related to water resource management. His expertise has been utilized as a Legal Adviser to the Minister of Irrigation and Water Management. Overall, his distinguished career reflects a strong commitment to the legal field and public service.


Dr. Srinath Ajith Kumara Alahakoon

Non-Executive / Independent Director

Dr. Ajith Alahakoon has over 28 years of experience in the fields of finance and banking. He has held the positions of the General Manager in Abans Financial Services Ltd and Global Trust Finance Services Ltd and Deputy General Manager in the Regional Development Bank. He obtained a doctorate in Business Administration from American National Business University.

He is a Fellow Member of Chartered Accountants of Sri Lanka, Associate Member of the Institute of Bankers and holds a B. Com (Special) Degree from University Sri Jayewardenepura.

Management Team



Aruna Vithanage

DGM - Business Development & Fund
Mobilization



Vajira Jayasinghe

DGM - IT



Tamarika Rodrigo

Company Secretary



Kelum Wannige

AGM Finance & Strategic Planning



G Ratnayake

Head of Finance



Jayalal Perera

Chief Risk Officer



Hasitha Wevita

Head of Compliance



Oswald Sahabandu

Head of Administration & Operation



Wimukthi Gamage

Head of IT



Sampath Kumara
Chief Internal Auditor



S K Jayasinghe
DGM - Recovery



K Sasikumar
Senior Manager - Recovery



Anusha Fernando
Head of Legal



Ananda Kumara
Senior Manager - Credit

Branch Contact Information

	Branch	Name	Designation
1	Galle	Lokugeeganage Indika Pushpakumara	Regional Manager / Branch Manager
2	Karadeniya	Kariyawasam Bendigoda Gamage Isuru Nishan	Acting Branch Manager
3	Matara	Shirsha Edirisinghe	Branch Manager
4	Pelawatta	Liyanage Damith Roshan Perera	Acting Branch Manager
5	Kohuwala	Ponnahannedige Nisansala Jeewanthi Dias	Senior Manager - Operations / Branch Manager
6	Rathgama	Narigamage Danuka Sanjula	Acting Branch Manager
7	Karapitiya	Kottawa Hewa Manage Ishan Madushanka	Senior Manager - Micro Leasing / Branch Manager
8	Negombo	Andarawewa Arachchige Don Sriyantha Ranil Janakarathne	Branch Manager
9	Kuliyapitiya	Tharanga Charith Maduragoda	Branch Manager
10	Tangalle	Weeraratna Arachchi Patabendige Maneesha Reyashini	Acting Branch Manager
11	Kamburupitiya	Abeyasinghe Mudiyanseelage Mahesh Sanjeewa Abeyasinghe	Branch Manager
12	Akuressa	Disanayaka Mudiyanseelage Chaminda Kumara	Acting Branch Manager
13	Embilipitiya	Abesing Korale Arachchige Dulanga Vinod Sithara	Branch Manager
14	Maharagama	Pooraka Madhushan Dissanayake	Acting Branch Manager
15	Kegalle	Liyanarachchi Appuhamilage Suramya Sri Sangeeth Liyanarachchi	Branch Manager
16	Tissamaharama	Hewa Kekanadurage Gayan Priyankara	Regional Manager / Branch Manager
17	Walasmulla	Nadeeka Chathurangani Ekanayaka	Acting Branch Manager
18	Agunukolapelessa	G V Nimmi Sandaruwani	Acting Branch Manager
19	Gampaha	Athukoralage Keshara Vimukthi Perera	Regional Manager / Branch Manager
20	Minuwangoda	Sampath Priyantha Rajapaksha	Branch Manager
21	Piliyandala	Rajaram Brahmanalage Ranil Thushara	Branch Manager

Address	Telephone	E-mail
119 Wakwella Road, Galle	912247222	mrgrgalle@lcbfinance.lk
Elpitiya Road Maha-A danda Karandeniya	912290255	mgrkarandeniya@lcbfinance.lk
68 Anagarika Dharmapala Mawatha, Matara	412250017	mgrmatara@lcbfinance.lk
07 Mathugama Road, Pelawatta	342284810	mgrpelawatta@lcbfinance.lk
76 S.De.S.Jayasinghe Road, Kohuwela, Nugegoda	112825404	mgrkohuwala@lcbfinance.lk
622 Devinigoda, Rathgama	912268160	mgrrathgama@lcbfinance.lk
No.249d Golden Range, Karapitiya	912245810	mgrkarapitiya@lcbfinance.lk
No 615, Colombo Road, Kurana, Katunayaka	312226565	mgrnegombo@lcbfinance.lk
No. 33 & 35, Hettipola Road, Kuliypitiya	372286280	mgrkuliypitiya@lcbfinance.lk
157, Hambantota Road, Tangalle	472244000	lcbtangalle@lcbfinance.lk
No.90, Matara Road, Kamburupitiya	412268958	mgrkamburupitiya@lcbfinance.lk
No. 66A, Matara Road, Akuressa	412280090	mgrakuressa@lcbfinance.lk
No 47, Pallewela, Embilipitiya.	472261505	mgrembilipitiya@lcbfinance.lk
No 155, High level Road, Maharagama	112840244	mgrmaharagama@lcbfinance.lk
No. 44, Main Street, Kegalle	352233383	mgrkegalle@lcbfinance.lk
No.472, Opposite the Clock Tower Debarawewa,Tissamahara	472259044	mgrtissa@lcbfinance.lk
No.70, Beliatta Road, Walasmulla	472247067	mgrwalasmulla@lcbfinance.lk
No 439/11, Ranna Road, Angunakolapelessa	472228313	mragunukolapelessa@lcbfinance.lk
No.57A,Bauddhaloka Mawatha,Gampaha	332238062	mrggampaha@lcbfinance.lk
No.194, Weyangoda Road, Minuwangoda	112285804	mgrminuwangoda@lcbfinance.lk
No.162,Colombo Road, Wewala Junction,Piliyandala	112607391	mgrpiliyandala@lcbfinance.lk

Corporate Governance Report

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 in 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 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 Person.

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 Subcommittees 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 Subcommittees and Management.

GOVERNANCE FRAMEWORK

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

- 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)
- Companies Act No.7 of 2007
- Finance Business Act No.42 of 2011

ATTENDANCE FOR BOARD MEETING AND SUB COMMITTEE

Director	Board Meeting	BAC	BIRMC	BRPTRC	BHHRC	BSNGC
Mr. D. Thotawatte	12/12	9/9	3/4	11/11	11/11	10/10
Mr. K.G. Leelananda	12/12					
Mr. R. L. Masakorala *	12/12			1/11	4/11	
Mr. G.K. Nanayakkara *	12/12	9/9				4/10
Mr. A. W. Nanayakkara	11/12		4/4			
Mr. K.I. Weerasinghe	12/12					
Mr. M. Katulanda *	11/12	2/9	1/4	10/11	7/11	6/10
Mr. J. P. C. Jayalath *	12/12	8/9	3/4	10/11	3/11	
Dr. S. A. K. Alahakoon (Appointed to the Board on 31st December 2024) *	3/12	3/9	1/4	1/11	1/11	3/10
Mr. V. Lokunarangoda (Retired on 26th August 2024) *	5/12			5/11		
Mr. U. K. H. R. Ranasinghe (Resigned on 09th December 2024) *	7/12				7/11	6/10

* All Board Committees were reconstituted on 25th October 2024 and 21st February 2025

- * Mr. R. L. Masakorala was appointed to the BHHRC after reconstitution on 25th October 2024 and appointed to BRPTRC after reconstitution on 21st February 2025
- * Mr. G. K. Nanayakkara was appointed to the BSNGC after reconstitution on 25th October 2024
- * Mr. M. Katulanda was in the BAC, BIRMC and BHHRC from April 2024 to till 25th October 2024 and was in the BRPTRC from April 2024 to till 21st February 2025
- * Mr. J. P.C. Jayalath was in the BAC, BIRMC and BRPTRC from April 2024 to 21st February 2025 and was appointed to the BHHRC after the reconstitution on 25th October 2024 till 21st February 2025
- * Dr. S.A.K. Alahakoon was appointed to the BAC and BSNGC from 31st December 2024 and was appointed to BIRMC, BRPTRC and BHHRC after reconstitution on 21st February 2025
- * Mr. V. Lokunarangoda retired from the Board and BRPTRC from 26th August 2024
- * Mr. U. K. H. R. Ranasinghe resigned from the Board and BHHRC and BSNGC from 09th December 2024

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.	Complied with The LCBFP Board is responsible for establishing effective business strategies, fostering a sound corporate culture, and ensuring compliance with applicable laws and regulations. These responsibilities are defined in the Board of Directors' Code of Conduct and the Corporate Governance Policy Manual.
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.	Complied with Board-approved Strategic Plan for 2024-2029 and projected financial statements / budget for the year 2025 are in place. The Board measures corporate performance against predetermined goals. The Company's Strategic Plan for 2024-2029 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.	Complied with The Board-approved Corporate Governance Policy Manual is in place, providing a structured governance framework aligned with the Company's size, complexity, strategic objectives, and regulatory obligations
1.2.c	Assessing the effectiveness of its governance framework periodically.	Complied with The governance framework is assessed annually by the Board of Directors.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	<p>Complied with</p> <p>The Board-approved functions and responsibilities of the Chief Executive Officer and Chairman is in place which complies with the section 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021.</p> <p>The Chairman and CEO positions are held by two individuals, and the functions of the Chairman and the Chief Executive Officer are clearly documented, defined, and separated by the Board, thereby preventing unfettered powers for decision-making being vested in one individual.</p> <p>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.</p> <p>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.</p>
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.	<p>Complied with</p> <p>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.</p> <p>The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The Code of Conduct emphasise that the Company sees the value in acting with integrity.</p>
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.	<p>Complied with</p> <p>The Board-approved Code of Conduct is available to all employees including the Board of Directors. This Code focuses mainly on the following areas:</p> <p>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 harassment, health and safety, discipline, etc.</p>
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	<p>Complied with</p> <p>The Company is committed to advancing sustainable finance by embedding relevant environmental, social, and governance (ESG) considerations into its core business strategies. This commitment reflects our corporate values and reinforces the Company's long-term resilience, competitiveness, and sustainable growth</p>

Section	Corporate Governance Principle	Compliance
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, with the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	Complied with 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 in 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.	Complied with 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.	Complied with 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.	Complied with 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. The Internal Audit Department 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.	Complied with Board-approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place. BCP is being reviewed by the BIRMC and the current status is updated at meetings.
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.	Complied with The Board of Directors exercises full oversight of the Company's affairs, ensuring that all perspectives on matters under consideration are thoroughly deliberated and formally recorded in the meeting minutes. The Board remains fully accountable to shareholders and other stakeholders, demonstrating its commitment through active engagement in monthly Board meetings and participation in relevant subcommittee meetings.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	Complied with All members of the Board possess knowledge, expertise and experience in different business sectors which has added value to the Company and their diversity of experience has brought about better judgment in matters relating to strategy, performance and resources.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	<p>Complied with</p> <p>The Board regularly reviews and agrees on the training and development needs of its members, along with the annual self-evaluation of Directors that is carried out.</p> <p>Training and development needs of the members are reviewed and regular updates pertinent to the regulatory and business environment are provided in a timely manner.</p>
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.	<p>Complied with</p> <p>Each Director performs an annual self-assessment of his own effectiveness as well as the performance of the Board as a whole, based on the criteria set by the Board, and records are maintained of such assessments.</p> <p>The latest self-assessment of the Board was carried out and the results of the evaluation were discussed by the Chairman with the members of the Board at the Board Meeting.</p> <p>The mandatory Subcommittee performance evaluations for the Audit Committee and the Integrated Risk Management Committee were conducted for 2024-25 and tabled.</p>
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	<p>Complied with</p> <p>The Board Charter empowers a Director to seek professional advice at the Company's expense, in order to discharge the duties and responsibilities effectively.</p> <p>This procedure is coordinated through the Company Secretary, as and when it is requested.</p>
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.	<p>Complied with</p> <p>The Board has identified and appointed a qualified senior management team possessing the necessary skills, experience, and expertise to execute the Company's business strategy, with requisite approvals obtained from the Central Bank of Sri Lanka (CBSL). Each senior executive's responsibilities are clearly outlined in formal job descriptions, and a Board-approved succession plan is in place to ensure continuity in leadership.</p> <p>All appointments of designated KRPs are recommended by the Nomination Committee and approved by the Board.</p> <p>KRP / KMP (Key Management Personnel) are also defined in the Sri Lanka Accounting Standard – LKAS 24 on "Related-Party Disclosures", as the persons who significantly influence policy, direct activities and exercise control over business activities, operations, and risk management. For financial reporting purposes, the Company defines KRP as the Board of Directors.</p>

Section	Corporate Governance Principle	Compliance
1.6.b	Defining the areas of authority and key responsibilities for the Senior Management.	<p>Complied with</p> <p>The Authority and responsibilities of Board of Directors have been agreed with. The Senior Management are responsible for day to day operations and management of the Company. The responsibilities are covered in Job Descriptions (JDs) and authority covered as per assigned Delegation Authority (DA) limits respectively.</p>
1.6.c	Ensuring the Senior Management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	<p>Complied with</p> <p>Necessary qualifications, skills, experience and knowledge of the Senior Management are assessed upon recruitment and during periodical performance assessments of the Senior Management to ensure whether they fit the position to achieve the Company's strategic objectives.</p>
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by Senior Management.	<p>Complied with</p> <p>To uphold robust corporate governance standards, the Company's operations are overseen and reviewed by the Board of Directors through the Chief Executive Officer / Executive Director.</p> <p>To promote effective management, strategic development, and optimal performance, Key Responsible Persons (KRPs) regularly present updates to the Board on areas within their scope of responsibility.</p>
1.6.e	Ensuring the FC has an appropriate succession plan for Senior Management.	<p>Complied with</p> <p>A documented Succession Plan is in place for all Senior Management positions and training programs are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels of the Senior Management.</p>
1.6.f	Meeting regularly with the Senior Management to review policies, establish lines of communication and monitor progress towards strategic objectives.	<p>Complied with</p> <p>The Board meets with Senior Management on a monthly basis in reviewing policies, monitoring progress towards corporate strategic objectives and ensuring lines of communication. In addition, presentations are made to the Board as a whole or to individual Directors on matters of interest.</p> <p>The Management Committees (MGCs), a Committee comprising Executive Directors and Senior Management, meets on a monthly basis to review policies and procedures and to monitor the strategic initiatives and Company performance. Further, Senior Management members attend Board Subcommittee meetings on invitation to facilitate effective review, monitoring and decision making.</p>

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
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.	<p>Complied with</p> <p>The Company acts responsibly giving due consideration to the interests of and obligations to, depositors, shareholders and other stakeholders. Compliance with related regulatory requirements is monitored by the compliance function on a continuous basis and the same is audited periodically.</p> <p>Any deviations noted on compliance with the legal framework are brought to the attention of the Board Subcommittees and subsequently to the Board.</p>
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	<p>Complied with</p> <p>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 internal policies and procedures. Additionally, the Board-approved Code of Conduct for all employees is in place, and the Board regularly monitors compliance with the Code of Conduct.</p>
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.	<p>Complied with</p> <p>The Management of the Company acts with due care and prudence, and with integrity. The Board and the Senior Management are always on alert and aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>
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.	<p>Complied with</p> <p>The Board implements the governance framework within the Company, which encompasses the requirements specified in the Direction.</p>
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.	<p>Complied with</p> <p>During the year, the Board consisted of nine (09) Directors, representing a diverse blend of skills and expertise to ensure effective oversight of the Company's management. This composition was considered appropriate, taking into account the Company's size, operational complexity, and risk profile.</p> <p>A transitional period until 01 July 2024 has been granted to comply with the revised requirements under Section 3.2 of the Finance Business Act Directions No. 05 of 2021, which stipulates that the number of Directors must be no fewer than seven (7) and no more than thirteen (13). Notwithstanding the transitional period, the Company is already in full compliance with this requirement.</p>

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.	<p>Complied with</p> <p>As at 31 March 2025, The Board of Directors comprises nine (09) members which is within the statutory limit required by the direction.</p> <p>The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors.</p>
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.	<p>Complied with</p> <p>Non-Executive Directors serving on the Board have not served on the Board for more than nine years.</p>
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.	<p>Complied with</p> <p>There are no Non-Executive Directors who hold more than 10% of voting rights of LCB Finance Company holding office.</p>
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.	<p>Complied with</p> <p>Throughout the financial year there was one Executive Director who is the Chief Executive Officer out of nine Directors. The number of Executive Directors has not exceeded one-third of the total number of Directors of the Board.</p> <p>There have been no new appointments of Executive Directors during the year.</p>

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
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.	Complied with Executive Directors or Senior Management do not hold more than 10% of the voting rights of the Company.
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.	Complied with Mr. K. G. Leelananda is an Executive Director and is designated as Executive Director/Chief Executive Officer of the Company.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	Complied with CEO is the only Executive Director and is assigned to specific functional areas in the Company.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	Complied with CEO is the only Executive Director and directly reports to the Board.
3.5.f	Executive Directors shall refrain from holding Executive Directorships or Senior Management positions in any other entity.	Complied with The CEO, who is the only Executive Director, does not hold 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.	Complied with The Non-Executive Directors possess skills and experience from a number of industries and business sectors, including the leadership of large multinational enterprises which helps to bring independent judgement on the issues of strategy, performance, resources and standards of business conduct.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.	Complied with Non-Executive Directors do not get involved in day-to-day business operations of the Company and are not appointed or required to function as an Executive Director of the Company.

Section	Corporate Governance Principle	Compliance
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.	<p>Complied with Three (3) out of nine (09) Directors are Independent Directors which is within the requirement of this direction.</p> <p>The composition of the Board of Directors is published on pages 47 to 49 of the Annual Report.</p>
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	<p>Complied with All Independent Non-Executive Directors of the Company possess the highest caliber, professional qualifications, a proven track record, and sufficient experience in their respective fields. The profiles of the Directors are on pages 47 to 49.</p>
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.	<p>Complied with In 2024/25, no such circumstance occurred.</p>
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;	<p>Complied with In 2024/25, no such circumstance occurred.</p>
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;	<p>Complied with In 2024/25, no such circumstance occurred.</p>
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;	<p>Complied with In 2024/25, no such circumstance occurred.</p>
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;	<p>Complied with In 2024/25, no such circumstance occurred.</p>

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Section	Corporate Governance Principle	Compliance
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	Complied with In 2024/25, 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;	Complied with In 2025, no such circumstance occurred.
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.	Complied with In 2024/25, 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.	Complied with The Nomination Committee and the Board assess whether there are any circumstances or relationships, beyond those specified in the direction, that could potentially influence the independence of a Director or create a perception that their independence may be compromised at the annual evaluation process. However, no such incidents were determined during the year.
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.	Complied with A process is in place to ensure that any change in circumstances affecting the independence of an Independent Non-Executive Director is promptly disclosed to the Board. During the year. Mr. J.P.C.Jayalath, previously designated as an Independent Non-Executive Director, experienced a change in independence status. Accordingly, the Company reclassified him as a Non-Independent Non-Executive Director and notified the Director of the Department of Supervision of Non-Bank Financial Institutions (DSNBFI) in writing of the revised designation.
3.8	Alternate Directors	Complied with There were no instances of appointing Alternate Directors for any of the members of the Board of Directors during the year.
3.9	Cooling-Off Periods	Complied with There was no new appointment of Directors and CEO or changes to the independence status of any Director during the year to comply with the cooling-off periods stipulated in the Direction.

Section	Corporate Governance Principle	Compliance
3.10	Common Directorships	
3.10	Director or Senior Management of a Company shall not be nominated, elected, or appointed as a Director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Complied with As at 31.03.2025, none of the Directors on the Board or Senior Management of the Company were nominated, elected or appointed as a Director of another Finance Company.
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.	Complied with The Directorships or any equivalent positions held by the Directors of LCBFP in other entities do not exceed the given threshold.
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.	Complied with Fitness and Propriety of Directors are assessed annually in terms of the requirements of the Finance Business Act Direction no. 6 of 2021 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.	Complied with All the Directors as at 31st March 2025 are below the age of 70 years and the Company Secretary monitors the compliance.
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:	Complied with Only one Director exceeded the age of 70 in June 2024. The change was duly notified to the Director of the Department of Supervision of Non-Bank Financial Institutions (DSNBFI), and the Central Bank of Sri Lanka (CBSL) has granted the necessary approval.
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.	Complied with In 2025, Annual Assessment of all Directors has been completed

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
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).	Complied with The Age of the Mr. V. Lokunarangoda (Director) has exceeded 70 years and the change was duly notified to the Director of the Department of Supervision of Non-Bank Financial Institutions (DSNBFI), and the Central Bank of Sri Lanka (CBSL) has granted the necessary approval. (Retired on 26th August 2024)
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.	Complied with Only one Director exceeded age of 70 years in 2023 (Retired on 26th August 2024), 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.	Mr. V. Lokunarangoda was appointed as a Director on May 9, 2018 (Retired on 26th August 2024)
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.	Complied with All the appointments and resignations to the Board and Senior Management were made in accordance with the Finance Business Act Direction No. 6 of 2021 Assessment of Fitness and Propriety of Key Responsible Persons.
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.	Complied with There is a clear separation of duties between the roles of the Chairman and the Chief Executive Officer. These positions are held by two separate individuals who have been appointed by the Board.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	Complied with The Chairman, Mr. Dushmantha Thotawatta, is an Independent Director. The composition and the designations of the Board members together with brief profiles are provided on pages 47 to 49 of this Report.
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.	Chairperson's performance has been assessed for the year 2024/25.

Section	Corporate Governance Principle	Compliance
6.4	Responsibilities of the Chairperson	
6.4.a	Provide leadership to the Board.	<p>Complied with</p> <p>The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner.</p> <p>The Board Secretary prepares the agenda for Board meetings under the direct supervision of the Chairman.</p> <p>The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the date of the meeting.</p> <p>All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.</p> <p>The Chairman ensures full and active contribution of all members of the Board including executive and non-executive members, and maintains the balance of power between the two parties.</p> <p>Chairman takes the lead in implementing decisions and directions by the regulators.</p> <p>The Chairman assesses the Performance and the contribution during the past 12 months of the Board and the CEO and same being submitted to the Director of the Department of Supervision of Non-Bank Financial Institutions.</p>
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 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	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	
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:	<p>Complied with</p> <p>CEO implements business and risk strategies in order to achieve the established strategic objectives.</p> <p>CEO establishes a management structure that promotes accountability and transparency throughout the operations and preserves the effectiveness and independence of control functions.</p> <p>He promotes a sound corporate culture within the Company, while reinforcing ethical, prudent and professional behaviour.</p> <p>CEO ensures the implementation of proper compliance culture and being accountable for accurate submission of information to the regulator where applicable</p>
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives.	
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserving 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.	

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
6.5.e	Strengthening the regulatory and supervisory compliance framework.	Works to strengthen the regulatory and supervisory compliance framework. He addresses the supervisory concerns and any situations of non-compliance with regulatory requirements or internal policies, in a timely and appropriate manner.
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.	<p>Complied with</p> <p>The Board meets at monthly intervals, but meets more frequently whenever it is necessary. Circulation of written or electronic resolutions / Board papers to obtain Board's consent was minimized and approvals obtained through the circulation of resolutions / Board papers are subsequently ratified at the next Board Meeting.</p> <p>The Company has held 12 Board meetings during the year. Details of the meetings and individual attendance during the year 2024/25 are given on page 54.</p>
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.	<p>Complied with</p> <p>Procedures are in place to enable matters and proposals from all Directors to be included in the agenda for regular meetings as and when they arise.</p>
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.	<p>Complied with</p> <p>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.</p>
7.4	A Director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	<p>Complied with</p> <p>All Directors contribute actively to matters arising at Board meetings and actively contribute by providing views and suggestions.</p>
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.	<p>Complied with</p> <p>The meetings of the Board have always been constituted by fulfilling the quorum requirement, where at least one-fourth (1/4) of the number of Directors constituting the quorum are Independent Directors. As per the attendance of the Board Meetings during the year 2024/25, the required quorum has been maintained at all Board Meetings. Details of the meetings and individual attendance during the year 2024/25 are given on page 54.</p>

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.	Complied with The Chairman of the Board has met the Non-executive Directors without the presence of the Executive Management twice during the year 2024/25.
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.	Complied with Procedure is in place for Directors to abstain from voting on any Board Resolution, when the Director or any of his relatives or a concern, in which he has substantial interest, is interested and the Director is not counted for the quorum for the relevant agenda item. Further, a Director does not participate in any discussion on a related-party transaction for which he or any of his immediate family members are associated with and is required to provide all material information concerning the related-party transactions to the Board.
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.	Complied with All Directors have attended more than two-thirds of the meetings held during the year. No Director has been absent from attending three consecutive meetings held in 2024/25. Attendance at Board Meetings is given on page 54.
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.	Complied with For the scheduled meetings, the members are always encouraged to participate in person while for ad hoc meetings virtual meetings are held, as and when required. During the year all meetings were held as physical meetings and participation in person or through electronic media is 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.	Complied with P R. secretarial services (Pvt) Ltd served as Secretary to the Board till 30th June 2024. Ms. T. Rodrigo was appointed as Company Secretary with effect from 06th August 2024. She functions as the Secretary to the Board Nomination Committee, the Board Related-Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee.
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.	Complied with The Board has appointed an Experienced and Chartered qualified Company Secretary to handle the secretarial services to the Board and Shareholder meetings and to carry out other functions as appropriate

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
8.2	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the Company. The Board Secretary has provided the Board with support and advice relating to corporate governance matters, Board procedures and applicable laws, rules and regulations during the year.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Complied with The Company Secretary prepares the agenda in consultation with the Chairman.
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.	Complied with Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes.
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.	Complied with Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.
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:	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary as defined in the direction.
	(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.	
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with Minutes are available for the inspection of the Directors. A Board-approved procedure is available to inspect the minutes

Section	Corporate Governance Principle	Compliance
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.	Complied with The Company has a Board-approved delegation of authority (DA) that gives clear directions to the Senior Management as to the matters that the Board shall approve before decisions are made by Senior Management on behalf of the Company.
9.2	In the absence of any of the subcommittees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such Committees shall be carried out by the Board itself.	Complied with There are five Board-appointed Subcommittees, namely Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related-Party Transactions Review Committee. Minutes of the meetings of these Committees are circulated to the main Board to ensure the functions stipulated under such Committees based on the charter/terms of reference are conducted effectively.
9.3	The Board may establish appropriate Senior Management level subcommittees with appropriate DA to assist in Board decisions.	Complied with The Board has appointed the following Senior Management level Subcommittees to assist the Board in its decisions with appropriate Delegated Authority: Assets and Liability Management Committee (ALCO) Head office Credit Committee IT Steering Committee Information Security Committee (ISC) Disposal of Repossessed Assets Head Office Committee for Evaluation of Sale of Assets Product Development Committee Investment Committee
9.4	The Board shall not delegate any matters to a Board Subcommittee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with The Board has not delegated any matters to a Board Subcommittee, 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.
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.	Complied with The Board periodically evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.

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Section	Corporate Governance Principle	Compliance
10.	BOARD SUBCOMMITTEES	
	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 Subcommittees	
	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.	<p>Complied with</p> <p>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).</p> <p>In addition, Board Credit Committee (BCC) have been formed.</p>
	Meetings shall be held at least once in two months for BAC and BIRMC. Other Committees shall meet at least annually.	<p>There were 09 BAC meetings and 04 BIRMC meetings held during the year 2024/25.</p> <p>Please refer 'Directors' Attendance and Committee Memberships' table given on pages 54, 128 to 138 of the Annual Report.</p>
10.1.b	Each Board Subcommittee shall have a written terms of reference specifying clearly its authority and duties.	<p>Complied with</p> <p>The TORs for the required Subcommittees are in place.</p>
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Subcommittee, at the Annual General Meeting of the Company.	<p>Complied with</p> <p>The performance and duties of the Subcommittees are given on the pages 128 to 138 of the Annual Report.</p>
10.1.d	Each Subcommittee 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.	<p>Complied with</p> <p>Each Subcommittee has a Secretary that maintains meeting minutes and carries out such other secretarial functions under the supervision of the Chairperson of the Committee.</p>
10.1.e	Each Board Subcommittee 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.	<p>Complied with</p> <p>Each Committee comprises at least three (3) Board members who possess skills, knowledge and experience relevant to the responsibilities of the Board Subcommittees.</p>
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board Subcommittees to avoid undue concentration of power and promote new perspectives.	<p>Complied with</p> <p>Occasional rotation of members and Chairpersons of the Board Subcommittees are considered as and when required.</p>

Section	Corporate Governance Principle	Compliance
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.	<p>Complied with</p> <p>The Board appointed Mr. D. Thotawatta as the Chairman of the Board Audit Committee with effect from 24th August 2020 until 31st December 2024. Mr. Thotawatta is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master of Arts in Financial Economics from the University of Colombo and a Bachelor of Commerce (Special) degree in Financial Accountancy from the University of Sri Jayewardenepura, Sri Lanka. Subsequently, the Board appointed Dr. A. Alahakoon as the Chairman of the Board Audit Committee with effect from 01st January 2025. Dr. Alahakoon is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Bankers of Sri Lanka, and holds a Bachelor of Commerce (Special) degree from the University of Sri Jayewardenepura. He also holds a Doctorate in Business Administration from the American National Business University.</p>
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.	<p>Complied with</p> <p>The Board Audit Committee consist with two Independent Non-Executive Directors and one Non-Executive Director. Members are Dr. A. Alahakoon (Chairman) Independent, Non-Executive Director Mr. D Thotawatta – Independent, Non - Executive Director Mr. G. K Nanayakkara - Non-Independent, Non- Executive Director</p> <p>All of them have expertise and knowledge in the fields of banking, finance, legal, information technology, etc.</p>
10.2.c	The Secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA).	<p>Complied with</p> <p>The Chief Internal Auditor serves as the Secretary to the Audit Committee.</p>
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.	<p>Complied with</p> <p>The BAC makes the following recommendations to the Board regarding:</p> <p>The appointment of M/S Ernst & Young, Chartered Accountants, as External Auditor for audit services provided in compliance with the relevant statutes for the financial year;</p> <p>The implementation of the Central Bank guidelines issued to Auditors from time to time.</p> <p>The application of the relevant accounting standards.</p>

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
	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.	Complied with Engagement period of current audit partner is 5 years. External audit firm will be rotated subject to the transitional provisions.
	iii. The audit partner of an FC shall not be a substantial shareholder, Director, senior Management or employee of any FC.	Complied with Audit partner is not a Director or employee and does not hold any Senior Management position of the Company.
	iv. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with External Auditors are independent and report directly to the Board Audit Committee of the Company. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking into account the regulations and guidelines.
	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.	Complied with The Company has a policy on the engagement of the External Auditor in the provision of non-audit services.
	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.	Complied with The BAC has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Accounting Standards.

