LCB Finance PLC

Annual Report 2025/26

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WE SEE YOU

Different ambitions, different challenges, different starting points; each one deserving of understanding, and of opportunity. Here at LCB Finance, we believe inclusivity begins with recognition. Like a telescope that brings distant worlds into clear focus, we look closer, beyond the surface, and beyond the expected to truly understand the people we serve. From the entrepreneur in a rural village to the business owner in a growing town, from first-time borrowers to long-standing partners, we see each story for what it is: unique, valuable, and full of potential.

This clarity allows us to respond with purpose and to design solutions that are accessible, relevant, and tailored to real needs. To reach further, ensuring that no community is overlooked and no aspiration goes unseen.

Progress is not built on a single perspective, but on many. When every individual is recognised, supported and empowered, growth becomes something we all share.

At LCB Finance, we don’t just look ahead. We see you in our collective future.

INTRODUCTION TO THE GRI REPORT

The financial services sector plays a critical role in fostering economic resilience, enabling financial inclusion, and supporting sustainable development across communities. As LCB Finance PLC continues to evolve within a dynamic and increasingly complex operating environment, we recognise the growing importance of integrating sustainability into our core business strategy and decision-making processes.

In this context, we are pleased to present our Sustainability Report for the financial year 2025/26, prepared in alignment with the Global Reporting Initiative (GRI) Standards (2021 – Core Option). Building on the foundation established in the previous year, this report represents a continuation of our commitment to enhancing transparency, strengthening accountability, and providing stakeholders with a comprehensive view of our environmental, social, and governance (ESG) performance.

This report reflects our belief that sustainable business practices are fundamental to long-term value creation. While financial performance remains a key priority, we are equally committed to ensuring that our operations contribute positively to society, minimise environmental impact, and uphold the highest standards of governance and ethical conduct. Through this integrated approach, we aim to balance profitability with responsibility, ensuring that our growth is both inclusive and sustainable.

The adoption of the GRI Standards enables us to present our non-financial performance in a structured, consistent, and globally comparable manner. It provides a framework for identifying and disclosing material ESG topics, measuring our progress against defined indicators, and communicating the broader impact of our operations. This includes areas such as financial inclusion, customer protection, employee development, environmental stewardship, and responsible lending practices.

During the year under review, we have continued to strengthen our sustainability reporting processes, enhancing data collection mechanisms, improving internal coordination, and expanding stakeholder engagement. These efforts have enabled us to provide more meaningful insights into our ESG performance while laying the groundwork for further improvements in future reporting cycles.

We also recognise that sustainability is an evolving journey. As stakeholder expectations continue to grow and global standards advance, LCB Finance remains committed to continuously enhancing the scope, depth, and quality of its disclosures. In the years ahead, we aim to further align our reporting with emerging global frameworks, strengthen ESG governance structures, and deepen the integration of sustainability considerations into our business strategy.

This report is not merely a reflection of compliance requirements, but a demonstration of our values, our responsibilities, and our long-term vision. It serves as a platform for engaging with our stakeholders, understanding their expectations, and reinforcing our commitment to building a resilient, responsible, and future-ready organisation.

As we move forward, we remain dedicated to creating sustainable value for all our stakeholders, while contributing meaningfully to the broader economic, social, and environmental development of Sri Lanka.

REPORTING PRINCIPLES & SCOPE

This Sustainability Report represents a continuation of LCB Finance PLC's commitment to transparent, structured, and globally aligned sustainability reporting. Prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021 – Core Option, the report reflects our ongoing efforts to embed environmental, social, and governance (ESG) considerations into our business strategy, operations, and stakeholder engagement practices.

As a licensed finance company operating within a dynamic and evolving economic landscape, we recognise that sustainable performance extends beyond financial outcomes. It encompasses the broader impact of our activities on society, the environment, and the economy. This report therefore seeks to provide a balanced and comprehensive view of our performance across these dimensions, while strengthening stakeholder confidence through enhanced disclosure and accountability.

REPORTING PERIOD AND FREQUENCY

The information presented in this report covers the financial year from 1 April 2025 to 31 March 2026, in alignment with the Company's financial reporting cycle. The report is published annually as part of our commitment to continuous improvement in sustainability reporting and disclosure practices.

REPORTING SCOPE AND BOUNDARIES

The scope of this report encompasses all operations under the direct control of LCB Finance PLC, including the head office and the Company's branch network across Sri Lanka. The report focuses on areas where the Company exercises operational control and influence, including its products and services, internal policies, employee practices, and branch-level activities.

At this stage, disclosures primarily relate to internal operations. However, recognising the importance of a value chain perspective, the Company remains committed to progressively expanding its reporting boundaries in future cycles to include supplier practices, customer impact, and broader stakeholder engagement.

REPORTING METHODOLOGY AND DATA SOURCES

This report has been prepared in alignment with the GRI Standards, guided by the core reporting principles of stakeholder inclusiveness, sustainability context, materiality, and completeness. These principles ensure that the report reflects the most relevant ESG topics, provides meaningful insights into performance, and addresses the expectations of key stakeholders.

REPORTING PRINCIPLES & SCOPE

Data presented in this report has been sourced from internal management systems, audited financial statements, departmental records, and verified operational data. Non-financial information, including employee data, environmental metrics, and community-related activities, has been compiled through internal reporting mechanisms and validated by respective functional heads.

All financial data is presented in Sri Lankan Rupees (LKR) unless otherwise stated.

Stakeholder Inclusiveness

LCB Finance recognises the importance of engaging with a diverse range of stakeholders, including customers, employees, investors, regulators, and the wider community. During the reporting period, stakeholder engagement was conducted through formal and informal channels, including feedback mechanisms, surveys, and direct interactions. These engagements provided valuable insights into stakeholder expectations and informed the identification of material ESG topics.

Sustainability Context

Our performance is presented within the broader context of national and global sustainability priorities. This includes alignment with Sri Lanka's financial sector regulations, the Central Bank's sustainable finance initiatives, and emerging global ESG trends. The report also reflects the Company's response to evolving economic conditions and its role in supporting financial inclusion, responsible lending, and community development.

Materiality

A structured materiality assessment process was undertaken to identify and prioritise the ESG issues most relevant to the Company and its stakeholders. This process involved internal evaluations, stakeholder input, and consideration of industry-specific risks and opportunities. The identified material topics form the foundation of this report and guide the Company's sustainability strategy and disclosures.

Completeness and Balance

The Company has endeavoured to provide a complete and balanced representation of its performance, covering all material aspects of its operations. Where data limitations exist, these have been acknowledged, and efforts are underway to enhance data collection and reporting capabilities in future reporting cycles.

ASSURANCE AND RELIABILITY

While this report has not undergone external assurance, internal review and validation processes have been carried out to ensure the accuracy, consistency, and reliability of the information disclosed. The Company continues to explore opportunities to enhance the credibility of its sustainability disclosures, including the potential for third-party assurance in future reporting cycles.

OUTLOOK AND CONTINUOUS IMPROVEMENT

LCB Finance views sustainability reporting as an evolving journey. Building on the progress achieved to date, the Company remains committed to enhancing the scope, depth, and quality of its disclosures. Future priorities include strengthening ESG data management systems, expanding reporting boundaries, and aligning more closely with emerging global reporting frameworks.

Through these efforts, LCB Finance aims to further integrate sustainability into its business strategy and create long-term value for all stakeholders, while contributing to a more resilient and sustainable financial ecosystem.

GRI STANDARDS USED

This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021 – Core Option, reflecting LCB Finance PLC's continued commitment to transparent, consistent, and globally aligned sustainability reporting. Building on the foundation established in the previous reporting cycle, this year's disclosures represent a further step in strengthening the Company's approach to environmental, social, and governance (ESG) reporting.

The adoption of the GRI Standards provides a structured framework through which the Company is able to communicate its non-financial performance in a manner that is both credible and comparable. As one of the most widely recognised sustainability reporting frameworks globally, GRI enables organisations to identify, measure, and disclose their most material ESG impacts, while ensuring that stakeholders receive meaningful and decision-useful information.

The application of the Core Option reflects the Company's current stage of maturity in sustainability reporting. Under this approach, LCB Finance focuses on disclosing key material topics that are most relevant to its operations and stakeholders, while ensuring that essential disclosures relating to governance, strategy, and impact are comprehensively addressed. This approach allows the Company to establish a strong and reliable reporting foundation, while retaining the flexibility to progressively expand the scope and depth of disclosures in future reporting cycles.

At present, the report has been prepared based on the universal GRI Standards and selected topic-specific disclosures relevant to the Company's operations. These include areas such as economic performance, employment practices, occupational health and safety, training and development, customer engagement, data privacy, and community impact.

While sector-specific GRI Standards for non-bank financial institutions remain under development, LCB Finance has drawn upon industry best practices and regulatory expectations within the Sri Lankan financial sector to ensure that disclosures remain contextually relevant and aligned with stakeholder expectations. In addition, the Company has considered applicable local regulatory frameworks, including guidelines issued by the Central Bank of Sri Lanka and the Colombo Stock Exchange, in shaping its sustainability reporting approach.

The report is further supported by a comprehensive GRI Content Index, which provides detailed cross-referencing of disclosures against the relevant GRI Standards, enabling stakeholders to easily navigate and assess the completeness of the information presented. pages 119-120.

As sustainability reporting continues to evolve, LCB Finance remains committed to enhancing the quality and scope of its disclosures. Future initiatives will focus on strengthening ESG data collection systems, improving the integration of sustainability metrics into business processes, and aligning more closely with emerging global frameworks and standards.

Through the adoption of the GRI Standards, LCB Finance reaffirms its commitment to responsible business practices, transparency, and long-term value creation, ensuring that its sustainability journey remains aligned with both stakeholder expectations and global best practices.

ABOUT US

LCB Finance PLC

Website
lcbfinance.lk

LCB Finance PLC is a licensed finance company, regulated by the Central Bank of Sri Lanka, with a strong and growing presence in the country's financial services sector. Since its inception, the Company has evolved into a trusted financial partner, particularly recognised for its commitment to supporting rural communities and empowering small and medium-sized enterprises (SMEs), which form the backbone of Sri Lanka's economy.

Operating through an expanding branch network across the island, LCB Finance offers a comprehensive portfolio of financial products and services, including savings and fixed deposit products, leasing solutions, personal and business loans, SME financing, microfinance facilities, gold loans, and trade finance services. This diversified offering enables the Company to cater to a wide range of customer segments, from individual clients to entrepreneurs and corporate entities, while addressing the unique financial needs of underserved markets.

At the core of LCB Finance's business model is a strong commitment to financial inclusion. By extending access to financial services in regions that are traditionally underserved by mainstream financial institutions, the Company plays a pivotal role in fostering economic participation, supporting income-generating activities, and contributing to regional development. Its customer-centric approach, supported by both physical and digital channels, ensures accessibility, convenience, and responsiveness in service delivery.

The Company's strategic focus is underpinned by continuous investment in digital transformation, operational efficiency, and human capital development. The integration of technology into core operations has enhanced service delivery, strengthened internal processes, and enabled the Company to respond effectively to evolving customer expectations in an increasingly digital financial ecosystem.

LCB Finance is guided by a clearly defined vision and mission that reflect its long-term aspirations and purpose.

VISION

To be the most popular financial services 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.

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.

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.

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.

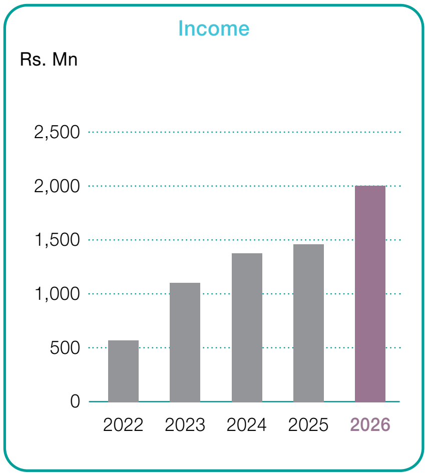
Excellence:
Delivering excellence in all areas of our business, from customer service to governance, remains our core mission.

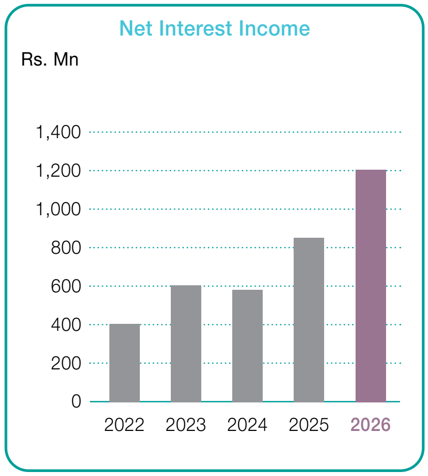
WE SEE YOUR VISION FOR THE FUTURE

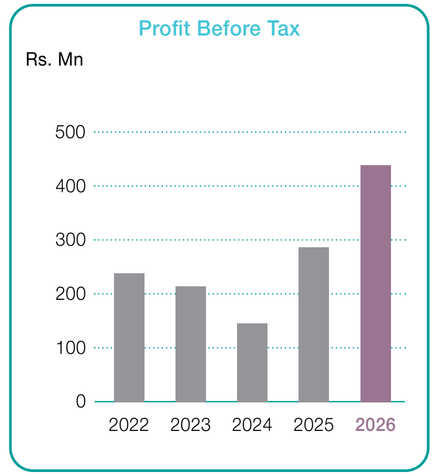
FINANCIAL HIGHLIGHTS

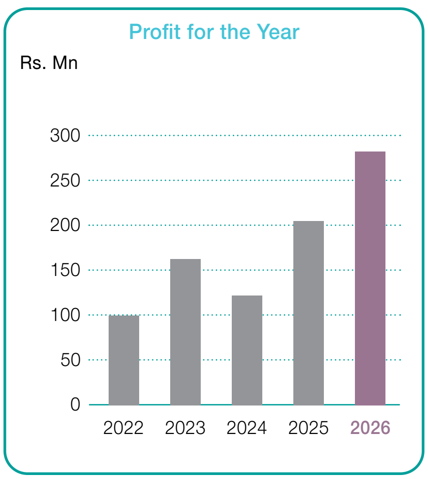
Performance Indicators	2025/2026	2024/2025	Change
Operating Results (Rs.)			
Income	2,013,456,458	1,455,780,148	38%
Interest Income	1,883,667,098	1,323,027,160	42%
Profit Before Taxation	439,474,668	282,685,308	55%
Profit After Taxation	281,830,162	204,513,741	38%
Financial Position (Rs.)			
Total Assets	12,870,766,286	9,248,483,934	39%
Loans & Advances, Leases and Hire Purchase	10,296,000,300	7,798,892,253	32%
Customer Deposits	6,289,658,345	4,643,459,643	35%
Borrowing	2,491,720,371	1,069,967,819	133%
Shareholders Fund	3,378,726,162	3,123,407,365	8%
Investor Information (Rs.)			
Net Asset Value Per Share	4.28	3.95	8%
Earning Per Share	0.36	0.26	38%
Market Value Per Share (Closing)	7.60	2.60	192%
Statutory Ratios (%)			
Tier 1 Capital Adequacy Ratio (Minimum Requirement 8.50%)	33.28%	36.77%	-9%
Total Capital Adequacy Ratio (Minimum Requirement 12.50%)	35.25%	36.73%	-4%
Capital Funds to Deposits Liability Ratio (Minimum Requirement 10.00%)	56.82%	65.79%	-14%
Liquid Asset Ratio	22.25%	14.96%	49%
Other Ratios (%)			
Return on Assets (Before Tax)	3.97%	3.48%	14%
Return on Equity (After Tax)	8.67%	6.77%	28%
Net Interest Margin (NIM)	12.52%	12.28%	2%
Loan to Customer Deposits	163.70%	167.05%	-2%
Net Non-Performing Loans Ratio (Net NPL)	5.73%	7.98%	-28%

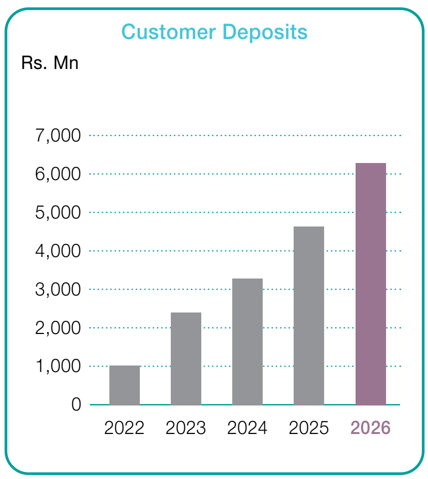
FINANCIAL HIGHLIGHTS

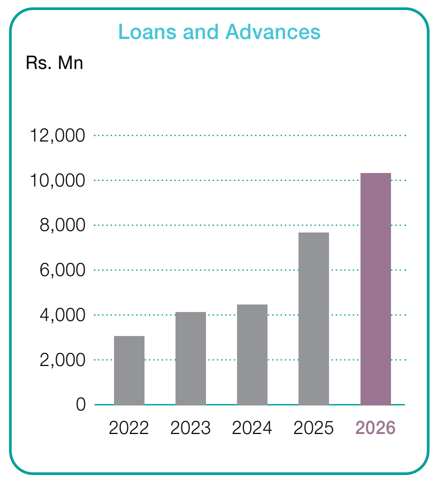


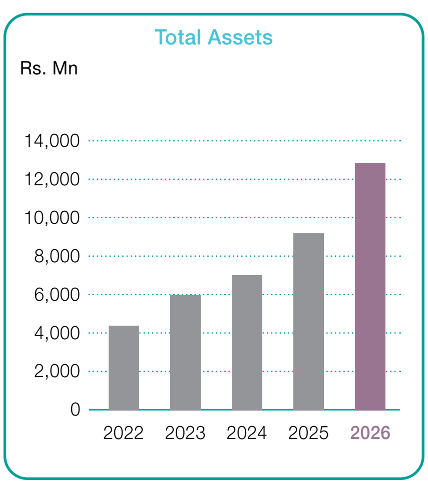


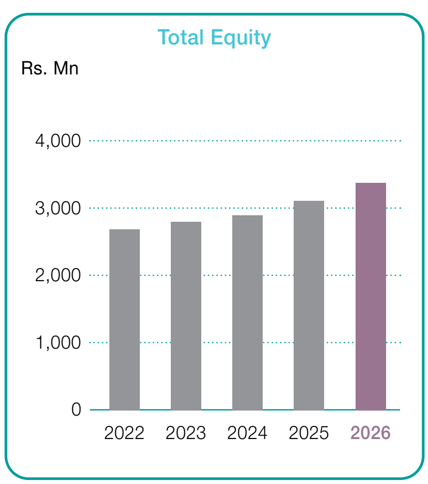












NON-FINANCIAL HIGHLIGHTS

	2025/2026	2024/2025
Intellectual Capital		
Credit rating (LRA)	BB (Positive)	BB- (Stable)
Human Capital		
Total employees (N)	271	234
New recruitment (N)	220	170
Staff remunerations (Rs '000')	292,738	240,015
Investment In training and development (Rs '000')	3,567	2,234
Social and Relationship Capital		
Interest to depositors (Rs '000')	466,086	382,959
Employees (Rs '000')	257,064	209,248
Community development programme (N)	8	5
Access points (branches)	23	21
Manufactured Capital		
Branches (N)	23	21
New branch opening (N)	2	2
Fixed assets (Rs '000')	269,487	143,785
Depreciation and amortisation (Rs '000')	106,709	95,357
Fixed asset addition (Rs '000')	53,385	32,439
Investment in technology (Rs '000')	9,423	3,541
Economic Value Distributed to		
Deposit (Rs '000')	466,086	382,959
Employment (Rs '000')	257,064	209,248
Government (Rs '000')	317,236	183,954

Celebrating

10

Celebrating a Decade of Progress

Ten Years of Building Trust, Creating Opportunities and Empowering Communities

The financial year 2025/26 marks a significant milestone in the journey of LCB Finance PLC as we celebrate our 10th anniversary. Over the past decade, the Company has evolved from an emerging finance institution into a trusted financial partner, driven by a steadfast commitment to integrity, customer-centricity and sustainable growth.

Our journey has been shaped by a clear purpose – to provide accessible financial solutions that empower individuals, entrepreneurs and businesses while contributing meaningfully to Sri Lanka's socio-economic development. Through changing market conditions, evolving customer expectations and an increasingly dynamic regulatory environment, LCB Finance has remained resilient, adaptive and focused on creating long-term value for all stakeholders.

During the past ten years, we have continuously strengthened our business model by expanding our product portfolio, investing in technology, enhancing governance practices and building a culture founded on professionalism, accountability and innovation. These strategic investments have enabled us to improve operational efficiency, deepen customer relationships and deliver financial solutions that meet the diverse needs of our growing customer base.

None of these achievements would have been possible without the unwavering trust and support of our valued stakeholders. We extend our sincere appreciation to our customers, whose confidence continues to inspire us to raise our standards of service; our shareholders, whose commitment has supported our growth ambitions; our regulators, business partners and suppliers, who have contributed to our success through collaboration and guidance; and most importantly, our dedicated employees, whose passion, expertise and commitment have been the driving force behind every milestone we have achieved.

As we celebrate this important anniversary, we also recognise our responsibility to contribute positively to the communities we serve. Throughout our journey, we have remained committed to promoting financial inclusion, supporting entrepreneurship, strengthening local economies and embedding responsible business practices into the way we operate. Sustainability continues to be an integral part of our strategy, ensuring that growth is achieved responsibly while creating shared value for present and future generations.

Our tenth anniversary is not merely a celebration of the years that have passed, but a reaffirmation of our vision for the future. As we look ahead, we remain committed to accelerating digital transformation, strengthening risk management, enhancing customer experiences, embracing innovation and integrating sustainability more deeply into our business model. We will continue to build a resilient institution that responds proactively to changing market dynamics while delivering lasting value to all stakeholders.

This milestone provides an opportunity to reflect with pride on how far we have come and, more importantly, to look ahead with confidence. Guided by our values and supported by the trust of our stakeholders, LCB Finance enters its second decade with renewed purpose, stronger capabilities and an unwavering commitment to shaping a future defined by sustainable growth, responsible finance and shared prosperity.

Ten years is a milestone. The journey ahead is our greater opportunity. Together, we will continue creating value, empowering lives and building a stronger future for generations to come.

OUR MILESTONES

2016

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

2017

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

2018

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

2019

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

2020

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

2021

- Successful implementation of e-Finance system
- Award received - Global Economics Awards 2021, Fastest Growing Financial Firm in Sri Lanka 2020/21
- Obtain SLIP system for direct customer transactions Increased share capital to 2 Bn in compliance with CBSL guidelines
- 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

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 incompliance with CBSL guidelines
- Achieved profit before tax of 238.5 Mn for the year ended 31st March 2022
- Achieved a total asset base of 4.3 Bn within a very short period
- Expansion of branch network from 8 to 12

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
- Introduced first Global Reporting initiative (GRI) aligned sustainability report.

2026

- Bronze Award winner at the TAGS Awards – Finance/Leasing Companies (asset base below LKR 25Bn).
- Increased the branches network to 23 branches
- Increased the deposit base to 6.29 bn
- Asset base was increased to 12.9 bn
- Achieved profit before tax 439.5 Mn for the year ended 31st March 2026
- Upgraded LRA rating from [SL] BB- Stable outlook to [SL] BB Positive outlook
- Last year we launched a GRI aligned Sustainability Report; this year we advanced to ESG and SLFRS S1 & S2 aligned reporting.

CHAIRMAN'S MESSAGE

> LCB Finance PLC remained focused on maintaining operational resilience, strengthening its market positioning and delivering sustainable value to its stakeholders, reflecting the effectiveness of its strategic direction, disciplined execution and the continued commitment of the management team to navigate evolving landscapes.

Dear Shareholders,

The financial year 2025/26 unfolded against the backdrop of a gradually stabilising macroeconomic environment, as Sri Lanka continued its path towards economic recovery following a prolonged period of volatility and uncertainty. Encouraging developments were witnessed during the year, including improvements in foreign exchange reserves, easing inflationary pressures, greater exchange rate stability, and a more balanced monetary and policy environment. Collectively, these developments contributed towards restoring confidence within the broader financial system and business community. Nevertheless, the operating landscape continued to present challenges, including elevated cost structures, cautious credit demand across certain sectors, evolving regulatory expectations, and intensified competitive pressures within the financial services industry.

Against this backdrop, LCB Finance PLC remained focused on strengthening operational resilience, enhancing its market positioning, and delivering sustainable value to all stakeholders. The Company's performance during the year under review reflects the effectiveness of its strategic direction, disciplined execution, prudent risk management practices, and the unwavering commitment of the management team in navigating an evolving and increasingly dynamic operating environment.

I am pleased to note that the Company recorded steady progress across its core financial and operational indicators during the year. Growth in the asset base was supported by the measured expansion of the lending portfolio alongside a strengthening of the deposit base, reflecting continued customer confidence in the Company's financial stability, governance standards, and service excellence. Profitability improved during the year, supported by prudent cost management initiatives, enhanced operational efficiencies, and a balanced approach towards growth and risk management. These outcomes underscore the Company's ability to generate sustainable value while maintaining financial discipline amid a challenging external environment.

A key strategic priority during the year was the continued expansion of the Company's branch network, which played an important role in broadening access to financial services across the country. This expansion remains closely aligned with LCB Finance's long-standing commitment to financial inclusion, enabling greater accessibility for underserved communities while supporting the growth and development of small and medium-sized enterprises. By strengthening its presence across both urban and regional markets, the Company continues to contribute meaningfully towards regional economic development while reinforcing its competitive positioning within the industry.

Concurrently, the Company continued to prioritise investments in digital transformation, recognising the increasingly critical role of technology in shaping the future of financial services. Enhancements to digital platforms, improvements to IT infrastructure, and the introduction of more efficient service delivery channels enabled the Company to offer greater convenience, accessibility, and responsiveness to its customers. These initiatives not only enhanced the overall customer experience but also improved internal efficiency, operational agility, and service effectiveness, thereby positioning the Company to respond proactively to evolving customer expectations and industry trends.

The year under review also marked continued progress in strengthening the Company's sustainability agenda and responsible business practices. Building on the foundation established in previous years, LCB Finance further advanced its environmental, social, and governance (ESG) initiatives while enhancing the scope, quality, and transparency of its sustainability disclosures. This report has been prepared in alignment with the Global Reporting Initiative (GRI) Standards and reflects the Company's ongoing commitment to accountability, transparency, and the integration of sustainability considerations into strategic and operational decision-making. This approach ensures that financial performance remains balanced with social responsibility, ethical governance, and environmental stewardship, thereby supporting sustainable long-term value creation.

Corporate governance continues to remain a cornerstone of the Company's operating philosophy, providing the framework through which strategic direction is established, oversight is exercised, and performance is monitored. The Board of Directors, supported by its Board Sub-Committees, continued to provide effective oversight across all aspects of the business, including financial reporting, risk management, compliance, internal controls, and human resource practices. The Company's governance framework, underpinned by clearly defined policies, procedures, and ethical standards, ensures that business operations are conducted with integrity, accountability, and transparency in line with regulatory requirements and industry best practices.

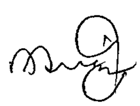
Our employees continue to be a key driver of the Company's success and resilience. During the year, the Company continued to invest in employee development, training, engagement, and capability-building initiatives, recognising the importance of fostering a skilled, motivated, and future-ready workforce. These investments have contributed towards strengthening organisational capability, encouraging innovation, enhancing productivity, and ensuring that the Company remains well-positioned to meet the demands of an increasingly dynamic and competitive operating environment.

Although certain economic and industry challenges persist, the outlook for the financial services sector remains cautiously optimistic. Continued macroeconomic stabilisation, supported by ongoing policy reforms and improving economic indicators, is expected to support gradual growth and increased business confidence. Against this backdrop, the Company remains committed to maintaining a prudent and proactive approach towards risk management while continuing to strengthen operational resilience and strategic agility.

Looking ahead, LCB Finance will continue to focus on strengthening its core business operations, expanding its market presence, enhancing digital and operational capabilities, and delivering sustainable growth. The Company will remain committed to advancing financial inclusion, strengthening stakeholder relationships, and creating long-term value, while maintaining a strong emphasis on governance, compliance, risk management, and ethical business conduct.