Section	Corporate Governance Principle	Compliance
vii.	The BAC shall review the financial information of the Company 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: (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.	Complied with Financial statements are circulated to the Audit Committee. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit recommendations and compliance with statutory requirements takes place and obtains required clarifications in respect of all areas before being recommended for the Board approvals.
viii.	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of Senior Management, if necessary.	Complied with Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of any other directors/Senior Management.
ix.	The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board.	Complied with The Committee has reviewed the External Auditor's Management letter and Management responses thereto, relating to the audit for the year ended 31st March 2024.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied with The process has been set in place to review the effectiveness of the system of internal controls.
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.	Complied with The BAC monitors these through regular reporting from the Internal Audit Department.
10.2.g	Internal audit function:	

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Section	Corporate Governance Principle	Compliance
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.	Complied with An in-house Internal Audit Department is established, and a Chief Internal Auditor has been duly appointed to lead its operations.
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.	Complied with CIA directly reports to the BAC. The internal audit function has a clear mandate to carry out its functions within the Company as per the Board-approved Internal Audit Charter.
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;	Complied with 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 ;	Complied with 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;	Complied with The performance appraisal of the Chief Internal Auditor (CIA) for the financial year 2024/25 is scheduled to be carried out. The CIA was appointed on 31st October 2024.
(iv)	Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency, and due professional care;	Complied with According to the organizational structure of LCB Finance PLC, the Chief Internal Auditor (CIA) reports directly to the Board Audit Committee (BAC). All audit activities have been carried out with impartiality, professional competence, and due diligence.
(v)	Ensure the internal audit function carries out a periodic review of the compliance function and regulatory reporting to regulatory bodies;	Complied with BAC reviews the annual compliance review conducted by internal audit function.

Section	Corporate Governance Principle	Compliance
	(vi) Examine the major findings of internal investigations and Management's responses thereto.	Complied with 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.	Complied with The progress of implementation of recommendations of CBSL on-site investigation report to be reviewed by BAC on a quarterly basis.
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.	Complied with 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, CIA, and the AGM Finance attend the meetings. Chief Executive Officer attends by invitation.
	iii. BAC shall meet at least twice a year with the External Auditors without any other directors / Senior Management / employees being present.	The Committee 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.
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;	Complied with The Chairman of the Committee is an Independent Non-Executive Director. The Committee consists of two Independent Non- Executive Directors and one Non-Executive Director. CRO is the Secretary to the Integrated Risk Management Committee as at the reporting date. 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;	Complied with CRO is the Secretary to the Integrated Risk Management Committee as at the reporting date.

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Section	Corporate Governance Principle	Compliance
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;	Complied with Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Integrated Risk Management Committee at quarterly intervals for necessary guidance.
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.	Complied with Board-approved RAS is in place which identifies the risk tolerance limits of the Company.
10.3.e.	The BIRMC shall review the Company's risk policies including RAS, at least annually.	Complied with The BIRMC reviews the Company's risk policies, including RAS at a regular interval.
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.	Complied with 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.	Board-Approved Disaster Recovery Plan (DR) are in place and are reviewed periodically. BCP is to be reviewed by the BIRMC.
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied with The Committee assesses the performance of the Compliance Officer and CRO.

Section	Corporate Governance Principle	Compliance
10.3.i	Compliance function:	
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	Complied with The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on respective areas of business operations.
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.	Not applicable.
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.	A Compliance Officer has been appointed.
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;	Complied with Board-approved policies and procedures are in place commensurate with the size, complexity and risk profile of the Company.
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	Complied with Board-approved Compliance policy is in place and communicated to Senior Management and Branch Mangers.
	(iii) Ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Complied with 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;	Complied with All new legal and regulatory developments are applied as applicable.

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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;	Complied with 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.	Regular contact and a good working relationship with regulators is maintained.
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;	Complied with 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;	Complied with A separate department for risk management function is established, which is headed by the CRO. Reports / observations are submitted to the BIRMC. The Company has established risk management policies with relevant RAS and is in line with the strategic objectives of the Company.
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: <ul style="list-style-type: none"> 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. 	Complied with Risk management controls are functioning in an integrated manner in the Company as required by the direction. A stress testing policy is established and testing results are presented at the BIRMC meetings periodically.

Section	Corporate Governance Principle	Compliance
10.3.j.v	The Chief Risk Officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management.	Complied with CRO is a part of the strategic planning process of the Company
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Complied with The risk register is submitted to the BIRMC on a quarterly basis.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	The Board of Directors have the ultimate responsibility for the risk management of the Company. Minutes of the BIRMC meetings and risk trajectory 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. The Risk Trajectory Report based on discussions at the BIRMC is submitted to the subsequent Board Meeting.
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.	Complied with The Committee comprises two Independent Director and one Non-Executive Director. The Chief Executive Officer (CEO) attends meetings by invitation of the Committee.
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, in both instances is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.	Complied with A Board-approved policy for the selection, nomination, appointment, and election of Directors is in place. Selection and appointment of KRPs are 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).	Complied with Fitness and propriety for Board of Directors are evaluated on an annual basis and for Senior Management fitness and propriety is evaluated at the time of appointment, promotion, renewal of contracts or on lateral moves.
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.	Complied with The selection process includes 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; (iii) have sufficient time to carry out their responsibilities fully.

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Section	Corporate Governance Principle	Compliance
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.	Complied with The Committee ensures 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 Company as a whole.
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.	Complied with The qualifications, experience and critical attributes required for eligibility, to be considered for appointment to the CEO and Senior Management have been clearly mentioned in the Board-approved job description.
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.	Complied with The committee undertake a thorough evaluation of current directors to consider and recommend (or not recommend) their re-election.
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.	Complied with The members will not participate in decision-making relating to own appointments or reappointments.
10.5	Human Resources and Remuneration Committee	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	

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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.	Complied with The Committee comprises of two Independent Directors and one Non-Executive Non-Independent Director; Committee is chaired by Dr. A. Alahakoon (Independent Director). Other members of the Committee are Mr. D. Thotawatta and Mr. R. L. Masakorala.
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.	The Committee determines the Remuneration Policy relating to Executive Directors and Senior Management.
10.5.d	There shall be a formal and transparent procedure in developing the Remuneration Policy.	The Remuneration Policy has been developed to achieve fair and equitable benefits with transparent guidelines.
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.	Complied with The Remuneration Policy has been recommended by BHRC and approved by the Board.
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.	Complied with The remuneration structure is aligned with the Company's business strategy, objectives, values, long-term interests and cost structure. 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.	The performance of the Senior Management excluding the CIA, CRO and Head of Compliance has been conducted through an effective annual evaluation process which will determine the basis for the remuneration revisions. These will be reviewed by HRRC from the next evaluation cycle.
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.	Respective Senior Management Personnel abstain from attending meetings when matters related to them are discussed.

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Section	Corporate Governance Principle	Compliance
11	INTERNAL CONTROLS	
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	Complied with 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. The Committee is assisted in this function by Internal Audit Department.
11.2	A proper internal control system shall: <ul style="list-style-type: none"> 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. 	Further, the External Auditors were engaged in providing assurance on the "Directors Responsibility Statement on Internal Controls over Financial Reporting" and it is given on pages 144 to 145. Internal Controls have been embedded to the day-to-day operations of all employees and all employees are accountable and responsible for protecting the Company and achieving its objectives.
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.	Complied with The Board has established a Board Related-Party Transactions Review Committee, and it comprises two Independent Directors and one Non-Executive Non-Independent Director.
12.1.b	All related-party transactions shall be prior reviewed and recommended by the RPTRC.	Complied with The Board-approved policy is in place for governing the Related-Party Transactions. All Related-Party transactions were carried out in accordance with the requirement of the Direction & other statutory requirements.

Section	Corporate Governance Principle	Compliance
12.1.c	<p>The business transactions with a related party that is covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> 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. 	<p>Complied with</p> <p>The RPT policy defined the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.</p> <p>All related-party transactions have been disclosed in the financial statements.</p>
12.2	<p>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.</p> <ul style="list-style-type: none"> a) Directors and Senior Management; b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC; c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa; d) Directors and Senior Management of legal persons in paragraph (b) or (c); 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; 	<p>Complied with</p> <p>The Board-approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties “more favourable treatment” as defined in this Direction.</p> <p>The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.</p>

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Section	Corporate Governance Principle	Compliance
12.3	<p>The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the 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. 	<p>Complied with</p> <p>Internal controls have been deployed to comply with these parameters. Sufficient education has been provided to relevant employees in this regard.</p> <p>There is a documented process approved by the Board which clearly defines related-party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties “more favorable treatment” than what is accorded to other constituents of the Company carrying out similar transactions with the Company.</p>
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.	<p>Complied with</p> <p>The Company has developed a Code of Business Conduct and Ethics for all employees covering the areas of conflict of interest, bribery and corruption, accurate accounting and record keeping, confidentiality, fair dealing, protecting and proper use of the Company’s assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.</p>

Section	Corporate Governance Principle	Compliance
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.	Complied with Breaches of the Code of Conduct are duly recorded and addressed by the Human Resources Department in a manner that upholds the Company's commitment to high standards of integrity and ethical conduct.
14.3	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with The Company has in place a Whistleblowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees can raise concerns about illegal, unethical or questionable practices in a confidential manner and without the risk of reprisal.
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.	Complied with The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. Directors abstain from voting on any resolution in which the Directors have related-party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.
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: <ul style="list-style-type: none"> 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. 	Complied with Managing conflicts of interest is included in Corporate Governance Policy and the policy is reviewed periodically.

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Section	Corporate Governance Principle	Compliance
16.	DISCLOSURES	
16.1	<p>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.</p> <p>The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.</p>	<p>Complied with.</p> <p>The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/ SLFRS) and the formats prescribed by the supervisory regulatory authorities.</p> <p>Further, such statements are published in the newspapers in Sinhala, Tamil and English.</p>
	<p>i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include:</p> <ul style="list-style-type: none"> • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements. 	<p>Complied with</p> <p>Relevant disclosures are included in page pages 128 to 138 of the Annual Report under “Statement of Directors Responsibilities” and page pages 140 to 142 of the “Annual Report of the Board of Directors on the state of affairs of the Company”.</p>
	<p>ii. Chairperson, CEO and Board-related disclosures:</p> <ul style="list-style-type: none"> • 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. 	<p>Complied with</p> <p>Details of the Directors including names and transactions with the finance company are given on pages 214 to 215 of the Annual Report.</p> <p>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.</p>

Section	Corporate Governance Principle	Compliance								
	<div>iii. Appraisal of Board Performance</div> <div><ul style="list-style-type: none">An overview of how the performance evaluations of the Board and its Committees have been conducted.</div>	<div>Complied with.</div> <div>The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually.</div> <div>Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the Board as a whole and that of its Committees and the records of such assessments are maintained by the Company Secretary.</div>								
	<div>iv. Remuneration</div> <div><ul style="list-style-type: none">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.</div>	<div>Complied with.</div> <div>The achievement of the set targets is a prerequisite for performance-based remuneration. Performance targets are established in accordance with the annual strategic plan and budget..</div> <div>Annual promotions, increments and bonus of all employees are directly in relation with the performance, contribution, commitment, work ethics and behaviour of the employee.</div> <div>The remuneration structure of the staff, Senior Management and Executive Directors are 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 do not incentive employees to take excessive risk or act in self-interest.</div> <div>The aggregate values of remuneration paid by the Company to KRPs are as follows</div> <div><table><tr><td></td><td>Rs.'000</td></tr><tr><td>Short-term employee benefits</td><td>18,464</td></tr><tr><td>Contributions to provident fund</td><td>2,115</td></tr><tr><td>Contributions to gratuity fund</td><td>988</td></tr></table></div> <div>(Aggregate values of remuneration paid for Directors for the Year 2024/25 - Rs. 25.392 Mn.)</div>		Rs.'000	Short-term employee benefits	18,464	Contributions to provident fund	2,115	Contributions to gratuity fund	988
	Rs.'000									
Short-term employee benefits	18,464									
Contributions to provident fund	2,115									
Contributions to gratuity fund	988									
	<div>v. Related-Party Transactions</div> <div><ul style="list-style-type: none">The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.</div>	<div>Complied with.</div> <div>The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO.</div> <div>No relationships prevail among the other members of the Board. There were no accommodations outstanding in respect of related parties.</div> <div>The aggregate values of the transactions of the Company with its Senior Management during the year under review are given below Rs. 21.566 Mn and its 0.83% on the Core Capital.</div>								

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
	<ul style="list-style-type: none"> The aggregate values of the transactions of the FC with its Senior Management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. 	<p>Accommodation granted 10.733 Mn Deposits held 16.150 Mn</p>
vi.	<p>Board-appointed Committees</p> <ul style="list-style-type: none"> The details of the Chairperson and members of the Board Committees and attendance at such meetings. 	Please refer 'Directors' attendance and Committee Memberships' tables that are given on page 54 of the Annual report.
vii.	<p>Group Structure</p> <ul style="list-style-type: none"> 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 fulfils its own legal and governing obligations.
viii.	<p>Director's Report - A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> 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 140 to 142 of the Annual Report.
ix.	<p>Statement of internal control:</p> <ul style="list-style-type: none"> A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The External Auditor's assurance statement on the effectiveness of the internal control mechanism referred to above, in respect of any statement prepared or published. 	Given on pages 144 to 145 of the Annual Report.

Section	Corporate Governance Principle	Compliance
	<ul style="list-style-type: none"> A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions. 	
	<p>x. Corporate Governance Report</p> <ul style="list-style-type: none"> Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the External Auditor's assurance statement of the compliance with the Corporate Governance Direction. 	<p>Complied with.</p> <p>The Corporate Governance Report is given on pages 54 to 111 of the Annual Report.</p> <p>The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above.</p>
	<p>xi. Code of Conduct</p> <ul style="list-style-type: none"> FC's Code of Business Conduct and Ethics for Directors, Senior Management and employees. The Chairperson shall certify that the company has no violations of any of the provisions of this code. 	<p>Complied with.</p> <p>The Company has developed a Code of Business Conduct and Ethics for all employees.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the Company.</p> <p>Refer the Chairman's Statement in the Annual Report for details.</p>
	<p>xii. Management Report</p> <ul style="list-style-type: none"> Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future 	<p>Complied with.</p> <p>Please refer 'Operating Environment' on Pages 24 to 28.</p>
	<p>xiii. Communication with Shareholders</p> <ul style="list-style-type: none"> The policy and methodology for communication with shareholders. The contact person for such communication. 	<p>Complied with.</p> <p>The Board-approved Communication Policy is in place which covers all stakeholders including depositors, shareholders, borrowers and other creditors.</p> <p>The Company Secretary communicates with the shareholders through the Annual Report, quarterly reports, and by notices issued to the shareholders.</p>

Corporate Governance Report

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	<p>The regularity of the Board meetings and the structure and process of submitting information have been pre- agreed by the Board. The Board meets at monthly intervals, but meets more frequently whenever it is necessary.</p> <p>During the year, the Board met 12 times, at approximately monthly intervals.</p> <p>A monthly Board pack is presented to the Board members comprising financial and operational performance compared to previous periods, prevailing risks and mitigation factors, forecasts, regulatory compliances and any other matters that the Board should be aware of.</p> <p>Circulation of Board papers to obtain Board's consent was minimised and confirmations ratified at the subsequent Board meeting.</p> <p>Details of the Board meetings and individual attendance are given on page 54 of the Annual report.</p>
A.1.2	Responsibilities of the Board	Complied	<p>The Board of Directors is responsible for setting sound business strategy, ensuring the execution of strategies, monitoring performance and oversight of the Company's affairs.</p> <p>The Board is chaired by an Independent Non-Executive Director and the Board has put in place a Corporate Management team led by the CEO/ Director equipped with the required skills, experience and knowledge to implement the business strategy of the Company.</p>

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
			<p>A comprehensive succession planning for the CEO/ Director and Key Management Personnel has been documented for a seamless operation. The Non-Executive Directors possess experience from a number of industries and business sectors, including the leadership of large multinational enterprises.</p> <p>The Board determined the matters expressly reserved to the Board and the aspects delegated to the Management including limits of authority and financial delegations.</p> <p>The Board takes necessary steps towards safeguarding the depositors, securing integrity of information, prudent management of risks, implementing an effective internal control system, ensuring good governance and compliance with rules and regulations.</p> <p>Processes have been established to monitor the progress on strategy implementation, budgets, plans and related risks and to ensure the corporate reporting, on a quarterly basis, through the Board-appointed Subcommittees.</p> <p>The Board is responsible to ensure that the interest of all stakeholders is taken into consideration in the corporate decision-making process and that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and complying with laws, regulations and ethical standards.</p>
A.1.3	Agreed procedure on seeking independent professional advice	Complied	<p>The Board collectively, and Directors individually, are conscious of their responsibility to comply with laws applicable to the Company.</p> <p>The Directors are permitted to seek independent professional advice at the Company's expense, as and when such advice is required.</p>

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1.4	Advice and services of the Company Secretary	Complied	<p>All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.</p> <p>Minutes of Board meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.</p> <p>The Company Secretary serves only in the capacity of Company Secretary, not holding simultaneous employment in another capacity.</p> <p>The removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent judgement of directors	Complied	Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	Dedicating adequate time and effort by the directors	Complied	<p>Directors devote adequate time for Board meetings as well as Board Subcommittee meetings to ensure that the duties and responsibilities are satisfactorily discharged.</p> <p>Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.</p>
A.1.7	Training for new and existing directors	Complied	<p>A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.</p> <p>In accepting the appointment, consideration is given by a Director to the responsibilities of the role, ability to commit time, any existing or potential conflicts of interest and possessing required competencies of the role.</p>
A.2	CHAIRMAN AND CEO <p>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.</p>		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.2.1	Separation of the roles of Chairman & CEO	Complied	<p>The positions of the Chairman and the CEO have been separated.</p> <p>The Chairman is responsible for leading the Board and for its effectiveness.</p> <p>The Director is the Chief Executive Officer who is responsible for managing the Company's business.</p>
A.3	CHAIRMAN'S ROLE Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and 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.		
A.3.1	Role/functions of the Chairman	Complied	<p>The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors.</p> <p>The Chairman ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner.</p> <p>The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulates a formal agenda prior to the Board meeting.</p> <p>Board papers covering adequate information of matters to be taken up for discussions are circulated in advance of the meeting.</p> <p>All Directors are encouraged to actively participate in Board's affairs.</p>

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
			<p>There is a constructive relationship among all Directors and they work together in the best interest of the Company.</p> <p>Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.</p>
A.4	<p>FINANCIAL ACUMEN</p> <p>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 are qualified chartered accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>		
A 4	Financial acumen and knowledge	Complied	<p>The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance.</p> <p>Dr. A. Alahakoon as the Chairman of the Board Audit Committee with effect from 01st January 2025. Dr. Alahakoon is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Bankers of Sri Lanka, and holds a Bachelor of Commerce (Special) degree from the University of Sri Jayewardenepura. He also holds a Doctorate in Business Administration from the American National Business University.</p> <p>Mr. K.G. Leelananda graduated in B.Sc. Management (Sp) from the University of Sri Jayewardenepura, Licentiate in Chartered Accountancy from ICSSL and Intermediate Banking & Finance, Institute of Bankers of Sri Lanka.</p> <p>Mr.A.W.Nanayakkara has a Master's degree in Accounting & Law from the London School of Economics (UK) and LLB in Law and Regulations from the London School of Economics (UK).</p> <p>The details of their qualifications and experience have been set out on pages 47 to 49.</p>
A.5	<p>BOARD BALANCE</p> <p>The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) in order that no individual or a small group of individual Directors is able to dominate the Board's decision-making.</p>		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.5.1	Presence of a strong team of Non- Executive Directors (NEDs)	Complied	<p>Board maintains the required balance of Executive and Non-Executive Directors on the Board.</p> <p>The Board consists of one Executive Director, five Non-Executive Non-Independent Directors and three independent Directors.</p> <p>As the majority of the Board comprises Non-Executive Directors, their opinions and views carry significant weight in the Board's decisions.</p>
A.5.2 & A.5.3	Independence of NEDs	Complied	Three Independent Non-Executive Directors are independent of Management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Annual declaration of NEDs	Complied	Each Non-Executive Director provides a signed declaration of his independence or non- Independence annually as at the reporting date.
A.5.5	Annual declaration by the Board on the independence of Directors	Complied	The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021 on Corporate Governance.
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	Complied	The Chairman met with the Non-executive Directors without the presence of the Executive Directors twice during the year.
A.5.10	Recording of concerns in Board minutes	Complied	The Board minutes include concerns raised by Directors and also the ultimate decisions made by the Board.
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.		

Corporate Governance Report

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	<p>The Management provides timely and appropriate information to the Board by way of Board Papers and Proposals. The Directors are free to raise queries for additional information as and when necessary.</p> <p>Presentations have been made to the Directors on important matters relating to strategy, risk management, recoveries, IT infrastructure developments, key updates in financial reporting and new legal developments.</p> <p>The Chairman ensures that all Directors are briefed on issues arising at Board Meetings.</p>
A.6.2	Adequate time for Board meetings	Complied	<p>Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard.</p> <p>Notice of Meeting is circulated to the Directors prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.</p>
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	<p>The Board-appointed Nomination Committee recommends selection of new Directors for the approval of the Board. Details of the Committee members are given in the Nomination Committee Report on pages 130 to 131.</p> <p>Committee member attendance of the Nomination Committee is given on pages 130 to 131.</p> <p>There were three changes to the Board composition during the financial year 2024/25. Mr. V. Lokunarangoda and Mr. U.K.H.R. Ranasinghe, both Non-Executive, Non-Independent Directors, resigned during the year. Subsequently, Dr. A. Alahakoon was appointed to the Board as a Non-Executive, Independent Director.</p>

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
			<p>The Board carries out continuous reviews of the structure, size, composition, skills and knowledge of the Board, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands and key risks faced by the Company.</p> <p>Findings of the assessment of the Board are considered for new appointments and re-election of Directors.</p> <p>Also, a process has been established to determine that the proposed Board appointees are fit and proper for the requirement.</p>
A.7.3	Disclosure of information to shareholders upon appointment of New Directors	Complied	<p>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 directorships in other companies, and the number of shares he holds in the Company, whether he is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director.</p> <p>Mr. V. Lokunarangoda and Mr. U.K.H.R. Ranasinghe, both Non-Executive, Non-Independent Directors, resigned during the year. Subsequently, Dr. A. Alahakoon was appointed to the Board as a Non-Executive, Independent Director.</p>
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	Complied	Board approved policy for re-election by rotation of Non-Executive Directors and Chairman is in placed.

Corporate Governance Report

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 Subcommittees	Complied	The performance of the Board is evaluated by the Chairman and the Directors. The Board Subcommittees carry out a self-assessment 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 summary of the responses is submitted to the Board for further action if deemed necessary.
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: Brief profile with expertise and experience - pages 47 to 49. Other business interests - pages 214 to 215 Remuneration - Note 16.4 page 89 Status of independence - pages 128 to 138 Details of Board meetings and Board Committee Meetings held during the year - page 54
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 meets the pre-set financial and non-financial targets.		
A.11.1 & A.11.2	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.		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B.1.1	Establishment of a Remuneration Committee	Complied	<p>The Remuneration Committee is responsible for:</p> <ul style="list-style-type: none"> Assisting the Board with regard to the Remuneration Policy for the Executive Directors and other senior level staff members. Reviewing strategic human resource policies that can impact the business and recommending appropriate measures. Determining and agreeing with the Board, the broad policy framework for the remuneration of the Executive Directors. Deciding remuneration of the senior level staff members in order to recruit, retain and motivate them. Reviewing / monitoring evaluation of performance of KMPs and their management developments and succession planning. <p>Communicating with shareholders on the Remuneration Policy and the Committee's work on behalf of the Board through Remuneration Committee report.</p>
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 ... for details of the Chairman and the members of the Board Human Resources and Remuneration Committee.
B.1.4	Determination of the remuneration of Non-Executive Directors, including members of the Remuneration Committee	Complied	The Board as a whole decides on the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for serving on the Board and its Subcommittees. The Non-executive Directors' fee structure is reviewed and revised by the Board as a whole, as and when necessary.
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.		

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 Directors.
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.
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' given on pages 137 to 138 or disclosure of the names of the Remuneration Committee members and the Remuneration Policy of the Company. Please refer Note 45.2 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.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 pages 224 to 226. 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	Chairpersons of the other Board Subcommittees are present at the AGM to answer all queries that may be raised. In the absence of the Chairman of the respective Committee, a co-Member attends to queries raised.
C.1.4 & C.1.5	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.
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	Appropriate response will be provided to all validly received shareholder correspondence by the Board or individual Directors, as applicable, and Company Secretary will be directed to send immediate responses to the particular shareholder. Disclosure process of responding to shareholders is specified in the company communication policy.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 during 2024/25
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 Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri 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 and guidelines issued under the said Finance Business Act and the Listing Rules of 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 140 to 142 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 03 on page 60 of the Annual Report. Please also refer pages 146 to 149 for the Independent Auditor's Report.
D.1.4	Management discussion and analysis	Complied	Please refer to 'Operating Environment' set out on pages 24 to 28 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 03 Estimates and Assumptions to the Audited Financial Statements on pages 140 to 142.

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	<p>The Board has established an effective and comprehensive process for identifying, recording and disclosure of Related-Party transactions. Steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties.</p> <p>The Board ensures that any financial transaction is on terms that are reasonable if the Company and the related party were dealing at arm's length in the ordinary course of business.</p> <p>All related-party transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related-Party Transactions) are disclosed in Note 45 to the Audited Financial Statements.</p>
D.2	INTERNAL CONTROL The Code requires the Company's Board to ensure that there is 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 Head of 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 132 to 134
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.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.3.3	Terms of Reference of the Audit Committee	Complied	<p>The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the Audit Committee. The Charter was reviewed for 2024/25 in line with the Code of Best Practices on Audit Committees of CA Sri Lanka.</p> <p>The duties and responsibilities of the Committee include:</p> <ul style="list-style-type: none"> Assisting the Board to ensure preparation and presentation of Financial Statements in conformity with Sri Lanka Accounting Standards and other laws and regulations. The Committee reviews the annual and quarterly financial statements with Management and the External Auditor. Assessing the compliance of regulatory requirements and Company's ability to continue as a going concern in the foreseeable future. Monitoring and reviewing the effectiveness of the internal audit function. Reviewing the internal control system. Making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor and to approve the remuneration and terms of engagement of the external auditor. Discussion of external audit plan, key audit issues and management responses with management and the Auditor. Assisting the Board in assessing the independence and objectivity and effectiveness of the audit process. <p>The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking into account relevant ethical and regulatory guidance regarding the provision of non-audit services by the external audit firm.</p> <p>The Audit Committee reviewed and approved the policy for engagement of the External Auditor to provide non-audit services during 2024/2025.</p> <p>Separate periodic meetings with Management, External Auditor and the Internal Auditors. Reporting regularly to the Board of Directors.</p>
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 132 to 134.

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	LCB Finance PLC has developed a Code of Business Conduct for all staff members which addresses conflict of interest, receiving gifts or any other benefit, accurate accounting and record keeping, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets including information assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behavior. The Code of Business Conduct and Ethics has been adhered to in all respects by the Directors and Key Management Personnel.
D.4.2	Affirmative statement by the Chairman	Complied	Please refer to the Chairman's message for details on pages 14 to 15
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 54 to 111 in the Annual Report.
SECTION 2 : SHAREHOLDERS			
E.	INSTITUTIONAL INVESTORS		
E.1	SHAREHOLDER VOTING		
	Due to the Parent Company holding 100% of the equity of the Company, the requirement of disclosures to institutional investors has not arisen from an equity point of view. In the event such a need arises from the perspective of accountability and transparency, all material disclosures would be made to strengthen the positive relationship between Management and institutional investors.		
E.1.1	Communication with shareholders	Complied	The Annual General Meeting is used for effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management, in order to ensure that the views are properly communicated and acted upon.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
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.
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 'Operating Environment' on pages 24 to 28
G.1.2	The Environment	Complied	This is covered in the 'Operating Environment' on pages 24 to 28
G.1.3	Labour Practices	Complied	Please refer 'Operating Environment' on pages 24 to 28
G.1.4	Society	Complied	Please refer 'Operating Environment' on pages 24 to 28
G.1.5	Product and Service Responsibility	Complied	Please refer 'Operating Environment' on pages 24 to 28
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of the 'Operating Environment' on pages 24 to 28
G.1.7	Sustainable Reporting & Disclosure	Complied	Please see the contents of the 'Operating Environment' on pages 24 to 28

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	As of 31 March 2025, Board comprised of nine Directors. eight (08) out of the nine (09) are Non- Executive 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	Three (03) out of the eight (08) Non-Executive Directors are independent
7.10.2(b)	Submission of declarations annually, declaring the independence of Directors	Complied	Complied.
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 47 to 49 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 47 to 49 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 2024/25.
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	Remuneration Committee consists of two (02) Independent Non-Executive Directors and one Non Independent Non-Executive Director.