On behalf of the Board of Directors, I extend my sincere appreciation to our Chief Executive Officer, Corporate Management team, and all employees for their dedication, professionalism, and commitment throughout the year. I also wish to express my gratitude to our customers, shareholders, regulators, business partners, and all other stakeholders for their continued trust, confidence, and support.

As we move forward, we remain confident in the Company's ability to build upon the progress achieved thus far and to navigate the future with resilience, discipline, and a clear sense of purpose.



Dushmantha Thotawatte
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Profit before tax stood at Rs. 439 Mn , a commendable 55% increase from the previous year, driven by operational efficiencies, targeted cost management, and continued investment in our people, systems, and branches.

It is with great pride that I present an overview of the performance of Lanka Credit and Business Finance PLC for the financial year ended 31st March 2026 – a year of achievements, growth, and strategic transformation.

During the year under review, we reached Rs. 12,871 Mn mark in total assets, and achievement within 10 years of operations, a milestone in our history.

This remarkable growth reflects our strategic vision, and operational efficiency as an emerging player in the finance sector of Sri Lanka. We expanded to reach a network of 23 branches enabling us to offer our products and services to communities in the catchment arear.

During the financial year 2025/26 our Total operating income rose by 36.90% to Rs. 1,341 Mn supported by lending and deposit taking activities. Net interest income reached Rs. 1,211 Mn, reflecting a 43.03% year-on-year increase, demonstrating our effective management of interest margins and careful balancing of assets and liabilities.

Deposits Base grew to Rs. 6,290 Mn and Profit before tax stood at Rs. 439 Mn representing a commendable 55 % increase from the previous year.

This growth was driven by , operational efficiencies, and targeted cost management measures, while we continued to invest in our employees, Information Systems and branch expansions.

Our lending portfolio, a key driver of inclusive economic participation, saw remarkable growth, expanding by 32.0% to reach Rs. 10,296 Mn during the year under review. Through our diversified lending products and responsible credit practices, we have remained true to our mission to provide accessible financial solutions for women empowerment projects, self-employed projects, SMEs, projects of co-operative, Housing, Tourism, and transport.

Our Gold Loan portfolio recorded a 136 % growth, reflecting our strategy to increase exposure to secured, short-term financing solutions, by the providing efficient customer services.

We also achieved a substantial 35% increase in our deposit base, which reached Rs. 6,290 Mn by the end of the financial year under review.

The addition of 2 new branches during the year under review supported our aggressive expansion strategy, resulting in establishing 23 strategically located branches in towns, which now enable us to serve a broader population, particularly in underserved rural arears.

We Created Employee Value, through consistent training enabling career progression in the workplace and to build knowledge to adopt to an increasingly digital future. Our HR policies are aligned with local legislations reinforcing our commitment to fair treatment without discrimination.

We uphold our responsibilities to the Regulator the Central bank of Sri Lanka. our stakeholders, employees, customers, through ethical practices and engage constructively with regulator to ensure compliance with their directions and guidelines.

As we look to the future, driven by a vision for branch expansion and digital transformation, with plans to open 7 branches before end of the year 2026, and bring our inclusive financial services closer to underserved in the rural communities.

Sustainability remains a core pillar of our long-term strategy supported by our belief that financial growth must go hand-in-hand with environmental and social responsibility.

To our Chairman, Board of Directors, Mr Dushmantha Thotawatte, and the Directors I wish to record sincere appreciate of their steadfast leadership, strategic direction, and guidance conveyed through Board Sub Committees, which has been a cornerstone of our continued successful progress.

As we close another successful year, I take this opportunity to extend my heartfelt gratitude to our Corporate Management and all staff members, for their commitment, and determination to achieve the annual business expansion goals of the company.

I thank our customers, shareholders, and all other stakeholders, for their enduring trust, that has empowered us to serve with purpose, grow with integrity, and continuously raise the bar.

Finally, I wish to record our sincere appreciation, to the Director and officers at the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the guidance extended to our officers to conduct our business operations with due compliance with the regulatory directives.

As we reflect on our successful the past, we set our sights on the future, with optimism to remain committed to maintain a sustainable growth and be stronger than ever.

K G Leelananda
CEO/ Executive Director

VALUE CREATION MODEL

We create sustainable value for our stakeholders by responsibly managing our resources and relationships. Our integrated business model transforms a range of capitals into meaningful outcomes that contribute to long-term financial resilience, inclusive growth and a more sustainable future.

INPUTS
The Capitals We Rely On

Financial Capital
Strong capital base, deposits, borrowings and internally generated funds that enable us to grow and lend responsibly.

Human Capital
Skilled and motivated employees, leadership capability and a culture of performance and integrity.

Intellectual Capital
Brand reputation, expertise, processes, data and innovations that drive customer-centric solutions.

Technological Capital
Digital platforms, IT infrastructure, data analytics and cybersecurity that enhance efficiency and customer experience.

Social and Relationship Capital
Strong relationships with customers, regulators, investors, partners and communities built on trust, transparency and collaboration.

Natural Capital
Resources and the environment we depend on, which we manage responsibly to minimise our footprint.

BUSINESS ACTIVITIES
What We Do

Providing responsible lending and financial solutions for individuals and businesses.

Mobilising deposits and managing financial resources prudently.

Strong risk management, governance and regulatory compliance.

Investing in digital transformation and operational excellence.

Developing innovative products and enhancing customer experience.

Building employee capability and a high-performing, engaged culture.

Engaging stakeholders and investing in communities we serve.

STRATEGIC PRIORITIES
How We Create Value

Sustainable Growth
Grow our business responsibly while strengthening financial resilience.

Customer Centricity
Deliver simple, accessible and relevant financial solutions that create lasting value for our customers.

Operational Excellence
Improve efficiency, quality and agility through innovation and process optimisation.

Responsible Governance and Risk Management
Uphold the highest standards of governance, ethics and risk management.

People and Culture
Invest in our people and foster a culture of integrity, inclusion and continuous development.

Sustainability Leadership
Integrate environmental, social and governance considerations into our strategy and decisions.

OUR FOUNDATION

Strong Corporate Governance | Risk Management Excellence

VALUE CREATION COMMITMENT
By effectively managing our capitals and executing our strategy with discipline and purpose, we aim to create enduring value for our stakeholders and contribute to a more inclusive, resilient and sustainable future.

OUTPUTS
What We Deliver

Diverse range of financial products and services.

Enhanced customer experience and long-term relationships.

Strong governance and regulatory compliance.

Improved operational efficiency and digital capabilities.

Skilled, motivated and engaged workforce.

Strong partnerships with regulators, investors, suppliers and communities.

Sustainable business growth and value creation.

STAKEHOLDER OUTCOMES
Value for Our Stakeholders

Customers
Accessible, innovative and responsible financial solutions that help them achieve their goals.

Employees
Meaningful careers, continuous development, well-being and opportunities to grow.

Shareholders / Investors
Sustainable returns, prudent risk management and long-term value creation.

Regulators & Partners
A trusted institution that operates with integrity, transparency and full regulatory compliance.

Communities
Support for entrepreneurship, financial inclusion and community development initiatives.

Environment
Reduced environmental impact through responsible resource use and green initiatives.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT
Aligned with the UN SDGs

1 NO POVERTY

SDG 1 – No Poverty
Promoting financial inclusion and supporting livelihoods.

5 GENDER EQUALITY

SDG 5 – Gender Equality
Empowering women and promoting equal opportunities.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 – Decent Work and Economic Growth
Supporting economic growth, SMEs and employment.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9 – Industry, Innovation and Infrastructure
Investing in innovation and resilient digital infrastructure.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 – Responsible Consumption and Production
Enhancing efficiency and responsible resource use.

13 CLIMATE ACTION

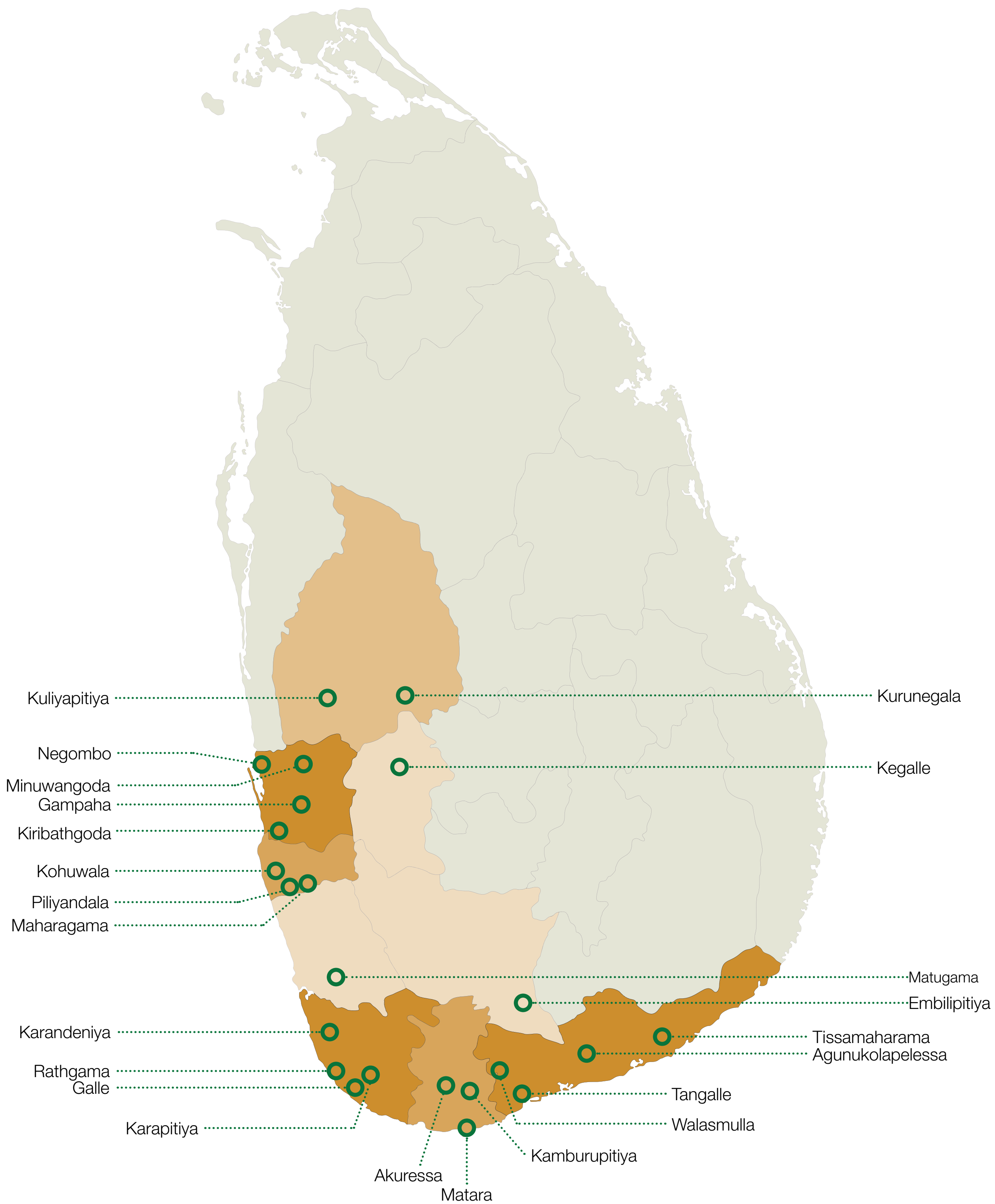
SDG 13 – Climate Action
Managing environmental impact and supporting a low-carbon future.

Ethics, Integrity and Transparency

Stakeholder Engagement and Responsiveness

Sustainable Strategy and Performance

GEOGRAPHIC PRESENCE & MARKET SERVED



MATERIALITY ASSESSMENT PROCESS

Understanding the issues that matter most to our stakeholders and our business is fundamental to delivering sustainable long-term value. During the 2025/26 financial year, we undertook a comprehensive materiality assessment to identify and prioritise the environmental, social, governance and economic matters that have the greatest potential to influence our ability to create value over the short, medium and long term.

Our materiality assessment supports strategic decision-making, enterprise risk management, sustainability planning and transparent reporting. It was conducted in alignment with the principles of Integrated Reporting, the GRI Universal Standards, and the requirements of SLFRS S1 and SLFRS S2, ensuring that both stakeholder expectations and business impacts were considered throughout the process.

STEP 1 – IDENTIFYING POTENTIAL MATERIAL TOPICS

The process commenced with a review of internal and external factors that could influence the Company's performance and long-term sustainability. This included an assessment of:

- Corporate strategy and business objectives
- Enterprise risk management framework
- Regulatory and industry developments
- Sustainability trends and emerging ESG topics
- Peer benchmarking and reporting best practices
- Previous materiality assessments
- Stakeholder feedback received throughout the year

This exercise resulted in a comprehensive list of potential material topics covering governance, financial resilience, environmental stewardship, people, customers and community impact.

STEP 2 – STAKEHOLDER ENGAGEMENT

Meaningful stakeholder engagement remains central to our materiality assessment. We engaged with our key stakeholder groups to better understand their expectations, concerns and priorities through a combination of ongoing engagement channels, including:

- Management discussions
- Customer interactions and feedback
- Employee engagement initiatives
- Investor and shareholder engagements
- Regulatory consultations
- Supplier discussions
- Community engagement activities

The insights gathered through these engagements enabled us to understand which issues are considered most significant by our stakeholders.

STEP 3 – ASSESSMENT AND PRIORITISATION

Each potential material topic was assessed against two key dimensions:

- The significance of the topic to stakeholders.
- The actual and potential impact of the topic on the Company's ability to create and preserve value.

Management evaluated each topic by considering its financial implications, operational significance, strategic relevance, regulatory impact, reputational considerations and long-term sustainability implications.

The outcome was a prioritised list of material topics that received oversight from senior management before being presented to the Board for review and validation.

STEP 4 – INTEGRATION INTO STRATEGY

The material topics identified through the assessment directly inform our strategic priorities, risk management processes, capital allocation decisions and sustainability initiatives. They also shape the focus of this Integrated Annual Report and guide the performance indicators used to monitor progress throughout the year.

By embedding material considerations into business planning and decision-making, we strengthen our ability to respond proactively to emerging risks while capitalising on opportunities that support sustainable growth.

STEP 5 – CONTINUOUS REVIEW

Materiality is not a one-time exercise but an ongoing process. We continuously monitor changes in our operating environment, stakeholder expectations, regulatory developments and emerging sustainability trends to ensure our material topics remain relevant.

The assessment is reviewed annually, with interim updates undertaken where significant changes occur within the business or external environment. This continuous review enables us to maintain a responsive and forward-looking approach to value creation while ensuring our reporting remains relevant, balanced and transparent.

WE SEE YOUR INDIVIDUAL NEEDS

OPERATING ENVIRONMENT

GLOBAL ECONOMIC OUTLOOK FOR 2025/26

The global economy during the 2025/26 reporting period demonstrated moderate resilience despite continuing geopolitical uncertainty, evolving trade dynamics, inflationary pressures, and financial market volatility. Although the global economy maintained positive growth momentum, economic expansion remained uneven across regions due to persistent structural challenges, geopolitical fragmentation, and cautious monetary policy conditions.

According to the International Monetary Fund (IMF), global growth moderated during 2025 as tighter financial conditions, weaker trade activity, and ongoing geopolitical tensions affected economic performance across several major economies. Advanced economies recorded subdued but relatively stable growth supported by resilient labour markets and easing inflationary pressures, while emerging and developing economies continued to demonstrate comparatively stronger growth momentum despite ongoing financing constraints and external vulnerabilities.

Global GDP Growth Trend

Region	2023	2024	2025	2026 Forecast
Global Economy	3.3%	3.2%	3.1%	3.2%
Advanced Economies	1.6%	1.7%	1.8%	1.8%
Emerging & Developing Economies	4.3%	4.2%	4.1%	4.2%

Performance of Advanced and Emerging Economies

Economic activity in advanced economies remained relatively subdued during the year under review due to tighter monetary conditions, weaker industrial output, and slower consumer demand. Nevertheless, easing inflationary pressures and improved labour market resilience supported gradual economic stabilisation across several developed markets.

Emerging market and developing economies continued to outperform advanced economies, supported by domestic demand, infrastructure investments, and service sector expansion. However, many emerging economies remained vulnerable to currency volatility, external financing pressures, commodity price fluctuations, and geopolitical developments.

The uneven nature of the global recovery continued to create uncertainty across international financial markets, influencing investor sentiment, trade flows, and capital allocation decisions throughout the year.

Inflation Trends and Monetary Policy Outlook

Global inflationary pressures eased considerably during the reporting period following the significant monetary tightening measures implemented by central banks in previous years. Lower energy prices, improving supply chain conditions, and softer commodity prices contributed towards moderating headline inflation across several economies.

Despite this improvement, core inflation remained elevated in selected sectors and regions due to continuing wage-related pressures and services sector inflation. Central banks therefore continued to maintain cautious policy stances throughout much of the year while gradually easing monetary conditions where inflationary pressures moderated sufficiently.

Global Inflation Trend

Year	Global Inflation Rate
2022	8.7%
2023	6.8%
2024	5.9%
2025	4.8%
2026 Forecast	4.2%

Geopolitical Risks and Structural Headwinds

The global operating environment continued to be influenced by geopolitical tensions, trade fragmentation, supply chain realignment, and broader structural vulnerabilities. Conflicts in several regions, evolving trade policies, and rising protectionist measures contributed to uncertainty within global financial and trade markets.

Trade tensions between major global economies continued to impact supply chains and investment confidence, while ongoing regional conflicts added volatility to commodity and energy markets. Additionally, demographic pressures, labour market shifts, slower productivity growth, and climate-related risks continued to present long-term structural challenges for global economic growth.

Rapid technological advancements, particularly in artificial intelligence, automation, and digital operating models, continued to reshape industries globally, accelerating transformation across financial services, manufacturing, trade, and consumer sectors.

OPERATING ENVIRONMENT

Key Global Operating Environment Trends

Area	Key Development During 2025/26	Business Implication
Inflation	Moderated globally but remained uneven	Continued pricing and cost pressures
Interest Rates	Gradual easing in selected markets	Financing costs remained elevated
Trade	Increased geopolitical fragmentation	Supply chain and export uncertainty
Technology	Rapid AI and digital acceleration	Faster innovation and disruption cycles
ESG & Sustainability	Expanded disclosure requirements	Increased governance obligations
Geopolitics	Ongoing regional tensions	Elevated market volatility

Outlook and Policy Priorities

While the global economy remained relatively resilient during the reporting period, downside risks continued to persist. Sustaining long-term economic stability will require coordinated policy responses, structural reforms, investment in productivity-enhancing technologies, and strengthened international cooperation.

Governments and policymakers globally continued to focus on balancing inflation management, economic growth, fiscal sustainability, and financial system stability while also addressing long-term priorities relating to sustainability, energy transition, digital transformation, and inclusive growth.

LOCAL ECONOMIC REVIEW

Broad-Based Recovery and Strengthening Macroeconomic Stability

Sri Lanka's economy demonstrated continued recovery and strengthening macroeconomic stability during the 2025/26 reporting period following the severe economic disruptions experienced in previous years. The year under review reflected improved economic confidence, stronger external sector performance, easing inflationary pressures, and gradual restoration of financial stability.

According to the Central Bank of Sri Lanka (CBSL), the economy benefited from improved foreign exchange inflows, stronger tourism earnings, increased worker remittances, exchange rate stability, and continued implementation of IMF-supported reform measures. Progress in debt restructuring and fiscal consolidation initiatives also contributed towards improving investor confidence and strengthening overall macroeconomic stability.

Economic activity expanded across several sectors during the year, supported by improving domestic demand conditions, lower inflation, easing monetary conditions, and gradual recovery in private sector activity.

Sri Lanka GDP Performance

Year	Real GDP Growth
2022	-7.3%
2023	-2.3%
2024	5.0%
2025	5.0%
2026 Forecast	3.5% – 4.0%

Inflation, Interest Rates and Monetary Conditions

Inflation remained largely contained throughout much of the reporting period following the sharp moderation achieved during the previous year. Lower energy prices, easing supply-side pressures, and improved monetary stability contributed towards maintaining a relatively stable inflation environment.

Interest rates declined gradually during the year in response to easing inflationary pressures, improved liquidity conditions, and accommodative monetary policy measures implemented by the Central Bank of Sri Lanka. Lower financing costs supported increased private sector credit growth, improved affordability, and gradual recovery in investment sentiment across sectors.

Sri Lanka Inflation Trend

Year	Average Inflation (%)
2022	46.4%
2023	17.8%
2024	1.5%
2025	4.0% (Est.)

Interest Rate Movement

Year	AWPR Approx.
2022	28%+
2023	15% – 20%
2024	9% – 11%
2025	8% – 10%

External Sector Performance

Sri Lanka's external sector performance improved further during the year under review supported by stronger tourism inflows, resilient worker remittances, improved export earnings, and continued exchange rate stability.

Foreign exchange reserves strengthened gradually during the reporting period, supported by external financing inflows, debt restructuring progress, and improved foreign currency liquidity conditions. Exchange rate volatility also reduced significantly compared to previous years, contributing towards greater business confidence and financial stability.

External Sector Recovery Indicators

Indicator	2023	2024	2025
Tourism Earnings (USD Bn)	2.1	3.2	3.8
Worker Remittances (USD Bn)	5.9	6.5	6.9
Gross Official Reserves (USD Bn)	4.4	6.1	7.0

Fiscal and Regulatory Environment

Fiscal consolidation measures and policy reforms remained key priorities during the year under review as the Government continued efforts to restore macroeconomic stability and strengthen public finances. Taxation measures, revenue enhancement initiatives, and expenditure management efforts continued to influence the broader operating environment for businesses and consumers alike.

At the same time, regulatory expectations across the financial services sector continued to evolve, particularly in areas relating to governance, customer protection, sustainability, compliance, and risk management.

Key Drivers of Sri Lanka's Economic Recovery

Recovery Driver	Contribution to Economic Stability
IMF-supported reforms	Strengthened investor and market confidence
Debt restructuring progress	Improved external sector stability
Tourism sector recovery	Increased foreign exchange earnings
Worker remittances	Improved reserve position and liquidity
Fiscal consolidation	Enhanced macroeconomic discipline
Exchange rate stabilisation	Reduced external volatility

IMPLICATIONS FOR THE FINANCIAL SERVICES SECTOR

The financial services sector operated within a gradually improving but still cautious environment during the reporting period. Lower interest rates, improved macroeconomic stability, and stronger economic confidence supported increased lending activity and gradual recovery in financial sector performance.

Nevertheless, financial institutions continued to operate within a highly regulated environment characterised by evolving governance expectations, heightened compliance obligations, liquidity management considerations, and increased focus on sustainability and responsible finance practices.

Digital transformation also accelerated significantly during the year as customer expectations continued shifting towards faster, more convenient, and digitally enabled financial services. Financial institutions increasingly invested in digital platforms, process automation, cybersecurity capabilities, and customer engagement technologies to remain competitive within a rapidly evolving financial landscape.

Key Implications for the Financial Services Sector

Factor	Sector Impact
Interest Rate Movements	Influenced lending growth and funding costs
Inflation Stabilisation	Improved affordability and repayment capacity
Exchange Rate Stability	Reduced currency-related volatility
Regulatory Developments	Increased governance and compliance obligations
Digital Adoption	Accelerated financial sector transformation
Economic Recovery	Improved credit demand and deposit mobilisation
ESG Expectations	Greater focus on sustainable and responsible finance

Technology, ESG and Sustainability Landscape

Technological transformation and sustainability considerations continued to significantly influence the broader operating environment during the year under review. Rapid advancements in digital technology, artificial intelligence, automation, analytics, and cybersecurity reshaped customer expectations and operational models across industries.

Simultaneously, environmental, social, and governance (ESG) considerations became increasingly embedded within strategic decision-making, regulatory frameworks, investor expectations, and stakeholder engagement practices. Sustainability reporting obligations, climate-related risks, responsible lending expectations, and governance transparency requirements continued to gain prominence across the financial services industry.

ESG and Sustainability Priorities

ESG Area	Strategic Focus
Environmental	Energy efficiency and emissions management
Social	Financial inclusion and customer protection
Governance	Transparency and regulatory compliance

Outlook

While the operating environment improved considerably during the year under review, global and domestic uncertainties continued to require organisations to maintain resilience, agility, and disciplined strategic execution. Economic recovery, technological advancement, sustainability expectations, and evolving customer behaviours are expected to continue shaping the operating landscape in the years ahead.

Accordingly, organisations that remain adaptive, digitally enabled, customer-focused, and strategically resilient are likely to be better positioned to sustain long-term growth, manage emerging risks, and create enduring stakeholder value within an increasingly dynamic environment.

FINANCIAL CAPITAL

The financial year ended 31st March 2026 marked another significant year of progress for LCB Finance PLC, as the Company continued to strengthen its financial position, expand its operational footprint, and reinforce its presence within Sri Lanka's non-bank financial services sector. Despite operating within a gradually recovering yet still evolving macroeconomic environment, the Company demonstrated resilience, adaptability, and disciplined execution, enabling it to deliver strong growth across key financial and operational indicators.

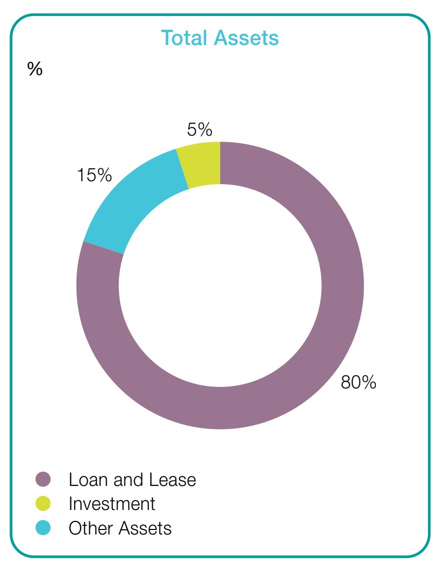
The year under review was characterised by improving macroeconomic stability, easing inflationary pressures, lower interest rate conditions, and strengthening business confidence following the severe economic disruptions experienced in previous years. These improvements contributed positively towards financial sector activity, enhanced liquidity conditions, and improved customer confidence. Nevertheless, the operating environment continued to present challenges, including evolving regulatory expectations, heightened competition, cautious consumer spending patterns, and the need for continued prudence in risk management and capital allocation.

Against this backdrop, LCB Finance remained focused on sustainable growth, prudent portfolio expansion, strengthening operational efficiency, and enhancing long-term stakeholder value. The Company's financial performance during the year reflects the effectiveness of its strategic direction, disciplined risk management practices, and continued investments in people, technology, branch expansion, and customer engagement.

ASSET GROWTH AND PORTFOLIO EXPANSION

The Company's total asset base recorded strong growth during the financial year under review, increasing by 39.14% to Rs. 12.87 Bn compared to Rs. 9.25 Bn recorded in the previous year. This expansion was primarily driven by the growth of the lending portfolio, strengthened liquidity reserves, and continued expansion of the Company's financial services operations across key customer segments.

Total Asset Growth

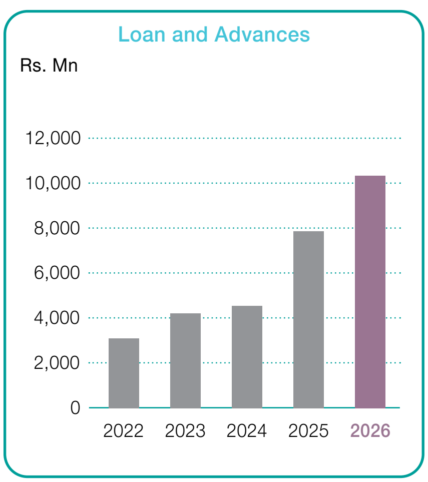


The substantial increase in total assets reflects the Company's continued focus on strengthening its core lending activities while maintaining a prudent and balanced approach towards portfolio quality and liquidity management. During the year, the Company continued to diversify and strengthen its lending activities across a broad range of economic sectors including SMEs, self-employment ventures, women empowerment projects, cooperative-related initiatives, housing, tourism, transport, and other income-generating activities.