Corporate Governance Report

Rule No.	Applicable Requirement	Compliance Status	Comment
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 137 to 138 under HR & Remuneration Committee Report.
	Remuneration Policy	Complied	Policy is given in HR& Remuneration Committee Report on Pages 137 to 138
	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 140 to 142 of the Annual Report.
Audit Committee			
7.10.6(a)	Composition and Role of the Audit Committee	Complied	<p>All members of the Board Audit Committee are Independent, Non- Executive Directors and Non- Executive Non- Independent Directors.</p> <p>The Committee comprises Dr. A. Alahakoon (Chairman), Mr. D. Thotawatta and Mr. G. K. Nanayakkara.</p> <p>Please refer to the contents of the Board Audit Committee Report on pages 132 to 134 for the role of the Audit Committee.</p>
	Chairman of the Audit Committee	Complied	<p>The Board appointed Dr. A. Alahakoon as the Chairman of the Board Audit Committee with effect from 01st January 2025. Dr. Alahakoon is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Bankers of Sri Lanka, and holds a Bachelor of Commerce (Special) degree from the University of Sri Jayewardenepura.</p> <p>He also holds a Doctorate in Business Administration from the American National Business University.</p>
	Attendance at Audit Committee Meetings	Complied	Members of the Board Audit Committee, the Manager Internal Audit and Head of Finance attend the meetings. CEO attends 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 1.5 on page 155 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 155 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	<p>The Auditor's certification on the Directors Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report has been obtained.</p> <p>The Company assesses the internal controls via risk & control self-assessment (R&CSA) process.</p>
	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 such requirement has not arisen.
7.10.6(c)	Names of Directors comprising the Audit Committee	Complied	Published in the Annual Report on pages 132 to 134 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 132 to 134 of the Annual Report.

Risk Management

1 INTEGRATED RISK MANAGEMENT FRAMEWORK

The Integrated Risk Management Framework, (IRMF) hereinafter referred to as the " Integrated Risk Management Policy " or " IRMP ", Sets out the principles adopted by Lanka Credit and Business Finance PLC, (LCBF) hereinafter referred as the "Company", to measure, monitor and manage its material risks, and also to assure that adequate capital is held to meet the various risks to which the Company is exposed.

The IRM Framework aims to establish the foundation rules for the Risk Management Function in terms of:

1. Risk management governing principles and objectives.
2. Risk governance, including specific roles and responsibilities for all relevant stakeholders.
3. Defining the components / stages of the risk management process.
4. Risk identification, assessment / measurement and management / mitigation.
5. Guidelines for the formulation Risk Appetite Statement (RAS).
6. High-level Risk Identification & Assessment (RIA).
7. Setting out standards for documentation of specific risk policies.
8. Defining guidelines for Integrated Risk Management Reporting (IRMR).
9. Defining the underlying principles for comprehensive risk assessment (i.e. Pillar 2 risks)
10. Risk & capital budgeting (Internal Capital Adequacy Assessment Process – ICAAP)

1.1 Risk Management Principles

P1. Risk Management shall ensure the long-term viability of the Company.

Risk management has to ensure that business grows sustainably and shareholder value is preserved.

P2. Risk is taken within a defined / approved risk appetite.

The RAS defines the risk boundaries within which risks are underwritten by the Company. All risk control elements (risk limits, risk monitoring reports, risk review procedures etc.) have to ensure that at all times the Board-approved RAS holds. Deviations from the approved RAS have to be reported.

P3. Specific responsibilities for risk-taking have to be defined.

Every material risk taken by the Company needs to have an Owner, Approver and an Independent Reviewer. Through the governance model (see next principle) the Company should aim at segregating the three roles ensuring independence.

P4. Risks taken needs to be adequately compensated.

The Company should aim at correlating pricing with risk through the implementation of internal capital models, Risk Adjusted Return On Capital (RAROC) and Risk-based Pricing Policies (RBPP).

P5. Risk Management shall be supported by a strong risk management culture.

The risk management culture shall be fostered by the Board and should cascade downwards into the operational levels of the Company, supported by an appropriate communication policy.

P6. Risk Governance has to follow best international practices.

The governance models have to be designed and periodically reviewed in order to comply with leading international practices. They have to adhere to the principles of independence of control functions, three lines of defense, segregation of duties and proportionality (see Risk Governance section for more details)

P7. Business incentives shall be risk sensitive.

Incentives for risk originators, approvers and underwriters should be set in such as as to ensure long-term viability of the business. Risk control elements shall be embedded in the incentive structure for the Company's employees.

P8. Risk Planning has to be fully aligned with the business objectives of the Company.

Risk strategy and risk appetite are defined based on the Company's strategic plans in order to align risk, capital and business performance targets. Risk Management function should be actively involved, at an early stage, in the elaboration of the Company's strategy.

P9. Risks shall be assessed comprehensively.

No material risk sources shall be left outside the scope of the Risk Management Framework. Therefore, risks shall be assessed covering all material risk types, business lines and relevant entities within the Company.

P10. Risks shall be managed by all relevant stakeholders.

The management of risks should not be confined to the risk management function. It should be primarily the responsibility of the Management and staff in all business lines and they should be aware of their accountability in this respect.

2 The Integrated Risk Management Framework (RMF)

2.1 Integrated Risk Mgt Framework Elements

The Risk Management Framework consists of all the elements set out by the Company to attain the general objectives of risk management set out in the IRMF. The main components are:

(i) Integrated Risk Management Framework (IRMF)

Ground rules for the Risk Management Framework (RMF) including without limitation risk governance, Risk Appetite Statement (RAS) guidelines, definition of the Risk Management Processes (RMP), as well as Risk Management Policy (RMP) documentation and reporting guidelines. The IRMF also caters to risk categories not captured by risk-specific policies. All the other components of the RMF shall be developed consistently with the principles set out in the IRMF.

(ii) Risk Governance

Main roles and responsibilities, including levels of authority and reporting lines of all key stakeholders involved in Risk Management. The governance elements of the RMF are documented under IRMF (see next section).

(iii) Risk Appetite, Risk Strategy and ICAAP

Defines the risk strategy of the Company in terms of risks the Company wishes to assume, clear boundaries for each material risk type, integration of risk planning with business planning through ICAAP. Detailed description of governance, processes, methodologies pertaining to RAS and ICAAP shall be documented in dedicated policies.

(iv) Specific Risk Management Policies and Processes

Defined for credit, market, liquidity, operational risk, and ESG risk following principles set out in the IRMF. All these policies are standalone documents that govern specific segments of the RMF.

(v) Risk Management Infrastructure

Consists of all the resources deployed by the Company to carry out the provisions set out in the risk management policies and procedures, including without limitation people, systems, data base models and methodologies.

(vi) Day-to-day Risk Management Activities are the risk policies and procedures in action carried out by all relevant stakeholders.

2.2 Risk Management Policies that Supplement the IRM Policy

1. Credit & Credit Risk Policy
2. Operational Risk Management Policy
3. Market Risk Policy
4. Investment Policy
5. Assets & Liability Management Policy
6. Internal Capital Adequacy Assessment Process Policy
7. Compliance Policy
8. Anti-Money Laundering Policy
9. Information Security Management Policy

2.3 Key Risk of Areas the Company

1. Credit Risk
 - 1.1. Credit Concentration Risk
 - 1.2. Default Risk
2. Market Risk
 - 2.1. Interest Rate Risk
 - 2.2. Equity Risk
3. Liquidity Risk
4. Operational Risk
 - 4.1. Information Technology (System) Risk
 - 4.2. Internal Process Risk
 - 4.3. People Risk
 - 4.4. Business Continuity Risk (BCR)
5. Regulatory, Compliance and Legal Risk
6. Strategic Risk
7. Environment, Social, Governance (ESG) Risk

3 Risk Governance

3.1 Risk Governance Principles
The following principles underlie the risk governance structure of the Company as part of the Integrated Risk Management Framework (IRMF):

Independent of control functions

The risk management and control functions shall be independent from any other units or functions which have operational or business-related

responsibilities. Independence shall be maintained throughout the entire internal control system, from Board independence through to the separation of front / middle / back-office functions based on the 3 lines of defense structure. The following are key elements to aiming at preserving independence of the risk function:

- The Board Integrated Risk Management Committee (BIRMC).
- The composition of the Board of Directors (BoD) shall consist in majority of Independent/ Non-Independent Directors. The BIRMC shall be formed mainly by independent or Non-Executive Directors. The Chairman of the BIRMC shall be independent.
- The Chief Risk Officer (CRO) - Shall have a direct and functional reporting line to the BIRMC apart from the administrative reporting to the CEO.
- The Risk Management function shall not have responsibility for revenue generating business or risk-taking activities. Notwithstanding the independence requirement, Risk Management shall keep close enough to business/ risk-taking activities in order to gain sufficient information on risk exposures, business strategies and ensure compliance with risk appetite, policies and limits.
- Risk Management shall use its own independent information sources (data, documents, records etc), shall have unrestricted access to this information and should form views, opinions and recommendations in an independent and unbiased way.

Risk Management

3.2 03 Lines of defense in Risk

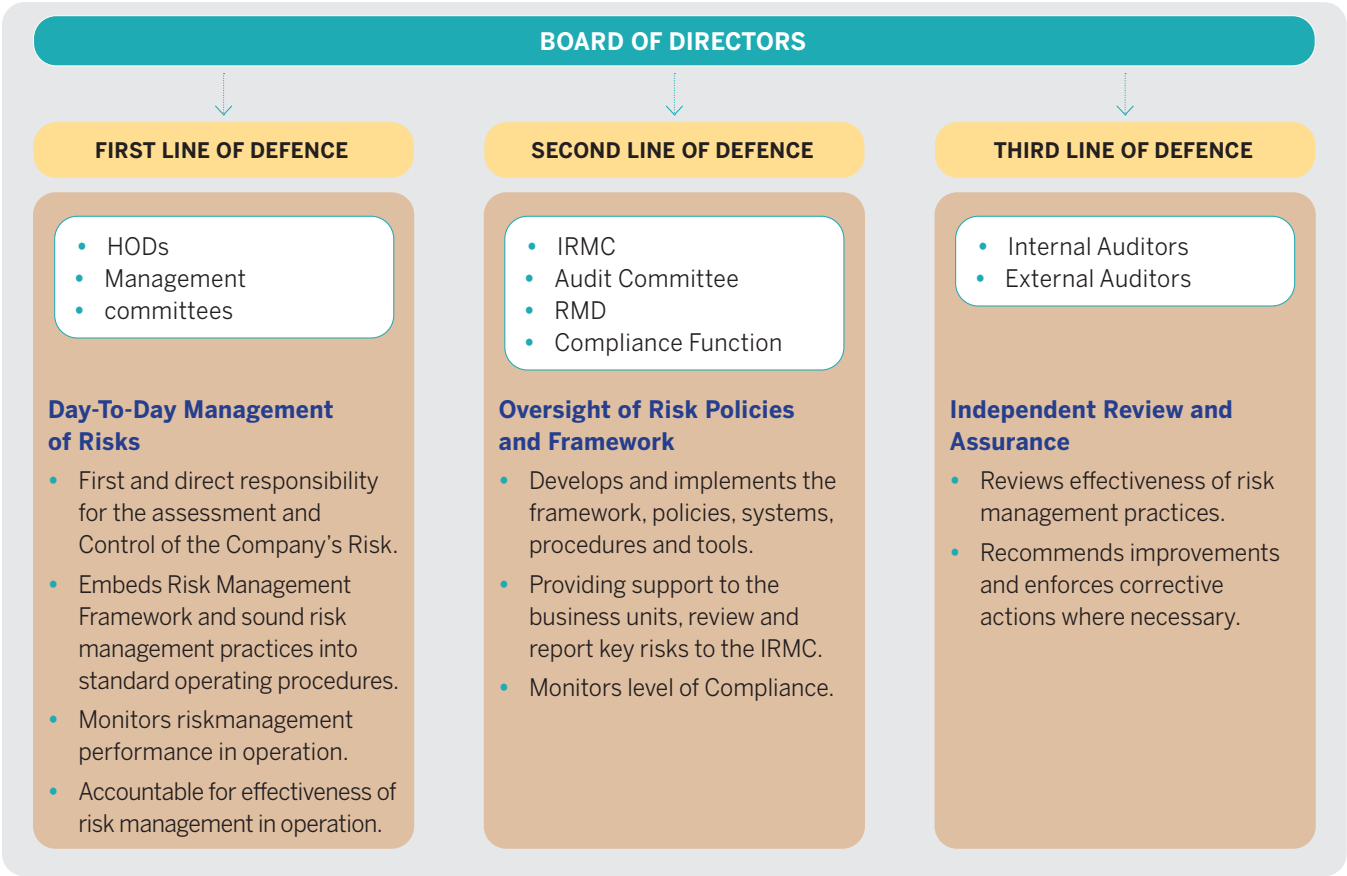
All material risks as defined in the IRMF shall be based on the principle of three lines of defense:

- 1st line of Defense :**
 Branches / Business Units shall be the primary risk owners and risk-takers being responsible to manage risk exposures on a day-to-day basis through controls embedded at business process-level or specialized back-office functions Including branches, Regional Office, Credit Dept., Finance & Treasury Dept., IT Dept., Branch Operations Dept. and other relevant support service sections. In addition to this, Board Credit Committee (BCC) will act at the highest level of 1st line defense of credit.
- 2nd Line of Defense :**
 The Risk Management Department as an independent function

headed by the Chief Risk Officer. The CRO has direct access to the BIRMC without impediment and reports functionally to the BIRMC and administratively to the CEO. Compliance is the other independent function headed by the Chief Compliance Officer (CCO) / Head of Compliance and with similar reporting line of CRO. One of the key roles of the Risk Management Department under the 2nd line of defense is to ensure that the 1st line adequately applies and complies with risk and control policies and standards and to provide independent oversight of the risk profile of LCBF. On the other hand, the function of the Compliance Officer is to ensure that the 1st line is conducting the respective operations in accordance with industry laws and

regulations, internal policies and best practices. Executive Integrated Risk Management Committee (EIRMC) will coordinate with all above sections on 2nd line defense of risk under the leadership of CEO / ED. BIRMC is the highest level authority of 2nd line defense of risk management of the Company.

- 3rd line of Defense :**
 Specific to Risk Management, the Internal Audit Department is responsible to assess compliance and adherence to Risk Management Policies and Procedures on an ongoing basis and provide an independent assurance of the robustness of the Risk Management framework, processes and methodologies. Board Audit Committee will monitor this mechanism through Internal Audit Dept.



- Segregations of duties

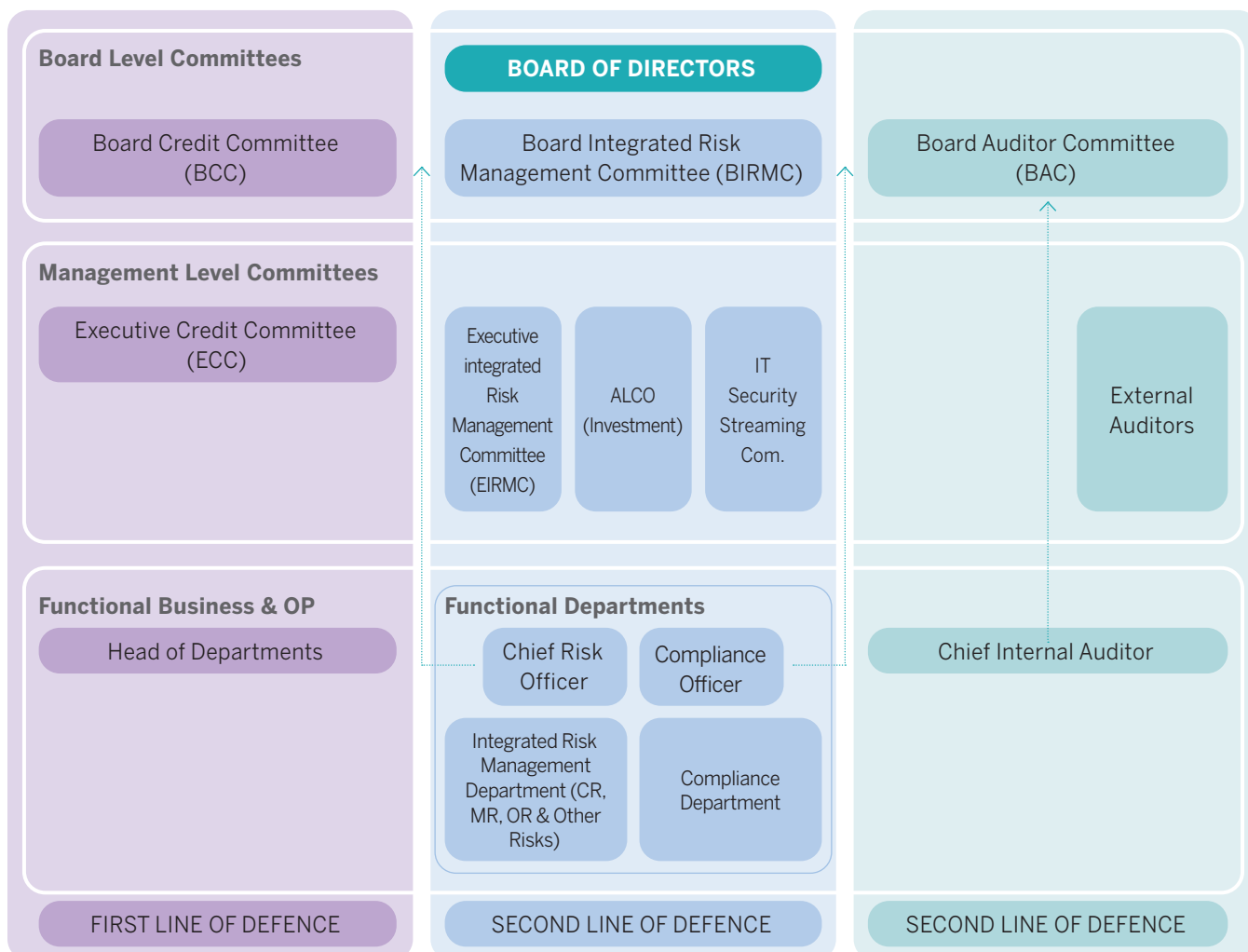
The Risk Governance model caters to segregation of duties between:

- Risk origination and risk underwriting /approval - This takes the form of segregation between business lines and review/ approval functions (i.e. segregation between risk origination and the 1st line of defense).
- The Maker and Checker principle of Company's transactions - Any operation of the Company shall include, without exception, 'four eye principles' whereby it takes at least one Checker for any transaction to be affected in the Company's books or systems.
- Top level oversight and Company's operations - Boards of Directors, various BoD or Management Committees need to be sufficiently independent from the supervised areas or activities of LCBF to be able to exert effective supervision and oversight.

- Proportionality

The Risk Governance structure, as with all the other elements of the IRMF, shall consider the principle of proportionality by which it is acknowledged that the Company operates under a business environment of medium to low complexity and hence it is in the position to adequately manage risks by applying simpler yet robust governance models.

3.3 Risk Governance Structure



Risk Management

3.4 General Roles and Guidelines

3.4.1 Board of Directors

The BoD shall exercise the necessary level of control and oversight having a “duty of care” and “duty of loyalty” to the Company, its depositors and shareholders.

The ultimate responsibility for sound risk management in the Company rests with the BoD. The BoD sets the risk management strategies and policies and holds the main responsibility in overseeing risk-taking activities and their compliance with the Risk Management Framework. In order to fulfill its oversight role effectively, the BoD delegates risk management responsibilities to a dedicated Committee, the Board Integrated Risk Management Committee (BIRMC). BoD comprises Executive Directors, Non-Executive Directors and Independent Directors appointed by Annual General Meeting (AGM) under the approval of CBSL.

3.4.2 Board Committees (Relevant to Risk Management)

3.4.2.1 Board Integrated Risk Management Committee (BIRMC)

The Board delegates some of its responsibilities related to Risk Management to the Board Integrated Risk Management Committee (BIRMC) to increase efficiency and allow deeper focus on risk management. The BIRMC shall consist of at least 3 members of directors. It shall be formed in majority of Non-Executive or Independent Members and chaired by an Independent Director. Members shall have the relevant experience in risk management issues and practices. The BIRMC may include also non-Board members (such as independent consultants, staff members, or other cases decided by the BIRMC) in a consultative capacity only (non-voting members) in order to provide additional information and input to the Committee.

Its main role shall be to advise and assist the Board of Directors on all its duties related to risk management. It is part of the 2nd line defense of the Company and therefore should be independent from other all committees. This committee is to report report to BoD of the Company on a quarterly basis.

3.4.2.2 Board Credit Committee

The BCC is a committee of the Board of Directors, typically composed of Senior, Non-Executive Directors. The BCC shall consist of at least 3 members of Directors, it shall be formed in majority of Non-Executive or Independent Members and chaired by an Independent Director. They provide high-level oversight and strategic direction for the Company's credit risk management practices. It vets all lending policies and products and advises the Board on lending matters. It is part of the ‘1st line of defense’ and therefore should be independent from BIRMC. This committee is to report to report to BoD of the Company on a monthly basis.

3.4.2.3 Board Audit Committee (BAC)

The Board Audit Committee is the main reporting and oversight body for the internal audit function of the Company. The BAC shall consist of at least 3 members of Directors, it shall be formed in majority of Non-Executive or Independent Members and chaired by a Senior Independent Director. BAC ensures that Internal Audit performs its reviews in an efficient, thorough and independent manner. With regards to Risk Management the role of the BAC is to review the audit plan / scope and the audit findings on a yearly basis. Important findings shall be then discussed with Board of Directors. It is part of the ‘3rd line of defense’ and therefore should be independent from BIRMC and other committees. This committee is to report to BoD of the Company on a monthly basis.

3.4.3 Executive Committees (Relevant to risk management)

3.4.3.1 Management Integrated Risk Management Committee (MIRMC)

EIRMC consists of Executive Members Of The Management Team under the CEO and secretariat by CRO including the Compliance head, Finance head, Treasury head, IT head, Operations head, HR head and business heads, with the main role of coordinating Management efforts to implement the Risk Mgt Framework. The EIRMC shall include representatives of both the 1st and 2nd line units responsible for material risks, including management of the lending divisions / lines, Treasury, Finance, Operations, as well as Risk Management representatives. It overlooks the 2nd line Defense of overall risk of the Company. This Committee directly reports to to BIRMC on a quarterly basis.

3.4.3.2 Asset and Liabilities Management Committee (ALCO)

The Asset and Liabilities Management Committee (ALCO) is an executive-level Committee under the CEO and secretariat by Finance & Treasury head. Membership shall consist of Senior Management relevant to the mandate of ALCO such as business lines representatives, Risk & Compliance, etc. The mandate of ALCO shall focus on balance sheet management, business growth, profitability management, budgeting and business planning etc, while at the same time keeping the Company within the risk appetite formulated for ALM risks (Liquidity , Market, IRRBB, ICAAP and FX risk). Its overlook 1st line Defense of Market and Liquidity risk of the Company. This committee is directly report to BIRMC on a monthly basis.

3.4.3.3 Management Credit Committees (MCC)

Executive Credit Committees shall review credit applications and approve loans within their approval authority

and limits. Committee under the CEO and secretariat by Credit head. They should review and monitor credit portfolios and propose amendments to lending policies if and when needed. Composition of Credit Committees shall be CEO, Chief Credit Officer, Head of Credit Assessment (Credit origination), Head of Credit Control (Credit Administration, Control & Supervision) and Business, Treasury, Finance, Operations, as well as Risk Management representatives. Its overlook 1st line Defense of Credit Risk of the Company. This committee is directly report to the BCC on a monthly basis.

3.4.3.4 Internal Audit Department (IAD)

The current stress environment requires a rapid response throughout the organization, including the board, executive management, business and operations, and risk management. The Chief Internal Auditor (CIA) / Head of Audit Shall have a direct and functional reporting line to the BAC apart from the administrative reporting to the CEO. As the third line of defense, Internal Audit also plays a critical role in helping the Board Audit Committee (BAC) and executive management evaluate the Company's processes for managing and monitoring risk, and testing the Company's resiliency and controls. Chief Internal Auditor (CIA) in particular can provide the board with an independent perspective that can be pivotal in times of stress. Its overlook 3rd line Defense of overall Risk of the Company. This committee is directly report to BAC on a monthly basis.

3.4.4 The Risk Management Function

3.4.4.1 Risk Management Department & CRO

The Risk Management Department (RMD) is an independent risk management function headed by a Chief Risk Officer (CRO) whose appointment is to be approved by

the BIRMC. The CRO has the primary responsibility for overseeing the development and implementation of the Company's risk management function. The CRO should not have responsibilities of any other operational department. The CRO shall be endowed with sufficient authority, stature, independence, resources and access to the Board, in order to fulfil role as the head of the Risk Management Division. Any 'double hatting' or involvement in operational activities / revenue generating functions must be avoided. The CRO is responsible for supporting the Board and BIRMC efforts to exercise its risk oversight by ensuring effective implementation of the Risk Management Framework, including LCBF's risk management governance, RAS, ICAAP, risk limits, main risk management processes etc.

3.4.4.2 Integrated Risk Management (IRM)

IRM roles is to ensure consistency of all component of the Risk Mgt Framework in line with the principles set out in the Integrated Risk Management Framework (IRMF). It has to also ensure all material risks (including all material Pillar 2 risks in BASAL) are being managed within the RMD and consistent /coherent Integrated Risk Reporting (IRR) is submitted to Senior Management and BoD. The IRM function fosters communication, coordination and monitoring the company risks.

Figure 3 Functional Units within Risk Management

Collaboration between various functions in risk management in order to recommend consistent risk strategies and policies, design risk governance structure, as well as ensuring a consistent approach to risk management and successful implementation of risk projects at risk division level.

3.4.4.3 Credit Risk Management (CRM)

The primary responsibility of CRM is to ensure that 's credit risk exposures are within the risk appetite & tolerance levels of the Company. While the branches and credit department originate and accept credit risk exposures, Credit Risk Management unit (Pre-Sanction Credit Risk Evaluation) in the IRMD will be responsible for the following

- Conduct pre-sanction review to verify adherence to the credit risk and credit policies, prescribed lending processes
- Contribute in drafting lending and credit risk policies and procedures
- Be accountable for risk assessment methodologies and tools
- Generate and publish portfolio reports to reflect the risk position on the Company versus risk appetite.

3.4.4.4 Liquidity and Market Risk Management (LRM)

Liquidity and Market risks are managed by ALCO, mainly through Finance departments (1st line of defense) and monitored by the ALCO (2nd line of defense). The role of the 2nd line functions (i.e. RMD) with regards to these risks is to review and propose (before the final Board approval) all methodologies, assumptions, policies with regards to ALM & Market risks. Furthermore, it shall independently monitor, report and review exposures including generation of market risk reports.

3.4.4.5 Operational Risk Management

The primary responsibility of managing operational risks rests with 1st line operational functions such as Central Operations, the Branch Network, IT, HR, Legal, Finance etc as 1st defense line. The Operational Risk Unit / RMD (2nd Defense line) shall be responsible for reviewing and assessing risks, as well as formulating recommendations

Risk Management

and requests to 1st line function on mitigating all forms of operational risk, including without limitation, IT & IT security risk, Fraud risk, HR risk and Transaction Processing risk.



3.4.4.6 ESG Risk Management

The primary responsibility of managing ESG risks rests with 1st line operational functions such as the Branch Network, Credit Department, Central Operations, Administration, etc. The Sustainable Banking function with IRMD shall be responsible for reviewing and assessing risks, as well as formulating recommendations and requests to 1st line function on mitigating all forms of ESG risks, including without limitation, Environmental and Social Risk Management and Social Performance Management.

3.4.4.7 Internal Audit

The general role of Internal Audit is to ensure that the Risk Management has been implemented as prescribed by the RMF and is functioning effectively. Internal audit should review the overall

appropriateness and adequacy of the Framework as well as review compliance with Board-approved policies and procedures with regards to risk management.

4 Risk Appetite Statement, Risk Strategy and ICAAP

4.1 Risk Appetite Statement (RAS) is the main monitoring tool of risk in LCBF

4.1.1 RAS Principles

A Risk Appetite Statement (RAS) shall be developed to provide a common framework for the Board to set the boundaries of current and projected risk profile of the Company, by correlating RAS parameters and other risk metrics with strategic decisions and business planning. The Risk Appetite Statement (RAS) shall be designed based on the following key principles:

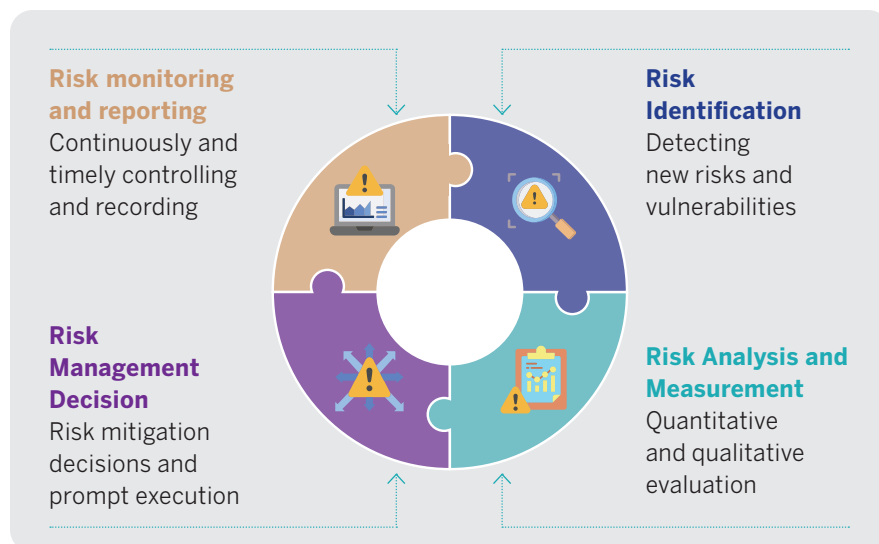
1. The Company's strategic objectives are articulated by the Board of Directors through the annual business planning. The RAS shall define the boundaries for risk, in full concordance with the Company's business targets.
2. The Company adopts a top-down approach for setting the Risk Appetite, whereby the Board through BIRMC sets / approves the Risk Appetite at the strategic level based on the recommendations of the EIRMC and the Risk Management Department.
3. The Risk Management Department will prepare a comprehensive document articulating the RAS Policy, defining the main principles, governance and processes as well as RAS measures and thresholds / limits.

4. Once the RAS is discussed and approved by the BoD and the relevant committees as discussed above, it is promptly communicated across the Company's departments.
5. RAS processes shall form an integral part of the broader risk planning and budgeting ie. ICAAP. There should be full alignment and consistency between ICAAP results and RAS.
6. RAS shall be defined comprehensively across all material sources of risk identified, covering as a minimum all areas of risk in the company.

4.1.2 Guidelines for the Risk Appetite Statement (RAS) process

The RAS processes entail three distinct stages:

- a).RAS Setting consists of setting out appropriate RAS indicators and calibrating those as part of ICAAP. Proposed RAS levels shall be based on current levels in the LCBF, benchmark local or international data, regulatory requirements, as well as available capital and liquidity-given business targets.
- b).RAS Review and Approval Following the initial proposal and ICAAP feedback, the RAS indicators are submitted for review and approval as part of the ICAAP report as follows:
- c).RAS Monitoring and Reporting through the regular /quarterly Risk Mgt Reporting Processes (RMRP), including corrective actions if and when required. RAS shall be fundamentally reviewed at least once a year (ie RAS Setting) as part of the ICAAP or



more often should business conditions fundamentally change (i.e. Shift in macroeconomic conditions, important revisions of business plans and budgets, depletion of capital buffers or liquidity etc.)

4.1.3 Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP is a process to estimate and project capital requirements through a comprehensive risk assessment methodology, in conjunction with the business and strategic plans of the Company.

4.1.4 ICAAP Principles

- The ICAAP shall be comprehensive. It shall identify, assess all material risks. It shall assign a specific capital measure across the entire risk scope (i.e. Enterprise-wide Risk, Credit Risk & Concentration risk, Market Risk, Operational Risk, Liquidity Risk, IRRBB, Reputation Risk Strategic Risk and ESG Risks).
- The ICAAP should be embedded in the Company's business and strategic planning processes. The Company shall blend the existing financial planning processes with the risk / capital planning dimension to obtain a consistent view of the potential scenarios related to achieving the business objectives.
- ICAAP's design and related methodologies are determined according to the principle of proportionality (i.e. the level of sophistication of the methods and processes deployed under ICAAP are developed in relation to the nature, size and complexity of the Company's operations).
- The overall responsibility for the ICAAP is assigned to the Company's BoD, which must ensure that the Company's risk-bearing capacity is secured.
- The ICAAP shall be designed to ensure sufficient capital in a variety of market conditions (particularly unexpected adverse conditions), with Stress Testing being a key feature of the Company's ICAAP framework.
- The ICAAP should be fully documented, i.e. the methodologies, assumptions, procedures and policies should be formally documented in an ICAAP Framework Policy

g) ICAAP should be forward-looking and cover a horizon of at least three years. The direct consequence of this requirement is that the business plan has to cover the same three-year horizon.

4.1.5 Guidelines for the ICAAP Framework Policy

The ICAAP Framework Policy shall achieve the following objectives:

- Reiterate the process for the high-level Risk Identification and Assessment (RIA).
- Define the ICAAP process, including clear assignment of roles and responsibilities for facilitating the ICAAP (i.e. ICAAP Governance)
- Facilitate integration of ICAAP processes into the wider strategic management process including, without limitation, the Multiyear Business Plan and the Budget.
- Describe accepted methodologies for internal capital and liquidity assessment, as well as forecasting assumptions.
- Describe interaction and integration of RAS as a sub-process of ICAAP
- Set out the standards for ICAAP reporting and documentation

4.1.6 Guidelines for the ICAAP process

a) ICAAP Planning shall cover at least the following process steps:

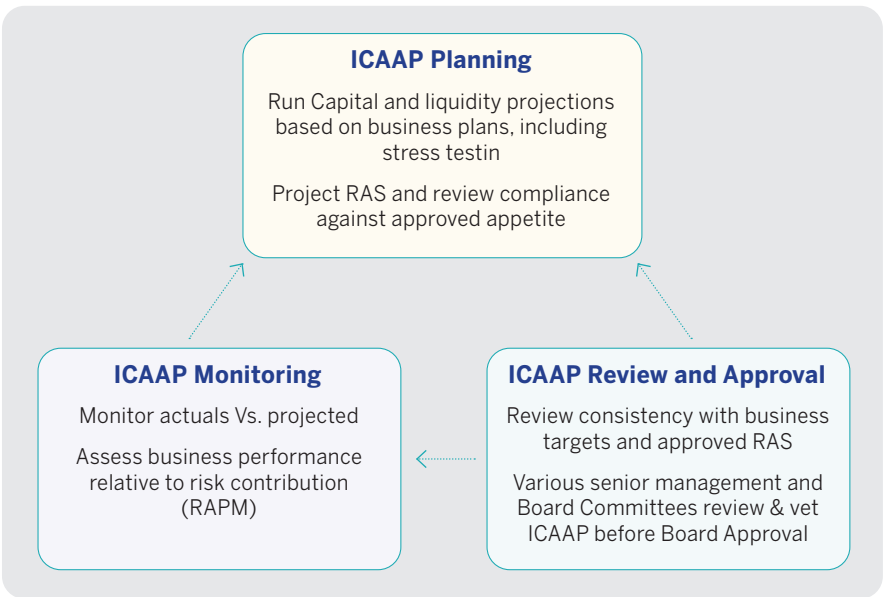
- Establish Scope of ICAAP by running a high-level risk assessment.
- Perform calculation of current values of RAS & ICAAP indicators.
- Projecting business targets based on the strategic objectives defined by the Board, as part of the Multiyear Business Plan.

Risk Management

- 4) Calculate projected RAS and ICAAP risk indicators. Projections shall be done under a baseline scenario and under stress scenarios.
- 5) Review results in terms of capital and Liquidity availability as well as RAS compliance.
- 6) Draft ICAAP Report describing the ICAAP scope, process and results.

b) ICAAP Review and Approval

Following ICAAP Planning, ICAAP shall be Reviewed and Endorsed by ALCO, EIRMC and BIRMC and approved by the BoD. Following approval, the assignment business and risk targets (including allocation of capital) shall be communicated to the relevant business lines.



c) ICAAP Monitoring and Reporting

Regular (at least quarterly review) by ALCO, EIRMC and BIRMC of the Company's financial performance and risk profile against the RAS and ICAAP benchmarks. ICAAP Policy Manual would define the specific tasks and responsibilities along with the timelines of activities including all regulatory requirements.

5 The Risk Management Processes (RMP)

Risk management process covers the steps to be taken by the Company in the process of identifying, assessing, mitigating and treating the risks to which the Company is exposed. It consists of the following conceptual steps:

5.1 Risk Identification and Assessment (RIA)

The purpose of the risk identification is to generate a comprehensive list of risks that may impact the Company's risk profile and may impede the achievement of the Company's overall strategic and business objectives. This process shall capture all significant risks and identify potential threats at the earliest opportunity. It includes review of portfolios, risk indicators, business processes, risk reports etc.

5.1.1 Risk Reporting and Monitoring

5.1.2 Principles of Risk Reporting

The processes of risk reporting and monitoring shall comply with the following principles:

- Integrated reporting - Risk reporting to Senior Management and Board shall be done in an integrated and consistent manner. In order to ensure consistency, an Integrated Risk Report is compiled and validated by the IRMD based on specific risk reporting prepared by each relevant risk department.
- Accuracy - Risk reporting shall be validated to ensure completeness and accuracy. Validation of risk reports shall be independently carried out by IRMD and each Risk Unit as well as Internal Audit as part of its annual risk audit plan. Also, risk data should be reconciled with Company's sources, including accounting data where appropriate, to ensure that the risk data is accurate.
- Access and Infrastructure - The Company's risk personnel should have sufficient access to risk data to ensure they can appropriately aggregate, validate and reconcile the data to risk reports. To this end, an appropriate reporting platform shall be made available to risk personnel (e.g. business intelligence systems).
- Timeliness - The Company should be able to generate aggregate and up-to-date risk data in a timely manner in order to allow recipients of the reports take timely decisions based on these reports.
- Distribution - Risk management reports should be distributed to the relevant parties, including without limitation Board members and relevant members of the Management team, while ensuring confidentiality is maintained.

- Deviations - Any deviations to Policies, Risk Limits to be escalated to EIRMC and BIRMC on a timely manner with remedial action plans.

6 Stress Testing

6.1 Principles

Stress testing is a critical component of the LCBF's risk management system. The main goal of Stress Testing is to quantify the impact of stressed yet plausible macroeconomic and LCBF specific shocks on the LCBF's financial position including its long-term viability.

The following principles shall apply to any stress testing framework of the LCBF:

1. Stress Testing Governance

Stress testing shall form an integral part of the overall risk governance and risk management culture of the LCBF. Authority over the LCBF's stress testing framework rests with the LCBF's Board of Directors and Senior Management. While the Board is ultimately responsible for ensuring that the LCBF has an effective stress testing framework, it is the role of Risk Management and the relevant risk committees to fulfill the following roles:

- Establish adequate stress testing policies (or sections within risk specific policies) and procedures, and ensure compliance with these policies and procedures
- Review and evaluate stress test results, discuss implications and take prompt remedial action where necessary.
- Finally, Risk Management, through the BIRMC, is also responsible for regularly reporting stress testing results to the Board.

2. Relevant Methodology

Stress test scenarios should be anchored in actual relevant historical corrections in the local market or, in case such history does not exist, using hypothetical scenarios based on the broader interactions experience.

Irrespective of the type of methodology deployed, stress testing should be:

- Forward Looking - it should reflect a potential a severe yet realistic future stress situation
- Tailored to the Company's portfolio vulnerabilities - should reflect specific portfolio vulnerabilities in the Company rather than being generic
- Meet regulatory requirements- should cover minimum regulatory directives

3. Actionable results

Stress test results should be clear, actionable, well supported, and inform the decision-making process at Board, BIRMC and ALCO levels in regular and timely manner. More importantly, stress test results should be directly linked to decision-making related to business strategies, including business planning and budgeting. Among the actions that could be taken the following shall be considered depending on level of impact severity:

- Holding additional risk buffers such as provisions, capital or liquid assets
- Reducing risk exposures (reducing growth levels, shifting portfolios towards lower risk products or segments, requiring additional collateral, reducing concentrations)

- Reduce budgetary or strategic targets or adjust target portfolio mix
- Amending contingency plans

4. Stress Testing Documentation

Stress Testing Framework shall be fully documented, part of each Risk Policy, and shall include frequency and procedure for identifying the principal risk factors, which affect the LCBF's portfolio and required to be stressed.

- Methodology for constructing stress tests, including simulation parameters
- Process of monitoring the stress loss limits.
- Necessary remedial/trigger actions to be taken, including contingency planning
- Delegation of authority to ensure timely execution of remedial/ trigger action

5. Forward-Looking

Stress testing methodologies shall be forward-looking and flexible. Flexibility is necessary in order to incorporate changes in the LCBF's activities, portfolio composition, operating environment, business strategy.

Although historical information should be utilized in stress testing, LCBF' stress testing shall go beyond that and assess various scenarios of 'what could go wrong' within a certain macroeconomic context and given the specific features of the LCBF (using hypothetical scenarios, for example).

Risk Management

6. Frequency of analysis

The LCBF shall aim at preparing stress test results on a quarterly basis. Annually, for ICAAP purposes, the underlying macro scenarios shall be updated as part of ICAAP planning. In case of stress testing related to market conditions (i.e. market risk and IRRBB), stress testing shall be conducted at least monthly.

7. Scope of Risk Coverage

Stress testing shall focus on risk dimensions and portfolios which have the potential of a significant impact on the LCBF's financial condition. All material risk sources shall be subjected to stress testing provided reasonable/realistic methodologies are devised.

8. Relevance of scenarios

Most measures of risk, including the ones used in stress testing, contain a number of assumptions and limitations. In the absence of objective information, the subjective test scenarios should be reasonable and justifiable. In case none of this is possible, the LCBF should not run purely arbitrary stress scenarios that may distort the assessment of risks.

9. ICAAP Component

Stress testing is a key component of ICAAP. Capital and funding projections have to be assessed under adverse scenarios. Relevant and credible contingency plans have to be drawn up in case of capital or liquidity shortages.

10. Stress Test results

Stress test results should be clear, actionable, well-supported, and inform the decision-making process at Board or Risk Management Committee levels in regular and timely manner. More importantly, stress test results should be

directly linked to decision-making related to business strategies as well as ICAAP and management of the risk profile.

Benchmarking or other comparative analysis should be used to evaluate the stress testing results produced by different scenarios. The LCBF should determine which results should be given greater or lesser weight, analyze the combined impact of its tests across various risk categories, and then evaluate potential courses of action based on that analysis.

6.2 General Methodological Guidelines

1. Level of Severity

Stress testing shall be conducted across at least three levels of intensity according to CBSL guidelines corresponding to a recessionary contraction, a severe downturn and a very severe global market disruption. More specifically the stress scenarios shall be categorized into:

- i. Moderate Stress Scenario shall reflect a typical recessionary episode. This is a once in 7-10 years scenario. It is an average severity recessionary episode within a business cycle confined to local market conditions.
- ii. Severe Stress Scenario shall reflect a severe but plausible recessionary scenario. This is once in 30-50 years scenarios. This is a severe recessionary episode where local vulnerabilities blend with a regional and international financial crisis situation.

2. Types of Stress Testing

A number of Stress Testing methodologies and approaches shall be deployed, as follows:

- Sensitivity analysis: Seeks to identify how portfolios respond to the movement of a single risk parameter, while holding all others constant. The following can be considered NPL ratios, provisioning levels, drops in collateral valuations and reduction in recovery rates.
- Scenario analysis: Requires movement of multiple risk parameters simultaneously with the source of the stress event being well defined (the "scenario"). Scenario analysis can make use of hypothetical macroeconomic scenarios or major systemic shocks that occurred in the past.

3. Development of Scenarios for Stress Testing

Scenario analysis is a process that should cover the following stages:

- (i) Identification of specific macroeconomic vulnerabilities within the operational environment of LCBF.
- (ii) Construction of a stress scenario.
- (iii) Conversion of the macroeconomic scenario into a form that is usable for a balance sheet and income statement analysis.
- (iv) Assess impact on liquidity and capitalization levels (where a link to liquidity and capital can be identified).
- (v) Interpreting the results.

Sustainable & Responsible Lending Practices

(Aligned with GRI 300 Series)

At LCB Finance, our sustainability agenda is guided by a deep commitment to environmental responsibility, sustainable development, and stakeholder value creation. In line with the Global Reporting Initiative (GRI) Standards—particularly the GRI 300 series—we have embedded environmental considerations into our operational and strategic decision-making processes. The year under review marked significant progress in strengthening our sustainability practices across energy and resource management, waste reduction, and climate resilience.

ENERGY MANAGEMENT AND CARBON FOOTPRINT REDUCTION

As part of our broader commitment to minimizing our environmental footprint, LCB Finance continued to implement energy efficiency measures across our operations. Our strategic focus is on reducing direct and indirect greenhouse gas (GHG) emissions, in alignment with GRI 302 (Energy) and GRI 305 (Emissions). In this regard, we undertook a range of digitization initiatives that reduced reliance on paper-based processes and physical documentation, contributing to energy conservation and a reduced carbon footprint.

We have also committed to reducing electricity consumption by 5% per annum over the next three to five years, supported by energy monitoring systems and employee awareness programmes. The introduction of green finance products, such as our Solar Loan scheme, reflects our dual approach—enabling customers to transition to cleaner energy sources while contributing to national renewable energy goals.

SUSTAINABLE RESOURCE USE

LCB Finance remains conscious of the environmental implications of material and water consumption, and is taking firm steps to ensure responsible resource use across its operations, in accordance with GRI 301 (Materials) and GRI 303 (Water and Effluents). Our transition to a paperless working environment has enabled us to significantly reduce paper usage, while operational improvements have led to a measurable decline in water consumption.

Our target is to reduce both electricity and water consumption by 10% by 2028, with resource usage being closely monitored through internal dashboards and sustainability KPIs. These efforts are not only environmentally responsible but also support long-term operational efficiency and cost optimization.

WASTE MANAGEMENT AND RECYCLING PRACTICES

In line with GRI 306 (Waste), LCB Finance has implemented structured waste management practices to minimize the environmental impact of operational waste. The company continues to strengthen internal protocols for the segregation, disposal, and potential recycling of non-hazardous waste. The shift to digital processes has significantly reduced the volume of physical waste generated, particularly from printing, documentation, and office stationery.

Looking ahead, we are exploring partnerships with licensed waste management vendors to further improve recycling outcomes. Education and awareness

programmes on responsible waste disposal have also been conducted internally to foster a culture of sustainability among staff.

CLIMATE CHANGE ADAPTATION AND RESILIENCE STRATEGIES

Recognizing the escalating risks associated with climate change, LCB Finance has integrated climate adaptation and resilience planning into its enterprise-wide risk management framework. We are actively monitoring exposure to climate-sensitive sectors, particularly agriculture, and are conducting scenario analyses to understand and mitigate potential vulnerabilities.

Strategic initiatives include the development of financial products that promote climate-smart agriculture and clean energy adoption. Our agri-loan schemes and renewable energy financing solutions are designed to support both environmental sustainability and customer resilience in high-risk sectors. By embedding climate risk management into our operations, we aim to enhance our long-term viability and the sustainability of our client base.

STRATEGIC SUSTAINABILITY COMMITMENTS AND TARGETS

Over the next three to five years, LCB Finance will focus on embedding ESG principles into its core business strategy. Key objectives include enhancing financial inclusion through technology-driven solutions, reducing the company's environmental impact through digital innovation, investing in employee development and diversity, and strengthening governance frameworks through integrated risk and compliance systems.

Environmental targets include a 10% reduction in electricity and water usage and the launch of additional green finance products. Social goals focus on

Sustainable & Responsible Lending Practices

increasing female participation in the workforce to 40%, expanding financial literacy initiatives, and maintaining certification as a Great Place to Work. In governance, we are committed to ensuring 100% ESG training compliance at the board and Senior Management levels, while publishing enhanced sustainability disclosures aligned with GRI, the SDGs, and CSE ESG guidelines.

MONITORING, REPORTING, AND TRANSPARENCY

To support these ambitious targets, LCB Finance has put in place a robust monitoring and evaluation framework. Key ESG performance indicators such as resource consumption, employee satisfaction, and customer outreach are tracked using real-time dashboards. Progress is reviewed at board level, and annual ESG disclosures are subject to third-party assurance to ensure credibility and transparency.

Efforts are also underway to strengthen sustainability reporting. The company is introducing ESG data collection systems across all departments, supported by designated focal points in finance, human resources, and operations. ESG disclosures are being mapped to the latest GRI 2021 standards, while new reporting tools, including cloud-based platforms and AI-driven analysis software, are being integrated into the company's management information systems. These enhancements are intended to ensure comprehensive and consistent sustainability reporting across the organization.

LCB Finance is also taking active steps to improve stakeholder engagement in the reporting process. Regular stakeholder forums, surveys, and materiality assessments are conducted to gather feedback and ensure our sustainability strategy remains aligned with stakeholder expectations.

INNOVATION, DIVERSITY, AND RESPONSIBLE FINANCE

Innovation plays a central role in our sustainability journey. We are continuing to digitize our core financial services to reduce environmental impact while extending our outreach to underserved communities. The development of an island-wide mobile financing platform exemplifies this approach, enabling access to credit in remote areas while eliminating the need for paper-intensive processes.

Our diversity and inclusion agenda is equally strategic. LCB Finance is focused on improving gender representation across all levels of the organization, with a goal of achieving 35% female representation in Senior Management roles. To this end, we have introduced gender-responsive HR practices, unconscious bias training, and mentorship programmes. These efforts are fully aligned with the United Nations Sustainable Development Goals, particularly SDG 5 on gender equality.

On the financial front, we remain committed to responsible lending practices. This includes incorporating ESG due diligence into credit approvals, prioritizing sustainable sectors, and promoting ethical financing standards. ESG risk scoring will be gradually integrated into lending decisions over a three-phase implementation plan that runs through 2028. Partnerships with global institutions such as the IFC and UNDP are also being pursued to support capacity building, climate action, and diversity programming.

STRENGTHENING DATA SECURITY AND CUSTOMER SATISFACTION

LCB Finance acknowledges that responsible business practices must include robust data privacy and customer satisfaction mechanisms. During the year, we implemented an information classification system and

deployed a data leakage prevention (DLP) tool to ensure the protection of customer data and to prevent unauthorized access. These efforts are aligned with GRI 418: Customer Privacy and are part of a broader cybersecurity strategy aimed at enhancing trust in our digital platforms.

We also introduced a dedicated customer feedback portal accessible via the company's website. This platform enables customers to register feedback and complaints, which are then tracked and resolved through a structured system. By enhancing responsiveness and transparency, LCB aims to drive continuous improvement in customer service standards.

Through these initiatives, LCB Finance continues to demonstrate a proactive and integrated approach to environmental sustainability. Guided by internationally accepted frameworks and future-focused strategies, we are creating long-term value while contributing meaningfully to national development and global climate resilience.

Supplier Policies & Ethical Procurement

1. INTRODUCTION

At LCB Finance PLC, we are committed to fostering long-term partnerships with suppliers who share our values of integrity, responsibility, and sustainability. This Supplier Policies & Ethical Procurement framework outlines our expectations from suppliers and service providers, and serves as a guide for ethical, lawful, and transparent procurement practices. It applies to all third-party vendors, contractors, and consultants engaged with the Company.

2. ETHICAL PROCUREMENT PRINCIPLES

LCB Finance upholds a procurement process that is fair, impartial, and value-driven. We are committed to:

- Ensuring transparency and accountability in all sourcing decisions
- Encouraging supplier diversity and equal opportunity
- Promoting environmentally and socially responsible sourcing
- Avoiding conflicts of interest and unethical behaviour
- Securing best value while supporting local economic development

3. SUPPLIER ELIGIBILITY AND ENGAGEMENT

We select suppliers based on clear and objective criteria, including:

- Quality and reliability of products and services
- Financial stability and industry reputation
- Competitive pricing and added value
- Ethical business conduct and sustainability commitments
- Compliance with legal and regulatory requirements
- All suppliers undergo due diligence checks and are subject to regular performance reviews.

4. LEGAL AND REGULATORY COMPLIANCE

Suppliers must comply with all applicable laws and regulations, including but not limited to:

- Labour, employment, and workplace safety laws
- Anti-bribery, anti-corruption, and fair competition regulations
- Tax, trade, and customs laws
- Data protection and privacy laws
- We expect full cooperation in any compliance-related reviews or investigations

5. RESPONSIBLE LABOUR PRACTICES

Suppliers must uphold and respect internationally recognised human rights and labour standards. This includes:

- Prohibiting forced, bonded, or child labour
- Promoting workplace equality and non-discrimination
- Ensuring fair wages, reasonable working hours, and humane treatment
- Supporting freedom of association and collective bargaining

6. HEALTH, SAFETY & WELL-BEING

We require all suppliers to:

- Provide a safe and hygienic work environment
- Comply with occupational health and safety laws
- Implement risk management and emergency preparedness systems
- Conduct regular training and hazard awareness for their staff

7. ENVIRONMENTAL SUSTAINABILITY

LCB encourages suppliers to adopt practices that reduce environmental impact. This includes:

- Complying with environmental regulations and standards
- Reducing emissions, waste, and energy consumption
- Using eco-friendly materials and sustainable resources
- Holding environmental certifications such as ISO 14001 (if applicable)

8. BUSINESS INTEGRITY AND CONFIDENTIALITY

Suppliers must conduct all activities with honesty and transparency.

Expectations include:

- No offering or acceptance of bribes, gifts, or improper payments
- Accurate record-keeping and honest communications
- Respect for LCB's confidential data and intellectual property
- Safeguarding sensitive information and ensuring cybersecurity

9. MONITORING AND ACCOUNTABILITY

LCB Finance reserves the right to:

- Audit suppliers' operations and request supporting documentation
- Engage third-party assessments when needed
- Investigate complaints or concerns raised through confidential channels
- We encourage suppliers to report violations, misconduct, or unethical practices through LCB's grievance mechanisms

10. NON-COMPLIANCE AND CORRECTIVE ACTION

Failure to meet these expectations may result in:

- Formal notice and request for remediation
- Temporary suspension of engagement
- Termination of the business relationship
- Legal action if necessary

11. CONTINUOUS IMPROVEMENT

Suppliers are encouraged to pursue continuous improvement in:

- Service quality and operational efficiency
- ESG (Environmental, Social, Governance) performance
- Innovation and technology integration
- Compliance and ethical leadership

12. SUPPLIER ACKNOWLEDGEMENT

All suppliers must formally acknowledge this policy prior to engagement with LCB Finance PLC. A signed declaration or digital confirmation is required to confirm understanding and compliance.

GRI Index

GRI Standard	Disclosure Title	Page Number	Omissions & Explanations (if applicable)
GRI 2: General Disclosures	Organizational Details	About LCB Finance on page 8	
	Entities Included in the Sustainability Report	Introduction to the GRI Report page no 3	
	Governance Structure and Composition	Corporate Governance on pages 54 to 111	
GRI 201: Economic Performance	Direct Economic Value Generated & Distributed	Financial Capital on pages 29 to 32	
	Financial Assistance Received from Government		Not applicable LCB does not receive any financial assistance from the governance.
GRI 301: Materials	Sustainable Resource Use & Material Consumption	Sustainable & Responsible Lending Practices on pages 123 to 124	
GRI 302: Energy	Energy Efficiency Measures & Renewable Energy Use	Sustainable & Responsible Lending Practices on pages 123 to 124	
	Reduction of Energy Consumption	Sustainable & Responsible Lending Practices on pages 123 to 124	
GRI 303: Water & Effluents	Water Consumption & Management	Natural Capital on pages 41 to 43	
GRI 305: Emissions	Greenhouse Gas Emissions & Reduction Efforts	Sustainable & Responsible Lending Practices on pages 123 to 124	
GRI 306: Waste	Waste Reduction & Recycling Programs	Sustainable & Responsible Lending Practices on pages 123 to 124	
	Hazardous Waste Management	Sustainable & Responsible Lending Practices on pages 123 to 124	

GRI Standard	Disclosure Title	Page Number	Omissions & Explanations (if applicable)
GRI 401: Employment	Workforce Demographics & Hiring Practices	Human Capital on pages 38 to 40	
	Employee Turnover & Retention Strategies	Human Capital on pages 38 to 40	
GRI 403: Occupational Health & Safety	Workplace Safety Policies & Employee Well-being Programs	Human Capital on pages 38 to 40	
	Workplace Accidents & Preventive Measures	Human Capital on pages 38 to 40	
GRI 404: Training & Education	Employee Training & Career Development	Human Capital on pages 38 to 40	
	Leadership Development Programs	Human Capital page on pages 38 to 40	
GRI 405: Diversity & Equal Opportunity	Gender & Diversity Statistics	Human Capital on pages 38 to 40	
GRI 413: Local Communities	CSR Initiatives & Community Engagement		Not applicable Information not available. The company planned upcoming CSR projects to improve social & relationship towards the sustainability.
	Financial Literacy & Inclusion Programs	Sustainable & Responsible Lending Practices on pages 123 to 124	
GRI 418: Customer Privacy	Cybersecurity Measures & Data Protection Policies	Sustainable & Responsible Lending Practices on pages 123 to 124	
	Customer Satisfaction & Complaint Resolution	Sustainable & Responsible Lending Practices on pages 123 to 124	

Related-Party Transactions Review Committee Report

The Board Related-Party Transactions Review Committee is a Board Subcommittee chaired by an Independent Non-Executive Director and comprising two Independent Directors and one Non-Executive Non-Independent 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 BRPTRC Committee is comprised of two Independent Directors and one Non - Independent Non - Executive Director. The Committee is chaired by Independent Director Dr. Srinath Ajith Kumara Alahakoon.

The following members served in the Board-appointed Committee during the Twelve months period ended 31st March 2025.