Financial assets measured at amortised cost – loans and receivables increased significantly by 41.9% to Rs. 8.53 Bn from Rs. 6.01 Bn recorded in the previous financial year. This growth reflects increased customer demand for financial solutions, strengthening business confidence, and the Company's ability to effectively expand its market reach while maintaining prudent credit assessment practices.

Lease rental receivables and hire purchase assets remained relatively stable at Rs. 1.76 Bn, reflecting the Company's balanced approach towards maintaining portfolio diversification while selectively managing exposure across different lending categories.

Lending Portfolio Composition



The Company also maintained a strong liquidity position throughout the year. Cash and cash equivalents increased substantially to Rs. 905.7 Mn compared to Rs. 216.9 Mn recorded in the previous year, reflecting strengthened liquidity management and improved operational cash generation.

Financial investments at amortised cost increased to Rs. 669.6 Mn, further supporting the Company's liquidity profile and overall financial stability.

Income Growth and Revenue Performance

LCB Finance recorded strong growth in income during the year under review, supported by portfolio expansion, improved lending activity, strengthening deposit mobilisation, and disciplined management of interest margins.

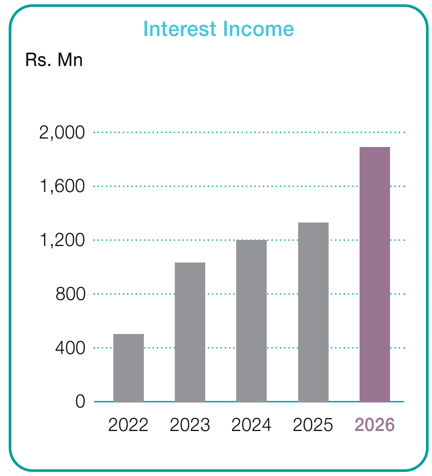
Total operating income increased by 36.9% to Rs. 1.34 Bn from Rs. 979.6 Mn recorded in the previous financial year. The increase was primarily attributable to the expansion of the Company's lending portfolio and the resulting growth in interest income.

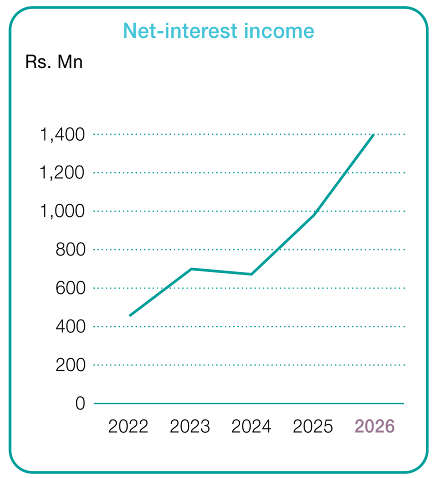
Interest income increased significantly by 42.4% to Rs. 1.88 Bn during the year under review compared to Rs. 1.32 Bn recorded in the previous year. This growth reflects increased lending volumes, improved portfolio performance, and the Company's ability to effectively leverage growth opportunities within a gradually recovering economic environment.

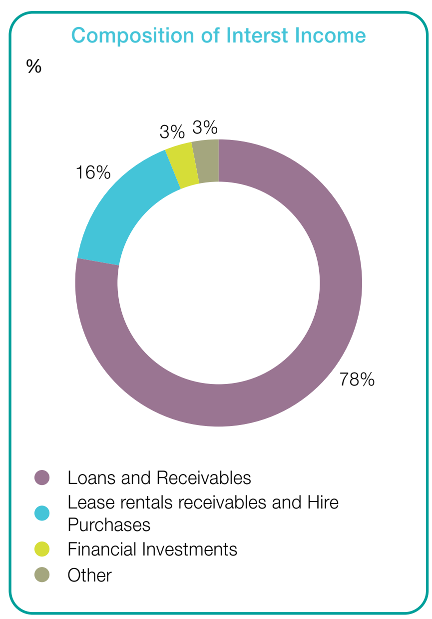
Meanwhile, interest expenses increased in line with growth in the Company's funding base and deposit mobilisation activities. Nevertheless, effective management of funding costs and asset-liability positioning enabled the Company to improve net interest margins during the year.

As a result, net interest income increased by 43.0% to Rs. 1.21 Bn compared to Rs. 846.8 Mn recorded in the previous financial year.

Operating Income Performance







FINANCIAL CAPITAL

Net fee and commission income also increased to Rs. 75.3 Mn during the year under review, supported by increased customer activity levels and broader utilisation of the Company's financial products and services.

Other operating income contributed positively towards overall revenue generation, reflecting continued diversification of income streams and strengthening operational performance.

Impairment Management and Portfolio Quality

The Company continued to maintain a prudent approach towards credit risk management and portfolio monitoring during the year under review. Given the evolving economic environment and ongoing sectoral challenges, particular emphasis continued to be placed on maintaining portfolio quality, strengthening recovery mechanisms, and enhancing credit evaluation processes.

Impairment charges on loans and advances amounted to Rs. 111.6 Mn during the year compared to Rs. 89.5 Mn recorded in the previous financial year. The reduction in impairment charges reflects improvements in portfolio quality, strengthened collection mechanisms, and disciplined credit risk management practices.

The Company continued to closely monitor customer exposures, sectoral risks, and repayment trends while implementing appropriate provisioning measures in line with regulatory requirements and prudent financial management practices.

Consequently, net operating income increased significantly by 38.1% to Rs. 1.23 Bn compared to Rs. 890.1 Mn recorded in the previous year.

Net Operating Income Growth

Description	2025 (Rs. Mn)	2026 (Rs. Mn)	Growth
Net Operating Income	890.1	1,229.4	38.1%
Impairment Charges	89.5	111.6	24.7%

Operating Expenses and Efficiency

Total operating expenses increased to Rs. 630.4 Mn during the year under review compared to Rs. 501.6 Mn in the previous year. This increase was primarily attributable to branch expansion activities, increased investments in technology infrastructure, human capital development initiatives, operational scaling, and business growth-related expenditure.

Personnel costs increased by 22.0% to Rs. 292.7 Mn during the year under review, reflecting investments in employee recruitment, retention, training, capability enhancement, and overall organisational strengthening.

The Company continued to invest significantly in employee development and talent-building initiatives in order to support future growth, strengthen operational capability, and prepare the organisation for an increasingly digital and technology-driven operating environment.

Other operating expenses increased by 25.7% to Rs. 630.4 Mn, primarily driven by branch expansion costs, administrative expenditure, IT-related investments, and operational support activities associated with the Company's continued growth trajectory.

Depreciation and amortisation expenses increased moderately to Rs. 106.7 Mn in line with branch expansion, infrastructure enhancement, and technology-related capital investments.

Operating Expense Analysis

Description	2025 (Rs. Mn)	2026 (Rs. Mn)	Growth
Personnel Costs	240.0	292.7	22.0%
Depreciation & Amortisation	95.4	106.7	11.9%
Other Operating Expenses	166.3	230.9	38.9%
Total Operating Expenses	501.6	630.3	25.7%

Despite the increase in operating expenditure, the Company continued to maintain healthy efficiency levels through disciplined cost management, process optimisation initiatives, and business scale expansion.

The Company's cost-to-income ratio stood at 51.3% during the year under review, reflecting continued emphasis on operational efficiency and disciplined expense management while simultaneously investing in strategic growth initiatives.

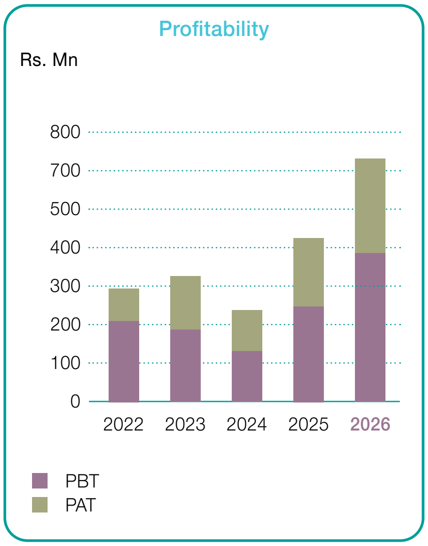
Profitability Performance

The Company recorded strong profitability growth during the financial year under review, reflecting improved operational performance, portfolio expansion, strengthened margins, disciplined cost management, and prudent financial management practices.

Operating profit before taxes on financial services increased significantly by 54.2% to Rs. 599.1 Mn compared to Rs. 388.5 Mn recorded in the previous financial year.

Profit before tax increased by 55.5% to Rs. 439.5 Mn during the year under review, reflecting the Company's ability to effectively balance growth, operational efficiency, and risk management despite prevailing external challenges.

Profitability Performance



The Company's profitability ratios also improved during the year under review, reflecting stronger financial performance and more effective utilisation of capital resources.

Return on Assets (ROA) stood at 3.97% while Return on Equity (ROE) stood at 8.67%, demonstrating the Company's continued ability to generate sustainable returns while maintaining prudent financial discipline.

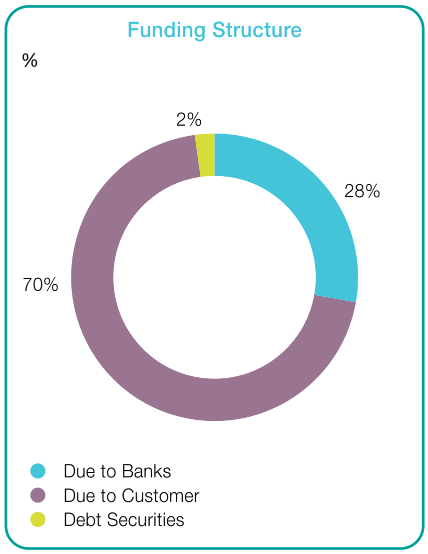
Funding Base and Liability Management

The Company continued to strengthen and diversify its funding base during the financial year under review, supported by increased customer confidence, strengthened deposit mobilisation efforts, and prudent liquidity management practices.

Deposits due to customers increased by 35.5% to Rs. 6.29 Bn compared to Rs. 4.64 Bn recorded in the previous year, reflecting continued public confidence in the Company's financial stability, governance standards, and long-term growth prospects.

Meanwhile, amounts due to banks increased to Rs. 2.49 Bn in support of lending expansion, liquidity management requirements, and operational growth.

Funding Structure



The Company also issued debt securities amounting to Rs. 195 Mn during the year as part of its broader funding diversification strategy and long-term capital management objectives.

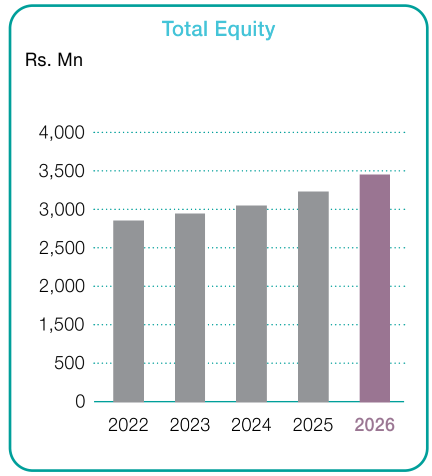
Equity Position and Capital Strength

Total equity increased to Rs. 3.38 Bn as at 31st March 2026 compared to Rs. 3.12 Bn recorded in the previous financial year.

The increase in shareholders' equity was primarily attributable to improved retained earnings generated during the year as a result of enhanced profitability and sustained business growth.

Retained earnings increased by 29.4% to Rs. 658.0 Mn during the year under review, reflecting the Company's improved financial performance and continued focus on strengthening shareholder value.

Equity Position



The Company continued to maintain adequate capital buffers and liquidity levels throughout the year, ensuring compliance with applicable regulatory requirements while supporting future growth and expansion objectives.

Outlook

The Company enters the new financial year from a position of strengthened financial stability, improved operational capacity, enhanced market presence, and growing customer confidence.

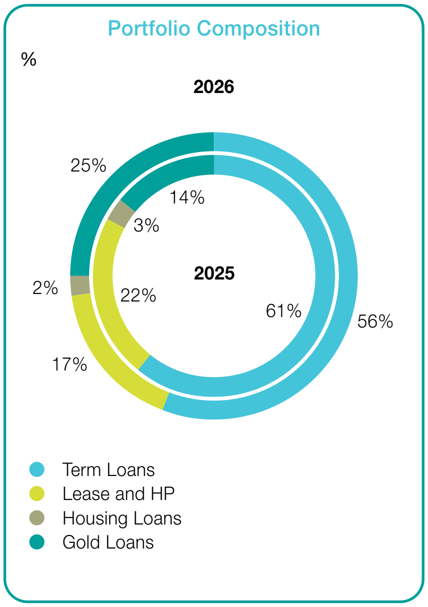
While macroeconomic and industry-related uncertainties continue to persist, improving economic conditions, stabilising inflation, easing interest rates, and strengthening business confidence are expected to support continued growth opportunities within the financial services sector.

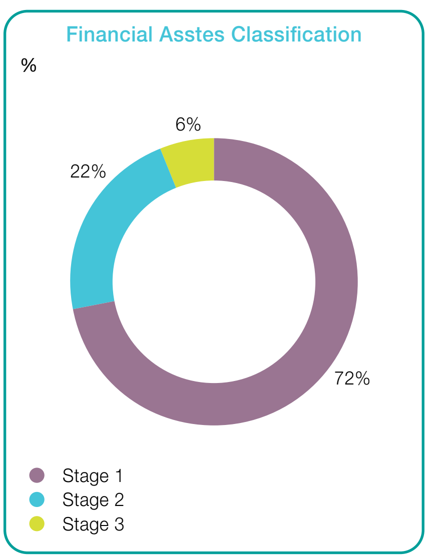
Going forward, LCB Finance will continue to focus on strengthening portfolio quality, expanding customer reach, enhancing digital capabilities, improving operational efficiency, and delivering sustainable long-term value to all stakeholders.

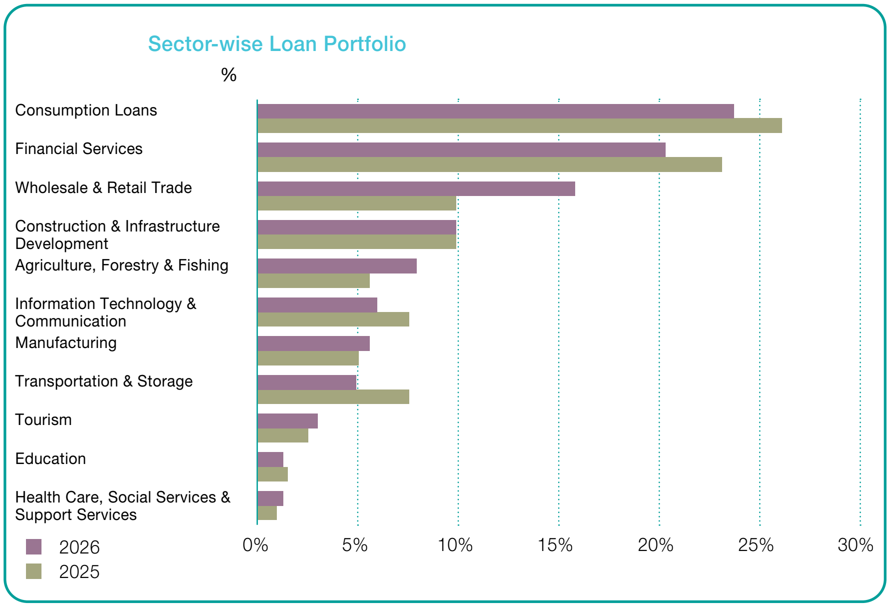
FINANCIAL CAPITAL

The Company also remains committed to strengthening governance standards, maintaining prudent risk management practices, advancing financial inclusion, and pursuing disciplined growth strategies while continuing to invest in people, technology, branch expansion, and customer service excellence.

Supported by a strengthened operational foundation and a clear strategic direction, the Company remains well-positioned to capitalise on emerging opportunities and sustain its growth trajectory in the years ahead.







SOCIAL AND RELATIONSHIP CAPITAL

At LCB Finance PLC, Social and Relationship Capital remains a critical pillar of our long-term value creation strategy. It reflects the strength of our relationships with customers, employees, regulators, suppliers, and communities, and our continued commitment to fostering trust, transparency, and shared value.

During the financial year 2025/26, we further strengthened our stakeholder-centric approach by enhancing customer engagement, reinforcing governance practices, and improving service responsiveness. These efforts reflect our ongoing transition towards a more integrated, responsible, and stakeholder-driven business model, where social and relationship capital plays a central role in driving both financial resilience and sustainable growth.

STAKEHOLDER ENGAGEMENT AND TRUST BUILDING

Recognising the importance of inclusive and transparent engagement, LCB Finance continued to strengthen its stakeholder engagement framework to ensure that stakeholder expectations are effectively captured and addressed.

Engagement across key stakeholder groups —including customers, regulators, employees and communities—was carried out through structured communication channels, enabling the Company to remain responsive to emerging needs and concerns. This approach supports stronger alignment between stakeholder expectations and the Company's operational and strategic priorities.

In particular, the Company placed increased emphasis on:

- Strengthening two-way communication channels
- Enhancing transparency in operational practices
- Integrating stakeholder feedback into decision-making processes

Through these efforts, LCB Finance continues to build trust and reinforce its position as a responsible and accountable financial institution.

CUSTOMER EXPERIENCE AND GRIEVANCE MANAGEMENT

Delivering a consistent and high-quality customer experience remained a key priority during the year. The Company continued to enhance service delivery standards across its branch network, focusing on improving responsiveness, communication, and accessibility.

A structured grievance management framework was maintained to ensure that all customer concerns were handled in a fair, transparent, and timely manner. All complaints were formally recorded, acknowledged, and assessed based on their nature and urgency, with appropriate internal stakeholders engaged to facilitate resolution.

The grievance resolution process is characterised by:

- Timely investigation and response
- Clear communication with customers throughout the process
- Strict adherence to internal policies and service standards
- Implementation of corrective and preventive actions

Importantly, the Company adopted a continuous improvement approach by analysing root causes and addressing systemic issues to prevent recurrence.

Customer feedback received during the year highlighted strong satisfaction with service reliability, while also identifying opportunities to further improve responsiveness and communication efficiency. These insights continue to inform ongoing service enhancement initiatives.

SOCIAL AND RELATIONSHIP CAPITAL

MANAGING REPUTATIONAL RISK

In an increasingly dynamic and transparent operating environment, reputational risk management remains a strategic priority. LCB Finance continues to adopt a proactive approach, integrating reputational risk considerations into its broader risk management framework.

Potential risks are identified and assessed through structured processes, enabling timely mitigation and response. The Company maintains strong governance practices, supported by clearly defined policies and internal controls, to ensure that operations are conducted responsibly and in compliance with regulatory requirements.

Ongoing engagement with stakeholders, coupled with transparent communication and structured escalation procedures, ensures that issues are addressed promptly, thereby safeguarding the Company's reputation and stakeholder confidence.

ETHICAL CONDUCT AND GOVERNANCE FRAMEWORK

Ethical conduct and transparency remain central to the Company's operating philosophy. LCB Finance continues to reinforce its ethical standards through a well-established Code of Ethics, supported by regular training and awareness programmes.

These are complemented by:

- Robust internal control systems
- Regular internal audits and compliance reviews
- Clear reporting and accountability mechanisms

This framework ensures that all business activities are conducted with integrity, professionalism, and adherence to regulatory and ethical standards, strengthening stakeholder trust and organisational credibility.

COMMUNITY ENGAGEMENT AND FINANCIAL INCLUSION

LCB Finance remains committed to supporting the socio-economic development of the communities it serves. The Company's operations are strongly aligned with financial inclusion objectives, particularly in rural and underserved regions.

By expanding access to financial services and supporting small and medium-sized enterprises (SMEs), LCB Finance contributes to:

- Empowering local entrepreneurs
- Supporting income-generating activities
- Enhancing financial literacy and inclusion
- Promoting sustainable economic development

These efforts reinforce the Company's role as a catalyst for inclusive growth and community empowerment.

STRENGTHENING RELATIONSHIP CAPITAL THROUGH CONTINUOUS IMPROVEMENT

While the Company has made significant progress in strengthening its stakeholder relationships, several areas have been identified for further enhancement. These include improving responsiveness, enhancing communication consistency, and expanding digital engagement capabilities to better serve customers across all regions.

Addressing these priorities will enable LCB Finance to further strengthen its relationship capital and enhance overall stakeholder experience.

LCB Finance PLC generously contributed to the establishment of a children's play area at Narawala Maha Vidyalaya Galle

Conclusion

LCB Finance's Social and Relationship Capital reflects its enduring commitment to building strong, trust-based relationships and delivering responsible financial services. Through structured stakeholder engagement, effective grievance management, ethical governance, and a continued focus on financial inclusion, the Company ensures that its operations contribute to long-term, shared value.

As the Company moves forward, it remains focused on deepening these relationships through enhanced engagement, improved service delivery, and continued adherence to the highest standards of transparency and accountability – supporting sustainable growth and positive societal impact across Sri Lanka.

MANUFACTURED CAPITAL

At LCB Finance PLC, Manufactured Capital represents the physical and technological infrastructure that underpins the Company's operations and service delivery. It encompasses the branch network, office facilities, equipment, vehicles, and technology-enabled systems that collectively support efficient operations and consistent customer service.

During the financial year 2025/26, LCB Finance continued to strengthen its manufactured capital through targeted investments, infrastructure optimisation, and improved asset management practices. These efforts were aligned with the Company's broader strategic objective of enhancing operational efficiency, supporting business expansion, and delivering a superior customer experience.

INFRASTRUCTURE AND OPERATIONAL FOOTPRINT

The Company's operational framework is supported by a network of branches and office facilities strategically located across Sri Lanka. These physical assets provide the foundation for delivering financial services to a diverse customer base, including individuals, entrepreneurs, and small and medium-sized enterprises (SMEs).

During the year, LCB Finance continued to assess and strengthen its infrastructure to ensure that it remains aligned with evolving business needs. Investments were directed towards upgrading existing facilities, improving workplace environments, and ensuring that all operational locations are equipped with the necessary resources to support efficient service delivery.

This focus on infrastructure development enabled the Company to maintain a strong physical presence while supporting accessibility and customer convenience.

ENHANCING OPERATIONAL EFFICIENCY THROUGH ASSET INVESTMENT

Strategic investments in manufactured capital played a key role in improving operational efficiency during the year. The Company undertook initiatives to upgrade equipment, replace outdated assets, and enhance supporting infrastructure, ensuring that operations remain efficient, reliable, and cost-effective.

These investments contributed to:

- Reducing equipment downtime and operational disruptions
- Improving workflow efficiency and productivity
- Minimising manual intervention through improved systems
- Optimising operating costs through more efficient resource utilisation

By ensuring that employees have access to reliable and modern tools and facilities, the Company was able to enhance service delivery and maintain high operational standards.

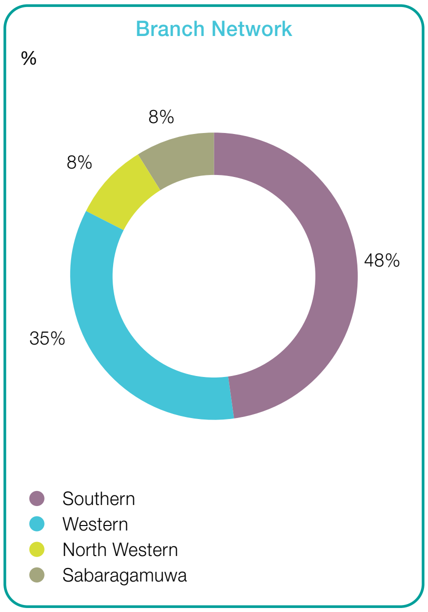
BRANCH OPTIMISATION AND FACILITY MANAGEMENT

Effective utilisation of physical infrastructure remained a key focus area. LCB Finance conducted periodic assessments of branch performance and facility usage to ensure optimal allocation of resources.

Where necessary, adjustments were made to improve operational efficiency, including:

- Renovation and upgrading of high-traffic branches
- Reconfiguration of layouts to improve space utilisation
- Consolidation or optimisation of underutilised locations

These initiatives ensured that the Company's physical infrastructure remains aligned with business volumes, customer demand, and growth strategies.



TECHNOLOGY-ENABLED INFRASTRUCTURE

Technology-enabled infrastructure continued to play an increasingly important role in supporting the Company's operations. Digital systems and integrated platforms enhanced connectivity across branches, enabling real-time communication, monitoring, and decision-making.

The integration of technology within physical infrastructure enabled:

- Improved coordination between the head office and branch network
- Real-time tracking of operational performance
- Faster processing of transactions and customer requests
- Enhanced reliability and consistency in service delivery

This convergence of physical and digital infrastructure has strengthened the Company's ability to operate efficiently while supporting its broader digital transformation strategy.

Kurunegala Branch Opening

ASSET RELIABILITY, MAINTENANCE AND LIFECYCLE MANAGEMENT

LCB Finance maintained a structured and proactive approach to asset management to ensure reliability, safety, and longevity of its infrastructure. Regular maintenance programmes and inspections were conducted to identify and address potential issues before they escalate into operational disruptions.

Lifecycle management practices were implemented to ensure that assets are replaced or upgraded at appropriate intervals, balancing cost efficiency with operational effectiveness. This approach enabled the Company to maintain high levels of asset performance while controlling maintenance and replacement costs.

In addition, employees were provided with appropriate training on the use and handling of equipment, ensuring safe and efficient utilisation of resources.

SUPPORTING CUSTOMER EXPERIENCE THROUGH INFRASTRUCTURE

Manufactured capital plays a critical role in shaping the overall customer experience. LCB Finance continued to enhance its physical infrastructure to ensure that customers receive efficient, comfortable, and consistent service across all locations.

Well-maintained branches, modern facilities, and reliable systems contributed to:

- Reduced waiting times and improved service efficiency
- Enhanced accessibility and convenience for customers
- A more professional and customer-friendly environment

These improvements reinforced the Company's commitment to delivering a high-quality customer experience across its entire network.

CHALLENGES AND CONSTRAINTS

Despite the progress achieved, the Company encountered several challenges related to its manufactured capital during the year. These included limitations in space at certain locations, ageing infrastructure in some branches, and external factors affecting procurement and maintenance activities.

In addition, rising costs of materials and equipment, as well as regulatory requirements, presented constraints in executing infrastructure upgrades and expansions.

These challenges were managed through careful planning, prioritisation of investments, and optimisation of existing resources.

Kiribathgoda Branch Opening

MANUFACTURED CAPITAL

FUTURE PRIORITIES AND STRATEGIC FOCUS

Looking ahead, LCB Finance aims to further strengthen its manufactured capital to support business growth and enhance operational efficiency.

Key priorities include:

- Upgrading older facilities and modernising branch infrastructure
- Enhancing energy efficiency and sustainability of operations
- Expanding infrastructure capacity in line with business growth
- Strengthening asset management systems and monitoring processes

The Company also intends to integrate sustainability considerations into its infrastructure development plans, ensuring alignment with its broader environmental and ESG objectives.

Conclusion

LCB Finance's Manufactured Capital provides a strong and reliable foundation for its operations, enabling efficient service delivery and supporting long-term growth. Through continuous investment, optimisation, and effective asset management, the Company ensures that its infrastructure remains aligned with its strategic objectives.

As the Company continues to expand and evolve, its focus on strengthening manufactured capital will remain integral to enhancing operational resilience, improving customer experience, and delivering sustainable value to its stakeholders.

HUMAN CAPITAL

At LCB Finance PLC, Human Capital remains a fundamental driver of organisational performance, service excellence, and long-term sustainability. As a people-driven financial institution, the Company recognises that its ability to create value is directly linked to the strength, capability, and engagement of its workforce. Accordingly, during the financial year 2025/26, LCB Finance continued to prioritise the development of a resilient, skilled, and future-ready workforce aligned with its strategic growth objectives.

The Company maintained a diverse and well-balanced workforce across corporate management, senior leadership, executive, and operational levels, supported by an expanding branch network across Sri Lanka. This diversity is underpinned by a strong commitment to equal opportunity employment and inclusive workplace practices, ensuring that all employees are provided with fair opportunities for growth and development regardless of gender, ethnicity, religion, age, or background.

WORKFORCE COMPOSITION AND TALENT STRATEGY

LCB Finance's workforce is structured to support both operational efficiency and strategic execution, with clearly defined roles across management, branch operations, and support functions. This structure enables the Company to maintain agility while ensuring effective service delivery across its geographic footprint.

In an increasingly competitive talent market, attracting and retaining skilled employees remained a strategic priority. The Company strengthened its employer value proposition through competitive remuneration packages, clearly defined career progression pathways, and a supportive work environment that encourages professional growth and collaboration.

These initiatives contributed to maintaining workforce stability while enabling the Company to retain critical talent in key functional areas.

Retention strategies were centred around:

- Creating meaningful career development opportunities
- Recognising and rewarding employee performance
- Fostering a positive and inclusive organisational culture

LEARNING, DEVELOPMENT AND CAPABILITY ENHANCEMENT

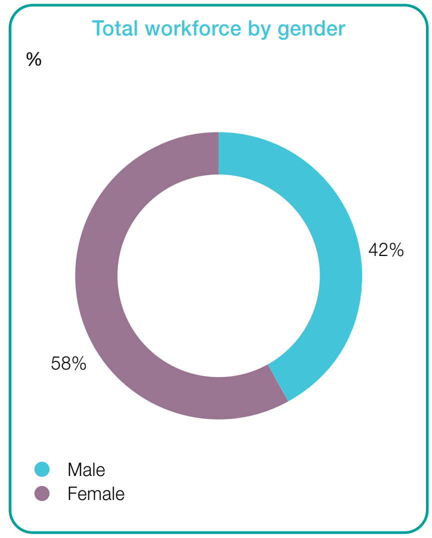
Developing employee capabilities remained central to LCB Finance's human capital strategy. During the year, the Company implemented structured training and development programmes designed to enhance both technical expertise and behavioural competencies.

Training initiatives were aligned with industry requirements and organisational priorities, focusing on areas such as regulatory compliance, customer service excellence, and operational efficiency. Employees were provided with continuous learning opportunities to ensure they remain equipped to meet evolving business demands.

Leadership development was also a key focus area. High-potential employees were identified through performance appraisal processes and supported through targeted development programmes, including on-the-job training, mentoring, and structured leadership training. These initiatives were aimed at strengthening succession planning and building a strong pipeline of future leaders.

Furthermore, the Company continued to align employee skillsets with emerging business needs, particularly in areas such as digital transformation and customer-centric service delivery, ensuring that the workforce remains adaptable and future-ready.

HUMAN CAPITAL



PERFORMANCE MANAGEMENT AND PRODUCTIVITY

LCB Finance maintained a structured performance management framework designed to align individual performance with organisational objectives. At the beginning of the financial year, employees were assigned clearly defined Key Performance Indicators (KPIs), providing clarity on expectations and performance targets.

Periodic performance reviews were conducted to monitor progress, provide feedback, and identify development needs. This continuous evaluation process ensured that performance gaps were addressed proactively, while high-performing employees were recognised and rewarded accordingly.

The integration of performance-based rewards further reinforced a culture of accountability and excellence, motivating employees to achieve their targets and contribute to the Company's overall success.

Importantly, this structured approach to performance management contributed to improved productivity and service quality, enabling the Company to maintain high operational standards across its branch network and corporate functions.

EMPLOYEE ENGAGEMENT AND WORKPLACE CULTURE

Employee engagement remained a key focus area during the year, with the Company recognising its importance in driving productivity, innovation, and employee retention. Engagement levels were monitored through feedback mechanisms, internal communication channels, and periodic surveys, providing valuable insights into employee satisfaction and workplace dynamics.

Feedback received during the year highlighted the importance of career development opportunities, recognition, and a supportive work environment. In response, the Company continued to strengthen its engagement initiatives, focusing on creating a workplace culture that values collaboration, open communication, and continuous improvement.

The Company also encouraged employee participation in organisational development by fostering a culture where employees are empowered to contribute ideas and suggest improvements. This approach not only enhances engagement but also supports innovation and operational efficiency.

EMPLOYEE WELL-BEING, HEALTH AND SAFETY

LCB Finance remains committed to ensuring the health, safety, and well-being of its employees. During the financial year 2025/26, the Company maintained compliance with occupational health and safety standards, supported by regular risk assessments and workplace safety protocols.

Employee well-being initiatives were implemented to promote both physical and mental health, including awareness programmes, medical support, and policies aimed at maintaining a healthy work-life balance. These initiatives contributed to creating a supportive and productive work environment, enabling employees to perform effectively while maintaining their overall well-being.

The Company also ensured that workplace safety measures were consistently applied across all locations, minimising risks and ensuring a secure working environment for all employees.

TECHNOLOGY-DRIVEN WORKFORCE TRANSFORMATION

Technology continued to play an increasingly important role in shaping workforce capabilities and operational efficiency. Digital tools and platforms were leveraged to improve communication, streamline workflows, and enhance productivity across the organisation.

The integration of technology enabled:

- More efficient internal communication and collaboration
- Access to digital learning and development resources
- Improved operational efficiency through automation
- Enhanced service delivery through streamlined processes

These advancements supported the Company's broader digital transformation strategy while enabling employees to adapt to evolving business requirements.

CHALLENGES AND STRATEGIC PRIORITIES

Despite the progress achieved, the Company encountered several workforce-related challenges during the year, including talent attraction and retention, evolving regulatory requirements, and the need to continuously upskill employees in a rapidly changing environment.

To address these challenges, LCB Finance has identified the following strategic priorities:

- Strengthening leadership and succession planning frameworks
- Enhancing employee engagement and retention strategies
- Expanding training and development initiatives
- Aligning workforce capabilities with future business needs

These priorities will guide the Company's human capital strategy in the coming years, ensuring continued alignment with its long-term growth objectives.

Conclusion

LCB Finance's Human Capital remains a critical enabler of its operational success and long-term sustainability. By investing in its people, fostering a culture of continuous learning, and prioritising employee well-being, the Company ensures that it is well-positioned to navigate future challenges and capitalise on emerging opportunities.

As the Company continues to grow, its commitment to developing a skilled, engaged, and resilient workforce will remain central to delivering sustainable value to all stakeholders.

NATURAL CAPITAL

At LCB Finance PLC, Natural Capital reflects the Company's responsibility to manage its environmental footprint while contributing to sustainable economic development. As a financial services institution, the Company's direct environmental impact is relatively limited compared to industrial sectors; however, it recognises its broader responsibility in managing both operational impacts and indirect environmental risks arising through its lending portfolio and value chain.

During the financial year 2025/26, LCB Finance continued to strengthen its approach to environmental stewardship, focusing on resource efficiency, digital transformation, climate risk management, and the integration of sustainability into its operational and strategic framework. These efforts are aligned with the Company's long-term objective of supporting responsible growth while minimising environmental impact.

ENVIRONMENTAL IMPACT OF OPERATIONS

The Company's primary environmental impacts arise from its day-to-day operations across its branch network and corporate offices. These include energy consumption, fuel usage, paper consumption, water usage, and the generation of electronic waste.

While these impacts are inherently lower than those of manufacturing industries, LCB Finance recognises the importance of actively managing and reducing its environmental footprint. In addition, the Company acknowledges that indirect environmental impacts may arise through financed activities and supplier operations, further reinforcing the need for responsible business practices.

RESOURCE EFFICIENCY AND ENERGY MANAGEMENT

Improving resource efficiency remained a key priority during the year, particularly in response to rising energy costs and increasing environmental awareness. The Company implemented a range of initiatives aimed at optimising energy consumption and reducing resource use across its operations.

These included:

- Installation of LED lighting systems across branches
- Use of energy-efficient inverter air-conditioning units
- Regular maintenance of electrical equipment to ensure optimal performance
- Monitoring of monthly electricity consumption at branch level
- Encouraging energy-saving practices among employees

Energy usage data was centrally monitored and analysed to identify high-consumption locations and implement targeted efficiency improvements. These measures not only contributed to reducing environmental impact but also supported cost optimisation across the organisation.

DIGITALISATION AND EMISSIONS REDUCTION

Digital transformation played a significant role in reducing the Company's environmental footprint. The transition towards digital documentation and processes significantly reduced reliance on paper-based operations.

Key initiatives included the introduction of:

- Online customer onboarding processes
- Electronic statements and digital communication channels
- Digital payment systems and e-receipts

These initiatives not only improved operational efficiency and customer convenience but also contributed to reducing emissions associated with paper usage, printing, and physical documentation handling.

CLIMATE RISK MANAGEMENT AND ENVIRONMENTAL RESPONSIBILITY

LCB Finance recognises that climate-related risks can have both direct and indirect impacts on its operations and portfolio. During the year, the Company strengthened its approach to climate risk management by integrating environmental considerations into its broader risk management framework.

Key measures implemented included:

- Conducting risk assessments for branch locations exposed to climate-related events such as flooding
- Maintaining insurance coverage to mitigate potential losses from environmental disruptions
- Leveraging digital systems to ensure operational continuity in the event of disruptions
- Analysing portfolio exposure to environmentally sensitive sectors

These measures enhance the Company's resilience while supporting responsible lending practices and long-term sustainability.

SUSTAINABILITY INITIATIVES AND ENVIRONMENTAL AWARENESS

The Company continued to promote environmental awareness and sustainability practices across its operations. A range of initiatives were implemented to encourage responsible behaviour among employees and contribute to environmental conservation.

These included:

- Tree planting programmes to support environmental restoration
- Green office initiatives aimed at reducing waste and resource consumption
- Awareness sessions and training programmes on sustainability practices
- Promotion of digital transactions to reduce physical resource usage

In addition, internal communication campaigns and guidelines were used to reinforce environmentally responsible practices within the workplace, fostering a culture of sustainability across the organisation.

ENVIRONMENTAL PERFORMANCE AND KEY INDICATORS

To effectively monitor and manage its environmental impact, LCB Finance tracks a range of key performance indicators (KPIs) across its operations.

Key environmental metrics monitored include:

- Electricity consumption per branch
- Fuel consumption per vehicle
- Paper usage per employee
- Waste recycled (%)
- Water consumption per branch

These indicators provide valuable insights into resource utilisation and support data-driven decision-making aimed at improving environmental performance.

SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN PRACTICES

LCB Finance also considers environmental factors in its procurement and supplier management processes. Suppliers are evaluated based on their adherence to environmental regulations and their commitment to sustainable practices.

Key considerations include:

- Compliance with environmental laws and regulations
- Responsible waste management practices
- Use of sustainable materials
- Availability of environmental certifications where applicable

NATURAL CAPITAL

By prioritising environmentally responsible vendors, the Company contributes to promoting sustainability across its value chain.

ENVIRONMENTAL CHALLENGES

Despite ongoing efforts to improve environmental performance, the Company faced several challenges during the year. These included rising electricity tariffs, limited recycling infrastructure in certain regions, and dependence on fossil-fuel-based energy sources.

In addition, climate-related disruptions posed risks to operational continuity, highlighting the need for continued investment in resilience and risk mitigation strategies.

FUTURE INITIATIVES AND ENVIRONMENTAL TARGETS

Looking ahead, LCB Finance has identified several opportunities to further reduce its environmental footprint and strengthen its sustainability practices.

Key targets and initiatives include:

- Reducing paper consumption by 20% over the next two years
- Decreasing electricity consumption by 10% per branch
- Increasing recycling rates to 60%
- Implementing at least one renewable energy initiative

In addition, the Company plans to explore the introduction of solar power solutions, expansion of digital operations, and the development of sustainable finance products. Enhanced ESG reporting and carbon footprint measurement initiatives are also planned to improve transparency and accountability.

Conclusion

LCB Finance's approach to Natural Capital reflects its commitment to responsible resource management, environmental stewardship, and sustainable business practices. Through continuous improvement in energy efficiency, digitalisation, and climate risk management, the Company is actively working to reduce its environmental impact while supporting long-term value creation.

As the Company moves forward, it remains focused on integrating sustainability into its core operations and strategy, ensuring that its growth is both environmentally responsible and economically sustainable.

INTELLECTUAL CAPITAL

At LCB Finance PLC, Intellectual Capital represents a critical enabler of innovation, operational efficiency, and long-term competitiveness. It encompasses the Company's digital capabilities, information systems, data assets, organisational knowledge, and technological infrastructure, all of which support informed decision-making and enhanced customer experiences.

During the financial year 2025/26, LCB Finance continued to strengthen its intellectual capital base through strategic investments in digital transformation, data analytics, cybersecurity, and process innovation. These initiatives have enabled the Company to improve service delivery, enhance operational resilience, and position itself as a forward-looking, customer-centric financial institution.

DIGITAL TRANSFORMATION AND CUSTOMER ENGAGEMENT

Digital transformation remained a central focus of the Company's strategic agenda, driven by the need to enhance accessibility, improve customer experience, and increase operational efficiency. During the year, LCB Finance significantly strengthened its digital presence, leveraging online platforms to engage with customers more effectively and deliver services in a more convenient and accessible manner.

The Company enhanced its engagement across digital channels, including social media platforms such as Facebook, LinkedIn, and YouTube. These platforms were utilised not only for marketing and brand visibility but also for financial awareness initiatives, product education, and real-time customer interaction. This approach enabled the Company to build stronger relationships with both existing and potential customers while expanding its reach across diverse market segments.

In parallel, enhancements to the corporate website provided customers with seamless access to key services, including loan applications, account inquiries, and service requests. This significantly reduced reliance on physical branch visits and improved accessibility, particularly for customers in remote and underserved regions.

TECHNOLOGY INFRASTRUCTURE AND SYSTEMS ENHANCEMENT

The Company made significant investments in its IT infrastructure during the year, with a focus on improving system performance, enhancing security, and ensuring scalability for future growth.

Key initiatives included the upgrade and standardisation of server environments, enabling improved system performance and long-term reliability. The migration to more advanced platforms also strengthened the Company's ability to support increasing transaction volumes and digital service requirements.

Enhancements to identity and access management systems further improved internal security controls, ensuring that access to sensitive data and systems was effectively managed and monitored. In addition, network infrastructure improvements were implemented to ensure secure and reliable connectivity across all branches, supporting uninterrupted operations.

These investments have significantly strengthened the Company's technological backbone, enabling more efficient and secure operations.

DATA ANALYTICS AND DECISION-MAKING CAPABILITIES

Data analytics continued to play an increasingly important role in supporting strategic and operational decision-making. The Company leveraged advanced analytics tools, including Microsoft Power BI, to generate real-time insights and monitor key performance indicators across various business functions.

INTELLECTUAL CAPITAL

The use of data analytics enabled the Company to:

- Monitor loan performance, collections, and branch productivity
- Analyse customer behaviour and repayment patterns
- Identify trends and emerging risks
- Support product development and service enhancements

By transforming data into actionable insights, LCB Finance was able to adopt a more proactive and informed approach to decision-making, improving both operational efficiency and risk management.

Furthermore, data-driven insights supported the development of more tailored financial solutions, enabling the Company to better meet the evolving needs of its customers.

CYBERSECURITY AND INFORMATION PROTECTION

As digitalisation continues to expand, safeguarding information assets has become increasingly critical. LCB Finance maintained a strong focus on cybersecurity during the year, implementing a comprehensive and layered security framework to protect sensitive customer and organisational data.

Key measures included the deployment of advanced endpoint protection systems, firewall enhancements, and secure communication platforms to mitigate risks related to cyber threats such as malware, phishing, and ransomware attacks. Regular vulnerability assessments and penetration testing exercises were conducted to identify potential weaknesses and implement corrective actions.

The Company also strengthened its data protection capabilities through the implementation of Data Loss Prevention (DLP) systems, ensuring that sensitive information is safeguarded against unauthorised access or leakage. Secure backup systems and access control mechanisms further reinforced the integrity and confidentiality of data.

These initiatives ensured compliance with regulatory requirements while maintaining high levels of trust among customers and stakeholders.

INNOVATION AND DIGITAL SOLUTIONS

Innovation remained a key driver of the Company's intellectual capital during the year. LCB Finance introduced and enhanced several digital solutions aimed at improving customer convenience and operational efficiency.

A notable development was the introduction of digital payment and fund transfer capabilities, enabling customers to conduct secure, real-time transactions through online banking platforms and mobile payment solutions. This not only improved customer convenience but also reduced operational risks associated with cash handling.

In addition, process automation initiatives were implemented to streamline internal workflows, reduce manual intervention, and improve overall efficiency. These innovations contributed to faster service delivery and enhanced customer satisfaction.

The Company also continued to explore opportunities for further innovation, particularly in areas such as digital lending, automated decision-making, and enhanced customer engagement platforms.

KNOWLEDGE MANAGEMENT AND ORGANISATIONAL LEARNING

Beyond technology, intellectual capital at LCB Finance is also reflected in its organisational knowledge and ability to continuously learn and adapt. The Company places strong emphasis on capturing and sharing knowledge across the organisation, ensuring that best practices are consistently applied.

Collaboration tools and digital platforms facilitated knowledge sharing between branches and head office, enabling faster decision-making and improved coordination. This approach enhanced organisational agility and supported the Company's ability to respond effectively to changing market conditions.

RISKS AND STRATEGIC PRIORITIES

While the Company has made significant progress in strengthening its intellectual capital, several risks remain inherent in managing information and technology assets. These include cyber threats, data breaches, system failures, and regulatory compliance risks.

To address these challenges, LCB Finance continues to focus on:

- Strengthening cybersecurity frameworks and monitoring systems
- Enhancing data protection and privacy controls
- Investing in advanced IT infrastructure and systems
- Expanding digital capabilities to meet evolving customer expectations

Looking ahead, the Company also plans to implement advanced systems and platforms to further improve operational efficiency and support business growth.

Conclusion

LCB Finance's Intellectual Capital continues to play a vital role in driving innovation, enhancing operational efficiency, and improving customer experience. Through continuous investment in digital transformation, data analytics, and information security, the Company is well-positioned to remain competitive in an increasingly digital financial landscape.

As the Company moves forward, it remains committed to leveraging its intellectual capital to support sustainable growth, strengthen its market position, and deliver long-term value to its stakeholders.

WE SEE YOUR AMBITION FOR GROWTH

BOARD OF DIRECTORS

1

MR. DUSHMANTHA THOTAWATTE

Chairman

Bachelor of Commerce (Special) Degree at the University of Sri Jayawardenepura; Master of Arts in Financial Economics from the University of Colombo; Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Former Chief Executive Officer Lanka Sathosa Ltd., Additional General Manager – National Water Supply and Drainage Board. He is the Chairman of Canwill Holings (PVT) Ltd. and Canowin Hotels and Spas Pvt Ltd. Also, he is a Board Member of Sri Lanka Insurance Corporation.

2

MR. KANDEGODA GAMAGE LEELANANDA

Executive Director / Chief Executive Officer

Mr. K.G. Leelananda holds a Management Degree from the University of Jayewardenepura, a Diploma in Human Resource Management from Aquinas University College, the Chartered Licentiate qualification from the Chartered Institute of Sri Lanka (1993), and an Intermediate Diploma in Banking and Finance from the Institute of Bankers of Sri Lanka (IBSL). He has successfully completed courses on Private Enterprise Development at Harvard University, USA Furthermore, he has completed programmes in Financial Management at NTUC, Singapore, the Co-operative Banking System Course conducted in South Korea, the Netherlands and Canada, and a System Study programme at Banca d'Italia, 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 until 2015.

3

MR. RANJAN LAL MASAKORALA

Non-Executive / Non-Independent Director

Mr. Ranjan holds a Diploma in Management from the University of Tokyo, Japan, and functions as the Director of Premium Cars Japan. He is the Managing Director of Hotel Kabalana (PVT) Ltd, The Villa Hotel Unawatuna and Udumullagoda Tea Factory (PVT) Ltd. He is Proprietor of Uneth Car Sale and The Villa Hotel. He is also a Director of Yakkalamulla Tea Factory, Binelko Marketing Pvt Ltd and Niriella Motors Private Limited.

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MR. KAPILA INDIKA WEERASINGHE

Non-Executive / Non-Independent Director

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

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MR. J. P. C. JAYALATH

Non-Executive / Non-Independent Director

Mr. Jayalath has been an Information Technology professional for over 35 years.

He served as Director of Information Technology at the Board of Investment from 2006 until he left the institution. Upon resigning from the Board of Investment, he was an Executive Director of the institution. He is academically qualified and a sound professional in the IT Stream with the following qualifications.

- BSc Physical Science at the University of Colombo
- Post Graduate Diploma in e-Government from the at the University of Sri Jayawardenepura
- Master of Public Administration at the University of Sri Jayawardenepura

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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 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.

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PROF. AHAMED ROSHAN AJWARD

Non-Executive / Independent Director

He is a Professor in Accounting in the Department of Accounting, Faculty of Management Studies and Commerce at the University of Sri Jayewardenepura (USJ). He currently serves as one of the Co-Chairs of the Research Council at University of Sri Jayawardenepura and is the Coordinator of the Master of Professional Accounting (MPAcc) Degree Programme. His research interests focus on corporate governance, auditing, ethics, and financial reporting. He holds a BSc in Accountancy (Special) Degree with First Class Honours and a Gold Medal, an MBA (2009) with First in Order of Merit, and a PhD from the prestigious Waseda University, Japan (2012). He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Institute of Certified Management Accountants (CMA).

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MR. KURUPANAWA GAMAGE CHARLES GAMAGE

Non-Executive / Independent Director

Mr. K. G. Charles Gamage was the initial Director who was appointed by the Central Bank of Sri Lanka for Ruhunu Development Bank. He has over 30 years of experience in the Co-operative Sector. He is presently the Chairman of Galle Co-operative Hospital Ltd and Director at Galle District Co-operative Rural Bank Union Ltd. Prior to being appointed as the Chairman of Galle Co-operative Hospital Ltd, he was the General Manager at Galle Co-operative Hospital Ltd. and has a wealth of experience in business administration.

MANAGEMENT TEAM

K G Leelananda
CEO / Executive Director

Roshan Jansen
Chief Operating Officer

Vajira Jayasinghe
Deputy General Manager -IT

Kelum Wannige
AGM Finance & Strategic Planning

Sampath Kumara
Chief Internal Auditor

Tamarika Rodrigo
Company Secretery

G Ratnayaka
Head of Finance

Anusha Fernando
Head of Legal

Hasitha Wevita
Head Of Compliance

Jayalal Perera
Chief Risk Officer

Ananda Kumara
Senior Manager - Credit

Oswald Sahabandu
Senior Manager – Recovery

Rumesh Wijesinghe
Manager Human Resources

Wimukthi Gamage
Head of IT

Indika Pushpakumara
Regional Manager

Gayan Priyankara
Regional Manager

Sameera Rukshan
Regional Manager

Keshara Wimukthi Perera
Regional Manager

BRANCH CONTACT INFORMATION

	Branch	Name	Designation
1	Galle	Lokugeeganage Indika Pushpakumara	Regional Manager / Branch Manager
2	Karandeniya	Kariyawasam Bendigoda Gamage Isuru Nishan	Branch Manager
3	Matara	Thanthirige Mahesh Priyankara	Branch Manager
4	Matugama	G V Nimmi Sandaruwani	Acting Branch Manager
5	Kohuwala	Samarathunga Mudiyanselage Dileepa Prasad Hippola Samarathunga	Branch Manager
6	Rathgama	Narigamage Danuka Sanjula	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	Weerarathna Arachchi Patabendige Maneesha Reyashini	Branch Manager
11	Kamburupitiya	Telani Pavithra Witharana	Assistant Branch Manager
12	Akuressa	Disanayaka Mudiyanselage Chaminda Kumara	Acting Branch Manager
13	Embilipitiya	Bogahawaththalage Savishka Dhammika Bogahawaththa	Acting Branch Manager
14	Maharagama	Kumarasinghe Hettiarachchige Agra Upendra Kumarasinghe	Branch Manager
15	Kegalle	Kasun Madhusanka Bandara Ekanayaka	Branch Manager
16	Tissamaharama	Hewa Kekanadurage Gayan Priyankara	Regional Manager / Branch Manager
17	Walasmulla	Nadeeka Chathurangani Ekanayaka	Branch Manager
18	Agunukolapelessa	Senarath Arachchige Sameera Rukshan	Regional Manager / 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
22	Kurunegala	Rathnayaka Mudiyanselage Miyuri Madhumali Rathnayaka	Assistant Branch Manager
23	Kiribathgoda	Andara Arachchige Sasangi Nikeshala	Assistant Branch Manager

Address	Telephone	E-mail
119, Wakwella Road, Galle	912247222	mgrgalle@lcbfinance.lk
Elpitiya Road, Maha Edanda, Karandeniya	912290255	mgrkarandeniya@lcbfinance.lk
No. 3/1/2, Nupe Junction, Galle Road, Matara	412250017	mgrmatara@lcbfinance.lk
No 170, Aluthgama Road, Mathugama	342284810	mgrmathugama@lcbdinance.lk
76 S.De.S.Jayasinghe Mawatha, Kohuwala, Nugegoda	112825404	mgrkohuwala@lcbfinance.lk
622, Devinigoda, Rathgama	912268160	mgrrathgama@lcbfinance.lk
No.249d, Golden Range, Karapitiya	912245810	mgrkarapitiya@lcbfinance.lk
No 229, St Joseph Street, Negombo	312226565	mgrnegombo@lcbfinance.lk
No. 33 & 35, Hettipola Road, Kuliyapitiya.	372286280	mgrkuliyapitiya@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,Tissamaharama	472259044	mgrtissa@lcbfinance.lk
No.70, Beliatta Road, Walasmulla	472247067	mgrwalasmulla@lcbfinance.lk
No 439/11, Ranna Road, Angunakolapelessa	472228313	mgragunukolapelessa@lcbfinance.lk
No.57A, Bauddhaloka Mawatha,Gampaha	332238062	mgrgampaha@lcbfinance.lk
No.194, Weyangoda Road, Minuwangoda	112285804	mgrminuwangoda@lcbfinance.lk
No.162, Colombo Road, Wewala Junction,Piliyandala.	112607391	mgrpiliyandala@lcbfinance.lk
No. 7, Wehera Junction, Colombo Road, Kurunegala	372041378	mgrkurunegala@lcbfinance.lk
No 123, Kandy Road, Mahara, Kadawatha	112924559	mgrkiribathgoda@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 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 it's duties. The Board sub-committees assist the Board in it's supervision of functions in specialised areas requiring significant attention. The governance structure of the Company is aligned with it's business strategy and direction through effective engagement and communication with it's stakeholders, Board of Directors, Board Sub-committees and Management.

Governance Framework

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

- Companies (Amendment) Act No. 12 of 2025
- Finance Business Act No. 42 of 2011
- Finance Leasing Act, No. 56 of 2000
- The Finance Companies Directions, rules, determinations, notices, and guidelines applicable to licensed finance companies issued by the Central Bank of Sri Lanka in terms of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance and Finance Business Act Directions No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons
- The Code of Best Practice on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission.
- Continuing Listing Rules of the Colombo Stock Exchange (CSE)

Director	Board Meeting	BAC	BIRMC	BRPTRC	BHHRC	BSNGC
Mr. D. Thotawatte	12/12	6/6	4/4	11/11	11/11	9/9
Mr. K.G. Leelananda	12/12	-	-	-	-	-
Mr. R. L. Masakorala	12/12	-	-	11/11	11/11	-
Mr. K.I. Weerasinghe	12/12	-	-	-	-	-
Mr. J. P. C. Jayalath	12/12	-	-	-	-	-
Dr. S. A. K. Alahakoon *	12/12	6/6	4/4	5/11	6/11	4/9
Prof. A. R. Ajward (Appointed to the Board on 08th September 2025) *	8/12	3/6	2/4	6/11	5/11	4/9
Mr. K. G. C. Gamage (Appointed to the Board on 15th October 2025) *	6/12	-	-	-	-	3/9
Mr. G.K. Nanayakkara (Resigned on 09th October 2025) *	6/12	3/6	-	-	-	5/9
Mr. A. W. Nanayakkara (Resigned on 09th October 2025) *	6/12	-	2/4	-	-	-
Mr. M. Katulanda (Cease to be a Director from 07th August 2025) *	0/12	-	-	-	-	-

- All Board Committees were reconstituted on 26th September 2025.
- All Board Committees were reconstituted on 24th October 2025.
- Dr. S.A.K. Alahakoon was appointed to the BAC, BRPTRC, BHRRC and BSNGC till 26th September 2025 and then re- appointed to the BAC after the reconstitution on 24th October 2025.
- Prof. A. R. Ajward was appointed to the Board on 08th September 2025 and was appointed to the BAC, BIRMC, BRPTRC, BHHRC and BSNGC after reconstitution on 26th September 2025 and 24th October 2025.
- Mr. K. G. C. Gamage was appointed to the Board on 15th October 2025 and was appointed to the BSNGC after reconstitution on 24th October 2025.
- Mr. G. K. Nanayakkara resigned from the Board, BAC and BSNGC from 09th October 2025.
- Mr. A. K. Nanayakkara resigned from the Board and BIRMC from 09th October 2025.
- Mr. M. Katulanda cease to be a Director from 07th August 2025.