Dr. Srinath Ajith Kumara Alahakoon – Chairman (Independent Non – Executive Director)
Mr. Dushmantha Thotawatte (Independent Non- Executive Director)
Mr. Ranjan Lal Masakorala (Non – Independent Non- Executive Director)

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

Meetings

The BRPTR Committee met eleven times during the year. Attendance of the members at BRPTR Committee Meetings stated follows:

Time Period: April to September 2024

Member	No. of Meetings
Mr. Dushmantha Thotawatte (Chairman to the Committee)	5/5
Mr. Mahesh Katulanda	5/5
Mr. J.P.C. Jayalath	5/5
Mr. Vjitha Lokunarangoda	5/5

Time Period: October 2024 to February 2025

Member	No. of Meetings
Mr. Mahesh Katulanda (Chairman to the Committee)	5/5
Mr. Dushmantha Thotawatte	5/5
Mr. J.P.C. Jayalath	5/5

Time Period: March 2025 to Present

Member	No. of Meetings
Dr. Srinath Ajith Alahakoon (Chairman to the Committee)	1/1
Mr. Dushmantha Thotawatte	1/1
Mr. Ranjan Lal Masakorala	1/1

BRPTR COMMITTEE CHARTER

The terms of reference of the BRPTRC are clearly defined in the BRPTRC 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 BRPTR 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 abides by the prohibition applicable to granting accommodation, creating liabilities providing services to related parties as defined in the direction.
- Control granting favorable 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 complies with any future direction of the central Bank of Sri Lanka applicable to related-party transactions.
- The Committee shall maintain minutes of their deliberations having appointed a Secretary from its members 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 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.



Dr. S. A. K. Alahakoon
Chairman

Related-Party Transactions Review
Committee

Report on Board Selection Nomination and Governance Committee

The Board Selection and Nomination Committee was renamed as Board Selection Nomination and Governance Committee and during the period-under review the term of references were amended in order to monitor the Governance Framework and the terms of reference were in conformity with Section 12 of the Finance Business Act No. 42 of 2011 and CSE Regulations.

COMPOSITION OF BOARD SELECTIONS NOMINATION AND GOVERNANCE COMMITTEE

Board Selection Nomination and Governance Committee comprises 03 members of Board, 02 Directors are Non-Executive Independent Directors, 01 Non-Executive Non-Independent Director and Executive Director.

The following Directors served on BSN & GC

- Srinath Ajith Kumara Alahakoon – Chairman (Independent, Non-Executive Director)
- Dushmantha Thotawatte – (Independent, Non-Executive Director)
- Gayan Kalhara Nanayakkara – (Non Independent, Non-Executive Director)
- K G Leelananda – (CEO / Executive Director) – May be present by invitation

The Company Secretary functions as the Secretary to the BSN& GC

PRIMARY OBJECTIVES OF THE BSN & GC

BSN & GC was established to assist the Board of Directors in fulfilling its roles and responsibilities with regard to the selection and appointment of Independent Directors and appointment of Chief Executive Officers and other Key Management Personnel of the Company and to monitor the Corporate Governance Framework in order to comply with and establish Good Governance.

RESPONSIBILITIES OF THE BSN & GC

- The Committees shall implement formal and transparent procedures to select/appoint new Directors, Senior Management are to be appointed with recommendation of CEO, excluding Chief Internal Auditor (CIA), Chief Risk Officer (CRO) and Compliance Officer.
1. The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Senior Management, in both instances are to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer.
 2. The Committee shall ensure that Directors and Senior Management are fit and proper persons to perform their functions.
 3. The selection process shall include reviewing whether the proposed Directors:
 - i. possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board;
 - ii. have a record of integrity and good repute; and
 - iii. have sufficient time to fully carry out their responsibilities.
 4. 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 company a whole.

5. The Committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and Senior Management.
6. 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.
7. The Committee shall consider and recommend (or not recommend) the re-election of current Directors, considering the combined knowledge, performance towards strategic demands faced by the company and contribution made by the Director concerned towards the discharge of the Board's overall responsibilities.
8. 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
9. A member of the Nomination Committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.

10. The Committee shall establish and maintain a suitable process for the periodic evaluation of the performances of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactory discharged.
 11. The Committee will review and recommend the overall Corporate Governance Framework of Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/ international best practices.
 12. The Committee will periodically review and update the Corporate Governance Policies/ Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
 13. The Committee should receive reports from the Management on compliance with the Corporate Governance Framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/ non- compliance and the rational for same.
- To appoint Key Management Personnel
 - To implement the following policies and procedures for the Board and Senior Management:
 - Succession Plan Policy and Procedure for Board of Directors
 - Policy and Procedure for the Selection and Appointment of the Board of Directors, Executive Directors and Senior Management
 - Remuneration Policy and Procedure for Board of Directors
 - Conflict of Interest Policy
 - Policy on Matters Relating to the Board of Directors
 - To reconstitute the Board Subcommittees and constitute the Board IT Steering Committee (BITSC)



Dr. S. A. K. Alahakoon

Chairman

Board Selection Nomination and Governance Committee

MEETINGS OF BSN & GC AND IT'S EFFECTIVENESS

The Committee met ten times during the year under review on following: -

- To appoint Non-Executive Independent Director – Dr. Srinath Ajith Kumara Alahakoon
- To reconstitute the BSN & GC
- To review Terms of Reference of BSN & GC to be in line with new Corporate Governance Directions.

Audit Committee Report

The Board Audit Committee is a Subcommittee 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 comprises of three Non-Executive Directors of whom two are Independent Directors. The Committee is chaired by Independent Director Dr. S A K Alahakoon , who is Fellow Member of the Institute of Chartered Accountants with considerable experience in the field of auditing, finance and credit.

The following members served in the Board-appointed Audit Committee during the twelve months period ended 31st March 2025.

Mr.D.Thotawatte (IND/NED)
Mr.G.K.Nanayakkara (NIND/NED)
Dr. S A K Alahakoon (IND/NED) -Appointed on 31/12/2024
Mr. M Katulanda (IND/NED) - Resigned on 25/10/2024
Mr.J.P.C.Jayalath (IND/NED) - Resigned on 21/02/2025

IND- Independent/ NIND – Non-Independent
NED– Non-Executive Director

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

The Chief Internal Auditor functions as the Secretary to the Audit Committee.

Meetings

The Audit Committee met 8 times during the year. The attendance of the members at Audit Committee Meetings was as follows:

Member	No. of Meetings
Dr. S A K Alahakoon (Chairman to the Committee)	3/8
Mr. Dushmantha Thoawatte	8/8
Mr.G.K.Nanayakkara	8/8
Mr.J.P.C.Jayalath	8/8
Mr. M.Katulanda	1/8

The CEO, 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 2024/25 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 are no conflicts of interest 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 2024/25 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.

Audit Committee Report

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31st March 2025, 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 instructions issued 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.



Dr. S. A. K. Alahakoon

Chairman

Audit Committee

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 members who are Directors.

Members of the Board	Position
Dr. Ajith Alahakoon (Date of appointment – 21/02/2025)	Chairman to BIRMC / Independent/ Non-Executive Director
Mr. Dushmantha Thotawatta (BIRMC Chairman up to 25/10/2024 & Member from 25/10/2024)	Independent/ Non-Executive Director
Mr. Ashwin Nanayakkara	Non Independent/ Non Executive Director
Mr. Mahesh Katulanda (Member up to 25/10/2024)	Independent Director / Non Executive Director
Mr. J.P.C. Jayalath (Chairman to the BIRMC from 25/10/2024 to 21/02/2025)	Non-Independent / Non-Executive Director

Members of the Management Integrated Risk Management (MIRMC) Committee are as follows. These members are all members permanent invitees of the BIRMC:

Members of the Management	Position
Mr. K.G. Leelananda	Executive Director / CEO
Mr. Jayalal Perera	Chief Risk Officer (Sectary to the BIRMC)
Mr. K.K. Wannige	AGM – Finance & Planning
Mr. Nishantha Fernando (Resigned – 31/12/2024)	DGM – Credit
Mr. Vajira Jayasinghe	DGM – IT
Mr. Aruna Vithanage	DGM –Deposit Mobilization
Mr. S.K. Jayasinghe	DGM - Recovery
Mr. Shasi Kumar	Head of Recovery
Mrs. Anusha Fernando	Head of Legal
Mr. Sampath Kumara	CIA
Mr. Ananda Kumara	Senior Manager Credit

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 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 which assesses potential impact to the Company and recommends mitigatory action that needs 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:

Integrated Risk Management Committee Report

- 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 duties.

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 Meetings / Attending
Mr. Dushmantha Thotawatta	3/4
Mr. Ashwin Nanayakkara	4/4
Mr. J.P.C. Jayalath	3/4
Mr. Mahesh Katulanda	1/4
Dr. Ajith Alahakoon	1/4
Members of the Management	
Mr. K.G. Leelananda	4/4
Mr. Jayalal Perera	4/4
Mr. K.K. Wannige	3/4
Mr. Nishantha Fernando	1/4
Mr. Vajira Jayasinghe	3/4
Mr. Aruna Vithanage	2/4
Mr. Shasi Kumar	4/4
Mr. S.K. Jayasinghe	3/4
Mr. Sampath Kumara	2/4
Mrs. Anusha Fernando	4/4
Mr. Ananda Kumara	3/4

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 other risk-related Committees. The Committee is of 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.



Dr. S. A. K. Alahakoon

Chairman

Board Integrated Risk Management Committee

Board HR and Remuneration Committee Report

The Board Human Resource & Remuneration Committee is a Board Subcommittee chaired by an Independent Non-Executive Director and comprising two Independent Directors and One Non-Executive Non-Independent Director to assist the Board in fulfilling its oversight responsibility on human resources and to ensure remuneration matters are carried out in transparency.

COMMITTEE COMPOSITION

The HR Committee comprises two Independent Directors and one Non-Independent Director. The Committee is chaired by Independent Director Dr. Srinath Ajith Kumara Alahakoon.

The following members served in the Board-appointed HR and Remunerations Committee during the twelve months period ended 31st March 2025.

Dr. Srinath Ajith Kumara Alahakoon – Chairman (Independent Non-Executive Director)
Mr. Dushmantha Thotawatte (Independent Non-Executive Director)
Mr. Ranjan Lal Masakorala (Non-Independent 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 Eleven Times during the year. Attendance of the members at HR & Remuneration Committee meetings was as follows:

Time Period: April 2024 to October 2024

Member	No. of Meetings
Mr. Dushmantha Thotawatte (Chairman to the Committee)	7/7
Mr. U.K. H. R. Ranasinghe	7/7
Mr. Mahesh Katulanda	7/7

Time Period: November 2024 to February 2025

Member	No. of Meetings
Mr. J.P.C. Jayalath (Chairman to the Committee)	3/3
Mr. Dushmantha Thotawatte	3/3
Mr. Ranjan Lal Masakorala	3/3

Time Period: March 2025 to present

Member	No. of Meetings
Dr. Srinath Ajith Alahakoon (Chairman to the Committee)	1/1
Mr. Dushmantha Thotawatte	1/1
Mr. Ranjan Lal Masakorala	1/1

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.

Board HR and Remuneration Committee Report

- 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.

COMMITTEE EVALUATION

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



Dr. S. A. K. Alahakoon

Chairman

Board Human Resources & Remuneration Committee

REGULATORY COMPLIANCE

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

A close-up, profile view of a woman with dark hair and glasses, looking intently at a computer screen. The screen displays lines of code in a light blue font against a dark background. The lighting is dim, with a strong blue glow from the screen illuminating her face and glasses. The overall mood is focused and technological.

**SHAPING
STRATEGY
FOR A
DYNAMIC
FUTURE**

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 2025. 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 principal 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 06th June 2025

The Financial Statements for the year ended 31st March 2025 was completed and was duly signed by the AGM- Finance & Strategic Planning, Director/Chief Executive Officer and Chairman of the Company.

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 2025. The Auditors express a clean opinion of the financial position of the Company as at 31st March 2025 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 2025 was Rs. 1,323.02 Mn (Rs. 1202.44 Mn in 2024). Components of interest income are given in Note 7 to the Financial Statements.

Profit and Appropriations

The Company has recorded Rs. 282.68 Mn in profit before tax and Rs. 204.51 Mn in profit after tax in 2025 (Profit for the year was Rs.122.93 Mn in 2024). The Company's Total Comprehensive Income (net of tax) for the year is Rs.203.90 Mn (Total Comprehensive income was Rs. 123.30 Mn in 2024).

Taxation

The Income Tax rate applicable to the Company's operations is 30%. 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 2025.

Reserves

A summary of the Company's reserves is given below.

	2025 Rs "000"	2024 Rs "000"
Statutory Reserve Fund	75,579	59,642
Retained Earnings	508,694	320,721

Donations

The total amount of donations made during the year under review is Rs. 1,441,580.00,-

Stated Capital

The Stated Capital of the Company as at 31st March 2025 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 2025 by the Company amounted to Rs. 2,478,800 (2024: Rs. 2,319,800).

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:

Mr. D. Thotawatte (Chairman)
 Mr. K. G. Leelananda
 (CEO/Executive Director)
 Mr. R. L. Masakorala
 Mr. U. K. H. R. Ranasinghe
 (resigned w.e.f 09.12.2024)
 Mr. G.K. Nanayakkara
 Mr. A. W. Nanayakkara
 Mr. V. Lokunarangoda
 (retired w.e.f 26. 08. 2024)
 Mr. K.I. Weerasinghe
 Mr. M. Katulanda
 Mr. J. P. C. Jayalath
 Dr. S.A.K. Alahakoon

EXECUTIVE DIRECTOR

Mr. K. G. Leelananda

NON – INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. R. L. Masakorala
 Mr. U. K. H. R. Ranasinghe
 (resigned w.e.f 09.12.2024)
 Mr. K. I. Weerasinghe
 Mr. G. K. Nanayakara
 Mr. V. Lokunarangoda
 (retired w.e.f 26.08.2024)
 Mr. A. W. Nanayakkara
 Mr. J. P. C. Jayalath

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. D. Thotawatte
 Mr. M. Katulanda
 Dr. S.A.K. Alahakoon

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 2025 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	Mr. D. Thotawatte	Peoples Bank (Director) – Resigned on December 2024 Sri Lanka Insurance Corporation (Director) Canwill Holding (Pvt) Ltd (Director)
2	Mr. K. G. Leelananda	Lanka Credit and Business Limited (Director)
3	Mr. K. I. Weerasinghe	Lanka Credit and Business Limited (Director) Transline GMBH- Transport and Packaging– (Managing Director) RKW Courier Service –(Managing Director)
4	Mr. R. L. Masakorala	Hotel Kabalana Pvt Ltd-(Managing Director) Udamullagoda Tea Factory Pvt Ltd- (Managing Director) Lanka Credit and Business Limited- (Director) The Villa Hotel-(Proprietor) Yakkalamulla Tea Factory (Director) Uneth Car Sale –(Proprietor) Niriella Motors Private Limited-(Director) Binelko Marketing Private Limited (-Director)
5	Mr. U. K. H. R. Ranasinghe (resigned w.e.f 09.12.2024)	L & H Capital Partners (Pvt) Ltd (Director) Lanka Credit and Business Limited (Director) Thalgampala Tea Company (Pvt) Ltd (Director) Sri Lanka Tea Factory Association (Director)
6	Mr. G. K. Nanayakkara	Etambagahawila Tea Factory –(Director) Mahesland Tea Factory –(Director) Wijaya Tea Factory-(Director) Naindawa Tea Factory-(Director)
7	Mr. V. Lokunarangoda (retired w.e.f. 26.08.2024)	Thurusaviya Fund under Ministry of Plantation – (Chairperson)
8	Mr. A. W. Nanayakkara	NEM Construction Pvt Ltd- (Director)
9	Mr. M. Katulanda	Office on Missing Person (Chairman)
10.	Dr. S.A.K. Alahakoon	Myland Development PLC (Director) Green Brain (Pvt) Ltd (Managing Director) AGS Management Consultants (Pvt) Ltd (Managing Director) AGS Associates (Chartered Accountants) – (Partner) Liyanage & Company (Chartered Accountants) – (Partner)

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

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 45 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

Dr. S. A. K. Alahakoon – appointed w. e. f 31.12. 2024

Resignations during the financial year

Mr. V. Lokunarangoda – Retired w.e.f. 26.08.2024

Mr. U. K. H. R. Ranasinghe – Resigned w.e.f. 09.12.2024

Board sub committees

The Board of Directors of the Company has formed three committees in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and as per the recommended best practices on Corporate Governance. The following Directors served as members of the Audit Committee, Intergrated Risk Management Committee, Remuneration Committee, Related Party Committee, Nomination Committee, Credit Committee and IT Steering Committee

Board Audit Committee as at 31st March 2025

Dr. S.A.K Alahakoon	Chairman
Mr. D. Thotawatte	Member
Mr. G. K. Nanayakkara	Member

BOARD HR REMUNERATION COMMITTEE AS AT 31ST MARCH 2025

Dr. S.A.K. Alahakoon	Chairman
Mr. D. Thotawatte	Member
Mr. R. L. Masakorala	Member

BOARD CREDIT COMMITTEE AS AT 31ST MARCH 2025

Mr. G. K. Nanayakkara	Chairman
Mr. R. L. Masakorala	Member
Mr. D. Thotawatte	Member

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE AS AT 31ST MARCH 2025

Dr. S.A.K. Alahakoon	Chairman
Mr. D. Thotawatte	Member
Mr. A. W. Nanayakkara	Member

BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2025

Dr. S.A.K. Alahakoon	Chairman
Mr. D. Thotawatte	Member
Mr. R. L. Masakorala	Member

BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE AS AT 31ST MARCH 2025

Dr. S.A.K Alahakoon	Chairman
Mr. D. Thotawatte	Member
Mr. G. K. Nanayakkara	Member

BOARD IT STEERING COMMITTEE AS AT 31ST MARCH 2025

Mr. J.P.C. Jayalath	Chairman
Mr. D. Thotawatte	Member
Mr. A. W. Nanayakkara	Member
Mr. G. K. Nanayakkara	Member

THE REMUNERATION AND OTHER BENEFITS OF THE DIRECTORS

Director's fees and other emoluments were

Executive Director	- Rs. 15,331,500.00
Non - Executive Directors	- Rs. 10,060,000.00

ANNUAL GENERAL MEETING

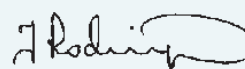
The Virtual Annual General Meeting will be held on 25th July 2025 at 10.00 a.m. at No. 76, S. De S. Jayasinghe Mawatha, Kohuwala via Online platform.



Mr. D. Thotawatte
Chairman



Mr. K. G. Leelananda
CEO/Executive Director



Tamarika Rodrigo
Company Secretary

Date: 06 June 2025
Colombo

Independent Assurance Report



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

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

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF 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 Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2025.

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.

06 June 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manabunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (US-JSL), G B Goudan ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shanthivel B.Com (Sp)

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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 2025 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.



Dr. S. A. K. Alahakoon

Chairman – Board Audit Committee



K.G. Leelananda

CEO/Executive Director

Date : 06 June 2025

Independent Auditor's Report



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
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Tel: +94 11 246 3500
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Email: eysl@lk.ey.com
ey.com

HLF/TP/DW

TO THE SHAREHOLDERS OF LANKA CREDIT AND BUSINESS FINANCE PLC

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Lanka Credit and Business Finance PLC ("the Company"), which comprise the statements of financial position as at 31 March 2025, income statement, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manabunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Saleewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

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Key audit matter	How our audit addressed the key audit matter
<p>Allowances for Expected Credit Losses of loans and lease receivables measured at amortised cost</p> <p>Allowances for expected credit losses of loans and lease receivables measured at amortised cost as stated in Notes 20 and 21 respectively, is determined by management on the accounting policies described in Note 3.1 to the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and the materiality of the reported amount of Allowances for expected credit losses. <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and their associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.1 and 41.4.</p>	<p>In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, on the best available information up to the date of our report. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. Evaluated the reasonableness of credit quality assessments and related stage classifications. In addition to the above, the following procedures were performed: <ul style="list-style-type: none"> For loans and lease receivables assessed on an individual basis for impairment: <ul style="list-style-type: none"> Tested the arithmetical accuracy of the underlying individual impairment calculations. Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. For loans and lease receivables assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested the key inputs and the calculations used in the impairment for expected credit losses. Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. Assessed the adequacy of the related financial statement disclosures set out in notes 20, 21 and 41.4.

Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
<p>Information Technology (IT) system related internal controls over financial reporting</p> <p>Company's financial reporting process is significantly reliant on IT system and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by the IT system, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT system related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none">● Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.● Involved our internal specialized resources and;<ul style="list-style-type: none">- Obtained and understanding IT Governance Structure of the Company- Identified, evaluated and tested the design and operating effectiveness of IT system related internal controls over financial reporting, relating to user access and change management, and- Obtained a high-level understanding of the cybersecurity risks affecting the Company and the actions taken to address these risks primarily through inquiry.● Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other information included in the Company's 2025 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of 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 3755.

06 June 2025
Colombo

Income Statement

Year ended 31 March 2025		31.03.2025 Rs.	31.03.2024 Rs.
	Note		
Income	6	1,455,780,148	1,379,715,429
Interest Income	7	1,323,027,160	1,202,448,835
Less: Interest Expenses	8	(476,220,432)	(620,158,267)
Net Interest Income		846,806,728	582,290,568
Fee and Commission Income	9	67,030,809	47,279,094
Less: Fee and Commission Expenses		-	-
Net Fee and Commission Income		67,030,809	47,279,094
Net Other Operating Income/(Expense)	10	65,722,180	129,987,500
Total Operating Profit		979,559,716	759,557,162
Impairment(Charge)/Reversal	11	(89,460,894)	(122,568,495)
Net Operating Income		890,098,821	636,988,667
Less : Operating Expenses			
Personnel Costs	12	(240,014,847)	(193,798,307)
Depreciation and Amortization	13	(95,356,881)	(76,799,410)
Other Operating expenses	14	(166,259,729)	(145,509,321)
		(501,631,457)	(416,107,038)
Operating Profit before Tax on Financial Services		388,467,365	220,881,629
Taxes on Financial Services	15	(105,782,057)	(72,323,746)
Profit before tax		282,685,308	148,557,883
Less: Income tax (expense)/Reversal	16	(78,171,567)	(26,464,210)
Profit for the Year		204,513,741	122,093,673
Basic earnings per share (Rs.)	17	0.26	0.15

The accounting policies and notes on pages 155 to 217 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 March 2025		31.03.2025 Rs.	31.03.2024 Rs.
	Note		
Profit for the year		204,513,741	122,093,673
Other comprehensive income/ (expenses)			
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	35.2	(863,125)	1,733,864
Deferred tax effect on actuarial gain/(loss)	30.0	258,937	(520,159)
		(604,187)	1,213,705
Other comprehensive income for the year, net of tax		(604,187)	1,213,705
Total comprehensive income for the year, net of tax		203,909,554	123,307,378
Attributable to :			
Equity holders of the Company		203,909,554	123,307,378
		203,909,554	123,307,378

The accounting policies and notes on pages 155 to 217 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March 2025		31.03.2025	31.03.2024
	Note	Rs.	Rs.
Assets			
Cash and Cash Equivalent	18	216,952,568	209,863,402
Financial Investment at amortised Cost	19	578,160,999	909,460,831
Financial assets at amortised Cost - Loans and Receivables	20	6,002,054,674	3,747,316,490
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	21	1,754,671,668	761,346,056
Other Financial Assets	22	114,240,209	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	23	21,834,438	829,306,147
Financial Investment at Fair value through Other Comprehensive Income	24	315,813	315,813
Other Non Financial Assets	25	34,908,994	48,943,046
Investment Property	26	224,000,000	191,000,000
Property, Plant and Equipment	27	109,742,300	139,078,783
Right of Use Assets	28	141,634,869	67,523,775
Intangible Assets	29	34,042,201	38,439,965
Deferred Tax Asset	30	15,925,201	8,046,744
Total Assets		9,248,483,934	7,013,430,881
Liabilities			
Financial Liabilities at amortised Cost - Due to Banks	31	1,069,967,819	604,675,532
Financial Liabilities at amortised Cost - Due to customers	32	4,643,459,643	3,270,214,658
Other Financial Liabilities	33	189,545,301	84,833,080
Other Non Financial Liabilities	34	213,538,118	127,406,884
Retirement Benefits Liabilities	35	8,565,688	6,802,916
Total Liabilities		6,125,076,569	4,093,933,070
Equity			
Stated Capital	36	2,539,133,400	2,539,133,400
Reserves	37	75,579,147	59,642,422
Retained Earnings	38	508,694,818	320,721,989
Total Equity		3,123,407,365	2,919,497,811
Total Equity and Liabilities		9,248,483,934	7,013,430,881
Net asset Value per share	36.3	3.95	3.69

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



Kelum Wannige

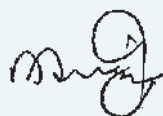
AGM - Finance & Strategic Planning

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



K. G. Leelananda

Director/CEO



Mr. Dushmantha Thotawatte

Chairman

The accounting policies and notes on pages 155 to 217 form an integral part of the Financial Statements.

06 June 2025

Colombo

Statement of Changes of Equity

Year ended 31 March 2025	Stated Capital Rs. (Note 36)	Retained Earnings Rs. (Note 38)	Statutory Reserve Rs. (Note 37)	Total Equity Rs.
Balance as at 01 April 2023	2,539,133,400	202,969,295	54,087,738	2,796,190,433
Net Profit / (Loss) for the Year	-	122,093,673	-	122,093,673
Other Comprehensive Income Net of Tax	-	1,213,705	-	1,213,705
Transfer to Statutory Reserve Fund	-	(5,554,684)	5,554,684	-
Total Comprehensive Income for the Year, Net of Tax	-	117,752,694	5,554,684	123,307,378
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	-	-	-	-
Dividend Paid	-	-	-	-
Total Transactions with Equity Holders	-	-	-	-
Balance as at 31 March 2024	2,539,133,400	320,721,989	59,642,422	2,919,497,811
Balance as at 01 April 2024	2,539,133,400	320,721,989	59,642,422	2,919,497,811
Net Profit / (Loss) for the Year	-	204,513,741	-	204,513,741
Other Comprehensive Income Net of Tax	-	(604,187)	-	(604,187)
Transfer to Statutory Reserve Fund	-	(10,225,687)	10,225,687	-
Regulatory Loss Allowance	-	(5,711,038)	5,711,038	-
Total Comprehensive Income for the Year, Net of Tax	-	187,972,829	15,936,725	203,909,554
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Dividend Paid	-	-	-	-
Total Transactions with Equity Holders	-	-	-	-
Balance as at 31 March 2025	2,539,133,400	508,694,818	75,579,147	3,123,407,365

The accounting policies and notes on pages 155 to 217 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March 2025		31.03.2025 Rs.	31.03.2024 Rs.
	Note		
Cash Flows Used in Operating Activities			
Profit before tax from continuing operations		282,685,308	148,557,883
Adjustments for			
Depreciation and Amortization	13	66,855,861	54,433,515
Amortization of right of use asset		28,501,020	22,365,895
Provision/(Reversal) for Defined Benefit Plans	35.1	2,292,623	2,740,580
(Gain)/Losses from Change in fair value of Investment Properties	26	(15,878,000)	(11,000,000)
Fair Value (Gain) / Loss from Share Investments & Unit Trust	10	(37,528,292)	(107,555,761)
Impairment (Reversal)/Charges for Loans & receivable and Lease rentals receivables & Hire Purchases		89,460,894	119,974,039
Interest on Lease Liability		19,789,736	12,173,215
Interest Expenses on Borrowings	31.2	69,194,295	-
Write off balances		110,939,955	-
Operating Profit before Working Capital Changes		616,313,399	241,689,365
Working Capital Adjustments			
(Increase) / Decrease Lease Rentals Receivables and Hire Purchases		(1,092,221,360)	(329,033,350)
(Increase) / Decrease Loans and Receivables		(2,356,243,284)	(119,370,791)
(Increase) / Decrease Other Financial Assets		(51,450,380)	(31,428,272)
(Increase) / Decrease Other Non Financial Assets		(90,420,185)	(13,520,710)
Increase / (Decrease) in Other Liabilities		145,101,220	89,608,065
Increase / (Decrease) in Due to Customers		1,373,244,985	889,875,263
Cash Flow from/(used in) Operating Activities		(1,455,675,606)	727,819,571
Gratuity Paid	35	(1,392,975)	(567,150)
Income Tax Paid		(22,200,679)	(2,927,527)
Net Cash from Operating Activities		(1,479,269,260)	724,324,894
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	27.1	(32,438,709)	(93,499,983)
Acquisition of Intangible Assets	29	(3,541,255)	(10,818,726)
Proceeds from Sales of Investment Properties and PPE		2,858,348	4,497,797
Net Investment Acquisition		331,299,833	(99,777,011)
Acquisition of Investment Properties		(17,122,000)	-
Net Investments in Shares & Unit Trust		845,000,000	(501,996,861)
Dividend Received		1,842,124	652,512
Net Cash Flows from/(Used in) Investing Activities		1,127,898,341	(700,942,272)
Cash Flows from (used in) Financing Activities			
Proceeds from Interest Bearing Loans & Borrowings	31.2	1,166,600,000	37,733,602
Repayment of Interest Bearing Loans & Borrowings	31.2	(928,555,908)	-
Payment of Capital portion of Lease Liabilities	28.2	(37,637,907)	(30,847,376)
Net Cash used in Financing Activities		200,406,185	6,886,226
Net Increase in Cash and Cash Equivalents		(150,964,735)	30,268,848
Cash and Cash Equivalents at the beginning of the year		209,909,086	179,640,236
Cash and Cash Equivalents at the end of the year		58,944,351	209,909,086

The accounting policies and notes on pages 155 to 217 form an integral part of the Financial Statements.

Notes to 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 2025 was authorized for issue in accordance with a Resolution of the Board of Directors on 06 June 2025.

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 23)
- Financial Assets at fair value through other comprehensive income (applicable from 1st April 2018) at fair value (Note 24)
- 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 26)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation based on actuarial valuation (Note 35)

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 46.

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.

Notes to 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 44 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 39 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 39 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.

Further, 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 35 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 43 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

On der 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 41.4.

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 an 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 Stage 3.

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.

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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 result from default events on a financial instrument that are possible within 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.

Stage 2: 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 12 months.

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
- Exchange Rate

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 01 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 41.4.1. 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 01 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.

Notes to the Financial Statements

(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.

(b) 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.

(C) Amortization of Right to Use Asset

Company amortized its 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 for 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 of 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.

Notes to the Financial Statements

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	04 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 05 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 Interest Expense

4.11.1 Interest Income 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.

Notes to the Financial Statements

When a financial asset becomes credit-impaired (as set out in Note 41.4.1 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 16 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 16 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 01, 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 01, 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 01, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 01, 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.

Notes to the Financial Statements

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 01 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;

- Term Loans
- Leasing & Hire Purchase
- 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 01 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. 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, up to 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.

5.1 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.

5.2 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance),

regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

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

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

5.3 Lack of exchangeability – Amendments to LKAS 21

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

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

The amendments will be effective for annual reporting periods beginning on or after 01 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Notes to the Financial Statements

6. INCOME

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Interest Income (Note 7)	1,323,027,160	1,202,448,835
Fee and Commission Income (Note 9)	67,030,809	47,279,094
Other Operating Income (Note 10)	65,722,180	129,987,500
	1,455,780,148	1,379,715,429

7. INTEREST INCOME

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Interest Income on Loans and Receivables (Note 7.1)	952,409,214	866,018,552
Interest Income on Lease rentals receivables and Hire Purchases (Note 7.2)	245,282,813	110,181,971
Interest Income on Financial Investments	83,114,310	195,073,771
Penalty Interest	42,220,822	31,174,540
	1,323,027,160	1,202,448,835

7.1 Interest Income on Loans and Receivables

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Interest Income on Term Loans	807,256,127	720,240,438
Interest Income on Housing Loans	37,509,615	45,975,302
Interest Income on Gold Loans	107,643,472	99,802,813
	952,409,214	866,018,552

7.2 Interest Income on Lease rentals receivables and Hire Purchases

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Interest Income on Lease rentals receivables	244,276,221	109,017,990
Interest Income on Hire Purchases	1,006,592	1,163,981
	245,282,813	110,181,971

8. INTEREST EXPENSE

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Due to Banks	73,471,809	129,054,503
Due to Customers (Note 8.1)	382,958,887	478,930,549
Interest Expenses on Lease Liability (Note 28.2)	19,789,736	12,173,215
	476,220,432	620,158,267

8.1 Due to Customers

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Interest Expense on Fixed deposits	365,686,982	454,612,095
Interest Expense on Savings	17,271,905	24,318,454
	<u>382,958,887</u>	<u>478,930,549</u>

9. NET FEE AND COMMISSION INCOME

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Documentation and processing fees	67,030,809	47,279,094
	<u>67,030,809</u>	<u>47,279,094</u>

10. NET OTHER OPERATING INCOME/(EXPENSE)

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Foreign Currency Exchange Income	(63,226)	(94,182)
Dividend Income	1,842,124	652,512
Other Income	4,448,808	735,276
Fair Value gain/(loss) from Share Investments	2,503,699	1,131,005
Adjustment for change in fair value of Unit trust	35,024,593	106,424,756
Gain/(Loss) from change in fair value of Investment Properties	15,878,000	11,000,000
Gain/(Loss) on Termination of ROU Assets	476,529	-
Gain/(Loss) on Disposal of Fixed Assets	3,001,652	7,143,633
Rent Income	2,610,000	2,994,500
	<u>65,722,180</u>	<u>129,987,500</u>

11. IMPAIRMENT CHARGE/(REVERSAL)**11.1 Collective**

For the year ended 31st March		31.03.2025 Rs.	31.03.2024 Rs.
Loans and Receivables	20.2	24,324,166	(67,877,031)
Lease rentals receivables and Hire Purchases	21.2	16,460,860	(9,780,939)
		<u>40,785,026</u>	<u>(77,657,970)</u>

11.2 Individual

For the year ended 31st March		31.03.2025 Rs.	31.03.2024 Rs.
Loans and Receivables		5,085,455	176,888,335
Lease Rentals Receivable & Hire Purchases		43,590,413	23,338,130
		<u>48,675,868</u>	<u>200,226,465</u>
Total Impairment charges/ (Reversal) for Loans and Receivables, Cash at Bank & Other Financial assets		<u>89,460,894</u>	<u>122,568,495</u>

Notes to the Financial Statements

11.3 The table below shows the allowance for impairment on financial instruments for the year 2024/2025 recorded in the income statement

For the year ended 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	27,216,781	(17,251,833)	(6,141,471)	(13,258,332)	(9,434,854)
Lease rentals receivables and Hire Purchases	4,544,287	10,904,816	(2,137,499)	(25,355,811)	(12,044,207)
Write off Debtors - Loans and Receivables	5,512,161	-	14,988,528	18,343,787	38,844,475
Write off Debtors - Lease rentals receivables and Hire Purchases	-	-	3,149,255	68,946,224	72,095,479
	37,273,230	(6,347,017)	9,858,813	48,675,868	89,460,894

11.4 The table below shows the allowance for impairment on financial instruments for the year 2023/2024 recorded in the income statement

For the year ended 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	(6,071,537)	10,062,314	(71,867,809)	173,159,880	105,282,848
Lease rentals receivables and Hire Purchases	5,886,499	(5,108,345)	(10,559,093)	23,338,130	13,557,191
Write off	-	-	-	3,728,455	3,728,455
Other Receivables	-	-	-	-	-
	(185,038)	4,953,969	(82,426,901)	200,226,465	122,568,495

12. PERSONNEL COSTS

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Salaries and Other Related Expenses	209,247,889	168,635,699
Defined Contribution Plan cost EPF and ETF	18,414,335	12,002,028
Directors' Emoluments	10,060,000	10,420,000
Provision for Gratuity	2,292,623	2,740,580
	240,014,847	193,798,307

13. DEPRECIATION AND AMORTIZATION

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Depreciation of Property Plant & Equipment	58,916,843	47,147,167
Amortization of intangible assets	7,939,018	7,286,348
Depreciation of ROU Assets	28,501,020	22,365,895
	95,356,881	76,799,410

14. OTHER OPERATING EXPENSES

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Audit Related Fees and Expenses	1,750,000	1,725,000
Professional & Legal Expenses	4,979,672	9,726,239
Office Administration & Establishment Expenses	120,368,118	105,806,104
Advertising & Business Promotion Expenses	24,574,301	20,376,605
Other Operating Expenses	14,587,638	7,875,373
	166,259,729	145,509,321

15. TAXES ON FINANCIAL SERVICES

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Value Added Tax on Financial Services	93,790,461	64,556,613
Social Security Contribution Levy on Financial Services	11,991,596	7,767,133
	105,782,057	72,323,746

16. TAXATION**16.1 The major components of income tax expense for the years ended 31 March are as follows.**

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
(A) Statement of Profit or Loss		
Current Income Tax		
Income Tax for the year	85,791,087	16,568,313
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	(7,619,520)	9,895,896
	78,171,568	26,464,210
(B) Other Comprehensive Income		
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	(258,937)	520,159
	(258,937)	520,159
(C) Total Tax Expense for the year	77,912,630	26,984,369

Notes to the Financial Statements

16.2 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 2025 and 2024 is as follows.

For the year ended 31st March	Note	31.03.2025 Rs.	31.03.2024 Rs.
Accounting Profit Before Income Taxation		282,685,308	137,557,883
Adjustments			
Non-Taxable (Income)/ Losses		(52,484,317)	(115,314,407)
Disallowable Expenses		297,520,920	292,060,224
Allowable Expenses		(241,751,621)	(234,647,798)
Total Statutory Income		285,970,291	79,655,903
Claim on Carried Forward Tax Losses		-	-
Taxable Income		285,970,291	79,655,903
Income Tax Rate (%)	Note 16.2 (A)	30%	30%
Income Tax		85,791,087	16,568,313
Deferred Taxation Charge/(Reversal)	(Note 30)	(7,878,457)	10,416,056
Total Tax Expense		77,912,630	26,984,369
Effective tax rate		28%	20%

16.2 (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. the income tax rate applicable on the domestic period is 30% for the year of assessment 2024/2025.

17. 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.

For the year ended 31st March	31.03.2025 Rs.	31.03.2024 Rs.
17.1 Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as at 01 April	790,168,780	790,168,780
Add : Weighted Average Number of shares issued under private placement	-	-
Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as 31 March	790,168,780	790,168,780
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	204,513,741	122,093,673
Basic/Diluted Earnings per Ordinary Share (Rs.)	0.26	0.15

18. CASH AND CASH EQUIVALENT

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Cash in hand	60,763,021	43,076,384
Balances with banks	156,235,231	166,832,702
Securities purchased under repurchase agreement maturing within 03 months	-	-
Cash and Cash Equivalent before impairment	216,998,252	209,909,086
Less: Allowance for Impairment	(45,684)	(45,684)
Cash and Cash Equivalent after impairment	216,952,568	209,863,402

18.1 Cash and Cash Equivalent - Cash Flow Purpose

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Cash and Cash Equivalent before allowance for impairment	216,998,252	209,909,086
Bank Overdraft	(158,053,901)	-
	58,944,351	209,909,086

19. FINANCIAL INVESTMENTS AT AMORTISED COST

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Fixed Deposits & Commercial Papers	47,216,310	652,970,550
Treasury Bills	471,764,780	257,293,738
Less: Allowance for Impairment Losses	(20,049)	(803,457)
	578,160,999	909,460,831

20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Term Loans	4,989,236,537	3,579,962,106
Housing Loans	199,864,839	187,436,760
Gold Loans	1,130,698,746	286,957,490
Factoring Loans	-	18,259,000
Staff Loans	30,331,471	32,212,906
	6,350,131,592	4,104,828,262
Less : Allowance for Impairment Losses (Note 20.1)	(348,076,918)	(357,511,772)
Less : Day 1 loss Moratorium interest income (Note 20.1)	-	-
	6,002,054,674	3,747,316,490

Notes to the Financial Statements

20.1 Analysis of Loans and Receivables on Maximum Exposure to Credit Risk as at 31 March 2025

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	-	250,876,483	575,800,304	826,676,787
Loans and Receivables subject to Collective Impairment	4,763,854,087	528,339,298	231,261,419	5,523,454,804
Allowance for Impairment Losses	(82,037,577)	(14,247,906)	(251,791,435)	(348,076,918)
	4,681,816,510	764,967,876	555,270,288	6,002,054,674

Analysis of Loans and Receivables Maximum Exposure to Credit Risk as at 31 March 2024

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	-	-	598,653,599	598,653,599
Loans and Receivables subject to Collective Impairment	2,514,873,443	706,258,093	285,043,127	3,506,174,663
Allowance for Impairment Losses	(54,820,796)	(31,499,739)	(271,191,238)	(357,511,772)
Moratorium Loan Impairment	-	-	-	-
	2,460,052,647	674,758,354	612,505,488	3,747,316,490

20.2 Allowance for Impairment Losses

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Movement in Individual Impairment Allowance for Loans and Receivables		
As at 01 April	210,057,362	36,897,482
Net Impairment Charge / (Reversal) for the year	5,085,455	173,159,880
Write off during the year	(18,343,787)	-
Balance as at 31 March	196,799,030	210,057,362
Movement of Collective Impairment Allowance for Loans and Receivables		
As at 01 April	147,454,411	215,331,442
Net Impairment Charge / (Reversal) for the year	24,324,166	(67,877,031)
Write off during the year	(20,500,689)	-
Balance as at 31 March	151,277,888	147,454,411
Individual Impairment	196,799,030	210,057,362
Collective Impairment	151,277,888	147,454,411
	348,076,918	357,511,772

20.3 Movement in Allowance for Impairment Losses

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2024	54,820,795	31,499,739	271,191,238	357,511,773
Charge/(Reversal) to Income Statement (Note 11.3)	32,728,942	(17,251,833)	13,932,512	29,409,621
Amounts written off	(5,512,161)	-	(33,332,314)	(38,844,475)
Balance as at 31 March 2025	82,037,576	14,247,906	251,791,435	348,076,918

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

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Gross rentals receivables	2,416,111,369	1,211,475,262
- Lease Rentals Receivables	2,414,967,814	1,208,094,966
- Amounts Receivable from Hire Purchases	1,143,555	3,380,295
	2,416,111,369	1,211,475,262
Less: Unearned Income	(601,708,987)	(378,354,285)
Net rentals receivables	1,814,402,383	833,120,977
Less : Allowance for Impairment Losses (Note 21.1)	(59,730,715)	(71,774,921)
Total net rentals receivable	1,754,671,668	761,346,056

21.1 Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2025

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	803,466	148,749,095	27,830,678	177,383,240
Lease Rentals Receivable & Hire Purchases subject to Collective Impairment	1,214,591,322	386,793,861	35,633,961	1,637,019,143
Allowance for Impairment Losses	(28,232,137)	(16,493,163)	(15,005,415)	(59,730,715)
	1,187,162,650	519,049,794	48,459,224	1,754,671,668

Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2024

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	-	-	78,090,826	78,090,826
Lease Rentals Receivables & Hire Purchases subject to Collective Impairment	632,131,690	89,041,938	33,856,523	755,030,151
Allowance for Impairment Losses	(23,687,850)	(5,588,347)	(42,498,725)	(71,774,921)
	608,443,840	83,453,591	69,448,625	761,346,056

Notes to the Financial Statements

21.2 Allowance for Impairment Losses

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Movement In Individual Impairment Allowance For - Lease Rentals Receivables & Hire Purchases		
As at 01 April	33,763,081	10,424,951
Net Impairment Charge / (Reversal) for the year	43,590,413	23,338,130
Write off during the year	(68,946,224)	-
Balance as at 31 March	8,407,270	33,763,081
Movement in Collective Impairment Allowance for- Lease Rentals Receivables & Hire Purchases		
As at 01 April	38,011,840	47,792,779
Net Impairment Charge / (Reversal) for the year	16,460,860	(9,780,939)
Write off during the year	(3,149,255)	-
Balance as at 31 March	51,323,445	38,011,840
Individual Impairment	8,407,270	33,763,081
Collective Impairment	51,323,445	38,011,840
	59,730,715	71,774,921

21.3

As at 31st March	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
-Lease Rentals Receivables	853,299,394	1,561,668,420	-	2,414,967,814
-Amounts Receivable from Hire Purchases	1,143,555	-	-	1,143,555
	854,442,950	1,561,668,420	-	2,416,111,369
Less: Unearned Income	(5,868,200)	(595,840,787)	-	(601,708,987)
Net rentals receivables	848,574,750	965,827,633	-	1,814,402,383
Less : Rental Received In Advance				
Less : Suspended VAT				
				1,814,402,383
Less : Allowance for Impairment Losses				(59,730,715)
Total net rentals receivable				1,754,671,668

21.4 Movement in Allowance for Impairment Losses

As at 31st March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2024	23,687,850	5,588,347	42,498,725	71,774,921
Charge/(Reversal) to Income Statement (Note 11.3)	4,544,287	10,904,816	44,602,169	60,051,272
Amounts written off	-	-	(72,095,479)	(72,095,479)
Balance as at 31 March 2025	28,232,137	16,493,163	15,005,415	59,730,715

22. OTHER FINANCIAL ASSETS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Other Receivables	114,240,209	62,789,829
	114,240,209	62,789,829

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

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Unit Trust	3,467,204	813,442,612
Investment in Shares	18,367,234	15,863,535
	21,834,438	829,306,147

24. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Investment in CRIB	315,813	315,813
	315,813	315,813

25. OTHER NON FINANCIAL ASSETS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
WHT Receivable	4,904,085	7,328,457
Advance & Prepayments	17,702,780	17,625,871
Stationary and Gift stock	7,020,708	8,297,299
Other Non Financial Assets	5,281,420	15,691,420
NBT on Financial Services	-	-
	34,908,994	48,943,046

Notes to the Financial Statements

26. INVESTMENT PROPERTY

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Balance as at 1st April	191,000,000	180,000,000
Additions;		
On Acquisition	16,000,000	-
On Improvements	1,122,000	-
Net Gain/(Losses) from change in fair value	15,878,000	11,000,000
Balance as at 31st March	224,000,000	191,000,000

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.

26.1 Measurement of Fair Values

1) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31st March 2025.

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	Name of the Valuer	Description	Initial Recognition RS	2025		2024	
				Direct Cost RS	Fair Value Charge RS	Market Value RS	Market Value RS
01. Commercial Building Situated in Rathgama.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	102,615,980	1,122,000	13,878,000	145,000,000	130,000,000
02. Commercial Building Situated in Karadeniya.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	56,927,000	-	2,000,000	63,000,000	61,000,000
03. Commercial Building Situated in Walallavita.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	16,000,000	-	-	16,000,000	-
			175,542,980	1,122,000	15,878,000	224,000,000	191,000,000

27. PROPERTY, PLANT AND EQUIPMENT

27.1 Gross Carrying Amounts

Cost	Balance As at 01.04.2024 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2025 Rs.
Freehold Assets				
Motor Vehicles	23,377,015	7,359,880	(4,800,000)	25,936,895
Machinery	42,603,828	-	-	42,603,828
Office Equipment	37,856,456	5,306,729	-	43,163,185
Furniture and Fittings	85,348,106	11,853,613	-	97,201,719
Fixture & Fittings	2,763,919	30,000	-	2,793,919
Name Board	50,532,342	3,022,790	-	53,555,132
Computer Equipment & Accessories	36,703,009	4,865,697	(205,500)	41,363,206
Total Value of Depreciable Assets	279,184,675	32,438,709	(5,005,500)	306,617,883

27.2 Depreciation

	Balance As at 01.04.2024 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2025 Rs.
Motor Vehicles	17,293,961	2,898,867	1,968,172	18,224,656
Machinery	22,333,409	10,536,072	-	32,869,482
Office Equipment	18,967,480	7,889,048	-	26,856,529
Furniture and Fittings	37,946,596	13,827,190	-	51,773,786
Fixtures & Fittings	1,163,306	486,354	-	1,649,660
Name Board	25,100,318	16,857,178	-	41,957,495
Computer Equipment & Accessories	17,300,821	6,422,133	178,980	23,543,975
	140,105,892	58,916,843	2,147,152	196,875,583

Notes to the Financial Statements

27.3 Net Book Values

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
At Cost		
Motor Vehicles	7,712,238	6,083,053
Machinery	9,734,346	20,270,418
Office Equipment	16,306,656	18,888,976
Furniture and Fittings	45,427,933	47,401,510
Fixture & Fittings	1,144,259	1,600,613
Name Board	11,597,637	25,432,024
Computer Equipment & Accessories	17,819,231	19,402,188
Total Carrying Amount of Property, Plant & Equipment	109,742,300	139,078,783

27.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 32,438,709/- (2023/24- Rs. 93,499,983/-).

27.5 Cost of fully depreciated assets of the company as at 31 March 2025 is Rs. 83,853,961/- (2023/24 - Rs. 71,018,606).

28. RIGHT OF USE ASSETS

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

28.1 Cost

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Balance as at 01 April	145,291,835	125,045,697
Additions and Improvements	104,332,441	20,246,138
Adjustment on Terminations & Modifications	(43,683,056)	-
Cost as at 31 March	205,941,220	145,291,835
Accumulated Amortisation		
Balance as at 01 April	(77,768,059)	(55,402,164)
Charge for the year	(28,501,020)	(22,365,895)
Adjustment on Terminations & Modifications	41,962,728	-
Accumulated Amortisation as at 31 March	(64,306,351)	(77,768,059)
Net Book Value as at 31 March	141,634,869	67,523,775

28.2 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.

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Balance as at 01 April	70,745,414	71,663,438
Additions	98,412,441	17,756,138
Accretion of Interest	19,789,736	12,173,215
Payments	(37,637,907)	(30,847,376)
Derecognition on Termination	(2,034,357)	
Corrections & modifications		
Balance as at 31 March	149,275,327	70,745,414

28.3 Maturity Analysis of Lease Liability

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Less than 01 year	14,453,814	13,500,940
02 to 05 years	63,110,085	32,072,220
More than 05 years	71,711,428	25,172,254
	149,275,327	70,745,414

28.4 Undiscounted Maturity Analysis of Lease Liability

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Up to 03 Months	9,159,450	6,772,919
03 to 12 Months	25,904,750	17,528,388
01 to 03 Years	69,994,280	31,369,750
03 to 05 Years	71,842,324	29,810,350
Over 05 Years	63,692,212	33,700,556
Total	240,593,016	119,181,963

Notes to the Financial Statements

28.5 Reconciliation of Operating Lease Commitments

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Operating Lease Commitments as at 31 March	70,745,414	71,663,438
Impact on discounting	(17,848,171)	(18,674,162)
Impact on Derecognition & Modifications	(2,034,357)	-
New branches opening during the period	98,412,441	17,756,138
Lease Liability as at 31 March	149,275,327	70,745,414

28.6 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 2025 would have impact the lease liability by approximately Rs.3,639,144/ (Rs.3,799,157) 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.35,069)/Rs. 50,371 respectively.

29. INTANGIBLE ASSETS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Computer Software		
Cost		
As at 01 April	62,026,062	51,207,336
Additions	3,541,255	10,818,726
Cost as at end of the year	65,567,318	62,026,062
Amortisation & impairment		
As at 01 April	(23,586,098)	(16,299,750)
Charge for the year	(7,939,018)	(7,286,348)
Amortisation as at end of the year	(31,525,116)	(23,586,098)
Net book value as at end of the year	34,042,201	38,439,965

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

30. DEFERRED TAXATION**Deferred Tax Assets, Liabilities and Income Tax relates to the followings.**

As at 31st March	Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2025 Rs.	31.03.2024 Rs.
Deferred Tax Liability						
Capital Allowances for Tax Purposes						
- Property Plant & Equipment	9,202,559	10,972,171	-	-	(1,769,612)	6,739,901
- Intangible Assets	7,682,162	8,710,206	-	-	(1,028,044)	2,028,441
Define Benefit Plan- Other Comprehensive Income	258,937	520,159	258,937	520,159	(261,223)	494,677
Investment Property	14,200,506	9,437,106	-	-	4,763,400	3,300,000
	31,344,164	29,639,642	258,937	520,159	1,704,522	12,563,021
Deferred Tax Assets						
Right of Use Assets	2,292,137	966,492	-	-	1,325,646	360,520
Allowance for Impairment Losses	42,666,458	34,679,019	-	-	7,987,440	1,680,057
Defined Benefit Plans	2,310,769	2,040,875	-	-	269,894	106,389
Defined Benefit Plan- Other Comprehensive Income	-	-	-	-	-	-
Brought Forward Tax Losses	-	-	-	-	-	-
	47,269,365	37,686,386	-	-	9,582,979	2,146,965
Deferred income tax charge/ (reversal)			258,937	(520,159)	(7,878,457)	10,416,056
Net Deferred Tax Liability/ (Asset)	(15,925,201)	(8,046,744)				

31. DUE TO BANKS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Bank Overdrafts	158,053,901	-
Securitised Borrowings and Other Bank Facilities (Note 31.2)	911,913,918	604,675,532
	1,069,967,819	604,675,532

31.1 Due to Banks

As at 31st March	31.03.2025		Total Rs.	31.03.2024		Total Rs.
	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.		Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	
Bank Overdrafts	158,053,901	-	158,053,901	-	-	
Term Loan facilities from Banks	371,267,209	540,646,709	911,913,918	371,267,209	233,408,323	604,675,532
	529,321,110	540,646,709	1,069,967,819	371,267,209	233,408,323	604,675,532

Notes to the Financial Statements

31.2 Term Loan facilities from Banks

Direct Bank Borrowings	As at	Loans	Loans	Interest	Repayments		As at	Period	Security
	01.04.2024	Transferred	Obtained	Recognized	Capital	Interest	31.03.2025		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Term Loans									
Term Loan 01 - Sampath Bank PLC	175,833,285	-	66,600,000	21,393,585	(42,500,020)	(21,062,603)	200,264,247	05 Years	Personal Guarantee
Term Loan 01 - Cargills Bank	6,664,800	-	-	185,482	(6,664,800)	(185,482)	-	05 years	Personal Guarantee
Pan Asia Bank	84,920,635	-	-	5,005,057	(84,920,635)	(5,005,057)	-	03 years	Loan / Lease Portfolio Mortgage
Secutization Loan	337,256,812	-	-	23,125,585	(287,000,000)	(73,382,397)	-	14 Months	Lease/HP Portfolio Mortgage
Pan Asia Bank	-	-	250,000,000	14,300,515	(42,000,000)	(12,670,707)	209,629,808	04 years	Loan/Lease Portfolio Mortgage, Director Guarantee
DFCC Bank - Revolving Loan	-	-	200,000,000	-	-	-	200,000,000	01 Years	Loan Portfolio Mortgage
DFCC Bank - Term Loan	-	-	300,000,000	2,019,863	-	-	302,019,863	05 Years	Loan Portfolio Mortgage
Tempory Loan (REPO Loan-RF20241218-018)	-	-	150,000,000	1,560,815	(150,000,000)	(1,560,815)	-	01 Years	Repo
Tempory Loan (REPO Loan-RF20250218-008)	-	-	50,000,000	503,339	(50,000,000)	(503,339)	-	01 Years	Repo
Tempory Loan (REPO Loan-RF20250227-008)	-	-	150,000,000	1,100,055	(150,000,000)	(1,100,055)	-	01 Years	Repo
	604,675,532	-	1,166,600,000	69,194,295	(813,085,455)	(115,470,454)	911,913,918		
Repurchase Agreements (REPO)	-	-	-	-	-	-	-		
Bank Overdrafts	-	-	-	-	-	-	-		
	604,675,532	-	1,166,600,000	69,194,295	(813,085,455)	(115,470,454)	911,913,918		

Direct Bank Borrowings	As at	Loans	Loans	Interest	Repayments		As at	Period	Security
	01.04.2023	Transferred	Obtained	Recognized	Capital	Interest	31.03.2024		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Term Loans									
Term Loan 01 - Sampath Bank PLC	152,705,305	-	150,000,000	14,874,784	(126,872,020)	(14,874,784)	175,833,285	05 Years	Personal Guarantee
Term Loan 01 - Cargills Bank	26,665,200	-	-	3,619,389	(20,000,400)	(3,619,389)	6,664,800	05 years	Personal Guarantee
Pan Asia Bank	186,825,397	-	-	31,764,131	(101,904,762)	(31,764,131)	84,920,635	03 years	Loan / Lease Portfolio Mortgage
Secutization Loan			367,000,000	68,306,127	(80,000,000)	(18,049,315)	337,256,812	14 Months	Lease/HP Portfolio Mortgage
	366,195,902	-	517,000,000	118,564,431	(328,777,182)	(68,307,619)	604,675,532		
Repurchase Agreements (REPO)	200,746,027	-	-	422,492	(200,746,027)	(422,492)	-		Treasury Bills
	566,941,929	-	517,000,000	118,986,923	(529,523,209)	(68,730,111)	604,675,532		

32. FINANCIAL LIABILITIES AT AMORTISED COST- DUE TO CUSTOMERS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Fixed Deposits	3,946,634,793	2,661,708,407
Savings Deposits	472,105,901	358,259,799
Interest Payable	224,718,949	250,246,452
	4,643,459,643	3,270,214,658

33. OTHER FINANCIAL LIABILITIES

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Lease Creditors (Note 28.2)	149,275,327	70,745,414
Other Payables	32,641,591	6,922,132
Provisions and Accruals (Note 33.1)	7,628,383	7,165,534
	189,545,301	84,833,080

33.1 Provisions and Accruals

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Salary Payable	2,013,178	974,550
Professional Fee Payable	2,771,433	3,406,654
Other Expenses Payable	2,843,773	2,784,330
	7,628,383	7,165,534

34. OTHER NON FINANCIAL LIABILITIES

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Payable - EPF	2,337,623	1,723,962
Payable - ETF	348,704	257,542
Payable - PAYE Tax	570,182	796,903
Payable - WHT	871,103	965,926
Payable for Tax on Financial & Non Financial Services	11,989,722	-
Payable - Income Tax	71,590,025	13,640,786
Other Payable	123,427,222	105,460,060
Other Tax Payable	2,403,539	4,561,705
	213,538,118	127,406,884

35. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Balance at the beginning of the year	6,802,916	6,363,350
Past Service Cost	(217,546)	-
Current Service Cost	1,693,819	1,272,670
Payments made during the year	(1,392,975)	(567,150)
Interest Charged/(Reversed) for the year	816,350	1,467,910
(Gain)/Loss arising from changes in the assumption	863,124	(1,733,865)
Balance at the end of the year	8,565,688	6,802,916

Notes to the Financial Statements

35.1 Expenses on Defined Benefit Plan

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Current Service Cost for the year	1,693,819	1,272,670
Interest Charge for the year	816,350	1,467,910
Past Service Cost	(217,546)	-
	<u>2,292,623</u>	<u>2,740,580</u>

35.2 Amount Recognized in the Other Comprehensive Income

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
(Gain)/Loss arising from changes in the assumption (Note 35)	863,124	(1,733,865)
	<u>863,124</u>	<u>(1,733,865)</u>

Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2025 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'.