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 Board of LCB Finance PLC 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** The 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.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	**Complied with** 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. 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. There is a clear division of responsibilities between conducting the business of the Board and the day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and ensuring its effectiveness. CEO's role is primarily to conduct the business operations of the Company with the help of corporate management. The roles of the Chairman and the CEO are clearly distinct from one another.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
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.	**Complied with** 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 organisation. A Board-approved Code of Conduct for employees is in place. The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The Code of Conduct emphasise that the Company sees the value in acting with integrity.
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.	**Complied with** The Board-approved Code of Conduct is available to all employees including the Board of Directors. This Code focuses mainly on the following areas: Fair dealing, protection, and proper use of the Company's assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination, and harassment, health and safety, discipline, etc
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	**Complied with** 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
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.

Section	Corporate Governance Principle	Compliance
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** The 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 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 sub-committee 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.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	**Complied with** 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. 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.
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.	**Complied with** 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. 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. The mandatory sub-committee performance evaluations for the Audit Committee and the Integrated Risk Management Committee were conducted for 2025-26 and tabled.
1.5.e	The Board shall resolve to obtain external, independent, professional advice from the Board to discharge duties to the FC.	**Complied with** The Board Charter empowers a director to seek professional advice at the Company's expense, in order to discharge the duties and responsibilities effectively. This procedure is coordinated through the Company Secretary, as and when it is requested.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
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.	**Complied with** 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. All appointments of designated KRPs are recommended by the Nomination Committee and approved by the Board. 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.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	**Complied with** 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
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	**Complied with** 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
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	**Complied with** 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. 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.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	**Complied with** A documented Succession Plan is in place for all Senior Management positions and training programmes are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels of the Senior Management

Section	Corporate Governance Principle	Compliance
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	**Complied with** 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. 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 Sub-committee Meetings on invitation to facilitate effective review, monitoring and decision-making.
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.	**Complied with** 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. Any deviations noted on compliance with the legal framework are brought to the attention of the Board Sub-committees and subsequently to the Board
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	**Complied with** 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.
1.7.c	Acting with due care and prudence, and with integrity and being aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	**Complied with** 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
2.	**GOVERNANCE FRAMEWORK**	
2.1	The Board shall develop and implement a governance framework in line with the Finance Business Act Directions No. 05 of 2021.	**Complied with** The Board implements the governance framework within the Company, which encompasses the requirements specified in the Direction.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
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.	**Complied with** During the year, the Board consisted of eight (08) 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. 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.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	**Complied with** As at 31 March 2026, The Board of Directors comprises eight (08) members which is within the statutory limit required by the direction. The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors.
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.	**Complied with** Non-executive Directors serving on the Board have not served on the Board for more than nine years.
3.4	Non-Executive Directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of non-bank financial institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of Non-executive Directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	**Complied with** There are no Non-Executive Directors who hold more than 10% of voting rights of LCB Finance Company holding office
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.	**Complied with** Throughout the financial year there was one executive director who is the Chief Executive Officer out of Eight Directors. The number of executive directors have not exceeded one-third of the total number of directors of the Board. There have been no new appointments of Executive Directors during the year.

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 organisation structure of the Company.	**Complied with** The CEO is the only Executive Director and 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** The 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) 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, 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.
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.	**Complied with** Four (04) out of eight (08) Directors are Independent Directors which is within the requirement of this direction. The composition of the Board of Directors is published on pages 48 to 49 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	**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 48 to 49.
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.	**Complied with** In 2025/26, no such circumstance occurred.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	**Complied with** In 2025/26, no such circumstance occurred.
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	**Complied with** In 2025/26, no such circumstance occurred.
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.	**Complied with** In 2025/26, no such circumstance occurred.
3.7.c.v	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.	**Complied with** In 2025/26, no such circumstance occurred.
3.7.c.vi	Director represents a shareholder, debtor, or other similar stakeholder of the FC;	**Complied with** In 2025/26, 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 organisation, in which any of the other directors of the FC is employed or a director;	**Complied with** In 2025/26, no such circumstance occurred.

Section	Corporate Governance Principle	Compliance
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 2025/26, 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.
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 were two appointment of new Directors and no Appoointment of Chief Executive Officer during the year.
3.10	Common Directorships	
3.10	A 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 31.03.2026, 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 equivalent positions held by the Directors of LCB Finance PLC in other entities do not exceed the prescribed threshold.

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Section	Corporate Governance Principle	Compliance
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 a FC.	**Complied with** All the Directors as at 31st March 2026 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 up to a maximum of 75 years of age subject to the following:	**Complied with** There are no Directors who are over seventy (70) years of age.
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 2025/26, no such appointments occurred.
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** In 2025/26, no such appointments occurred.
4.3.c	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1⁄5) of the total number of directors.	**Complied with** In 2025/26, no such appointments occurred.
4.3.d	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	In 2025/26, no such appointments occurred.
5.	**APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT**	
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	**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.

Section	Corporate Governance Principle	Compliance
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 Thotawatte is an Independent Director. The composition and the designations of the Board members together with a brief profile is provided on pages 48 to 49 of this Report. Chairperson's performance has been assessed for the year 2025/26
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	
6.4	Responsibilities of the Chairperson	
6.4.a	Provide leadership to the Board;	**Complied with** 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. The Board Secretary prepares the agenda for Board meetings under the direct supervision of the Chairman. The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the date of the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. 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. The Chairman does not engage in activities involving the direct supervision of Senior Management on operational activities. Chairman takes the lead in implementing decisions and directions by the regulators.
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	
6.4.d	Ensure the Board works effectively and discharges its responsibilities	
6.4.e	Ensure all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
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	**Complied with** The CEO implements business and risk strategies in order to achieve the established strategic objectives. The CEO establishes a management structure that promotes accountability and transparency throughout the operations and preserves the effectiveness and independence of control functions. He promotes a sound corporate culture within the Company, while reinforcing ethical, prudent and professional behaviour. The CEO ensures the implementation of proper compliance culture and being accountable for accurate submission of information to the regulator where applicable. 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.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.	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	
7.	**MEETINGS OF THE BOARD**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	**Complied with** 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 minimised and approvals obtained through the circulation of resolutions / Board papers are subsequently ratified at the next Board Meeting. The Company has held 12 Board meetings during the year. Details of the meetings and individual attendance during the year 2025/26 are given on page 54.
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.	**Complied with** 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.
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.	**Complied with** The Annual Board meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings. Directors are given notice of at least 3 days for regular Board meetings.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	**Complied with** All Directors contribute actively to matters arising at Board meetings and actively contribute by providing views and suggestions.

Section	Corporate Governance Principle	Compliance
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.	**Complied with** 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 2025/26, the required quorum has been maintained at all Board Meetings. Details of the meetings and individual attendance during the year 2025/26 are given on page 54.
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 2025/26.
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 2025/26 except Director Mr. Mahesh Katulanda who was absent for 03 consecutive meetings. 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** Ms. T. Rodrigo functions as the Company Secretary, 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** Ms. T. Rodrigo functions as the Company Secretary, Secretary to the Board Selection Nomination and Governance Committee, the Board Related Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee

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Section	Corporate Governance Principle	Compliance
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	**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
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 a 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.

Section	Corporate Governance Principle	Compliance
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	**Complied with** There are seven Board-appointed sub-committees, namely Audit Committee, Human Resource and Remuneration, Selection Nomination and Governance Committee, Integrated Risk Management Committee, Related-Party Transactions Review Committee, Credit Committee and IT Steering 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 sub-committees with appropriate DA to assist in Board decisions.	**Complied with** The Board has appointed the following Senior Management-level sub-committees 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 Ofiice Committee for Evaluation of Sale of Assets ◈ Product Development Committee ◈ Investment Committee
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	**Complied with** The Board has not delegated any matters to a Board Sub-committee, Executive Directors or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
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.
10.	**BOARD SUB-COMMITTEES**	
	A transitional period until 01.7.2024 will be granted. However, during the transitional period provisions contained in “Section 8: Board-Appointed Committees” of the Finance Companies (Corporate Governance) Direction No.03 of 2008 will be applicable.	
	Board Sub-Committees	
	FCs with asset base of more than Rs. 20 Bn	
	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Selection Nomination and Governance Committee (BSNGC), Human Resource and Remuneration Committee and Related Party Transactions Review Committee.	**Complied with** 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 Selection Nomination and Governance Committee (BSNGC), Board Human Resource and Remuneration Committee (BHRRC), and Board Related-Party Transactions Review Committee (BRPTRC). In addition, Board Credit Committee (BCC) have been formed.
	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	Please refer ‘Directors’ Attendance and Committee Memberships’ table given on Pages 54,121 to 127 of the Annual Report.
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	**Complied with** The TORs for the required sub-committees are in place.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the Company.	**Complied with** The performance and duties of the sub-committees are given on the pages 121 to 127 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee.	**Complied with** Each sub-committee has a secretary that, maintains meeting minutes and carry out such other secretarial functions under the supervision of the Chairperson of the committee.
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	**Complied with** Each committee comprises at least three (3) Board members who possess skills, knowledge and experience relevant to the responsibilities of the board Sub Committees.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.	**Complied with** Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required
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.	**Complied with** Prof. Ahamed Roshan Ajward is the Chairman of the Board Audit Committee. He is a Fellow Member of the Chartered Accountants from the Institute of Chartered Accountants Sri Lanka, Member of the Association of Chartered Certified Accountants (ACCA), BSc. Accountancy (Special) from University of Sri Jayawardenepura, Sri Lanka, Master of Business Administration from Waseda University of Japan and Doctorate in Commerce from Waseda University of Japan
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.	**Complied with** The Board Audit Committee consist with three Independent Non-Executive Directors. Members are Prof. Ahamed Roshan Ajward is the Chairman of the Board Audit Committee, Dr. A. Alahakoon Independent, Non-Executive Director Mr. D. Thotawatte – Independent, Non-Executive Director. All of them have expertise and knowledge in the fields of banking, finance, legal, information technology, etc.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA)	**Complied with** The Chief Internal Auditor serves as the Secretary to the Audit Committee
10.2.d	External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	**Complied with** The BAC makes the following recommendations to the Board regarding. 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 2025/2026. The implementation of the Central Bank guidelines issued to Auditors from time to time. The application of the relevant accounting standards.

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 finalised the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Accounting Standards.
	vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's Annual Report and accounts and periodical reports before submission to the Board, the Committee shall focus particularly on: (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** Quarterly Financial Statements as well as yearend Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption and compliance with Accounting Standards and other legal requirements take place and required clarifications are obtained in respect of all areas before being recommended for Board's approval

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Section	Corporate Governance Principle	Compliance
	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 2026.
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:	
	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 programme 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 programme. 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 2025/26 is scheduled to be carried out. The CIA was appointed on 31st October 2024.

Section	Corporate Governance Principle	Compliance
	(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 organisational 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.
	(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 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.	**Complied with** Members of the Board Audit Committee, CIA, and Chief Executive Officer and other Senior Management attend by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	**Complied with** The Committee met with the External Auditor at two meetings 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 three Independent Non- Executive Directors. 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.

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Section	Corporate Governance Principle	Compliance
10.3.b	The secretary to the Committee may preferably be the CRO.	**Complied with** CRO as the Secretary to the Integrated Risk Management Committee as at the reporting date.
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.	**Complied with** BCP is being reviewed by the BIRMC and the position is updated at meetings.
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.
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.	

Section	Corporate Governance Principle	Compliance
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 minimise 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 Managers.
	(iii) Ensures 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.
	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	**Complied with** 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.	**Complied with** With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.
10.3.j	Risk management function	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC:	**Complied with** The Company is to establish an independent risk management function.

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Section	Corporate Governance Principle	Compliance
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: 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.
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 session 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.	**Complied with** 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.
10.4	Board Selection Nomination and Governance Committee	
	The following shall apply in relation to the Nomination Committee:	

Section	Corporate Governance Principle	Compliance
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 is comprises three independent directors. The Chief Executive Officer (CEO) attends meetings by invitation of the Committee.
10.4.b	Secretary to the Board Selection Nomination and Governance Committee may preferably be the Company Secretary.	**Complied with** Secretary to the Committee is the Company Secretary.
10.4.c	The Committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer.	**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 Selection Nomination and Governance 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
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.	**Complied with** 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.	**Complied with** The Company conforms to the stated section.

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Section	Corporate Governance Principle	Compliance
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** This is considered at the BSNGC and BSNGC is responsible for the selection, nomination, appointment, election, and retirement of KRPs.
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	**Complied with** The members will not participate in decision-making relating to own appointments or reappointments.
10.5	Board Human Resources and Remuneration Committee	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
10.5.a	The Committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.	**Complied with** The Committee comprises Two Independent Directors and one Non-Executive Non-Independent Director; committee is chaired by Prof. Ahamed Roshan Ajward (Independent Director). Other members of the Committee are. Mr. D. Thotawatte and Mr. R. L. Masakorala.
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	**Complied with** 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.	**Complied with** The Remuneration Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the BHRRC.
10.5.d	There shall be a formal and transparent procedure in developing the Remuneration Policy.	**Complied with** The Remuneration Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market related modern remuneration practices. Further, the Remuneration Policy is reviewed annually by considering the material changes which are to be included in the policy.
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 BHRRC 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 incentivise 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.	**Complied with** The performance of the senior management excluding the Chief Internal Auditor, Chief Risk Officer and Compliance Officer has been reviewed by the BHRRC. Financial benefits have been decided based on their performances.

Section	Corporate Governance Principle	Compliance
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.	**Complied with** The Committee adheres to the stated section.
11	**INTERNAL CONTROLS**	
11.1	FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	**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. 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 133 to 134. 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 achieve its objectives.
11.2	A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimise the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies.	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12.	**RELATED-PARTY TRANSACTIONS**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	**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.
12.1.c	The business transactions with a related party that is covered in this Direction shall be the following: i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	**Complied with** The RPT policy defined the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest. All related party transactions have been disclosed in the Financial Statements.

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12.2	The Committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	**Complied with** 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. The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.

Section	Corporate Governance Principle	Compliance
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FC's regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter-party; c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	**Complied with** Internal controls have been deployed to comply with these parameters. Sufficient education has been provided to relevant employees in this regard. 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.
13.	**GROUP GOVERNANCE**	
13.1	Responsibilities of the FC as a Holding Company.	The Company is 54.99% 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 54.99% 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.	**Complied with** 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
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.

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Section	Corporate Governance Principle	Compliance
14.3	A FC shall establish a Whistleblowing Policy 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; 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.
16.	**DISCLOSURES**	
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	**Complied with** The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/ SLFRS) and the formats prescribed by the supervisory regulatory authorities. Further, such statements are published in the newspapers in Sinhala, Tamil and English.

Section	Corporate Governance Principle	Compliance
	i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard Annual Report shall include, ◈ A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. ◈ A statement of responsibility of the Board in preparation and presentation of financial statements.	**Complied with** Relevant disclosures are included in pages 121 to 127 of the Annual Report under "Statement of Directors Responsibilities" and pages 129 to 131 of the "Annual Report of the Board of Directors on the state of affairs of the Company".
	ii. Chairperson, CEO and Board-Related Disclosures ◈ Name, qualification and a brief profile. ◈ Whether executive, non-executive and/or independent director. ◈ Details of the director who is serving as the senior director, if any. ◈ The nature of expertise in relevant functional areas. ◈ Relatives and/or any business transaction relationships with other directors of the company. ◈ Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. ◈ Number/percentage of board meetings of the FC attended during the year; and ◈ Names of board committees in which the director serves as the Chairperson or a member.	**Complied with** Details of the Directors including names and transactions with the Finance Company are given on pages 204 to 205 of the Annual Report. Annual declaration is to be obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.
	iii. Appraisal of Board Performance ◈ An overview of how the performance evaluations of the Board and its committees have been conducted.	**Complied with** The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually. 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.

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Section	Corporate Governance Principle	Compliance
	iv. Remuneration ◈ A statement on the Remuneration Policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ◈ The aggregate values of remuneration paid by the FC to its directors and senior management.	**Complied with.** 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. Annual promotions, increments and bonus of all employees are directly in relation with the performance, contribution, commitment, work ethics and behaviour of the employee. 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 does not incentivise employees to take excessive risk or act in self-interest. The aggregate values of remuneration paid by the Company to KRPs are as follows: Rs.'000 Short-term employee benefits: 33,354 Contributions to provident fund: 4,003 Contributions to gratuity fund: 388 (Aggregate values of remuneration paid for Directors for the Year 2025/26 - Rs. 21.567 Mn.)
	v. Related Party Transactions ◈ The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. ◈ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. ◈ The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	**Complied with** 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. No relationships prevail among the other members of the Board. There were no accommodations outstanding in respect of related parties. The aggregate values of the transactions of the Company with its senior management during the year under review are given below. Rs. Mn Accommodation granted: - Deposits held: 9.3

Section	Corporate Governance Principle	Compliance
	vi. Board-Appointed Committees ◈ The details of the Chairperson and members of the Board committees and attendance at such meetings.	Please refer 'Directors' attendance and Committee Memberships' tables are given on page 54 of the Annual Report.
	vii. Group Structure ◈ The group structure of the FC within which it operates. ◈ The group governance framework.	The Company is 54.99% owned subsidiary of Lanka Credit and Business Limited. The Company fulfills its own legal and governing obligations.
	viii. Director's Report - A report, which shall contain the following declarations by the Board. ◈ The FC has not engaged in any activity, which contravenes laws and regulations. ◈ The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. ◈ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. ◈ The business is a going concern with supporting assumptions; and ◈ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Given on pages 129 to 131 of the Annual Report.
	ix. Statement of Internal Control ◈ A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. ◈ The External Auditor's assurance statement on the effectiveness of the internal control mechanism reffered to above, in respect of any statement prepared or published. ◈ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. ◈ A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.	Given on pages 133 to 134 of the Annual Report.
	x. Corporate Governance Report ◈ Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the External Auditor's assurance statement of the compliance with the Corporate Governance Direction.	**Complied with** The Corporate Governance Report is given on pages 54 to 104 of the Annual Report. 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

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
	xi. Code of Conduct ◈ FC's Code of Business Conduct and Ethics for directors, senior management and employees. ◈ The Chairperson shall certify that the Company has no violations of any of the provisions of this code.	**Complied with** The Company has developed a Code of Business Conduct and Ethics for all employees. 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. Refer the Chairman's Statement in the Annual Report for details.
	xii. Management Report ◈ Industry structure and developments ◈ Opportunities and threats ◈ Risks and concerns ◈ Sustainable finance activities carried out by the Company ◈ Prospects for the future	**Complied with.** Please refer 'Operating Environment' on pages 25 to 27
	xiii. Communication with Shareholders ◈ The policy and methodology for communication with shareholders. ◈ The contact person for such communication.	**Complied with.** The Board-approved Communication Policy is in place which covers all stakeholders including Depositors, Shareholders, borrowers and other creditors. The Company Secretary communicates with the shareholders through the Annual Report, quarterly reports, and by notices issued to the shareholders.

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

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1	**THE BOARD** The Board of Directors at LCB Finance PLC (the "Company") represents professionals from different disciplines such as legal, marketing, management, finance, information technology and they bring with them a wealth of business experience to provide leadership to the Company.		
A.1.1	Board meetings	Complied	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. During the year, the Board met 12 times, at approximately monthly intervals. 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. Circulation of Board papers to obtain Board's consent was minimised and confirmations ratified at the subsequent Board meeting. Details of the Board meetings and individual attendance are given on page 54 of the Annual Report.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1.2	Responsibilities of the Board	Complied	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. 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. 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. The Board determined the matters expressly reserved to the Board and the aspects delegated to the management including limits of authority and financial delegations. 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. 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 sub-committees 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.
A.1.3	Agreed procedure on seeking independent professional advice	Complied	The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense, as and when such advice is required.

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	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. 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. The Company Secretary serves only in the capacity of Company Secretary, not holding simultaneous employment in another capacity. The removal of the Company Secretary is a matter to be considered by the Board as a whole.
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	Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. 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.
A.1.7	Training for new and existing directors	Complied	A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company. 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.
A.2	**CHAIRMAN AND CEO** The Board of Directors does not intervene with the Company's day-to-day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive toward the Company's strategic vision and to ensure the effectiveness of the Board. The CEO's role is to conduct the business operations of the Company with the help of the Corporate and Senior Management. Hence, the roles of the Chairman and the CEO are clearly distinct from one another.		
A.2.1	Separation of the roles of Chairman & CEO	Complied	The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Director is the Chief Executive Officer who is responsible for managing the Company's business.
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.		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.3.1	Role/functions of the Chairman	Complied	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. The Chairman ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. 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. Board papers covering adequate information of matters to be taken up for discussions are circulated in advance of to the meeting. All Directors are encouraged to actively participate in Board's affairs. There is a constructive relationship among all Directors and they work together in the best interest of the Company. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
A.4	FINANCIAL ACUMEN The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as four Board members having accounting and financial qualifications including one director is qualified Chartered Accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.		

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.4	Financial acumen and knowledge	Complied	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. Prof. Ahamed Roshan Ajward is the Chairman of the Board Audit Committee. He is a Fellow Member of the Chartered Accountants from the Institute of Chartered Accountants Sri Lanka, Member of the Association of Chartered Certified Accountants (ACCA), BSc. Accountancy (Special) from University of Sri Jayawardenepura, Sri Lanka, Master of Business Administration from Waseda University of Japan and Doctorate in Commerce from Waseda University of Japan. Mr. K.G. Leelananda graduated in BSc. Management (Sp) from the University of Sri Jayawardenepura, Licentiate in Chartered Accountancy from ICSL and Intermediate Banking & Finance, Institute of Bankers of Sri Lanka. 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. The details of their qualifications and experience have been set out on pages 48 to 49
A.5	**BOARD BALANCE** The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision-making.		
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	Complied	Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of one Executive Director, five Non-Executive Non-Independent Directors and three independent Directors. As the majority of the Board comprises Non-Executive Directors, their opinions and views carry significant weight in the Board's decisions.
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)

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.5.7 & A.5.8	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.
A.5.9	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.		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied	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. 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. The Chairman ensures that all Directors are briefed on issues arising at Board meetings
A.6.2	Adequate time for Board meetings	Complied	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. 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.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.7	**APPOINTMENT TO THE BOARD** The 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	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 Board Selection Nomination and Governance Committee (BSNGC) Report on pages 122 to 123 Committee member attendance of the Nomination Committee is given on pages 122 to 123 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. Findings of the assessment of the Board are considered for new appointments and re-election of Directors. Also, a process has been established to determine that the proposed Board appointees are fit and proper for the requirement.
A.7.3	Disclosure of information to shareholders upon appointment of New Directors	Complied	All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his 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.
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 Diectors and Chairman is in placed.
A.9	**APPRAISAL OF BOARD PERFORMANCE** The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.		
A.9.1 & A.9.2	Annual appraisal of the Board's performance and the performance of its sub-committees.	Complied	The performance of the Board is evaluated by the Chairman and the directors. The Board sub-committees 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 Sub-committee 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.		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.10.1	Disclosures on Directors in the Annual Report	Complied	The following details pertaining to each director are disclosed in the Annual Report (a) Brief profile with expertise and experience - pages 48 to 49 (b) Other business interests - pages 204 to 205 Remuneration - Note 16.4 on page 84 Status of independence -page 121 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 met the pre-set financial and non-financial targets.		
A.11.1 & A11.2	Setting annual targets and the appraisal of the performance of the CEO/Managing Director	Complied	Assessment of the performance of the CEO is carried out by the Board on an ongoing basis to ensure that the performance of the Company is achieved.
B.	**DIRECTORS' REMUNERATION**		
B.1	**REMUNERATION PROCEDURE** This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective Remuneration Policy to avoid potential conflict of interest.		
B.1.1	Establishment of a Remuneration Committee	Complied	The Remuneration Committee is responsible for; ◈ 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. Communicating with shareholders on the Remuneration Policy and the Committee's work on behalf of the Board through remuneration committee report
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 127 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 Sub-Committees. The Non-executive Directors fee structure is reviewed and revised by the Board as a whole, as and when necessary.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B.1.5	Ability to consult the Chairman and/or the Managing Director and to seek professional advice by the Committee	Complied	The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Company's expense.
B.2	**LEVEL AND MAKE-UP OF REMUNERATION** The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of directors.		
B.2.1	Remuneration packages of Executive Directors	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.2	Competitiveness of levels of remuneration	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.3	Comparison of remuneration with other companies in the Group	Not Applicable	The Board HR & Remuneration Committee, where necessary, reviews the Company's remuneration levels in relation to the industry standards of the country.
B.2.4	Performance-based remuneration of Executive Directors	Complied	During the year under review, the Company did not provide performance-based remuneration for Executive 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' in page 127 or disclosure of the names of the Remuneration Committee members and the Remuneration Policy of the Company.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
			Please refer Note 46.2 to the Financial Statements for the aggregate remuneration paid to Directors.
C.	**RELATIONS WITH SHAREHOLDERS**		
C.1	**CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS** The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.		
C.1.1	Use of Proxy Votes	Complied	The Parent Company holds 54.99% of the shares.
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	Complied	The Parent Company holds 54.99% of the shares. Refer to shareholding on page 216 to 218.
C.1.3	Availability of Board Sub-committee Chairpersons.	Complied	Chairpersons of the other Board Sub-committees 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 is attended to queries raised. 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.1.4 & C1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	Complied	Annual Reports are dispatched to all shareholders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.
C.2	**COMMUNICATION WITH SHAREHOLDERS** The Code requires effective communication with shareholders. The Company is a fully owned subsidiary of Sampath Bank PLC.		
C.2.1	Channel to reach all shareholders of the Company	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.2	Policy and methodology for communication	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	By circular to shareholders and notice of shareholder meetings.
C.2.4 & C.2.6	Contact person in relation to shareholder matters	Complied	The main contact person is the Company Secretary.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
C.2.5	Process to make all directors aware of major issues and concerns of shareholders	Complied	Any major issue of concern of shareholders are informed to Board members by the Company Secretary.
C.2.7	Process responding to shareholder matters	Complied	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.
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 2025/26
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 (Amendment) Act No. 12 of 2025, 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 129 to 131 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 135 to 138 for the Independent Auditor's Report.
D.1.4	Management discussion and analysis	Complied	Please refer to 'Operating Environment' set out on pages 25 to 27 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 129 to 131.

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	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. 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. All Related-Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 46 to the Audited Financial Statements.
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 124 to 125
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	The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the Audit Committee. The Charter was reviewed for 2025/26 in line with the Code of Best Practices on Audit Committees of CA Sri Lanka. The duties and responsibilities of the Committee include: ◈ 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. 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. The Audit Committee reviewed and approved the policy for engagement of the External Auditor to provide non-audit services during 2025/26. Separate periodic meetings with management, External Auditor and the Internal Auditors. Reporting regularly to the Board of Directors.
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 124 to 125.

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 16 to 17.
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 104 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.
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.		