35.3 Assumptions

35.3.1 Financial Assumptions

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Discount Rate	11.00%	12.00%
Salary Increment Rate	8%	8%

35.3.2 Demographic Assumptions

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Staff Turnover	19%	21%
Retirement Age	60 years	60 years
Mortality	A 1967/70 Mortality table	A 1967/70 Mortality table

Expected average future working life of the active participants is 4.9 years (2024: 4.1 years)

35.4 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.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2025		2024	
		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%	-	(402,695)	402,695	(197,717)	197,717
-1%	-	437,827	(437,827)	210,411	(210,411)
-	1%	411,364	(411,364)	197,978	(197,978)
-	-1%	(385,194)	385,194	(189,066)	189,066

35.5 Maturity Profile of the Defined Benefit Obligation Plan

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

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Weighted Average Duration of the Defined Benefit Obligation	4.92	3.30
Average Time to Benefit Payout	5.40	5.12
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payments		
within the next 12 months	841,476	951,158
between 02 to 05 years	2,913,565	4,514,385
between 06 to 10 years	4,054,295	1,069,719
beyond 10 years	756,351	267,654
	8,565,687	6,802,916

36. STATED CAPITAL

36.1 Issued and Fully Paid-Ordinary Shares

As at 31st March	31.03.2025		31.03.2024	
	No. of Shares	Rs.	No. of Shares	Rs.
At the Beginning of the Year	790,168,780	2,539,133,400	790,168,780	2,539,133,400
At the End of the Year	790,168,780	2,539,133,400	790,168,780	2,539,133,400

36.2 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.

Notes to the Financial Statements

36.3 Net Asset Value per Share

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
As at 31st March		
Equity Holders Funds	3,123,407,365	2,919,497,811
Total No. of Shares	790,168,780	790,168,780
Net Asset Value per ordinary share	3.95	3.69

37. RESERVES

As at 31st March	Statutory Reserve	
	31.03.2025 Rs.	31.03.2024 Rs.
As at 31 March 2024	59,642,422	54,087,738
Transfers During the Year	10,225,687	5,554,684
Regulatory Loss Allowance	5,711,038	-
As at 31 March 2025	75,579,147	59,642,422

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.

38. RETAINED EARNINGS

As at 31st March	31.03.2025 Rs.	31.03.2024 Rs.
Balance as at 01 April	320,721,989	202,969,295
Profit for the Year	204,513,741	111,093,673
Other Comprehensive Income not to be Reclassified to Profit or Loss	(604,187)	12,213,705
Transfers During the Year	(10,225,687)	(5,554,684)
Regulatory Loss Allowance	(5,711,038)	-
Balance as at 31 March	508,694,818	320,721,989

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.

38.1 Restatement Of Comparatives

During the current financial year, it was identified that the gain and loss on investment property had been erroneously classified under Other Comprehensive Income in the previous financial statements. This misclassification resulted in incorrect presentation in the Statement of Profit or Loss and Statement of Changes in Equity.

There was, however, no impact on the Statement of Financial Position

In accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the necessary adjustments have been made retrospectively in the current financial year

The impact of the restatement is summarized as follows

Item	Financial Statement Area	2025 Rs.	2024 (Restated) Rs.	2024 (Previously Reported) Rs.	Impact Rs.
Net Other Operating Income/ (Expense)	Statement of Profit or Loss	15,878,000	11,000,000	-	11,000,000
Other comprehensive income/ (expenses)	Statement of comprehensive income	-	-	11,000,000	(11,000,000)
		15,878,000	11,000,000	11,000,000	-

39. 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.

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.

Notes to the Financial Statements

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-25					31-Mar-24				
	Carrying value	Fair value measurement using			Total	Carrying value	Fair value measurement using			Total
		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.			Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	
Financial Assets										
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	21,834,438	-	21,834,438	829,306,147	-	829,306,147	-	829,306,147
Financial Investments at Fair Value through Other Comprehensive Income	315,813	-	-	315,813	315,813	315,813	-	-	315,813	315,813
Total Financial Assets	22,150,251	-	21,834,438	315,813	22,150,251	829,621,960	-	829,306,147	315,813	829,621,960

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-25					31-Mar-24				
	Carrying value	Fair value measurement using			Total	Carrying value	Fair value measurement using			Total
		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.			Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	
Financial Assets										
Financial Investment at amortised Cost	578,160,999	-	578,160,999	-	578,160,999	909,460,831	-	909,460,831	-	909,460,831
Financial assets at amortised Cost - Loans and Receivables	6,002,054,674	-	-	-	-	3,747,316,490	-	-	-	-
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,754,671,668	-	-	-	-	761,346,056	-	-	-	-
	8,334,887,340	-	578,160,999	-	578,160,999	5,418,123,377	-	909,460,831	-	909,460,831
Financial Liabilities										
Due to Customers	4,643,459,643	-	-	-	-	3,270,214,658	-	-	-	-
	4,643,459,643	-	-	-	-	3,270,214,658	-	-	-	-

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.

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalent	216,952,568	216,952,568	209,863,402	209,863,402
Financial Investment at amortised Cost	578,160,999	578,160,999	909,460,831	909,460,831
Other Financial Assets	114,240,209	114,240,209	62,789,829	62,789,829
Total Financial Assets	909,353,776	909,353,776	1,182,114,063	1,182,114,063
Financial Liabilities				
Financial Liabilities at amortised Cost - Due to Banks	1,069,967,819	1,069,967,819	604,675,532	604,675,532
Other Financial Liabilities	189,545,301	189,545,301	84,833,080	84,833,080
	1,259,513,120	1,259,513,120	689,508,612	689,508,612

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.

40. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Year ended 31 March	2025 Rs.	2024 Rs.
Nature of Assets		
Loan Lease Portfolio	962,000,000	595,878,069

41. RISK MANAGEMENT

41.1 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.

Notes to the Financial Statements

41. RISK MANAGEMENT CONTD.

41.2 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.

41.3 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
Credit Risk	1. Default Risk		<ul style="list-style-type: none"> Board approved credit policies/ procedures/ framework and annual review Delegated authority levels/ segregation of duties Setting Prudential limits on maximum exposure
		<ul style="list-style-type: none"> Probability of Default 	<ul style="list-style-type: none"> Overall NPL Ratio setting based on risk appetite
		<ul style="list-style-type: none"> Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations Loss Given Default 	<ul style="list-style-type: none"> Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios
	2. Concentration Risk	<ul style="list-style-type: none"> Sector / Asset / Client / Branch Concentrations of Lending Portfolio 	<ul style="list-style-type: none"> Concentration limits for clients/ groups, asset types
		<ul style="list-style-type: none"> Concentrations in Repossessed assets 	<ul style="list-style-type: none"> Monitoring of exposures against the limits
		<ul style="list-style-type: none"> Credit Exposure being concentrated to few sectors/ groups (insufficient diversification) Macro Credit Portfolio risk measures such as 	<ul style="list-style-type: none"> Trend analysis reported to BIRMC
	Interest rate risk	a) Provision Coverage	Strict compliance with CBSL Guidelines
		b) Net NPL as a % of Equity Funds	
		<ul style="list-style-type: none"> Net Interest Yield and Movement in Net Interest Yield 	
		<ul style="list-style-type: none"> Lending to Borrowing Ratio 	
		<ul style="list-style-type: none"> Tracking of Movements in Money Market rates 	
		<ul style="list-style-type: none"> Marginal Cost of funds / Risk based Pricing 	
		<ul style="list-style-type: none"> Gaps in asset Liability Re-Pricing 	<ul style="list-style-type: none"> Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets
Liquidity Risk	Inability to meet obligations as they fall due	<ul style="list-style-type: none"> Cumulative Gaps as a % of Cumulative Liabilities 	<ul style="list-style-type: none"> Setting of Lending to Borrowing ratios
			<ul style="list-style-type: none"> Gaps limits for structural liquidity, Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets
		<ul style="list-style-type: none"> Gaps in dynamic liquidity flows 	<ul style="list-style-type: none"> Volatile Liability Dependency measures
		<ul style="list-style-type: none"> Stocks of high quality liquid assets 	<ul style="list-style-type: none"> Balance sheet ratios

Notes to the Financial Statements

41. RISK MANAGEMENT CONTD.

41.4 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 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.

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.

41.4.1 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.

41.4.1. (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.

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 unlikelihood 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.

41.4.1.(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.

41.4.1 (c) Analysis of the total allowance for expected credit losses is as follows.

As at 31st March	2025			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Cash and Cash Equivalent	65,733	-	-	65,733
Term loan Personal Guarantees	31,495,680	3,563,942	85,165,368	120,224,989
Term loan Property Mortgage	36,599,618	13,629,249	159,016,162	209,245,029
Gold Loans	-	-	12,105	12,105
Factoring Loans	-	-	-	-
Government Undertake Loan	13,942,279	1,511,217	3,141,300	18,594,796
Lease rentals receivables and Hire Purchases	29,035,603	19,760,193	10,934,918	59,730,715
Sundry Debtors	-	-	500,000	500,000
Total allowance for expected credit losses	111,138,913	38,464,601	258,769,853	408,373,367

The methodology used in the determination of expected credit losses is explained in Note 4.1.8 to Financial Statements.

41.4.1(d) Movement of the total allowance for expected credit losses during the period

Year ended 31 March	31.03.2025 Rs.
Balance as at 01st April 2024	430,635,832
Net Charge/(Reversal) Profit and loss	(22,262,465)
Balance as at 31 Mar 2025	408,373,367

Notes to the Financial Statements

41. RISK MANAGEMENT CONTD.

41.4.1 (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.

	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	141,010,783	125,628,617	(15,382,166)
	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	141,010,783	206,897,007	65,886,224

The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

41.4.1(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.

As at 31st March	2025		
	31- 60 Days Rs	61- 90 Days Rs	Total Rs
Gold loan receivables	48,197,629	54,118,429	102,316,058
Term loan Personal Guarantees	40,414,413	27,537,012	67,951,425
Term loan Property Mortgage	314,741,589	143,237,327	457,978,916
Government Undertake	45,188,473	472,480	45,660,953
Lease rentals receivables and Hire Purchases	291,452,781	236,011,928	527,464,709
	739,994,885	461,377,175	1,201,372,060

41.4.1 (g) Overview of rescheduled / restructured loans and advances (except individually impaired loans and advances)

As at 31st March	2025								Net Carrying Value Rs.
	Gross Carrying Value				Allowance for ECL				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Term loan Property Mortgage	7,317,625	9,849,484	50,106,787	67,273,897	235,471	484,628	10,292,827	11,012,927	56,260,970
Term loan Personal Guarantees	989,638	176,651	9,562,853	10,729,143	32,147	10,186	2,816,937	2,859,270	7,869,873
	8,307,263	10,026,135	59,669,641	78,003,040	267,618	494,815	13,109,764	13,872,196	64,130,843

As at 31st March	2024								Net Carrying Value Rs.
	Gross Carrying Value				Allowance for ECL				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Term loan Property Mortgage	-	17,138,302	36,168,791	53,307,093	-	333,989	5,436,797	5,770,786	47,536,307
Term loan Personal Guarantees	-	5,191,214	9,740,862	14,932,076	-	211,005	2,875,502	3,086,507	11,845,569
	-	22,329,516	45,909,652	68,239,169	-	544,993	8,312,300	8,857,293	59,381,876

41.4.1 (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 2025, 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 2025 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity effect on statement of financial position				Sensitivity Impact of Income statement Rs.
	Increase/Decrease in Impairment Provision				
	Stage 01	Stage 02	Stage 03	Total	
	Rs.	Rs.	Rs.	Rs.	
PD/LGD	-	-	-	-	-
PD 1% Increment across all Buckets	5,579,983	599,031	-	6,179,014	(6,179,014)
PD 1% Decrease across all Buckets	(5,579,983)	(599,031)	-	(6,179,014)	6,179,014
LGD 5% Increment	17,871,128	3,272,325	11,360,420	32,503,873	(32,503,873)
LGD 5% Decrease	(17,871,128)	(3,272,325)	(11,353,250)	(32,496,703)	32,496,703
<i>Probability Weighted forward looking Macro Economic Indicators</i>				-	
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	12,884,620	1,710,417	-	14,595,037	(14,595,037)
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	(12,884,620)	(1,710,417)	-	(14,595,037)	14,595,037

41.4.1 (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 2025, 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 2025 to feasible changes in PD LGD and forward looking macro economic information.

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	Sensitivity effect on statement of financial position				Sensitivity Impact of Income statement Rs.
	Increase/Decrease in Impairment Provision				
	Stage 01	Stage 02	Stage 03	Total	
	Rs.	Rs.	Rs.	Rs.	
PD/LGD	-	-	-	-	-
PD 1% Increment across all Buckets	1,784,673	632,417	-	2,417,090	(2,417,090)
PD 1% Decrease across all Buckets	(1,784,673)	(632,417)	-	(2,417,090)	2,417,090
LGD 5% Increment	7,816,714	4,566,510	1,826,848	14,210,072	(14,210,072)
LGD 5% Decrease	(7,816,714)	(4,566,510)	(1,826,848)	(14,210,072)	14,210,072
<i>Probability Weighted forward looking Macro Economic Indicators</i>					
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	1,319,997	718,146	-	2,038,143	(2,038,143)
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	(1,319,997)	(718,146)	-	(2,038,143)	2,038,143

41.4.2 Credit Quality by Class of Financial Assets

As at 31 March	31-Mar-25					31-Mar-24				
	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage
Assets										
Cash and bank balances	216,952,568	-	-	216,952,568	2.50%	209,863,402	-	-	209,863,402	3.22%
Financial instruments at amortised cost	578,160,999	-	-	578,160,999	6.65%	909,460,831	-	-	909,460,831	13.95%
Financial assets at amortised Cost - Loans and Receivables	4,478,133,413	1,045,321,392	826,676,787	6,350,131,592	73.09%	2,458,210,962	1,066,222,701	580,394,599	4,104,828,262	62.95%
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	905,259,526	731,759,617	177,383,240	1,814,402,382	20.88%	496,469,120	258,561,030	78,090,826	833,120,977	12.78%
Other Financial Assets	114,240,209	-	-	114,240,209	1.31%	62,789,829	-	-	62,789,829	0.96%
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	-	21,834,438	0.25%	829,306,147	-	-	829,306,147	12.72%
Financial Investment as Fair Value through Other Comprehensive Income	315,813	-	-	315,813	0.00%	315,813	-	-	315,813	0.00%
Allowance for impairment				(407,807,633)	-4.69%				(429,286,693)	-6.58%
Total	6,314,896,967	1,777,081,008	1,004,060,027	8,688,230,369	100.00%	4,966,416,105	1,324,783,731	658,485,426	6,520,398,568	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.

41.4.2.1 Aging analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

As at 31 March	Past due				Total
	Less than	31 to	61 to	More than	
	30 days	60 days	90 days	90 days	
	2025	2025	2025	2025	2025
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	319,682,161	291,452,781	236,011,928	61,995,986	909,142,856
Financial assets at amortised Cost - Loans and Receivables	437,406,235	448,542,104	225,365,248	760,684,593	1,871,998,179
	757,088,396	739,994,885	461,377,175	822,680,579	2,781,141,035

As at 31 March	Past due				Total
	Less than	31 to	61 to	More than	
	30 days	60 days	90 days	90 days	
	2024	2024	2024	2024	2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	140,783,910	41,268,756	43,275,381	110,852,835	336,180,882
Financial assets at amortised Cost - Loans and Receivables	260,752,340	346,350,769	202,297,580	837,216,611	1,646,617,300
	401,536,250	387,619,525	245,572,961	948,069,446	1,982,798,182

Notes to the Financial Statements

41. RISK MANAGEMENT (CONTD.)

41.4.3 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.

As at 31 March	Note	2025		2024	
		Maximum Exposure To Credit Risk	Net Exposure	Maximum Exposure To Credit Risk	Net Exposure
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and Cash Equivalent	18	216,952,568	216,952,568	209,863,402	209,863,402
Financial Investment at amortised Cost	19	578,160,999	578,160,999	909,460,831	909,460,831
Financial assets at amortised Cost ;					
Loans & Receivables	20	6,002,054,674	1,311,325,162	3,747,316,490	1,311,325,162
Lease rentals receivables and Hire Purchases	21	1,754,671,668	754,246,056	761,346,056	754,246,056
Other Financial Assets	22	114,240,209	114,240,209	62,789,829	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	23	21,834,438	21,834,438	829,306,147	829,306,147
Financial Investment as Fair Value through Other Comprehensive Income	24	315,813	315,813	315,813	315,813
Total Financial Assets		8,688,230,369	2,997,075,246	6,520,398,568	4,077,307,241

41.4.5 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 2025	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	254,720,233	109,102,708	300,293,239	622,259,222
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	153,053,303	150,543,907	103,319,702	192,086,710
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	407,773,536	259,646,615	403,612,941	814,345,932

41.4.4 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:

As at 31 March	2025			2024		
	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Financial assets at amortised Cost - Loans and Receivables	587,738,508	826,856,788	(239,118,279)	301,605,268	450,256,786	(148,651,518)
	587,738,508	826,856,788	(239,118,279)	301,605,268	450,256,786	(148,651,518)
Financial Liabilities						
Repurchase Agreements (REPO)	32.2	-	-	-	-	-
	-	-	-	-	-	-

Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	216,952,568	-	-	216,952,568
-	-	-	-	578,160,999	-	-	578,160,999
629,478,392	3,982,581	2,319,478,191	-	-	-	2,110,817,025	6,350,131,592
77,104,884	391,627,620	670,843,613	-	-	-	75,822,644	1,814,402,382
-	-	-	-	-	-	114,240,209	114,240,209
-	-	-	-	21,834,438	-	-	21,834,438
-	-	-	-	315,813	-	-	315,813
							(407,807,633)
706,583,276	395,610,202	2,990,321,805	-	817,263,818	-	2,300,879,878	8,688,230,369

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41. RISK MANAGEMENT (CONTD.)

As at 31 March 2024	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	146,946,991	91,775,005	341,110,271	665,609,890
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	88,775,205	46,464,512	127,790,711	96,132,289
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	235,722,196	138,239,518	468,900,982	761,742,179

41.5 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.

Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	209,863,402	-	-	209,863,402
-	-	-	-	909,460,831	-	-	909,460,831
361,452,903	11,004,410	1,209,537,425	-	-	-	1,277,391,366	4,104,828,262
41,370,962	168,614,354	43,191,345	-	-	-	220,781,599	833,120,977
-	-	-	-	-	-	62,789,829	62,789,829
-	-	-	-	829,306,147	-	-	829,306,147
-	-	-	-	315,813	-	-	315,813
-	-	-	-	-	-	-	(429,286,693)
402,823,865	179,618,765	1,252,728,770	-	1,948,946,193	-	1,560,962,794	6,520,398,568

41.5.1 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 2025	Sensitivity of Profit or Loss 2025 Rs'000	Sensitivity of Equity 2025
Long Term Loans linked to AWPLR	1/ (-1)	4,079/(4,079)	0.13%
	0.5 / (0.5)	2,039/(2,039)	0.07%
	0.25 / (0.25)	1,019/(1,019)	0.03%

Currency of Borrowings/ Advance	Increase (Decrease) in basis points 2025	Sensitivity of Profit or Loss 2025 Rs'000	Sensitivity of Equity 2025
Long Term Loans linked to AWPLR	1/ (-1)	2,674/(2,674)	0.09%
	0.5 / (0.5)	1,337/(1,337)	0.05%
	0.25 / (0.25)	668/(668)	0.02%

The base ratio considers in the Interest Rate Sensitivity Analysis is the existing Loan rates. Since only 45% (2024-44%) 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.

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41. RISK MANAGEMENT (CONTD.)

41.5.2 Interest Rate Risk

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 2025	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	156,189,547	-	-	-	-	60,763,021	216,952,568
Financial Investment at amortised Cost	331,464,439	246,696,559	-	-	-	-	578,160,999
Financial assets at amortised Cost - Loans and Receivables	2,092,228,780	1,904,507,888	1,564,425,891	349,712,488	91,179,627	-	6,002,054,674
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	171,185,089	662,631,509	666,489,653	254,365,417	-	-	1,754,671,668
Other Financial Assets	-	-	-	-	-	114,240,209	114,240,209
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	21,834,438	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	2,751,067,857	2,813,835,956	2,230,915,543	604,077,905	91,179,627	197,153,482	8,688,230,370
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	411,364,559	147,990,015	336,473,245	174,140,001	-	-	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	2,735,729,837	1,718,344,173	130,165,086	59,220,546	-	-	4,643,459,643
Other Financial Liabilities	3,802,079	10,651,735	35,617,846	50,008,225	49,195,442	40,269,974	189,545,300
Total Financial Liabilities	3,150,896,475	1,876,985,923	502,256,176	283,368,773	49,195,442	40,269,974	5,902,972,763
Interest Sensitivity Gap	(399,828,619)	936,850,033	1,728,659,367	320,709,132	41,984,185	156,883,508	2,785,257,607

As at 31 March 2024	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	166,787,019	-	-	-	-	43,076,384	209,863,402
Financial Investment at amortised Cost	359,757,279	549,703,552	-	-	-	-	909,460,831
Financial assets at amortised Cost - Loans and Receivables	954,067,358	1,254,900,903	1,119,178,222	304,593,777	114,576,230	-	3,747,316,489
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	71,296,874	157,771,931	364,022,682	168,254,570	-	-	761,346,057
Other Financial Assets	-	-	-	-	-	62,789,829	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	829,306,147	829,306,147
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	1,551,908,529	1,962,376,386	1,483,200,904	472,848,347	114,576,230	935,488,173	6,520,398,569
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	377,733,107	91,109,159	75,833,265	60,000,000	-	-	604,675,532
Financial Liabilities at amortised Cost - Due to customers	1,981,904,414	1,237,201,631	24,397,261	26,711,352	-	-	3,270,214,658
Other Financial Liabilities	3,865,792	9,635,148	14,292,119	27,122,991	15,829,363	14,087,666	84,833,080
Total Financial Liabilities	2,363,503,314	1,337,945,939	114,522,645	113,834,344	15,829,363	14,087,666	3,959,723,270
Interest Sensitivity Gap	(811,594,784)	624,430,447	1,368,678,259	359,014,003	98,746,866	921,400,507	2,560,675,299

41.6 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.

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.

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41. RISK MANAGEMENT (CONTD.)

41.6.1 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 14.96% 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.

41.6.2 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 2025.

As at 31 March 2025	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	216,952,568	-	-	-	-	216,952,568
Financial Investment at amortised Cost	95,048,180	494,019,355	-	-	-	589,067,535
Financial assets at amortised Cost - Loans and Receivables	2,299,879,660	3,445,806,892	2,039,026,930	445,370,183	122,022,182	8,352,105,846
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	251,051,471	865,344,320	942,832,985	291,413,804	-	2,350,642,580
Other Financial Assets	114,240,209	-	-	-	-	114,240,209
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	-	-	-	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	2,999,006,527	4,805,170,567	2,981,859,915	736,783,987	122,337,995	11,645,158,991
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	284,513,588	379,379,061	500,398,903	280,889,600	-	1,445,181,153
Financial Liabilities at amortised Cost - Due to customers	2,689,653,423	1,851,378,747	206,416,293	68,636,761	-	4,816,085,224
Other Financial Liabilities	49,429,424	25,904,750	69,994,280	71,842,324	63,692,212	280,862,990
Total Financial Liabilities	3,023,596,435	2,256,662,559	776,809,476	421,368,685	63,692,212	6,542,129,367
Net Financial Asset/Liabilities	(24,589,907)	2,548,508,008	2,205,050,439	315,415,302	58,645,783	5,103,029,624

41.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

As at 31 March 2024	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	209,863,402	-	-	-	-	209,863,402
Financial Investment at amortised Cost	365,098,675	578,175,771	-	-	-	943,274,447
Financial assets at amortised Cost - Loans and Receivables	1,091,110,362	1,570,107,319	1,562,186,124	422,218,194	167,909,763	4,813,531,761
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	142,561,472	277,674,567	537,941,067	203,698,664	-	1,161,875,771
Other Financial Assets	62,789,829	-	-	-	-	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	829,306,147	-	-	-	-	829,306,147
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	2,700,729,888	2,425,957,657	2,100,127,190	625,916,858	168,225,576	8,020,957,170
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	97,736,428	132,501,674	104,162,522	69,076,547	-	403,477,172
Financial Liabilities at amortised Cost - Due to customers	2,173,696,755	1,452,684,731	52,353,585	56,319,094	-	3,735,054,164
Other Financial Liabilities	20,860,585	17,528,388	31,369,750	29,810,350	33,700,556	133,269,629
Total Financial Liabilities	2,292,293,768	1,602,714,793	187,885,857	155,205,991	33,700,556	4,271,800,965
Net Financial Asset/Liabilities	408,436,120	823,242,864	1,912,241,333	470,710,867	134,525,020	3,749,156,204

41.7 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.

However, the impact on Exchange rate risk is minimal as the company does not have a material foreign currency position.

Notes to the Financial Statements

42. 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 2025	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	216,952,568	-	-	-	-	216,952,568
Financial Investment at amortised Cost	331,464,439	246,696,559	-	-	-	578,160,999
Financial assets at amortised Cost	2,092,228,780	1,904,507,888	1,564,425,891	349,712,488	91,179,627	6,002,054,674
- Loans and Receivables						
Financial assets at amortised Cost	171,185,089	662,631,509	666,489,653	254,365,417	-	1,754,671,668
- Lease rentals receivables and Hire Purchases						
Other Financial Assets	114,240,209	-	-	-	-	114,240,209
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	-	-	-	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	2,947,905,525	2,813,835,956	2,230,915,543	604,077,905	91,495,440	8,688,230,370
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	411,364,559	147,990,015	336,473,245	174,140,001	-	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	2,735,729,837	1,718,344,173	130,165,086	59,220,546	-	4,643,459,643
Other Financial Liabilities	44,072,053	10,651,735	35,617,846	50,008,225	49,195,442	189,545,300
Total Liabilities	3,191,166,449	1,876,985,923	502,256,176	283,368,773	49,195,442	5,902,972,763

As at 31 March 2024	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	209,863,402	-	-	-	-	209,863,402
Financial Investment at amortised Cost	359,757,279	549,703,552	-	-	-	909,460,831
Financial assets at amortised Cost	954,067,358	1,254,900,903	1,119,178,222	304,593,777	114,576,230	3,747,316,489
- Loans and Receivables						
Financial assets at amortised Cost	71,296,874	157,771,931	364,022,682	168,254,570	-	761,346,057
- Lease rentals receivables and Hire Purchases						
Other Financial Assets	62,789,829	-	-	-	-	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	829,306,147	-	-	-	-	829,306,147
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	2,487,080,889	1,962,376,386	1,483,200,904	472,848,347	114,892,043	6,520,398,569
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	377,733,107	91,109,159	75,833,265	60,000,000	-	604,675,532
Financial Liabilities at amortised Cost - Due to customers	1,981,904,414	1,237,201,631	24,397,261	26,711,352	-	3,270,214,658
Other Financial Liabilities	17,953,457	9,635,148	14,292,119	27,122,991	15,829,363	84,833,080
Total Liabilities	2,377,590,979	1,337,945,939	114,522,645	113,834,344	15,829,363	3,959,723,270

Notes to the Financial Statements

43. COMMITMENTS AND CONTINGENCIES

As at 31 March	2025 Rs.					2024 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	73,530,967	-	-	-	73,530,967	83,304,693	-	-	-	83,304,693
	73,530,967	-	-	-	73,530,967	83,304,693	-	-	-	83,304,693
Contingencies										
Letter of Guarantees										
Granted	33,500,000	-	-	-	33,500,000	79,000,000	-	-	-	79,000,000
Total Commitments & Contingencies	107,030,967	-	-	-	107,030,967	162,304,693	-	-	-	162,304,693

43.1 Capital commitments

The Company has no commitments for acquisition of Property, Plant & Equipment and Intangible assets incidental to the ordinary course of business.

43.2 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 2025 which would have a material impact on the Financial Statements.

44. 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.

45. 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.

45.1 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.

45.2 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.

Year ended 31 March 2025	2025 Rs.	2024 Rs.
Short Term Employee Benefits		
Remuneration and other expenses of directors	25,391,500	24,370,000
Total	25,391,500	24,370,000

45.3 Transactions, Arrangements and Agreements involving KMPs and their Close Family Members (CFMs)

45.3.1 Loans and advances granted to KMPs are detailed below.

Year ended 31 March 2025	2025 Rs.	2024 Rs.
Loans granted during the year	10,733,000	-
Loans held at the end of the year	10,812,548	-
Interest received on Loans	1,471,212	-

45.3.2 Deposits and Borrowings from KMPs are detailed below.

Year ended 31 March 2025	2025 Rs.	2024 Rs.
Term/Savings deposits accepted during the year	20,505,165	281,134
Term/Savings deposits held at the end of the year	16,150,377	20,894,763
Interest payable on Term/Savings deposits	545,657	278,331
Interest paid on Term/Savings deposits	1,093,854	2,572,985

45.4 Transactions, Arrangements and Agreements involving with Related Entities of KMPs and their CMFs

45.4.1 Loans and Advances

There were no transactions involving with Related Entities of KPMs and their Close Family members during the financial year 2024/2025(2023/2024 - Nil).