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 25 to 27
G.1.2	The Environment	Complied	This is covered in the 'Operating Environment' on pages 25 to 27
G.1.3	Labour Practices	Complied	Please refer 'Operating Environment' on pages 25 to 27
G.1.4	Society	Complied	Please refer 'Operating Environment' on pages 25 to 27
G.1.5	Product and Service Responsibility	Complied	Please refer to 'Operating Environment' on pages 25 to 27
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of the 'Operating Environment' on pages 25 to 27
G.1.7	Sustainable Reporting & Disclosure	Complied	Please see the contents of the 'Operating Environment' on pages 25 to 27

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 2026, Board comprised of eight Directors. seven (07) out of the eight (08) 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	Four (04) out of the seven(07) 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 48 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 48 to 49 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Compliance Status	Comment
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 2025/26.
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.
Board Human Resource and 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
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 Page 127 under HR & Remuneration Committee Report.
	Remuneration Policy	Complied	Policy is given in HR& Remuneration Committee Report on page 127
	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 129 to 131 of the Annual Report.
Board Audit Committee			
7.10.6 (a)	Composition and Role of the Audit Committee	Complied	All members of the Board Audit Committee are Independent, Non- Executive Directors. The Committee comprised of Prof. Ahamed Roshan Ajward (Chairman), Dr. A. Alahakoon and Mr. D. Thotawatte Please refer to the contents of the Board Audit Committee Report on pages 124 to 125 for the role of the Audit Committee.
	Chairman of the Audit Committee	Complied	The Board appointed Prof. Ahamed Roshan Ajward as the Chairman of the Board Audit Committee. Mr. Roshan Ajward is a Fellow Member of the Chartered Accountants from the Institute of Chartered Accountants Sri Lanka, Member of the Association of Chartered Certified Accountants (ACCA), BSc. Accountancy (Special) from University of Sri Jayawardenepura, Sri Lanka, Master of Business Administration from Waseda University of Japan and Doctorate in Commerce from Waseda University of Japan.
	Attendance at Audit Committee Meetings	Complied	Members of the Board Audit Committee, the Chief Internal Auditor attend the meetings. CEO, attend by invitation.

Rule No.	Applicable Requirement	Compliance Status	Comment
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 Financial Reporting Standards and 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 144 to the Audited Financial Statements under Statement of Compliance.
	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 (amendment) Act No.12 of 2025. This fact is stated in Note 2.1 on page 144 to the Audited Financial Statements under Statement of Compliance.
	iii) Process to ensure that the Company's internal control and risk management are adequate to meet the requirements of the Sri Lanka Auditing standards.	Complied	The Auditor's certification on the Directors Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report has been obtained. The Company assesses the internal controls via risk & control self-assessment (R&CSA) process.
	iv) Assessment of the independence and performance of the Company's External Auditors.	Complied	The Board Audit Committee (BAC) assesses the independence of External Auditors and their performance. The Board Audit Committee regulatory reviews the scope of the External Auditors and the effectiveness of the audit. Furthermore, the committee ensures that non-audit services provided by External Auditors do not affect their independence.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Compliance Status	Comment
	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 risen.
7.10.6 (c)	Names of Directors comprising the Audit Committee.	Complied	Published in the Annual Report on pages 124 to 125 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 124 to 125 of the Annual Report.

RISK MANAGEMENT

INTEGRATED RISK MANAGEMENT FRAMEWORK

By integrating sustainability factors into our financial decision-making process Risk Management Framework of LCBF provides a structured approach to identifying, assessing, and managing exposure to key risk categories, including credit, market, and liquidity risks. These risks are subject to continuous monitoring and are formally reported to the Board Integrated Risk Management Committee (BIRMC), ensuring appropriate oversight and timely decision-making. Liquidity and funding activities are governed by a Board-approved Treasury Policy, with Asset and Liability Committee (ALCO) oversight focused on maintaining financial resilience while optimising funding costs.

Financial capital remains a critical pillar in sustaining long-term value creation. In alignment with Sri Lanka Financial Reporting Standards SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), the Company systematically evaluates sustainability-related risks that may impact financial stability. These include macroeconomic volatility, fluctuations in interest rates, evolving regulatory requirements, and credit risk exposures, all of which have the potential to influence profitability, liquidity, and capital adequacy levels.

In addition, the Company recognises emerging strategic and operational challenges driven by rising customer expectations and increasing digital disruption within the financial services sector. Consistent with the principles of SLFRS S1 and S2, the Company continues to enhance its risk management framework and align its financial strategies to address these evolving risks in a structured and forward-looking manner.

At the same time, the Company identifies and leverages key opportunities to strengthen its resilience, including maintaining strong capital adequacy levels, diversifying funding sources, and delivering consistent profitability. These factors collectively support the Company's capacity to withstand economic and environmental uncertainties while ensuring sustained value creation for stakeholders.

Furthermore, we focus on strategic investments in technology, green finance, and inclusive lending, contributing to our commitment to responsible growth. By integrating sustainability factors into our financial decision-making process, we are well-positioned to navigate evolving market dynamics and achieve sustainable long-term success.

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 of 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), including ESG Risk reporting.
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 ensures that business grows sustainably while preserving shareholder value and maintaining financial stability.

P2. Risk is taken within a defined / approved risk appetite.
The RAS defines the risk boundaries within which risks are undertaken. All risk control mechanisms ensure continuous compliance with the Board-approved risk appetite, and any deviations are reported and addressed promptly.

P3. Specific responsibilities for risk-taking have to be defined.
Clear accountability is established for all material risks, with defined roles for risk origination, approval, and independent review. This ensures appropriate segregation of duties and strengthens governance and control mechanisms.

P4. Risks undertaken need to be adequately compensated.
Risk-taking activities are aligned with appropriate returns through the application of internal capital models, Risk-Adjusted Return on Capital (RAROC), and risk-based pricing frameworks, ensuring efficient allocation of capital.

P5. Risk Management shall be supported by a strong risk management culture.
A strong risk culture is promoted by the Board and senior management and embedded throughout the organisation, supported by structured communication, training, and awareness initiatives.

P6. Risk Governance has to follow best international practices.
Risk governance structures are designed and periodically reviewed to align with leading international practices, including independence of control functions, the Three Lines of Defence model, and segregation of duties.

RISK MANAGEMENT

This also supports compliance with governance, transparency, and ESG-related expectations of foreign funding institutions and international stakeholders.

P7. Business incentives shall be risk sensitive.
Incentive structures incorporate risk considerations to ensure that employee behavior is aligned with prudent risk-taking and the long-term sustainability of the business.

P8. Risk Planning has to be fully aligned with the business objectives of the Company.
Risk strategy, appetite, and capital planning are integrated with the Company's strategic objectives and business plans, ensuring alignment between risk, return, and growth targets.

P9. Risks shall be assessed comprehensively.
All material risks are identified and assessed across business lines and operational areas. This includes ESG-related risk factors, particularly in lending portfolios, operations, and counterparties, where such factors may influence financial performance, reputation, regulatory compliance, or access to external funding.

P10. Risks shall be managed by all relevant stakeholders.
Risk management is a shared responsibility across all business and support functions, with each stakeholder accountable for managing risks within their respective areas, supported by the Risk Management function.

2. THE INTEGRATED RISK MANAGEMENT FRAMEWORK (IRMF)

2.1 Integrated Risk Management Framework Elements

The Risk Management Framework (RMF) comprises the comprehensive set of principles, policies, processes, and systems established by the Company to achieve the objectives of risk management as defined in the Integrated Risk Management Framework (IRMF). The key components are outlined below:

(i) Integrated Risk Management Framework (IRMF)
The IRMF establishes the overarching principles governing the RMF, including risk governance structures, Risk Appetite Statement (RAS) guidelines, risk management processes, policy framework, and reporting standards. It further ensures that all material risk categories, including emerging risks, are appropriately identified and managed.

The IRMF also facilitates the systematic integration of Environmental, Social, and Governance (ESG) considerations into the risk management framework, in line with evolving regulatory expectations and the information requirements of international investors and development finance institutions. All RMF components are developed in accordance with the principles set out in the IRMF.

(ii) Risk Governance
Defines the roles, responsibilities, authority limits, and reporting lines of all stakeholders engaged in risk management. Governance arrangements are formalised within the IRMF (refer Section 3), ensuring effective oversight of all material and emerging risk exposure

(iii) Risk Appetite, Risk Strategy and ICAAP
Defines the risk strategy of the Company in terms of the types and levels of risks the Company wishes to assume, establishing clear boundaries for each material risk type. It ensures the integration of risk planning with business planning through the ICAAP framework, taking into account key internal and external risk drivers, including regulatory, environmental, and sectoral developments that may impact the Company's risk profile.

A detailed description of the governance structure, processes, and methodologies relating to the Risk Appetite Statement (RAS) and ICAAP shall be documented and maintained within dedicated policies.

(iv) Specific Risk Management Policies and Processes
Encompasses formal policies governing the management of key risk areas, including credit, market, liquidity, operational, and ESG risks.

ESG-related risk factors are incorporated, where relevant, within existing risk management policies—particularly credit and operational risk frameworks—ensuring consistency with overall RMF principles and alignment with external stakeholder expectations without duplicating standalone structures.

(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. The infrastructure is progressively strengthened to enhance risk data aggregation, monitoring, and reporting capabilities, including support for evolving disclosure expectations relevant to international funding and investor assessments.

(vi) Day-to-Day Risk Management Activities
Represents the practical implementation of risk policies and procedures across business operations by relevant stakeholders, ensuring that risk exposures are continuously identified, measured, monitored, and controlled. Emerging risks, including those relating to ESG, are considered within routine risk assessments where applicable.

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 (ICAAP) Policy
7. Compliance Policy
8. Anti-Money Laundering Policy
9. Information Security Management Policy

2.3 Key Risk Areas of 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 Lega Risk
6. Strategic Risk
7. Environment, Social, Governance (ESG) Risk

3 RISK GOVERNANCE

3.1 Risk Governance Principles

The following principles underline 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- and back-office functions, based on the 3 lines of defence structure. The following are key elements aimed 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. Not with standing the independence requirement, Risk Management shall keep close enough to business and 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 manner.

03 Lines of defense in Risk

All material risks, as defined in the Integrated Risk Management Framework (IRMF), are managed in accordance with the Three Lines of defence model, which establishes clear accountability, independent oversight, and assurance across the organisation.

- **1st line of Defence:**
  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 specialised back-office functions Including branches, Regional Office, Credit Department, Finance & Treasury Department.

  IT Department, Branch Operations Department and other relevant support service sections. In addition to this, Board Credit Committee (BCC) will act at the highest level of 1st line defence of credit.

- **2nd Line of Defence:**
  The Risk Management Department operates as an independent function headed by the Chief Risk Officer (CRO). The CRO has unrestricted access to the Board Integrated Risk Management Committee (BIRMC) and reports functionally to the BIRMC, while maintaining an administrative reporting line to the Chief Executive Officer (CEO).

  The compliance function is also established as an independent unit, led by the Head of Compliance, with a reporting structure similar to that of the CRO, ensuring independence and effective oversight.

RISK MANAGEMENT

As part of the second line of defence, the Risk Management Department plays a key role in ensuring that the first line adequately applies and complies with established risk management policies, frameworks, and control standards. In addition, it provides independent oversight of the overall risk profile of Lanka Credit and Business Finance PLC (LCBF).

The compliance function complements this role by ensuring that the first line of defense conducts its operations in accordance with applicable laws, regulations, internal policies, and recognised industry best practices. The BIRMC serves as the highest-level authority overseeing the Company's risk management function within the second line of defence, providing strategic direction, governance, and independent oversight across risk and compliance functions.

- **3rd line of Defence:**

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. The Board Audit Committee will monitor this mechanism through Internal Audit Dept.

Board of Directors

FIRST LINE OF DEFENCE

- HODs
- Management
- Committees

Day-to-Day Management of Risks

- First and direct responsibility for the assessment and control of the Company's risk.
- Embeds Risk Management Framework and sound risk management practices into standard operating procedures.
- Monitors risk management performance in operation.
- Accountable for effectiveness of risk management in operation.

SECOND LINE OF DEFENCE

- BIRMC
- Audit Committee
- RMD
- Compliance Function

Oversight of Risk Policies and Framework

- Develops and implements the framework, policies, systems, procedures and tools.
- Providing support to the business units, review and report key risks to the IRMC.
- Monitors level of compliance.

THIRD LINE OF DEFENCE

- Internal Auditors
- External Auditors

Independent Review and Assurance

- Reviews effectiveness of risk management practices.
- Recommends improvements and enforces corrective actions where necessary.

Segregations of duties

The Risk Governance model caters to segregation of duties between: The Company's Risk Governance framework ensures a clear segregation of duties to strengthen internal controls, promote accountability and support effective risk management, including emerging risk considerations, key aspects include:

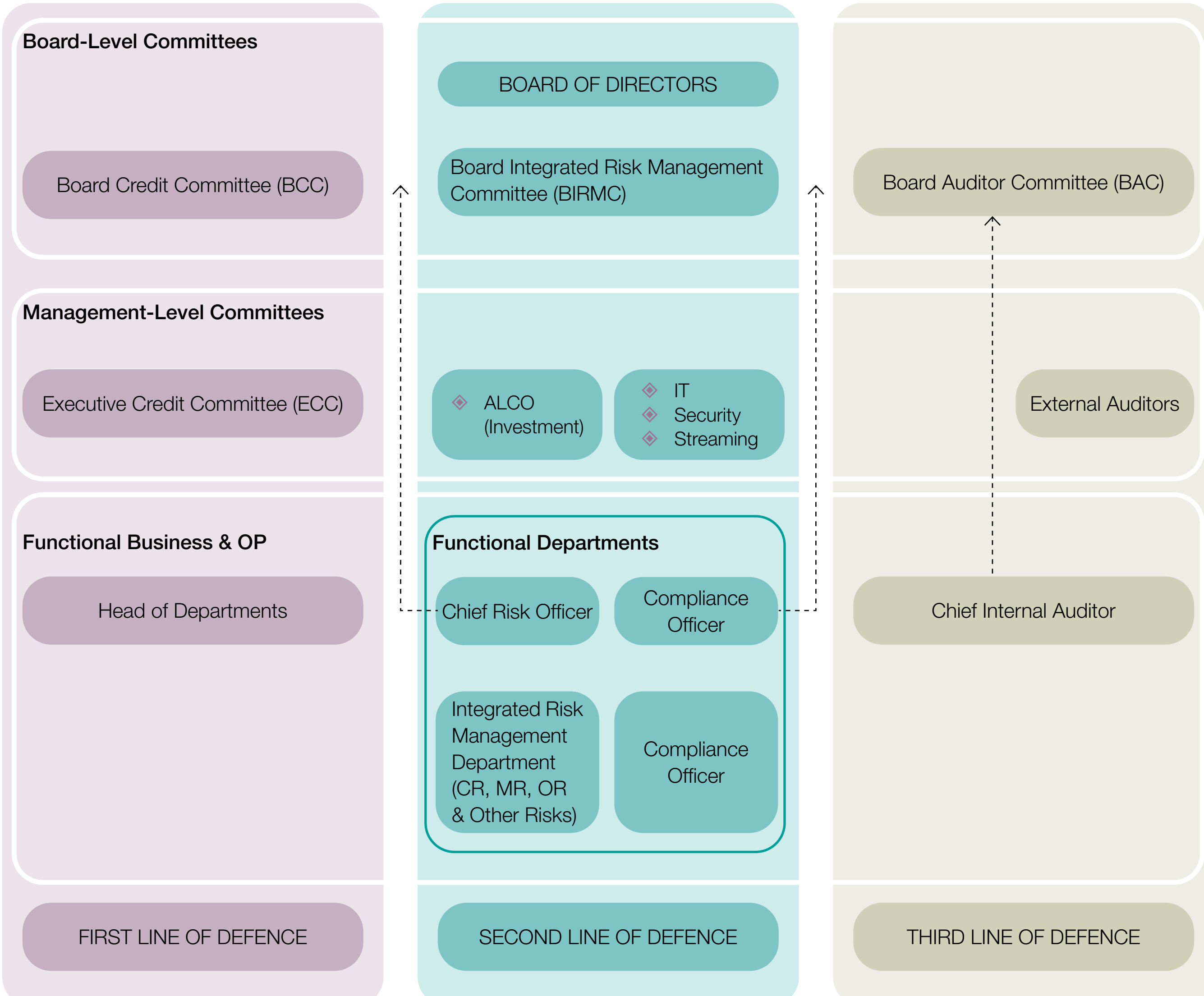
- Segregation Between Risk Origination and Approval: A clear distinction is maintained between business origination functions and independent review and approval functions, ensuring that risk-taking activities are subject to appropriate oversight and challenge, including relevant environmental, social, and governance (ESG) considerations where applicable.
- The Maker and Checker Principle: All transactions are subject to the 'four eye' principle, where by no transaction is processed without independent verification and authorisation, thereby minimising the risk of errors, irregularities, and control lapses.
- Separation between Oversight and Operations: The Board of Directors and relevant Board and Management Committees operate independently from day-to-day business activities, enabling effective supervision, governance, and informed decision-making.

Proportionality

The risk governance structure is designed in accordance with the principle of proportionality, taking into account the scale, nature, and complexity of the Company's operations.

Accordingly, the Company adopts governance arrangements that are appropriately structured yet sufficiently robust, ensuring effective management of all material risks, including emerging risks such as ESG, while maintaining operational efficiency.

3.2 Risk Governance Structure



3.3 General Roles and Guidelines

3.3.1 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). The BoD comprises Executive

Directors, Non-Executive Directors and Independent Directors appointed at the Annual General Meeting (AGM) under the approval of CBSL.

3.3.2 Board Committees (Relevant to Risk Management)

3.3.2.1 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

RISK MANAGEMENT

or Independent Members and chaired by an Independent Director. Members shall have the relevant experience in risk management issues and practices. The BIRMC may also include non-Board members (such as independent consultants, staff members, or other persons as 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 second line of defence of the Company and therefore should be independent from other all committees. This Committee reports to the Board of Directors on a quarterly basis.

3.3.2.2 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 composed mainly of of Non-Executive and Independent Directors 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 'first line of defence' and therefore should be independent of the BIRMC. This Committee reports to the Board of Directors of the Company on a monthly basis.

3.3.2.3 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 of 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 'third line of defence' and therefore should be independent of the BIRMC and other committees. This committee is to report to BoD of the Company on a monthly basis.

3.3.3 Management Committees (Relevant to risk management)

3.3.3.1 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). It oversees the first line of defence for market and liquidity risk of the Company. This committee reports directly to the BIRMC on a monthly basis.

3.3.3.2 Management Credit Committees (MCC)

Executive Credit Committees shall review credit applications and approve loans within their approval authority and limits. The Committees operate under the CEO, with secretariat support provided by the Head of Credit They review and monitor credit portfolios and propose amendments to lending policies if and when needed.

The Composition of Credit Committees shall comprise the 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. They oversee the first line of defence for credit risk within the Company. This committee reports directly to the BCC on a monthly basis.

3.3.3.3 Internal Audit Department (IAD)

The current stress environment requires a rapid response throughout the organisation, 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. The Chief Internal Auditor (CIA) in particular can provide the Board with an independent perspective that can be pivotal in times of stress. Its oversees the third line of defense for overall risk management within the Company. This committee is directly report to BAC on a monthly basis.

3.3.4 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 its 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 The Integrated Risk Management (IRM) function ensures consistency across all components of the Risk Management Framework in line with the IRMF. It oversees the identification and management of all material risks, including Basel Pillar 2 risks, while incorporating ESG risk considerations where relevant.

IRM also ensures the submission of coherent Integrated Risk Reporting (IRR) to Senior Management and the Board, and promotes effective communication, coordination, and monitoring of risks across the organization.

Figure 3 Functional Units within Risk Management

Risk management functions collaborate to ensure a consistent approach in developing risk strategies, strengthening governance structures, and implementing risk and ESG-related initiatives across the Risk Management Division.

3.3.4.3 Credit Risk Management (CRM)

The primary responsibility of Credit Risk Management (CRM) is to ensure that the Company's credit risk exposures are maintained within the approved risk appetite and tolerance levels.

While the Branch Network and Credit Department originate and accept credit risk exposures, the Credit Risk Management Unit (Pre-Sanction Credit Risk Evaluation) within the IRMD is responsible for the following:

- Conduct a 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.

3.3.4.4 Liquidity and Market Risk Management (LRM)

Liquidity and Market risks are managed by ALCO, mainly through Finance departments (1st line of defence) and monitored by the ALCO (2nd line of defence). The role of the 2nd line functions (i.e. RMD) with regard 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.

3.3.3.5 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 the first line of defence. The Operational Risk Unit / RMD (second line of defence) shall be responsible for reviewing and assessing risks, as well as formulating recommendations and requests to the 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.

3.3.3.6 ESG Risk Management

The primary responsibility for managing ESG risks rests with the first line of defense, including operational functions such as the Branch Network, Credit Department, Central Operations, and Administration.

The sustainable banking function, together with the Integrated Risk Management Department (IRMD), is responsible for independently reviewing and assessing ESG risks and providing recommendations to the first line on appropriate mitigation actions. This includes oversight of Environmental and Social Risk Management (ESRM) and Social Performance Management (SPM).

ESG risk management is further supported through the use of defined metrics, mitigation actions, and forward-looking targets. Key metrics include carbon footprint levels, energy consumption, water usage, waste generation, green financing exposure, portfolio-level environmental and social risk ratings, customer grievance indicators, and employee-related metrics such as diversity and staff turnover.

Key Risk Indicators (KRIs) and measurable targets are established to monitor and progressively reduce ESG risk exposure over the short, medium, and long term, ensuring a structured and forward-looking approach to sustainability risk management across the organisation.

3.3.3.7 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.

RISK MANAGEMENT

4. RISK APPETITE STATEMENT, RISK STRATEGY AND ICAAP

4.1 The Risk Appetite Statement (RAS) serves as a primary tool for monitoring risk at LCBF

4.1.1. RAS Principles

The RAS establishes a common framework for the Board to set risk boundaries in alignment with strategic objectives and business planning, by linking risk parameters and key metrics to decision-making processes.

The RAS is guided by 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 to setting the Risk Appetite, whereby the Board through BIRMC sets /approves the Risk Appetite at the strategic level based on the recommendations of 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. The RAS shall be defined comprehensively across all material sources of risk identified by the Company, ensuring adequate coverage of all key risk exposures, including emerging and ESG-related risks where applicable.

4.1.2 Guidelines for the Risk Appetite Statement (RAS) Process

The RAS process entails three distinct stages:

a). RAS Setting

RAS Setting consists of defining appropriate RAS indicators and calibrating them as part of the ICAAP framework. Proposed RAS levels are determined based on current risk levels within LCBF, benchmarked against local and international standards, regulatory requirements, and the availability of capital and liquidity in line with business targets. Where relevant, selected ESG-related indicators and exposure limits are also considered to ensure alignment with emerging risk expectations and sustainable finance objectives.

b). RAS Review and Approval

RAS indicators and thresholds are reviewed through management committees and approved by the Board, ensuring alignment with business strategy, capital capacity, and overall risk tolerance, including ESG limits where relevant

c). RAS Monitoring and Reporting

RAS is monitored quarterly through risk reporting, with corrective actions for any breaches. It is reviewed at least annually under ICAAP or earlier if significant changes occur in business or economic conditions.

4.1.3 Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP is a forward-looking process used to estimate and project the Company's capital requirements through a comprehensive risk assessment framework, in alignment with its business and strategic plans. The ICAAP framework considers the impact of all material risk drivers on the Company's capital position, including those arising from changes in economic conditions, sectoral developments, and regulatory environments. Forward-looking scenario analysis is applied to assess the impact on credit quality, collateral values, and capital adequacy, ensuring that sufficient capital is maintained under both normal and stressed conditions.

4.1.4 ICAAP Principles

a) 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).

b) 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.

c) 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).

d) 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.

e) 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.

f) The ICAAP should be fully documented, i.e. the methodologies, assumptions, procedures and policies should be formally documented in an ICAAP Framework Policy

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

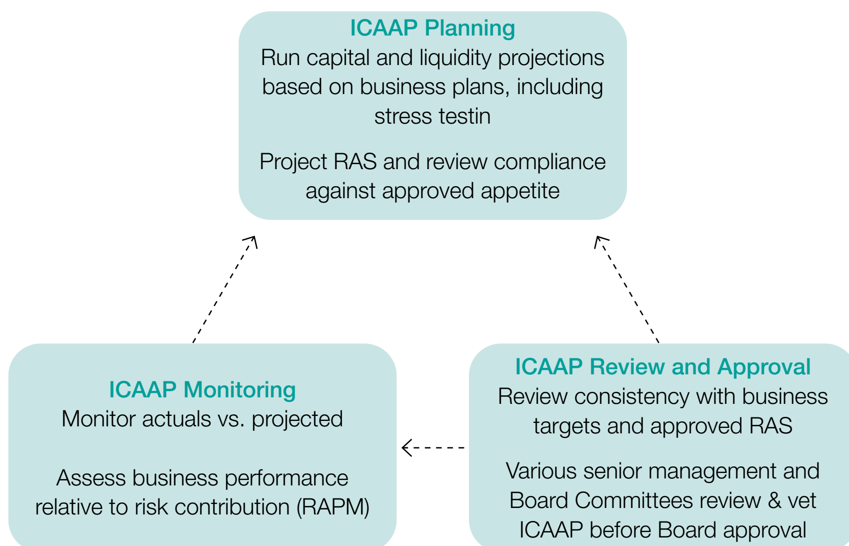
4.1.6 Guidelines for the ICAAP process

a) ICAAP Planning Shall Cover at Least the Following Process Steps:

1) Establish Scope of ICAAP by running a high-level risk assessment.
2) Perform calculation of current values of RAS & ICAAP indicators.
3) Projecting business targets based on the strategic objectives defined by the Board, as part of the multi-year business plan.
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) reviews by the ALCO, EIRMC and BIRMC of the Company's financial performance and risk profile against the RAS and ICAAP benchmarks.

The ICAAP Policy Manual would define the specific tasks and responsibilities along with the timelines of activities including all regulatory requirements.

RISK MANAGEMENT

5. THE RISK MANAGEMENT PROCESSES (RMP)

Risk Management Processes (RMP) outline the structured approach adopted by the Company to identify, assess, mitigate, and manage risks to which it is exposed. These processes ensure that all material financial and non-financial risks, including ESG-related risks where applicable, are effectively managed in line with the Company's strategic objectives and risk appetite.

The RMP consists of the following key stages:

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 from the Policies or Risk Limits shall be escalated to the EIRMC and the BIRMC in a timely manner, together 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, taking into account broader environmental, social, and regulatory risk drivers that may influence portfolio performance.

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

1. Stress Testing Governance

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, taking into account broader environmental, social, and regulatory risk drivers that may influence portfolio performance.

- Establish adequate stress testing policies (or sections within risk specific policies) and procedures, incorporating key risk drivers such as macroeconomic, sectoral, environmental, and regulatory factors
- 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 international experience.

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

- Forward-looking - reflecting severe yet realistic future stress situations, including potential shifts in economic, regulatory, and environmental conditions
- Tailored to the Company's portfolio vulnerabilities - reflecting specific portfolio sensitivities, including exposures to sectors sensitive to climate, regulatory, and social changes
- Meet regulatory requirements- covering 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 a 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

The 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 are 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 utilised in stress testing, LCBF's 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).

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 a 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, analyse 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 catergorised 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-to-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 capitalisation 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 minimising 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 digitisation 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 optimisation.

WASTE MANAGEMENT AND RECYCLING PRACTICES

In line with GRI 306 (Waste), LCB Finance has implemented structured waste management practices to minimise 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

Recognising 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 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 organisation.

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 digitise 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 organisation, 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, prioritising 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 unauthorised 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

This GRI Content Index outlines where, within this Integrated Annual Report, readers can locate information aligned with the Global Reporting Initiative (GRI) Standards. For the year under review, LCB Finance PLC has enhanced its level of disclosure, transitioning from the earlier "with reference to" approach to reporting "in accordance with" the GRI Standards.

GRI Standard	Disclosure Title	Page Number	Omissions & Explanations (if applicable)
GRI 2: General Disclosures	Organizational Details	About LCB Finance on pages 6-7	
	Entities Included in the Sustainability Report	Introduction to the GRI Report page no 2	
	Governance Structure and Composition	Corporate Governance on pages 54-104	
GRI 3: Material Topics	Process to determine material topics		
	List of material topics		
	Management of material topics		
GRI 201: Economic Performance	Direct Economic Value Generated & Distributed	Financial Capital on pages 28-32	
	Financial Assistance Received from Government		Not applicable LCB does not receive any financial assistance from the governance.
GRI 202: Market Presence	Ratios of standard entry level wage by gender compared to local minimum wage		Not applicable LCB pays above the national minimum wage; no gender differential.
	Proportion of senior management hired from the local community		Not applicable 100% locally hired
GRI 301: Materials	Sustainable Resource Use & Material Consumption	Sustainable & Responsible Lending Practices pages on 116-117	
GRI 302: Energy	Energy Efficiency Measures & Renewable Energy Use	Sustainable & Responsible Lending Practices pages on 116-117	
	Reduction of Energy Consumption	Sustainable & Responsible Lending Practices pages on 116-117	
GRI 303: Water & Effluents	Water Consumption & Management	Natural Capital pages on 42-44	
GRI 305: Emissions	Greenhouse Gas Emissions & Reduction Efforts	Sustainable & Responsible Lending Practices page on 116-117	
GRI 306: Waste	Waste Reduction & Recycling Programs	Sustainable & Responsible Lending Practices on Page 116-117	
	Hazardous Waste Management	Sustainable & Responsible Lending Practices on Page 116-117	
GRI 308: Supplier Environmental Assessment	New suppliers that were screened using environmental criteria		

GRI INDEX

GRI Standard	Disclosure Title	Page Number	Omissions & Explanations (if applicable)
GRI 401: Employment	Workforce Demographics & Hiring Practices	Human Capital pages on 39-41	
	Employee Turnover & Retention Strategies	Human Capital pages on 39-41	
GRI 403: Occupational Health & Safety	Workplace Safety Policies & Employee Well-being Programs	Human Capital pages on 39-41	
	Workplace Accidents & Preventive Measures	Human Capital pages on 39-41	
GRI 404: Training & Education	Employee Training & Career Development	Human Capital pages on 39-41	
	Leadership Development Programs	Human Capital pages on 39-41	
GRI 405: Diversity & Equal Opportunity	Gender & Diversity Statistics	Human Capital pages on 39-41	
GRI 413: Local Communities	CSR Initiatives & Community Engagement	Social and Relationship Capital pages on 33-35	
	Financial Literacy & Inclusion Programs	Sustainable & Responsible Lending Practices pages on 116-117	
GRI 418: Customer Privacy	Cybersecurity Measures & Data Protection Policies	Sustainable & Responsible Lending Practices pages on 116-117	
	Customer Satisfaction & Complaint Resolution	Sustainable & Responsible Lending Practices pages on 116-117	

Additional Notes:
- Page numbers correspond to the sections in the report for easy navigation.
- Omissions explain why certain data is unavailable or limited, ensuring transparency.
- Future commitments highlight improvements planned for upcoming reports.

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee is a Board Sub-Committee Chaired by an Independent Non-Executive Director and comprising of Two Independent Directors and one Non-Executive Non-Independent Director to assist the Board in fulfilling it's 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 comprised two Independent Directors and one Non-Independent Director. The Committee is Chaired by an Independent Director Prof. Ahamed Roshan Ajward.

The following members served in the Board appointed BRPTRC during the twelve months period ended 31st March 2026.

Prof. Ahamed Roshan Ajward
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 is set out below

Time Period: April to September 2025

Member	No. of Meetings
Dr. Srinath Ajith Alahakoon (Chairman of the Committee)	5/5
Mr. Dushmantha Thotawatte	5/5
Mr. Ranjan Lal Masakorala	5/5

Time Period: October 2025 to present

Member	No. of Meetings
Prof. Ahamed Roshan Ajward (Chairman of the Committee)	6/6
Mr. Dushmantha Thotawatte	6/6
Mr. Ranjan Lal Masakorala	6/6

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 responsibilities in respect of transactions with related parties, ensuring that they are conducted on an arm's length basis and in compliance 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 the granting of favourable 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.
- Obtain declarations from Directors and Key Management Personnel (KMP) on their transactions with related parties, as defined by the CBSL.
- Ensure that no Director or KMP of the Company engages in any Board or Committee meeting discussions or participates in the approval of any related party transactions in which he/she is a related party, and that he/she provides all material information concerning such transactions.
- 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 its deliberation having appointed a secretary from it's member and maintain an up-to-date master list of all related party transactions.
- The Secretary should forward a copy of the minutes of meetings to the CEO / Executive Director for his information.
- The Committee shall meet at least once in six months or if a need arises to convey a meeting as appropriate.
- Any other aspect deemed necessary.

REGULATORY COMPLIANCE

The Board Related Party Trasnaction Review Committee closely scrutinises 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.

Prof. Ahamed Roshan Ajward
Chairman
Related Party Transactions Review Committee

BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE REPORT

COMPOSITION OF BOARD SELECTIONS NOMINATION AND GOVERNANCE COMMITTEE

The Board Selection, Nomination and Governance Committee comprises of three Non - Executive Independent Directors.

The following Directors served on BSN & GC

- **Prof. Ahamed Roshan Ajward** – *Chairman (Independent, Non-Executive Director)*
- **Mr. Dushmantha Thotawatte** – *(Independent, Non-Executive Director)*
- **Mr. K. G. Charles Gamage** – *(Independent, Non – Executive Director)*
- **Mr. 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 it's role and responsibilities with regard to the selection and appointment of Independent Directors and appointment of Chief Executive Officers and other Key Management Personnels of the Company and to monitor the Corporate Governance Framework in order to comply and establish Good Governance.

RESPONSIBILITIES OF THE BSN & GC

1. The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Senior Management. Senior Management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.

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 as 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.

MEETINGS OF BSN & GC AND IT'S EFFECTIVENESS

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

- To appoint Non-Executive Independent Directors – Prof. Ahamed Roshan Ajward and Mr. Charles Gamage
- To reconstitute the Board Sub – Committees
- To appoint Key Management Personnel
- To renew the following Policies and Procedure for the Board and Senior Management:
  - Code of Conduct of the Board of Directors
  - Corporate Governance Policy Manual
  - Policy on Matters Relating to the Board of Directors

Prof. Ahamed Roshan Ajward
Chairman
Board Selection Nomination and Governance Committee

BOARD 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 non-executive directors, to assist the Board in fulfilling its oversight responsibilities for financial reporting, internal controls, internal audit, and external audit-related affairs of the Company.

COMMITTEE COMPOSITION

The Audit Committee comprises three Independent Non-Executive Directors. The Committee is chaired by Independent Director Prof. A R Ajward, who is a fellow member of the Institute of Chartered Accountants with considerable experience in the fields of auditing, finance, corporate governance and research.

The following members served in the Board appointed Audit Committee during the twelve months period ended 31st March 2026.

Prof. A R Ajward
Independent Non-Executive Director

Mr. D.Thotawatte
Independent Non-Executive Director

Dr. S A K Alahakoon
Independent Non-Executive Director

Mr.G.K. Nanayakkara
Non- Independent 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	Remarks
Prof. A R Ajward (Chairman of the Committee)	3/3	Appointed on 24/10/2025
Mr. Dushmantha Thotawatte	8/8	
Dr. S A K Alahakoon	8/8	
Mr. G.K. Nanayakkara	5/5	Resigned on 09/10/2025

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, the Company's External Auditor, Messrs. Ernst & Young Sri Lanka, attended two 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. 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 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 on the Internal Audit program 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 an 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 the 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 by 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.

The performance of the Chief Internal Auditor was evaluated by the Committee.

Audit Committee has discharged its duties during 2025/26 within the scope of the charter as stated below.

FINANCIAL REPORTING

The Committee assisted the Board of Directors in discharging its responsibilities for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with Sri Lanka Accounting Standards, regulatory and statutory requirements applicable to NBFI's.

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

The Audit Committee reviewed the internal controls on the 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, Messrs. Ernst & Young Sri Lanka, 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, the Audit fee, and any resignation or dismissal of the Auditor. The Committee is satisfied that there is no conflict 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 2025/26 were 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 two meetings 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 the 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. Ernst & Young Sri Lanka be appointed as the External Auditor of the Company for the financial year 2018/19 onwards up to 10 years.

INTERNAL CONTROL

The Audit Committee, through the internal audit process, had reviewed the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view.

Additionally, the Committee assessed the effectiveness of the Company's internal controls over financial reporting as at 31st March 2026, 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 the 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 its evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit program.

The executive summary of audits carried out at branches by the Internal Audit Department has been reviewed by the Audit Committee , and instructions have been issued to strengthen weaknesses in the internal controls of the branches.

REGULATORY COMPLIANCE

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

The 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.

Roshan Ajward

Prof. Ahamed Roshan Ajward
Chairman
Audit Committee

BOARD 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. Shrinath Ajith Kumara Alahakoon (Chairman of the Committee)	Independent Director
Mr. Dushmantha Thotawatte	Chairman
Mr. Ashwin Nanayakkara (Resigned on 09.10.2025)	Non-Independent/ Non-Executive Director
Prof. Ahamed Roshan Ajward (Appointed to the Board on 08.09.2025)	Independent Director

COMMITTEE FUNCTIONS

The Board of Directors of LCB Finance PLC is accountable to design the control environment and set up the Risk Appetite levels to mitigate and effectively manage risks associated with Finance Business. It has delegated the oversight of risk management to the BIRMC and Audit Committees. The BIRMC reviews significant risks and the related risk management and mitigation and reports back to Board any improvements needed, while the 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 optimises assurance coverage and ensures that significant risks are adequately addressed, enabling an effective control environment and ensuring the integrity of information used for decision making and reporting.

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

ROLES AND RESPONSIBILITIES

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

- Assessing all risks such as credit, market, liquidity, operational statutory compliance, legal 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 to take prompt corrective measures, as recommended by the Committee and/or as directed by the Central Bank Corporate Governance Directions.
- Meeting at least quarterly to assess all aspects of risk management including the updated Business Continuity Plan.
- Approving in principle, all policies relating to risk management and submit it for the approval of the Board
- Establishing protective risk management culture within the Company.
- Periodically reviewing the risk exposures of the Company to be in line with its risk and business strategies and objectives.

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

MEETINGS

The appointed Board Integrated Risk Management Committee met during the financial year to evaluate and address risks faced by the organisation. 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
Dr. Shrinath Ajith Kumara Alahakoon-	4/4
Mr. Dushmantha Thotawatte-	4/4
Mr. Ashwin Nanayakkara (Resigned on 09.10.2025)	2/4
Prof. Ahamed Roshan Ajward (Appointed to the Board on 08.09.2025)	2/4

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 on the view that Lanka Credit and Business Finance PLC is on the right path towards meeting the challenges of risk management and compliance, safeguarding the interest of the stakeholders and towards sustainable operations.

Dr. Shrinath Ajith Kumara Alahakoon
Chairman, Board Integrated Risk Management Committee

Colombo

BOARD HR AND REMUNERATION COMMITTEE REPORT

The Board Human Resource & Remuneration Committee is a Board Sub-Committee 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 it's oversight responsibility on Human Resources and Remuneration matters are carried out in transparency.

COMMITTEE COMPOSITION

The HR Committee comprised Two Independent Directors and one Non - Independent Director. The Committee is Chaired by an Independent Director Prof. Ahamed Roshan Ajward

The following members served in the Board appointed HR and Remunerations Committee during the twelve months period ended 31st March 2026.

Prof. Ahamed Roshan Ajward
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 to September 2025

Member	No. of Meetings
Dr. Srinath Ajith Kumara Alahakoon (Chairman of the Committee)	6/6
Mr. Dushmantha Thotawatte	6/6
Mr. Ranjan Lal Masakorala	6/6

Time Period: September 2025 to Present

Member	No. of Meetings
Prof. Ahamed Roshan Ajward (Chairman of the Committee)	5/5
Mr. Dushmantha Thotawatte	5/5
Mr. Ranjan Lal Masakorala	5/5

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 Board Human Resource and Remuneration Committee may preferably be the Company Secretary.
- The Committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and Senior Management of the company and fees and allowances structure for Non-Executive directors.
- There shall be a formal and transparent procedure in developing the remuneration policy.
- The Committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the company. The policy shall be subject to periodic review of the Board, including when material changes are made.
- The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take excessive risk or to act in self-interest.
- The Committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.
- The Committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.
- Any other activity deemed necessary for effective functioning of the committee with the approval of the Board of Directors.

REGULATORY COMPLIANCE

The Board HR & Remuneration Committee closely scrutinises 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.

Prof. Ahamed Roshan Ajward
Chairman
Board Human Resources & Remuneration Committee

WE SEE YOUR POTENTIAL FOR GREATNESS

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 2026. 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 26th June 2026

The Financial Statements for the year ended 31st March 2026 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 2026. The Auditors express a clean opinion of the financial position of the Company as at 31st March 2026 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 2026 was Rs. 1,883.66 Mn (Rs. 1,323.02 Mn in 2025). Components of interest income are given in Note 7 to the Financial Statements.

Profit and Appropriations

The Company had recorded Rs. 439.47 Mn in profit before tax and Rs. 281.83 Mn in profit after tax in 2026 (Profit for the year was Rs.204.51 Mn in 2025). The Company's Total Comprehensive Income (net of tax) for the year is Rs.373.84 Mn (Total Comprehensive income was Rs. 203.90 Mn in 2025).

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 2026.

Reserves

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

	2026 Rs "000"	2025 Rs"000"
Statutory Reserve Fund	83,959	69,868
Retained Earnings	658,041	508,694
Regulatory Loss Allowance	5,711	5,711
Asset Revaluation Surplus	91,880	-

Donations

The total amount of donations made during the year under review is Rs. 432,371,/-

Stated Capital

The Stated Capital of the Company as at 31st March 2026 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 2026 by the Company amounted to Rs. 2,691,913 (2025: Rs. 2,478,800).

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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. K.I. Weerasinghe
Mr. J. P. C. Jayalath
Dr. S.A.K. Alahakoon
Prof. A. R. Ajward
Mr. K. G. C. Gamage
Mr. G.K. Nanayakkara *(resigned w.e.f. 09. 10.2025)*
Mr. A. W. Nanayakkara *(resigned w.e.f. 09. 10.2025)*
Mr. M. Katulanda *(cease to be director w. e. f. 07.08. 2025)*

EXECUTIVE DIRECTOR

Mr. K. G. Leelananda

NON – INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr**. R. L. Masakorala**
Mr. K. I. Weerasinghe
Mr. J. P. C. Jayalath
Mr. G.K. Nanayakkara *(resigned w.e.f. 09. 10.2025)*
Mr. A. W. Nanayakkara *(resigned w.e.f. 09. 10.2025)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. D. Thotawatte
Dr. S.A.K. Alahakoon
Prof. A. R. Ajward
Mr. K. G. C. Gamage
Mr. M. Katulanda *(cease to be director w. e. f. 07.08. 2025)*

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 2026 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	Sri Lanka Insurance Corporation (Director) Canwill Holding (Pvt) Ltd (Director) Canowin Hotels and Spas (Private) Limited (Chairman)
2	Mr. K. G. Leelananda	Lanka Credit and Business Limited (Director)
3	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)
4	Mr. K. I. Weerasinghe	Lanka Credit and Business Limited (Director) Transline GMBH- Transport and Packaging (Managing Director) RKW Courier Service (Managing Director)
5	Mr. J. P. C. Jayalath	Not applicable
6	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)
7	Prof. A. R. Ajward	Not appliable
8	Mr. K. G. C. Gamage	Galle Cooperative Hospital Ltd (Chairman) Galle District Cooperative Rural Bank Union Ltd (Director)
9	Mr. G. K. Nanayakkara (resigned w.e.f. 09. 10.2025)	Etambagahawila Tea Factory (Director) Mahesland Tea Factory (Director) Wijaya Tea Factory (Director) Naindawa Tea Factory (Director)
10	Mr. A. W. Nanayakkara (resigned w.e.f. 09. 10.2025)	NEM Construction Pvt Ltd (Director)
11	Mr. M. Katulanda (cease to be director w. e. f. 07.08. 2025)	Office on Missing Person (Chairman)

Related Parties' Transactions with the Company

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

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

Directors' responsibility for Financial Reporting

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

Appointments during the financial year

Prof. A. R. Ajward *(appointed w. e. f. 08. 09.2025)*
Mr. K. G. C. Gamage *(appointed w. e. f. 15. 10. 2025)*

Resignations during the financial year

Mr. G.K. Nanayakkara *(resigned w.e.f. 09. 10.2025)*
Mr. A. W. Nanayakkara *(resigned w.e.f. 09. 10.2025)*
Mr. M. Katulanda *(cease to be director w. e. f. 07.08. 2025)*

Board sub committees

The Board of Directors of the Company has formed seven Board Sub Committees 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 Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resource and Remuneration Committee, Board Credit Committee, Board Related Party Transaction Review Committee, Board Selection Nomination and Governance Committee and Board IT Steering Committee.

BOARD AUDIT COMMITTEE AS AT 31ST MARCH 2026

Prof. A. R. Ajward	*Chairman*
Mr. D. Thotawatte	*Member*
Dr. S. A. K. Alahakoon	*Member*

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE AS AT 31ST MARCH 2026

Dr. S.A.K. Alahakoon	*Chairman*
Mr. D. Thotawatte	*Member*
Prof. A. R. Ajward	*Member*

BOARD HR REMUNERATION COMMITTEE AS AT 31ST MARCH 2026

Prof. A. R. Ajward	*Chairman*
Mr. D. Thotawatte	*Member*
Mr. R. L. Masakorala	*Member*

BOARD CREDIT COMMITTEE AS AT 31ST MARCH 2026

Mr. K. G. C. Gamage	*Chairman*
Mr. D. Thotawatte	*Member*
Mr. R. L. Masakorala	*Member*

BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2026

Prof. A. R. Ajward	*Chairman*
Mr. D. Thotawatte	*Member*
Mr. R. L. Masakorala	*Member*

BOARD SELECTION NOMINATION AND GOVERNANCE COMMITTEE AS AT 31ST MARCH 2026

Prof. A. R. Ajward	*Chairman*
Mr. D. Thotawatte	*Member*
Mr. K. G. C. Gamage	*Member*

BOARD IT STEERING COMMITTEE AS AT 31ST MARCH 2026

Mr. J.P.C. Jayalath	*Chairman*
Mr. D. Thotawatte	*Member*
Mr. K. I. Weerasinghe	*Member*

THE REMUNERATION AND OTHER BENEFITS OF THE DIRECTORS\

Director's fees and other emoluments were

Executive Director -Rs. 11,973,000.00
Non - Executive Directors-Rs. 8,910,000.00

ANNUAL GENERAL MEETING

The Virtual Annual General Meeting will be held on 30th July 2026 at 10.00 a.m. at No. 76, S. De S. Jayasinghe Mawatha, Kohuwela via Online platform.

Mr. D. Thotawatte
Chairman

Mr. K. G. Leelananda
CEO/Executive Director

Tamarika Rodrigo
Company Secretary

Date: 26 June 2026
Colombo

INDEPENDENT ASSURANCE REPORT

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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 2026.

MANAGEMENT'S RESPONSIBILITY

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

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

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

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

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

SUMMARY OF WORK PERFORMED

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

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

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

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

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

OUR CONCLUSION

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

Ernst & Young

26 June 2026
Colombo

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

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DIRECTORS' 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 2026 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.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

Prof. Ahamed Roshan Ajward
Chairman - Board Audit Committee

K.G. Leelananda
CEO/Executive Director
Date : 26 June 2026

INDEPENDENT AUDITOR'S REPORT

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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 2026, 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 2026, 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.

Key audit matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of loans and lease receivables measured at amortised cost 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.	In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures: ◈ Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, on the best available information up to the date of our report. ◈ Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.

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Key audit matter	How our audit addressed the key audit matter
This was a key audit matter due to ◈ the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and ◈ the materiality of the reported amount of Allowances for expected credit losses. 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. Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.1 and 42.	◈ 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: ◆ For loans and lease receivables assessed on an individual basis for impairment: ◈ 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: ◈ 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 42.
Information Technology (IT) system related internal controls over financial reporting 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. Accordingly, IT system related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: ◈ Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. ◈ Involved our internal specialized resources and; ◆ 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 2026 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.

INDEPENDENT AUDITOR'S REPORT

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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.

Ernst & Young

26 June 2026
Colombo

INCOME STATEMENT

Year ended 31 March	Note	31.03.2026 Rs.	31.03.2025 Rs.
Income	6	2,013,456,458	1,455,780,148
Interest Income	7	1,883,667,098	1,323,027,160
Less: Interest Expenses	8	(672,470,842)	(476,220,432)
Net Interest Income		1,211,196,256	846,806,728
Fee and Commission Income	9	75,283,474	67,030,809
Less: Fee and Commission Expenses		-	-
Net Fee and Commission Income		75,283,474	67,030,809
Net Other Operating Income/(Expense)	10	54,505,886	65,722,180
Total Operating Income		1,340,985,616	979,559,716
Impairment (Charge)/Reversal	11	(111,557,217)	(89,460,894)
Net Operating Income		1,229,428,399	890,098,821
Less : Operating Expenses			
Personnel Costs	12	(292,737,557)	(240,014,847)
Depreciation and Amortization	13	(106,708,661)	(95,356,881)
Other Operating expenses	14	(230,916,513)	(166,259,729)
		(630,362,731)	(501,631,457)
Operating Profit before Tax on Financial Services		599,065,668	388,467,365
Taxes on Financial Services	15	(159,591,000)	(105,782,057)
Profit before tax		439,474,668	282,685,308
Less: Income tax (expense)/Reversal	16	(157,644,506)	(78,171,567)
Profit for the Year		281,830,162	204,513,741
Basic earnings per share (Rs.)	17	0.36	0.26

The accounting policies and notes on page 144 to 208 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	31.03.2026 Rs.	31.03.2025 Rs.
Profit for the Year		281,830,162	204,513,741
Other Comprehensive Income/(Expenses)			
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	36.2	190,499	(863,125)
Deferred tax effect on actuarial gain/(loss)	30.0	(57,150)	258,937
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	27.1	131,258,004	-
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	30.0	(39,377,401)	-
		92,013,952	(604,187)
Other Comprehensive Income for the Year, Net of Tax		92,013,952	(604,187)
Total Comprehensive Income for the Year, Net of Tax		373,844,114	203,909,554
Attributable to :			
Equity holders of the Company		373,844,114	203,909,554
		373,844,114	203,909,554

The accounting policies and notes on page 144 to 208 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	31.03.2026 Rs.	31.03.2025 Rs.
Assets			
Cash and Cash Equivalent	18	905,746,595	216,952,568
Financial Investment at amortised Cost	19	669,603,996	578,160,999
Financial assets at amortised Cost - Loans and Receivables	20	8,534,594,506	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	21	1,761,405,794	1,779,857,440
Other Financial Assets	22	16,910,717	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	23	1,291,376	21,834,438
Financial Investment at Fair value through Other Comprehensive Income	24	315,813	315,813
Other Non Financial Assets	25	39,800,707	34,908,994
Investment Property	26	420,000,000	224,000,000
Property, Plant and Equipment	27	236,191,561	109,742,300
Right of Use Assets	28	251,609,680	141,634,869
Intangible Assets	29	33,295,541	34,042,201
Deferred Tax Asset	30	-	15,925,201
Total Assets		12,870,766,286	9,248,483,934
Liabilities			
Financial Liabilities at amortised Cost - Due to Banks	31	2,491,720,371	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	32	6,289,658,345	4,643,459,643
Financial Liabilities at amortised Cost - Debt Securities	33	202,438,629	-
Other Financial Liabilities	34	318,751,517	189,545,301
Other Non Financial Liabilities	35	173,422,456	213,538,118
Retirement Benefits Liabilities	36	11,032,650	8,565,688
Deferred Tax Liability	30	5,016,156	-
Total Liabilities		9,492,040,124	6,125,076,569
Equity			
Stated Capital	37	2,539,133,400	2,539,133,400
Reserves	38	181,551,258	75,579,147
Retained Earnings	39	658,041,504	508,694,818
Total Equity		3,378,726,162	3,123,407,365
Total Equity and Liabilities		12,870,766,286	9,248,483,934
Net asset Value per share	37.3	4.28	3.95

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

Dushmantha Thotawatte
Chairman

The accounting policies and notes on page 144 to 208 form an integral part of the Financial Statements.

26 June 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Asset Revaluation Surplus Rs.	Regulatory Loss Allowance Rs.	Total Equity Rs.
	(Note 37)	(Note 39)	Note 38)	(Note 38)	(Note 38)	
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	10,225,687	-	5,711,038	203,909,554
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 2025	2,539,133,400	508,694,818	69,868,109	-	5,711,038	3,123,407,365
Balance as at 01 April 2025	2,539,133,400	508,694,818	69,868,109	-	5,711,038	3,123,407,365
Net Profit / Loss) for the Year	-	281,830,162	-	-	-	281,830,162
Other Comprehensive Income Net of Tax	-	133,350	-	-	-	133,350
Transfer to Statutory Reserve Fund	-	(14,091,508)	14,091,508	-	-	-
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	131,258,004	-	131,258,004
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	(39,377,401)	-	(39,377,401)
Total Comprehensive Income for the Year, Net of Tax	-	267,872,003	14,091,508	91,880,603	-	373,844,114
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners						
Dividend Paid	-	(118,525,317)	-	-	-	(118,525,317)
Total Transactions with Equity Holders	-	(118,525,317)	-	-	-	(118,525,317)
		-			-	
Balance as at 31 March 2026	2,539,133,400	658,041,504	83,959,617	91,880,603	5,711,038	3,378,726,162

The accounting policies and notes on page 144 to 208 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	31.03.2026 Rs.	31.03.2025 Rs.
Cash Flows Used in Operating Activities			
Profit before tax from continuing operations		439,474,668	282,685,308
Adjustments for;			
Depreciation and Amortization	13	68,363,599	66,855,861
Amortization of right of use asset	28	38,345,062	28,501,020
Provision/(Reversal) for Defined Benefit Plans	36	3,375,189	2,292,623
(Gain)/Losses from Change in fair value of Investment Properties	10	(40,001,000)	(15,878,000)
Fair Value (Gain) / Loss from Share Investments & Unit Trust	10	(7,118,486)	(37,528,292)
(Gain)/Loss on Termination/Modification of ROU Assets	10	207,416	-
Impairment (Reversal)/Charges for Loans & receivable and Lease rentals receivables & Hire Purchases	11.3	111,557,217	89,460,894
Interest on Lease Liability		28,245,726	19,789,736
Interest Expenses on Borrowings	31.2	174,209,271	69,194,295
Impairment (Reversal)/Charges for Financial Investments		197,472	-
Write off balances		-	110,939,955
Operating Profit before Working Capital Changes		816,856,134	616,313,399
Working Capital Adjustments			
(Increase) / Decrease Lease Rentals Receivables and Hire Purchases		(20,471,369)	(1,092,221,360)
(Increase) / Decrease Loans and Receivables		(2,623,094,789)	(2,356,243,284)
(Increase) / Decrease Other Financial Assets		55,163,581	(51,450,380)
(Increase) / Decrease Other Non Financial Assets		(153,211,584)	(90,420,185)
Increase / (Decrease) in Other Liabilities		129,206,216	145,101,220
Increase / (Decrease) in Other Non Financial Liabilities		(40,115,662)	-
Increase / (Decrease) in Due to Customers		1,646,198,702	1,373,244,985
Cash Flow from/(used in) Operating Activities		(189,468,770)	(1,455,675,606)
Gratuity Paid	36	(908,225)	(1,392,975)
Income Tax Paid		(124,422,054)	(22,200,679)
Net Cash from Operating Activities		(314,799,049)	(1,479,269,260)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	27.1	(53,384,758)	(32,438,709)
Acquisition of Intangible Assets	29	(9,423,437)	(3,541,255)
Proceeds from Sales of Investment Properties and PPE		-	2,858,348
Net Investment Acquisition		(91,442,997)	331,299,833
Acquisition of Investment Properties		(155,999,000)	(17,122,000)
Net Investments in Shares & Unit Trust		27,557,613	845,000,000
Dividend Received	10	631,125	1,842,124
Net Cash Flows from/(Used in) Investing Activities		(282,061,454)	1,127,898,341
Cash Flows from (used in) Financing Activities			
Proceeds from Issuance of Bond		195,000,000	-
Repayment of Interest of Bond		(3,636,300)	-
Dividend Paid		(118,525,317)	-
Proceeds from Interest Bearing Loans & Borrowings	31.2	4,758,704,990	1,166,600,000
Repayment of Interest Bearing Loans & Borrowings	31.2	(3,384,997,052)	(928,555,908)
Payment of Capital portion of Lease Liabilities	28.2	(45,662,033)	(37,637,907)
Net Cash used in Financing Activities		1,400,884,289	200,406,185
Net Increase in Cash and Cash Equivalents		804,023,786	(150,964,735)
Cash and Cash Equivalents at the beginning of the year		58,944,351	209,909,086
Cash and Cash Equivalents at the end of the year		862,968,137	58,944,351

The accounting policies and notes on page 144 to 208 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 2026 was authorized for issue in accordance with a Resolution of the Board of Directors on 26 June 2026.