Notes to the Financial Statements

46. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31st March	2025			2024		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Cash Equivalent	216,952,568	-	216,952,568	209,863,402	-	209,863,402
Financial Investment at amortized Cost	578,160,999	-	578,160,999	909,460,831	-	909,460,831
Financial assets at amortized Cost - Loans and Receivables	3,996,736,668	2,005,318,006	6,002,054,674	2,208,968,261	1,538,348,228	3,747,316,489
Financial assets at amortized Cost - Lease rentals receivables and Hire Purchases	833,816,598	920,855,070	1,754,671,668	229,068,805	532,277,252	761,346,057
Other Financial Assets	114,240,209	-	114,240,209	62,789,829	-	62,789,829
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	21,834,438	829,306,147	-	829,306,147
Financial Investment at Fair value through Other Comprehensive Income	-	315,813	315,813	-	315,813	315,813
Other Non Financial Assets	34,908,994	-	34,908,994	48,943,046	-	48,943,046
Investment Property	-	224,000,000	224,000,000	-	191,000,000	191,000,000
Property, Plant and Equipment	-	109,742,300	109,742,300	-	139,078,783	139,078,783
Right of Use Assets	-	141,634,869	141,634,869	-	67,523,775	67,523,775
Intangible Assets	-	34,042,201	34,042,201	-	38,439,965	38,439,965
Deferred Tax Asset	-	15,925,201	15,925,201	-	8,046,744	8,046,744
Total Assets	5,796,650,475	3,451,833,460	9,248,483,934	4,498,400,321	2,515,030,560	7,013,430,881
Liabilities						
Financial Liabilities at amortized Cost - Due to Banks	559,354,574	510,613,245	1,069,967,819	468,842,267	135,833,265	604,675,532
Financial Liabilities at amortized Cost - Due to customers	4,454,074,010	189,385,633	4,643,459,643	3,219,106,045	51,108,613	3,270,214,658
Other Financial Liabilities	54,723,788	134,821,513	189,545,300	27,588,606	57,244,474	84,833,080
Other Non Financial Liabilities	213,538,118	-	213,538,118	127,406,884	-	127,406,884
Retirement Benefits Liabilities	-	8,565,688	8,565,688	-	6,802,916	6,802,916
Total Liabilities	5,281,690,490	843,386,079	6,125,076,569	3,842,943,801	250,989,268	4,093,933,069
Maturity Gap	514,959,985	2,608,447,381	3,123,407,366	655,456,520	2,264,041,292	2,919,497,812
Cumulative Gap	514,959,985	3,123,407,366	-	655,456,520	2,919,497,812	-

47. 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 2025 or 2024.

There were no transactions between reportable segments in 2025 or 2024.

For the Year ended 31st March	Loans		Lease & Hire Purchase		Others		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income								
Interest Income	983,896,098	894,679,972	256,016,751	112,695,091	83,114,310	195,073,771	1,323,027,160	1,202,448,835
Other Income	53,190,312	41,989,980	13,840,497	5,289,114	65,722,180	129,987,500	132,752,989	177,266,594
Total Income	1,037,086,410	936,669,952	269,857,248	117,984,206	148,836,490	325,061,271	1,455,780,148	1,379,715,429
Unallocated Expenses							(1,173,094,839)	(1,231,157,545)
Profit / (Loss) Before Tax							282,685,309	148,557,884
Income Tax (Expense)/							(78,171,567)	(26,464,210)
Reversal								
Net Profit / (Loss) for the period							204,513,742	122,093,674
Segment Assets	6,002,054,674	3,747,316,490	1,754,671,668	761,346,056	599,995,437	1,738,766,978	8,356,721,779	6,247,429,523
Unallocated Assets							891,762,156	766,001,358
Total Assets	6,002,054,674	3,747,316,490	1,754,671,668	761,346,056	599,995,437	1,738,766,978	9,248,483,934	7,013,430,881
Unallocated Liabilities							6,125,076,569	4,093,933,070
Total Liabilities							6,125,076,569	4,093,933,071

48. 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.

Five Years Summary

INCOME STATEMENT

	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2021 Rs.
Income	1,455,780,148	1,379,715,429	1,104,019,440	541,564,212	461,375,089
Interest Income	1,323,027,160	1,202,448,835	1,031,981,246	504,110,594	456,255,319
Less: Interest Expenses	(476,220,432)	(620,158,267)	(427,366,144)	(104,982,427)	(108,199,704)
Net Interest Income	846,806,728	582,290,568	604,615,102	399,128,167	348,055,615
Fee and Commission Income	67,030,809	47,279,094	39,592,621	45,836,522	29,024,159
Less: Fee and Commission Expenses	-	-	-	-	-
Net Fee and Commission Income	67,030,809	47,279,094	39,592,621	45,836,522	29,024,159
Net Other Operating Income/(Expense)	65,722,180	129,987,500	32,445,572	(8,382,904)	(23,904,388)
Total Operating Profit	979,559,716	759,557,162	676,653,295	436,581,786	353,175,385
Impairment(Charge)/Reversal	(89,460,894)	(122,568,495)	(90,994,761)	61,695,234	(22,885,058)
Net Operating Income	890,098,821	636,988,667	585,658,534	498,277,020	330,290,327
Less : Operating Expenses					
Personnel Costs	(240,014,847)	(193,798,307)	(145,811,074)	(106,401,014)	(93,716,366)
Depreciation and Amortization	(95,356,881)	(76,799,410)	(61,957,077)	(44,834,695)	(41,129,767)
Other Operating expenses	(166,259,729)	(145,509,321)	(117,459,076)	(67,109,515)	(73,210,778)
	(501,631,457)	(416,107,038)	(325,227,227)	(218,345,223)	(208,056,913)
Operating Profit before Tax on Financial Services	388,467,365	220,881,629	260,431,307	279,931,796	122,233,416
Taxes on Financial Services	(105,782,057)	(72,323,746)	(47,877,516)	(41,413,734)	(21,943,495)
Profit before tax	282,685,308	148,557,883	212,553,791	238,518,062	100,289,920
Less: Income tax (expense)/Reversal	(78,171,567)	(26,464,210)	(49,783,037)	(140,936,083)	(75,286,361)
Profit for the Year	204,513,741	122,093,673	162,770,755	97,581,979	25,003,559
Basic earnings per share (Rs.)	0.26	0.15	0.21	0.12	0.04

STATEMENT OF COMPREHENSIVE INCOME

	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2021 Rs.
Profit for the year	204,513,741	122,093,673	162,770,755	97,581,979	25,003,559
Other comprehensive income/ (expenses)					
Other comprehensive income that will not to be reclassified to profit or loss:					
Actuarial gain/(loss) on defined benefit plan	(863,125)	1,733,864	(84,936)	13,941	(749,914)
Deferred tax effect on actuarial gain/(loss)	258,937	(520,159)	25,481	(1,952)	179,979
	(604,187)	1,213,705	(59,455)	11,989	51,254
Other comprehensive income for the year, net of tax	(604,187)	1,213,705	(59,455)	11,989	(569,935)
Total comprehensive income for the year, net of tax	203,909,554	123,307,378	162,711,300	97,593,968	24,433,624
Attributable to :					
Equity holders of the Company	203,909,554	123,307,378	162,711,300	97,593,968	24,433,624
	203,909,554	123,307,378	162,711,300	97,593,968	24,433,624

Five Years Summary

STATEMENT OF FINANCIAL POSITION

	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2021 Rs.
Assets					
Cash and Cash Equivalent	216,952,568	209,863,402	179,594,556	229,434,047	218,507,168
Financial Investment at amortised Cost	578,160,999	909,460,831	809,683,821	746,819,780	662,295,154
Financial assets at amortised Cost - Loans and Receivables	6,002,054,674	3,747,316,490	3,738,803,049	2,634,321,859	1,969,102,470
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,754,671,668	761,346,056	441,429,394	392,635,779	336,747,406
Other Financial Assets	114,240,209	62,789,829	31,361,557	16,919,514	7,763,678
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	829,306,147	219,753,524	19,508,717	100,463,534
Financial Investment at Fair value through Other Comprehensive Income	315,813	315,813	315,813	315,813	315,813
Other Non Financial Assets	34,908,994	48,943,046	56,320,987	55,345,017	37,862,474
Investment Property	224,000,000	191,000,000	180,000,000	-	-
Property, Plant and Equipment	109,742,300	139,078,783	97,223,763	84,108,889	39,025,049
Right of Use Assets	141,634,869	67,523,775	69,643,533	73,443,343	52,982,570
Intangible Assets	34,042,201	38,439,965	34,907,586	39,121,865	42,186,213
Deferred Tax Asset	15,925,201	8,046,744	18,462,799	64,691,455	205,629,491
Total Assets	9,248,483,934	7,013,430,881	5,877,500,382	4,356,666,078	3,672,881,020
Liabilities					
Financial Liabilities at amortised Cost - Due to Banks	1,069,967,819	604,675,532	566,941,929	586,370,993	518,414,541
Financial Liabilities at amortised Cost - Due to customers	4,643,459,643	3,270,214,658	2,380,339,395	962,635,583	831,583,929
Other Financial Liabilities	189,545,301	84,833,080	85,609,323	81,104,538	175,135,322
Other Non Financial Liabilities	213,538,118	127,406,884	42,055,952	40,778,035	36,498,714
Retirement Benefits Liabilities	8,565,688	6,802,916	6,363,350	4,887,670	4,310,160
Total Liabilities	6,125,076,569	4,093,933,070	3,081,309,949	1,675,776,819	1,565,942,666
Equity					
Stated Capital	2,539,133,400	2,539,133,400	2,539,133,400	2,539,133,400	2,039,133,400
Reserves	75,579,147	59,642,422	54,087,738	45,949,200	41,070,101
Retained Earnings	508,694,818	320,721,989	202,969,295	95,806,659	26,734,853
Total Equity	3,123,407,365	2,919,497,811	2,796,190,433	2,680,889,259	2,106,938,354
Total Equity and Liabilities	9,248,483,934	7,013,430,881	5,877,500,382	4,356,666,078	3,672,881,020
EPS(Rs.)	0.26	0.15	0.21	0.12	0.04
ROE %	6.55	4.27	5.94	4.08	1.19
ROA %	4.78	2.30	4.15	5.94	2.96
NIM %	11.94	10.75	12.12	10.58	10.27
NPL (net) %	5.01	10.00	8.97	3.23	0.35
Tier 1 Capital Adequacy Ratio (Minimum Requirement 8.50%) %	36.77	42.07	45.15	54.04	56.45
Total Capital Adequacy Ratio (Minimum Requirement 12.50%) %	36.73	42.07	45.15	54.04	56.45
Liquid Asset Ratio %	14.96	16.76	22.53	24.01	33.05

STATEMENT OF CHANGES OF EQUITY

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Total Equity Rs.
Adjusted Balance as at 01 April 2020	3,231,604,341	(1,788,052,934)	39,819,924	1,483,371,331
Net Profit / (loss) for the Year	-	25,003,559	-	25,003,559
Other Comprehensive Income Net of Tax	-	(569,935)	-	(569,935)
Transfer to Statutory Reserve Fund	-	(1,250,178)	1,250,178	-
Total Comprehensive Income for the Year, Net of Tax	-	23,183,446	1,250,178	24,433,624
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	599,133,400	-	-	599,133,400
Capital Reduction from existing capital	(1,791,604,341)	1,791,604,341	-	-
Total Transactions with Equity Holders	(1,192,470,941)	1,791,604,341	-	599,133,400
Balance as at 31 March 2021	2,039,133,400	26,734,853	41,070,102	2,106,938,355
Prior year adjustment to opening profit	-	-	-	-
Adjusted 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

Five Years Summary

STATEMENT OF CHANGES OF EQUITY (Contd.)

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Total Equity Rs.
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	-	-	-	-
Shares issue Cost	-	-	-	-
Pending Share Allotment	-	-	-	-
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	202,969,294	54,087,738	2,796,190,432
Balance as at 01 April 2023	2,539,133,400	202,969,295	54,087,738	2,796,190,433
Net Profit / (Loss) for the Year	-	122,093,673	-	122,093,673
Other Comprehensive Income Net of Tax	-	1,213,705	-	1,213,705
Transfer to Statutory Reserve Fund	-	(5,554,684)	5,554,684	-
Total Comprehensive Income for the Year, Net of Tax	-	117,752,694	5,554,684	123,307,378
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	-	-	-	-
Dividend Paid	-	-	-	-
Pending Share Allotment	-	-	-	-
Total Transactions with Equity Holders	-	-	-	-
Balance as at 31 March 2024	2,539,133,400	320,721,989	59,642,422	2,919,497,811
Prior year adjustment to opening profit	-	-	-	-
Balance as at 01 April 2024	2,539,133,400	320,721,989	59,642,422	2,919,497,811
Net Profit / (Loss) for the Year	-	204,513,741	-	204,513,741
Other Comprehensive Income Net of Tax	-	(604,187)	-	(604,187)
Transfer to Statutory Reserve Fund	-	(10,225,687)	10,225,687	-
Regulatory Loss Allowance	-	(5,711,038)	5,711,038	-
Total Comprehensive Income for the Year, Net of Tax	-	187,972,829	15,936,725	203,909,554
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners				
Shares issue during the year	-	-	-	-
Shares issue Cost	-	-	-	-
Pending Share Allotment	-	-	-	-
Dividend Paid	-	-	-	-
Total Transactions with Equity Holders	-	-	-	-
Balance as at 31 March 2025	2,539,133,400	508,694,818	75,579,147	3,123,407,365

STATEMENT OF CASH FLOWS

	31.03.2025 Rs.	31.03.2024 Rs.	31.03.2023 Rs.	31.03.2022 Rs.	31.03.2021 Rs.
Cash Flows Used in Operating Activities					
Profit before tax from continuing operations	282,685,308	148,557,883	212,553,791	238,518,062	100,289,920
Adjustments for					
Depreciation and Amortization	66,855,861	54,433,515	41,591,568	44,834,695	41,129,767
Amortization of right of use asset	28,501,020	22,365,895	-	-	-
Loss/(Profit) on Disposal of Property, Plant and Equipment	-	-	-	-	-
Provision/(Reversal) for Defined Benefit Plans	2,292,623	2,740,580	1,871,057	1,186,501	1,337,130
Loss/(Profit) on sale of Investment Property	-	-	-	-	45,300,000
(Gain)/Losses from Change in fair value of Investment Properties	(15,878,000)	(11,000,000)	(20,457,020)	-	-
Fair Value (Gain) / Loss from Share Investments & Unit Trust	(37,528,292)	(107,555,761)	(7,189,330)	10,813,684	-
Dividend Received	-	-	(899,287)	(561,832)	-
(Gain)/Loss on Termination/Modification of ROU Assets	-	-	(2,648,282)	-	-
Impairment (Reversal)/Charges for Loans & receivable and Lease rentals receivables & Hire Purchases	89,460,894	119,974,039	85,073,977	(61,771,515)	(303,694,156)
Interest on Lease Liability	19,789,736	12,173,215	-	-	-
Interest Expenses on Borrowings	69,194,295	-	-	-	-
Impairment (Reversal)/Charges for Financial Investments	-	-	554,874	76,281	217,985
Write off balances	110,939,955	-	-	-	326,361,229
Operating Profit before Working Capital Changes	616,313,399	241,689,365	310,451,349	233,095,876	210,941,875
Working Capital Adjustments					
(Increase) / Decrease Lease Rentals Receivables and Hire Purchases	(1,092,221,360)	(329,033,350)	(64,566,778)	(80,457,144)	(156,024,954)
(Increase) / Decrease Loans and Receivables	(2,356,243,284)	(119,370,791)	(1,312,267,120)	(578,879,103)	(360,385,171)
(Increase) / Decrease Other Financial Assets	(51,450,380)	(31,428,272)	(14,442,043)	(9,155,836)	2,235,724
(Increase) / Decrease Other Non Financial Assets	(90,420,185)	(13,520,710)	(975,969)	(17,482,541)	12,216,365
Increase / (Decrease) in Other Liabilities	145,101,220	89,608,065	6,923,343	(89,751,464)	85,302,195
Increase / (Decrease) in Due to Customers	1,373,244,985	889,875,263	1,417,703,812	131,051,653	(180,651,714)
Cash Flow from/(used in) Operating Activities	(1,455,675,606)	727,819,571	342,826,594	(411,578,560)	(386,365,679)
Gratuity Paid	(1,392,975)	(567,150)	(480,313)	(595,050)	(315,313)
Income Tax Paid	(22,200,679)	(2,927,527)	(3,528,900)	-	-
Net Cash from Operating Activities	(1,479,269,260)	724,324,894	338,817,381	(412,173,610)	(386,680,991)
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	(32,438,709)	(93,499,983)	-	(69,630,765)	(14,503,182)
Acquisition of Intangible Assets	(3,541,255)	(10,818,726)	-	(2,600,000)	(41,488,747)
Proceeds from Sales of Investment Properties and PPE	2,858,348	4,497,797	-	-	311,000,000
Net Investment Acquisition	331,299,833	(99,777,011)	-	(2,279,890)	(424,379,008)
Acquisition of Investment Properties	(17,122,000)	-	-	-	-
Net Investments in Shares & Unit Trust	845,000,000	(501,996,861)	-	-	-
Dividend Received	1,842,124	652,512	-	561,832	-
Net Cash Flows from/(Used in) Investing Activities	1,127,898,341	(700,942,272)	(306,028,069)	(73,948,823)	(169,370,937)
Cash Flows from (used in) Financing Activities					
Proceeds from Issuance of Share Capital	-	-	-	500,000,000	599,133,400
Dividend Paid	-	-	(46,074,752)	-	-
Share Issue Cost	-	-	-	(23,643,063)	-
Proceeds from Interest Bearing Loans & Borrowings	1,166,600,000	37,733,602	8,326,228	51,048,930	5,026,960
Repayment of Interest Bearing Loans & Borrowings	(928,555,908)	-	-	-	-
Payment of Capital portion of Lease Liabilities	(37,637,907)	(30,847,376)	(14,480,696)	(12,127,180)	(9,137,052)
Net Cash used in Financing Activities	200,406,185	6,886,226	(52,229,219)	515,278,687	595,023,308
Net Increase in Cash and Cash Equivalents	(150,964,735)	30,268,848	(19,439,908)	29,156,255	38,971,379
Cash and Cash Equivalents at the beginning of the year	209,909,086	179,640,236	199,080,144	169,923,889	130,952,510
Cash and Cash Equivalents at the end of the year	58,944,351	209,909,086	179,640,236	199,080,144	169,923,889

Investor Information

TOP 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2025

Serial No	Shareholder Name	Number of shares	Shareholding %
1	LANKA CREDIT AND BUSINESS LIMITED	569,538,406	72.08
2	MR. KAPILA INDIKA WEERASINGHE	12,500,000	1.58
3	FINCO HOLDINGS (PRIVATE) LIMITED	8,687,788	1.10
4	HATTON NATIONAL BANK PLC/WETHTHINGE JINADASA	7,244,415	0.92
5	MR. R.C.D. DE SLIVA	6,632,472	0.84
6	MRS.T.T. A. DE SLIVA WEERASOORIYA	6,364,724	0.81
7	MR. B. T. DE S WEERASOORIYA	5,170,651	0.65
8	PEOPLES LEASING & FINANCE PLC	5,000,000	0.63
9	SEYLAN BANK PLC/ ANDARADENIYA ESTATE (PVT) LTD	5,000,000	0.63
10	MR. B.A.D.R.DISSANAYAKE	4,750,000	0.60
11	HELIOS VENTURES (PVT) LTD	3,356,901	0.42
12	MRS. W.A.I. KUMARASINGHE	3,071,268	0.39
13	PEOPLES LEASING & FINANCE PLC/ U.L.B.ARIYARATNA	2,839,960	0.36
14	MR. M.F. BAKIR	2,700,000	0.34
15	MR.A.P. MANAWADU	2,632,500	0.33
16	L E LIYANAGE	2,500,000	0.32
17	ASPIC CORPORATION LIMITED	2,440,228	0.31
18	MR. M.S.M. PERERA	2,155,216	0.27
19	MR. J. P. JAYARAMU	2,102,300	0.27
20	PEOPLES LEASING AND FINANCE PLC/ L.P. HAPANGAMA	2,096,830	0.27
		656,783,659	83.12
	Others	133,385,121	16.88
	Total	790,168,780	100.00

PUBLIC HOLDING OF SHARES OF THE COMPANY

In terms of the rule 7.14.1(i)(b) of the Listing Rules of the Colombo Stock Exchange, the Company Qualifies under option two (02) of the minimum public holding requirement.

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.	541,138,972	10%	26.33%	200	4,727

TOP 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2024

Serial No	Shareholder Name	Number of shares	Shareholding %
1	LANKA CREDIT AND BUSINESS LIMITED	569,538,406	72.08
2	NATION LANKA FINANCE PLC	13,850,000	1.75
3	MR. KAPILA INDIKA WEERASINGHE	12,500,000	1.58
4	MERCHANT BANK OF SRI LANKA & FINANCE PLC/MAWELI FINANCE (PVT) LTD	9,615,099	1.22
5	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/R RANAWEERA	9,364,478	1.19
6	MR. VICTOR RAJAMANNER RAMANAN	6,000,000	0.76
7	PEOPLE'S LEASING & FINANCE PLC	5,000,000	0.63
8	BAMUNU ARACHCHIGE DAYANATHA RANJAN DISSANAYAKE DISSANAYAKE	4,750,000	0.60
9	HELIOS VENTURES (PVT) LTD	3,356,901	0.42
10	WIMALARATNEGE ARUNI INDIKA KUMARASINGHE	3,071,268	0.39
11	MR AJITH PRIYADARSHANA MANAWADU	2,632,500	0.33
12	MR. RAVINDRA ERLE RAMBUKWELLE	2,625,000	0.33
13	LALITHA ELABADA LIYANAGE	2,500,000	0.32
14	ANGULUGAHA GAMAGE LASATH NAMAL GAMAGE	2,500,000	0.32
15	MR. DUMINDA SAMPATH DEERASINGHE	2,456,000	0.31
16	ASPIC CORPORATION LIMITED	2,440,228	0.31
17	MR. MOHAMED FAYAD BAKIR	2,430,000	0.31
18	MR. INDIKA PRASATH MALAWARAARACHCHI	2,064,400	0.26
19	MR. PALAMANDADIGE LAHIRU SHANTHAWARNA ARIYANANDA	1,997,200	0.25
20	MR. LANKESHWARAGE CHANAKA ANURANGA LANKESHWARA	1,950,000	0.25
21	DFCC BANK PLC/L C A LANKESHWARA	1,845,800	0.23
		662,487,280	83.84
	Others	127,681,500	16.16
	Total	790,168,780	100.00

PUBLIC HOLDING

In terms of the rule 7.14.1(i)(b) of the Listing Rules of the Colombo Stock Exchange, the Company Qualifies under option two (02) of the minimum public holding requirement.

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.	381,572,504	10%	21.95%	200	4,829

Investor Information

INVESTOR INFORMATION AS AT 31ST MARCH 2025

Shareholding	Local			Foreign			Total		
	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%
1 - 1,000	2,016	505,475	0.06	3.00	697	-	2,019.00	506,172	0.06
1,001 - 10,000	1,677	7,157,359	0.91	-	-	-	1,677.00	7,157,359	0.91
10,001 - 100,000	760	24,810,176	3.14	1.00	100,000	0.01	761.00	24,910,176	3.15
100,001 - 1,000,000	227	66,637,805	8.43	1.00	185,000	0.02	228.00	66,822,805	8.45
1,000,001 & above	44	690,772,268	87.43	-	-	-	44.00	690,772,268	87.43
Total	4,724	789,883,083	99.97	5	285,697	0.03	4,729	790,168,780	100

Categories of Shareholders	No of Shareholders	No of Shares	%
Institutional	151	636,076,130	80.50
Individual	4,578	154,092,650	19.50
Total	4,729	790,168,780	100.00

DIRECTORS SHAREHOLDINGS

Name		As at 31.03.2025 Ordinary Shares	As at 31.03.2024 Ordinary Shares
1	Mr. Dushmantha Thotawatte	Nil	Nil
2	Mr. Kandegoda Gamage Leelananda	Nil	Nil
3	Mr. Ranjan Lal Masakorala	Nil	Nil
4	Mr. Gayan Kalahara Nanayakkara	Nil	Nil
5	Mr. Ashwin Welgama Nanayakkara	Nil	Nil
6	Mr. Kapila Indika Weerasinghe	12,500,000	12,500,000
7	Mr. Mahesh Katulanda	Nil	Nil
8	Mr. Jayalath Pathiranalage Chandrasiri Jayalath	Nil	Nil
9	Dr. Srinath Ajith Kumara Alahakoon	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 2025, the Company maintained a Tier I ratio of 36.77% and a Tier II ratio also 36.73% because LCB Finance has no any debt capital as at 31 March 2025. Finally Tier 1 ratio is above the minimum regulatory requirements (Tier I - 8.5%) set by CBSL.

Item	Amount Rs. 000
Tier 1 Capital	3,054,920
Total Capital	3,052,278
Total Risk Weighted Amount	8,309,202
Risk Weighted Amount for Credit Risk	7,337,189
Risk Weighted Amount for Operational Risk	972,014
Core Capital (Tier 1) %	36.77%
Total Capital Ratio %	36.73%

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 Central 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 share of 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.

D**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 foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

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.

Glossary of Terms

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.

INDIVIDUALLY 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.

INTEREST 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.

INTEREST 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.

INVESTMENT 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 SECURITIES

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 intended 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 DEFAULT

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 INTEREST INCOME

Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

NET INTEREST 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 DEFAULT (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 subordinated 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.

Notes

Notice of Annual General Meeting

LANKA CREDIT AND BUSINESS FINANCE PLC

(Company Registration No. PQ00251997)
No. 76, S. De S. Jayasinghe Mawatha, Kohuwela

NOTICE OF THE VIRTUAL 63RD ANNUAL GENERAL MEETING

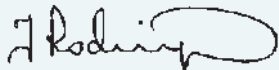
NOTICE IS HEREBY GIVEN that the Virtual 63rd Annual General Meeting of **LANKA CREDIT AND BUSINESS FINANCE PLC** will be held on **25th July 2025 at 10.00 a.m.** at No. 76, S. De S. Jayasinghe Mawatha, Kohuwela via online platform for the following purposes;

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 2025 together with the report of the Auditors thereon.
2. To re-appoint M/s. Earnest & Young, Chartered 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



Tamarika Rodrigo

Company Secretary

At Colombo, this 02nd July 2025

Note:

- **No shareholder will be permitted to be physically present at the venue and request to 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 tamarika@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, or entitled to appoint a Proxy to participate 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 tamarika@lcbfinance.lk or deposited with company Secretary, **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 63RD ANNUAL GENERAL MEETING

01	Full Name of Shareholder:		
02	NIC/Passport No./ Company Registration No.		
03	CDS Account No. (If applicable)		
04	Address of Shareholder:		
05	Contact Telephone No.	Fixed line	Mobile
06	e-mail address		
07	Full Name of Proxyholder / Power of Attorney (if applicable):		
08	Address:		
09	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 tamarika@lcbfinance.lk on or before 23rd July 2025.
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. M. Katulanda | or failing him |
| (3) Mr. K. G. Leelananda | or failing him | (9) Mr. J. P. C. Jayalath | or failing him |
| (4) Mr. K. I. Weerasinghe | or failing him | (10) Dr. S.A.K. Alahakoon | |
| (5) Mr. R. L. Masakorala | or failing him | | |
| (6) Mr. G. K. Nanayakkara | or failing him | | |
| (7) Mr. A. W. Nanayakkara | 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 63rd Annual General Meeting** of Lanka Credit and Business Finance Limited to be held on **25th July 2025 at 10.00 a.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 2025 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint M/s. Earnest & Young Chartered Accountants Chartered Accountants as the Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday of.....2025.

.....
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.

Form of Proxy

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 Company Secretary at Lanka Credit and Business Finance PLC, No76, S de S Jayasinghe Mawatha, Kohuwala or email to tamarika@lcbfinance.lk 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.

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 Monetary 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

Ms Tamarika Rodrigo
No 76, S De S Jayasinghe MW Kohuwela
Tel : +94 11 2825404 – 6
Fax : +94 11 2825405

AUDITORS TO THE COMPANY

M/s Ernst & Young Chartered Accountants
Rotunda Towers
No.109, Galle Road
P.O. Box 101, Colombo 03
Tel : +94 11 2463500
Fax : +94 11 7687869

CENTRAL BANK LICENSE NO.

21

TAX PAYER IDENTITY NUMBER (TIN)

124004284

NO OF BRANCHES

As At 31/03/2025 21

BOARD OF DIRECTORS

Mr. Dushmantha Thotawatte
- Chairman / Non-Executive / Independent
Mr. Kandegoda Gamage Leelananda
- Chief Executive Officer / Executive / Non-Independent
Mr. Ranjan Lal Masakorala
- Non-Executive Director / Non-Independent
Mr. Gayan Kalhara Nanayakkara
- Non-Executive Director / Non-Independent
Mr. Ashwin Welgama Nanayakkara
- Non-Executive Director / Non-Independent
Mr. Kapila Indika Weerasinghe
- Non-Executive Director / Non-Independent
Mr. Mahesh Katulanda
- Non-Executive Director / Independent
Mr. Jayalath Pathiranalage Chandrasiri Jayalath
- Non - Executive Director / Non-Independent
Dr. Srinath Ajith Kumara Alahakoon
-Non- Executive Director / Independent

BOARD COMMITTEES

Board Audit Committee
Board Human Resource and Remuneration Committee
Board Related Party Transactions Review Committee
Board Integrated Risk Management Committee
Board Selection Nomination and Governance Committee
Board Credit Committee
Board IT Steering Committee

BANKERS TO THE COMPANY

Sampath Bank PLC
People's Bank
Cargills Bank
Pan Asia Bank
Bank of Ceylon
Hatton National Bank PLC
DFCC Bank PLC

ACCOUNTING YEAR-END

31st March



LCB FINANCE PLC

NO. 76, S. DE S. JAYASINGHE MAWATHA, KOHUWELA

T: +94 11 28 25 404 | E: INFO@LCBFINANCE.LK