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 1stApril 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 36)

2.3 Functional and Presentation Currency

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

2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non - current) is presented in Note 47.

2.5 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard -LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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

2.6 Comparative Information

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

2.7 Statement of Cash Flow

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

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

2.8 Events after the Reporting Date

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

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

2.9 Rounding

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

2.10 Going Concern Basis for Accounting

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

3.1 Impairment Losses on Loans and Receivables

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

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

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

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

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

3.2 Fair Value of Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

input used in making measurements. The fair value hierarchy is also given in Note 40 to the Financial Statements.

3.3 Taxation

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

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

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. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

3.4 Defined Benefit Plans

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

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

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

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

3.6 Provisions, Commitments and Contingencies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

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

4.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

4.1.1 Date of Recognition

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

4.1.2 Initial Measurement of Financial Instruments

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

4.1.3 ‘Day 1’ Profit or Loss

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

4.1.4 Measurement Categories of Financial Assets and Financial Liabilities

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

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

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

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

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

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

The details of the above conditions are outlined below.

Business Model Assessment

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

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

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

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

The SPPI Test

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

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

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

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

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

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

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

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

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

4.1.5 Classification and Subsequent Measurement of Financial Liabilities

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

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
  a) Financial liabilities held for trading
  b) Financial liabilities designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

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

The subsequent measurement of financial liabilities depends on their classification.

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

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

ii. Financial Liabilities at Amortized Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortized cost using EIR method.

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

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

4.1.6 Reclassifications of Financial Assets and Financial Liabilities

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

4.1.7 De recognition of Financial Assets and Financial Liabilities

a) De-recognition of Financial Assets

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

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

- The Company has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de recognition if either:

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

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

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 40 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 42.4.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

b. The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

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

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

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

The mechanism of the ECL method is summarized below

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

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

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

c. Loan Commitments:

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

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

d. Financial Guarantee Contracts:

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

e. Debt Instruments Measured at Fair Value through OCI

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

f. Debt Factoring and Revolving Loans

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

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

g. Forward Looking Information

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

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation
- 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 4.4.1. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(a) Separating Components of a Contract

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

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

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

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

4.3 Property, Plant &Equipment

4.3.1 Recognition

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

4.3.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

4.3.3 Cost Model

The Company applies cost model to property, plant and equipment class of Machinery, Fixture & Fittings and Name with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

4.3.4 Revaluation Model

The Company applies the revaluation model to the Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments and Land and Buildings. Revaluation is performed frequently and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments revalued by independent professional valuer or valuers, the company revalue all assets in every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss.

In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Company revalued all of its Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments as at 31 March 2026.

4.3.5 Subsequent Cost

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

4.3.6 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.

4.3.7 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.

4.3.8 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.

4.3.9 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.

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

Category of Asset	Rate of Depreciation (per annum)
Buildings	5%
Office Equipment	25%
Computer Equipment	20%
Office furniture & Fittings	20%
Motor vehicles	25%
Name Board	50%
Machinery	25%

4.3.10 Change in Estimates

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

4.4 Intangible Assets

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

4.4.1 Basis of Recognition

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

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

4.4.2 Subsequent Expenditure

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

4.4.3 Useful Economic Life, Amortization and Impairment

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

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

4.4.4 Amortization

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

The Class of Intangible Assets	Useful Life	Amortization Method
Computer software	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 and Interest Expense

4.11.1 Interest Income and Interest Expense

Under SLFRS 9, 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 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

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life cycle (including prepayments, penalty interest and charges).

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

When a financial asset becomes credit-impaired (as set out in Note '42.4.1 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 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 15 % is deducted at source. Regulatory provisions

4.16 Regulatory Provisions

4.16.1 Statutory Reserve Fund

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

4.16.2 Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 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

NOTES TO THE FINANCIAL STATEMENTS

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.of

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, upto the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

5.4 New and Revised SLFRS Accounting Standards in Issue but Not Yet Effective

5.4.1 SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 01 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

5.4.2 SLFRS 19 Subsidiaries Without Public Accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles. Professional Practice, EY Sri Lanka Page 1 Standards issued but not yet effective YE 31 March 2026 The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 01 January 2027

5.4.3 Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability linked terms and nature dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 01 January 2026.

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Interest Income (Note 7)	1,883,667,098	1,323,027,160
Fee and Commission Income (Note 9)	75,283,474	67,030,809
Other Operating Income (Note 10)	54,505,886	65,722,180
	2,013,456,458	1,455,780,148

7. INTEREST INCOME

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Interest Income on Loans and Receivables (Note 7.1)	1,466,047,482	952,409,214
Interest Income on Lease rentals receivables and Hire Purchases (Note 7.2)	306,095,477	245,282,813
Interest Income on Financial Investments	55,469,568	83,114,310
Penalty Interest	56,054,571	42,220,822
	1,883,667,098	1,323,027,160

7.1 Interest Income on Loans and Receivables

Interest Income on Term Loans	1,078,810,516	807,256,127
Interest Income on Housing Loans	32,385,300	37,509,615
Interest Income on Gold Loans	354,851,666	107,643,472
	1,466,047,482	952,409,214

7.2 Interest Income on Lease Rentals Receivables and Hire Purchases

Interest Income on Lease rentals receivables	306,091,406	244,276,221
Interest Income on Hire Purchases	4,071	1,006,592
	306,095,477	245,282,813

8. INTEREST EXPENSE

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Due to Banks	167,064,568	73,471,809
Debt Instruments Issued and Other Borrowed Funds	11,074,929	-
Due to Customers (Note 8.1)	466,085,619	382,958,887
Interest Expenses on Lease Liability (Note 28.2)	28,245,726	19,789,736
	672,470,842	476,220,432

8.1 Due to Customers

Interest Expense on Fixed deposits	447,759,678	365,686,982
Interest Expense on Savings	18,325,941	17,271,905
	466,085,619	382,958,887

9. NET FEE AND COMMISSION INCOME

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Documentation and processing fees	75,283,474	67,030,809
	75,283,474	67,030,809

10. NET OTHER OPERATING INCOME/(EXPENSE)

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Foreign Currency Exchange Income	205,184	(63,226)
Dividend Income	631,125	1,842,124
Other Income	4,172,006	4,448,808
Fair Value gain/(loss) from Share Investments	4,294,315	2,503,699
Adjustment for change in fair value of Unit trust	2,824,172	35,024,593
Gain/(Loss) from change in fair value of Investment Properties	40,001,000	15,878,000
Gain/(Loss) on Termination of ROU Assets	(207,416)	476,529
Gain/(Loss) on Disposal of Fixed Assets	-	3,001,652
Rent Income	2,585,500	2,610,000
	54,505,886	65,722,180

11. IMPAIRMENT CHARGE/(REVERSAL)

Year ended 31 March		31.03.2026 Rs.	31.03.2025 Rs.
11.1 Collective			
Loans and Receivables	20.2	56,161,665	24,324,166
Lease rentals receivables and Hire Purchases	21.3	8,853,645	16,460,860
		65,015,310	40,785,026
11.2 Individual			
Loans and Receivables		24,426,444	5,085,455
Lease Rentals Receivable & Hire Purchases		30,069,369	43,590,413
Other Financial Assets		(7,953,906)	-
		46,541,907	48,675,868
Total Impairment Charges/ (Reversal) for Loans and Receivables, Cash at Bank & Other Financial Assets		111,557,217	89,460,894

NOTES TO THE FINANCIAL STATEMENTS

11.3 The Table below Shows the Allowance for Impairment on Financial Instruments for the Year 2025/2026 Recorded in the Income Statement

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	26,111,161	20,956,580	9,093,924	24,426,444	80,588,109
Lease rentals receivables and Hire Purchases	(3,525,663)	7,699,560	4,679,749	30,069,369	38,923,015
Write off Debtors - Loans and Receivables	-	-	-	-	-
Write off Debtors - Lease rentals receivables and Hire Purchases	-	-	-	-	-
Other Financial Assets	131,739	-	-	(8,085,645)	(7,953,906)
	22,717,237	28,656,139	13,773,673	46,410,168	111,557,217

11.4 The Table below Shows the Allowance for Impairment on Financial Instruments for the Year 2024/2025 Recorded in the Income Statement

	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
Other Receivables	-	-	-	-	-
	37,273,230	(6,347,017)	9,858,813	48,675,868	89,460,894

12. PERSONNEL COSTS

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Salaries and Other Related Expenses	257,064,370	209,247,889
Defined Contribution Plan cost EPF and ETF	23,197,499	18,414,335
Directors' Emoluments	8,910,000	10,060,000
Gratuity Charge for the Year	3,565,688	2,292,623
	292,737,557	240,014,847

13. DEPRECIATION AND AMORTIZATION

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Depreciation of Property Plant & Equipment	58,193,501	58,916,843
Amortization of intangible assets	10,170,098	7,939,018
Depreciation of ROU Assets	38,345,062	28,501,020
	106,708,661	95,356,881

14. OTHER OPERATING EXPENSES

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Audit Related Fees and Expenses	3,752,678	1,750,000
Professional & Legal Expenses	5,516,292	4,979,672
Office Administration & Establishment Expenses	164,406,975	120,368,118
Advertising & Business Promotion Expenses	36,742,594	24,574,301
Other Operating Expenses	20,497,974	14,587,638
	230,916,513	166,259,729

15. TAXES ON FINANCIAL SERVICES

Value Added Tax (VAT) on Financial Services

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

VAT on Financial Services is charged as 18% with effect from 01 January 2022.

Social Security Contribution Levy

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 01 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Value Added Tax on Financial Services	140,611,250	93,790,461
Social Security Contribution Levy on Financial Services	18,979,750	11,991,596
	159,591,000	105,782,057

NOTES TO THE FINANCIAL STATEMENTS

16. TAXATION

16.1 The Major Components of Income Tax Expense for the Years Ended 31 March are as follows;

(A) Statement of Profit or Loss

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Current Income Tax		
Income Tax for the year	189,134,004	85,791,087
Under/(Over) Provision of Current Taxes in respect of Previous Years	(13,255,240)	-
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	(18,234,257)	(7,619,520)
	157,644,507	78,171,568

(B) Other Comprehensive Income

	31.03.2026 Rs.	31.03.2025 Rs.
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	39,434,551	(258,937)
	39,434,551	(258,937)
(C) Total Tax Expense for the Year	197,079,058	77,912,630

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 2026 and 2025 is as follows.

Year ended 31 March	Note	31.03.2026 Rs.	31.03.2025 Rs.
Accounting Profit Before Income Taxation		439,474,668	282,685,308
Adjustments			
Non-Taxable (Income)/ Losses		(47,750,611)	(52,484,317)
Disallowable Expenses		394,046,705	297,520,920
Allowable Expenses		(155,324,082)	(241,751,621)
Total Statutory Income		630,446,680	285,970,291
Claim on Carried Forward Tax Losses		-	-
Taxable Income		630,446,680	285,970,291
Income Tax Rate (%)	16.2 (A)	30%	30%
Income Tax		189,134,004	85,791,087
Deferred Taxation Charge/(Reversal)	30	(18,234,257)	(7,878,457)
Total Tax Expense		170,899,747	77,912,630
Effective tax rate		39%	28%

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 2025/2026.

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.

Year ended 31 March	31.03.2026 Rs.	31.03.2025 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	281,830,162	204,513,741
Basic/Diluted Earnings per Ordinary Share (Rs.)	0.36	0.26

18. CASH AND CASH EQUIVALENT

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Cash in hand	48,186,866	60,763,021
Balances with banks	857,745,443	156,235,231
Cash and Cash Equivalent before impairment	905,932,309	216,998,252
Less: Allowance for Impairment	(185,714)	(45,684)
Cash and Cash Equivalent after impairment	905,746,595	216,952,568
18.1 Cash and Cash Equivalent - Cash Flow Purpose		
Cash and Cash Equivalent before allowance for impairment	905,932,309	216,998,252
Bank Overdraft	(42,964,172)	(158,053,901)
	862,968,137	58,944,351

19. FINANCIAL INVESTMENTS AT AMORTISED COST

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Fixed Deposits & Commercial Papers	50,620,112	47,216,310
Treasury Bills	52,962,497	471,764,780
Reverse Repurchase Agreements	566,033,145	59,199,957
Less: Allowance for Impairment Losses	(11,758)	(20,049)
	669,603,996	578,160,999

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Term Loans	6,077,436,528	5,004,030,494
Housing Loans	189,058,946	202,013,224
Gold Loans	2,673,649,447	1,130,698,746
Staff Loans	23,114,612	30,369,268
	8,963,259,533	6,367,111,731
Less : Allowance for Impairment Losses (Note 20.1)	(428,665,027)	(348,076,918)
	8,534,594,506	6,019,034,814

20.1 Analysis of Loans and Receivables on Maximum Exposure to Credit Risk as at 31 March 2026

Year ended 31 March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	617,379,794	569,621,890	529,228,786	1,716,230,470
Loans and Receivables subject to Collective Impairment	5,999,241,570	1,038,920,878	208,866,615	7,247,029,063
Allowance for Impairment Losses	(113,208,933)	(48,480,695)	(266,975,399)	(428,665,027)
	6,503,412,431	1,560,062,073	471,120,002	8,534,594,506

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

Year ended 31 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	4,764,197,770	528,517,841	247,719,333	5,540,434,945
Allowance for Impairment Losses	(82,037,577)	(14,247,906)	(251,791,435)	(348,076,918)
	4,682,160,193	765,146,418	571,728,203	6,019,034,814

20.2 Allowance for Impairment Losses

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Movement in Individual Impairment Allowance for Loans and Receivables		
As at 01 April	196,799,030	210,057,362
Net Impairment Charge / (Reversal) for the year	24,426,443	5,085,455
Write off during the year	-	(18,343,787)
Balance as at 31 March	221,225,473	**196,799,030**
Movement of Collective Impairment Allowance for Loans and Receivables		
As at 01 April	151,277,888	147,454,411
Net Impairment Charge / (Reversal) for the year	56,161,666	24,324,166
Write off during the year	-	(20,500,689)
Balance as at 31 March	207,439,554	151,277,888
Individual Impairment	221,225,473	196,799,030
Collective Impairment	207,439,554	151,277,888
	428,665,027	**348,076,918**

20.3 Movement in Allowance for Impairment Losses

Year ended 31 March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	82,037,576	14,247,906	251,791,435	348,076,917
Charge/(Reversal) to Income Statement (Note 11.3)	31,171,357	34,232,789	15,183,964	80,588,110
Amounts written off	-	-	-	-
Balance as at 31 March 2026	113,208,933	48,480,695	266,975,399	428,665,027

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

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Gross Rentals Receivables	2,485,502,772	2,416,111,369
Lease Rentals Receivables	2,484,593,275	2,440,147,086
Amounts Receivable from Hire Purchases	909,497	1,150,055
	2,485,502,772	2,441,297,141
Less: Unearned Income	(625,443,249)	(601,708,987)
Net Rentals Receivables	1,860,059,523	1,839,588,154
Less : Allowance for Impairment Losses (Note 21.1)	(98,653,729)	(59,730,715)
Total Net Rentals Receivable	1,761,405,794	1,779,857,440

NOTES TO THE FINANCIAL STATEMENTS

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

21.1 Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to Credit Risk as at 31 March 2026

Year ended 31 March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	4,552,094	179,363,455	107,937,881	291,853,430
Lease Rentals Receivable & Hire Purchases subject to Collective Impairment	976,558,644	541,046,643	50,600,805	1,568,206,093
Allowance for Impairment Losses	(29,394,615)	(29,912,773)	(39,346,341)	(98,653,729)
	951,716,122	690,497,326	119,192,345	1,761,405,794

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

Year ended 31 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	1,232,048,951	392,658,343	37,497,622	1,662,204,915
Allowance for Impairment Losses	(28,232,137)	(16,493,163)	(15,005,415)	(59,730,715)
	1,204,620,279	524,914,276	50,322,885	1,779,857,440

21.3 Allowance for Impairment Losses

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

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
As at 01 April	8,407,270	33,763,081
Net Impairment Charge / (Reversal) for the year	30,069,369	43,590,413
Write off during the year	-	(68,946,224)
Balance as at 31 March	38,476,639	8,407,270

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

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
As at 01 April	51,323,445	38,011,840
Net Impairment Charge / (Reversal) for the year	8,853,645	16,460,860
Write off during the year	-	(3,149,255)
Balance as at 31 March	60,177,090	51,323,445
Individual Impairment	38,476,639	8,407,270
Collective Impairment	60,177,091	51,323,445
	98,653,730	59,730,715

21.4 As at 31 March 2026

Year ended 31 March	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross Rentals Receivables				
Lease Rentals Receivables	446,449,625	2,038,143,650	-	2,484,593,275
Amounts Receivable from Hire Purchases	909,497	-	-	909,497
	447,359,122	2,038,143,650	-	2,485,502,772
Less: Unearned Income	(15,220,400)	(610,222,849)	-	(625,443,249)
Net Rentals Receivables	432,138,722	1,427,920,801	-	1,860,059,523
Less : Rental Received In Advance				
Less : Suspended VAT				
				1,860,059,523
Less : Allowance for Impairment Losses				(98,653,730)
Total Net Rentals Receivable				1,761,405,793

21.5 Movement in Allowance for Impairment Losses

Year ended 31 March	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	28,232,137	16,493,163	15,005,415	59,730,715
Charge/(Reversal) to Income Statement (Note 11.3)	1,162,478	13,419,610	24,340,926	38,923,014
Balance as at 31 March 2026	29,394,615	29,912,773	39,346,341	98,653,729

22. OTHER FINANCIAL ASSETS

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Other Receivables	16,910,717	72,074,298
	16,910,717	72,074,298

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

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Unit Trust	1,291,376	3,467,204
Investment in Shares	-	18,367,234
	1,291,376	21,834,438

NOTES TO THE FINANCIAL STATEMENTS

24. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Year ended 31 March	31.03.2026 Rs.	31.03.2025 Rs.
Investment in CRIB	315,813	315,813
	315,813	315,813

25. OTHER NON FINANCIAL ASSETS

Year ended 31 March 2026	31.03.2026 Rs.	31.03.2025 Rs.
WHT Receivable	3,190,464	4,904,085
Advance & Prepayments	28,036,744	17,702,780
Stationary and Gift stock	8,573,499	7,020,708
Other Non Financial Assets	-	5,281,420
	39,800,707	34,908,994

26. INVESTMENT PROPERTY

Year ended 31 March 2026	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 1st April	224,000,000	191,000,000
Additions;		
On Acquisition	155,999,000	16,000,000
On Improvements	-	1,122,000
Net Gain/(Losses) from change in fair value	40,001,000	15,878,000
Balance as at 31st March	420,000,000	224,000,000

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 2026.

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

					2026		2025
Property	**Name of the Valuer**	**Description**	**Initial Recognition**	**Direct Cost**	**Fair Value Change**	**Market value**	**Market value**
			Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
01. Commercial Building	Vlr Gunasekara.A.A.P.D	Land &					
Situated in Rathgama.	AIV (Sri Lanka)	Building	102,615,980	-	5,000,000	150,000,000	145,000,000
	Incorporated Valuer						
02. Commercial Building	Vlr Gunasekara.A.A.P.D	Land &	56,927,000	-	11,000,000	74,000,000	63,000,000
Situated in Karandeniya.	AIV (Sri Lanka)	Building					
	Incorporated Valuer						
03. Commercial Building	Vlr Gunasekara.A.A.P.D	Land &	16,000,000	-	-	16,000,000	16,000,000
Situated in Walallavita.	AIV (Sri Lanka)	Building					
	Incorporated Valuer						
04. Commercial Building	Vlr Gunasekara.A.A.P.D	Land &	155,999,000	-	24,001,000	180,000,000	-
Situated in Galle.	AIV (Sri Lanka)	Building					
	Incorporated Valuer						
			331,541,980	-	40,001,000	420,000,000	224,000,000

NOTES TO THE FINANCIAL STATEMENTS

27. PROPERTY, PLANT AND EQUIPMENT

27.1 The Movement in Property, Plant & Equipment

As at 31 March 2026	Motor Vehicles	Machinery	Office Equipment	Furniture and Fittings	Fixture & Fittings	Name Board	Computer Equipment & Accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April 2025	25,936,895	42,603,828	43,163,185	97,201,719	2,793,919	53,555,132	41,363,206	306,617,883
Additions during the year	21,453,100	36,000	10,798,543	9,337,580	487,090	6,091,584	5,180,861	53,384,758
Disposal during the year	-	-	-	-	-	-	-	-
Revaluation gain/(losses)	40,809,897	-	39,146,959	31,462,436	-	-	19,838,712	131,258,004
Balance as at 31 March 2026	88,199,892	42,639,828	93,108,686	138,001,735	3,281,009	59,646,716	66,382,779	491,260,645
(Less) : Accumulated depreciation								
Balance as at 01 April 2025	18,224,656	32,869,482	26,856,529	51,773,786	1,649,660	41,957,495	23,543,975	196,875,583
Charge during the year	4,295,235	9,361,875	9,339,384	15,502,667	563,691	12,278,046	6,852,602	58,193,501
Disposal during the year	-	-	-	-	-	-	-	-
Balance as at 31 March 2026	22,519,892	42,231,357	36,195,913	67,276,453	2,213,351	54,235,541	30,396,577	255,069,084
Net Book Value at 31 March 2026	65,680,000	408,471	56,912,773	70,725,282	1,067,658	5,411,175	35,986,202	236,191,561

As at 31 March 2025	Motor Vehicles	Machinery	Office Equipment	Furniture and Fittings	Fixture & Fittings	Name Board	Computer Equipment & Accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April 2024	23,377,015	42,603,828	37,856,456	85,348,106	2,763,919	50,532,342	36,703,009	279,184,675
Additions during the year	7,359,880	-	5,306,729	11,853,613	30,000	3,022,790	4,865,697	32,438,709
Disposal during the year	(4,800,000)	-	-	-	-	-	(205,500)	(5,005,500)
Revaluation gain/(losses)	-	-	-	-	-	-	-	-
Balance as at 31 March 2025	25,936,895	42,603,828	43,163,185	97,201,719	2,793,919	53,555,132	41,363,206	306,617,883
(Less) : Accumulated depreciation								
Balance as at 01 April 2024	17,293,961	22,333,409	18,967,480	37,946,596	1,163,306	25,100,318	17,300,821	140,105,892
Charge during the year	2,898,867	10,536,072	7,889,048	13,827,190	486,354	16,857,178	6,422,133	58,916,843
Disposal during the year	(1,968,172)	-	-	-	-	-	(178,980)	(2,147,152)
Balance as at 31 March 2025	18,224,656	32,869,482	26,856,529	51,773,786	1,649,660	41,957,496	23,543,975	196,875,582
Net Book Value at 31 March 2025	7,712,239	9,734,346	16,306,656	45,427,933	1,144,259	11,597,637	17,819,231	109,742,301

27. PROPERTY, PLANT AND EQUIPMENT (Contd...)

27.2 The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

As at 31st March	2026			2025		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets						
Motor Vehicles	47,389,995	22,519,892	24,870,103	25,936,895	18,224,656	7,712,239
Office Equipment	53,961,728	36,195,913	17,765,815	43,163,185	26,856,529	16,306,656
Furniture and Fittings	106,539,299	67,276,453	39,262,846	97,201,719	51,773,786	45,427,933
Computer Equipment & Accessories	46,544,066	30,396,577	16,147,490	41,363,206	23,543,975	17,819,231
	254,435,088	156,388,834	98,046,254	207,665,004	120,398,945	87,266,059

27.3 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 53,384,758/- (2024/25- Rs. 32,438,709/-).

27.4 Cost of fully depreciated assets of the company as at 31 March 2026 is Rs. 163,459,454/- (2024/25 - Rs. 83,853,961/-).

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

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

27.7 There were no property plant and equipment retired from active use as at the reporting date.

27.8 There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

27.9 There were no any properties pledge as a security as at 31 March 2026.

27.10 The Company applies the revaluation model to the Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments as at 31 March 2026

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

	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 01 April	205,941,220	145,291,835
Additions and Improvements	151,359,633	104,332,441
Adjustment on Terminations & Modifications	(36,859,486)	(43,683,056)
Cost as at 31 March	320,441,367	205,941,220
Accumulated Amortisation		
Balance as at 01 April	(64,306,351)	(77,768,059)
Charge for the year	(38,345,062)	(28,501,020)
Adjustment on Terminations & Modifications	33,819,724	41,962,728
Accumulated Amortisation as at 31 March	(68,831,687)	(64,306,351)
Net Book Value as at 31 March	251,609,680	141,634,869

NOTES TO THE FINANCIAL STATEMENTS

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

	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 01 April	149,275,327	70,745,414
Additions	136,439,633	98,412,441
Accretion of Interest	28,245,726	19,789,736
Payments	(45,662,033)	(37,637,907)
Derecognition on Termination	(2,832,347)	(2,034,357)
Balance as at 31 March	265,466,306	149,275,327

28.3 Maturity Analysis of Lease Liability

	31.03.2026 Rs.	31.03.2025 Rs.
As at 31 March	23,759,133	14,453,814
Less than 01 year	133,727,680	63,110,085
02 to 05 years	107,979,493	71,711,428
More than 05 years	265,466,306	149,275,327

28.4 Undiscounted Maturity Analysis of Lease Liability

	31.03.2026 Rs.	31.03.2025 Rs.
Up to 03 Months	13,047,270	9,159,450
03 to 12 Months	43,508,340	25,904,750
01 to 03 Years	120,917,938	69,994,280
03 to 05 Years	101,265,839	71,842,324
Over 05 Years	138,119,460	63,692,212
Total	416,858,847	240,593,016

28.5 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 2026 would have impact the lease liability by approximately Rs.8,288,279/(Rs.7,896,881) 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.184,860)/Rs. 221,338 respectively.

29. INTANGIBLE ASSETS

Computer Software	31.03.2026 Rs.	31.03.2025 Rs.
Cost		
As at 01 April	65,567,318	62,026,062
Additions	9,423,437	3,541,255
Cost as at End of the Year	74,990,755	65,567,318
Amortisation & Impairment		
As at 01 April	(31,525,116)	(23,586,098)
Charge for the year	(10,170,098)	(7,939,018)
Amortisation as at end of the year	(41,695,214)	(31,525,116)
Net book value as at end of the year	33,295,541	34,042,201

Nature and Amortization Method

The Company is having Rs.7,923,536 /- fully amortised assets available within the Company as at the reporting date. (2024/25 - Rs.6,723,536 /-)

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.

NOTES TO THE FINANCIAL STATEMENTS

30. DEFERRED TAXATION

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

	Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
	31.03.2026	31.03.2025	31.03.2026	31.03.2025	31.03.2026	31.03.2025
Deferred Tax Liability	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital Allowances for Tax Purposes						
- Property Plant & Equipment	4,819,593	9,202,559	-	-	(4,382,966)	(1,769,612)
- Intangible Assets	6,525,796	7,682,162	-	-	(1,156,366)	(1,028,044)
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	39,377,401	-	39,377,401	-	-	-
Define Benefit Plan- Other Comprehensive Income	57,150	258,937	57,150	258,937	-	(261,223)
Investment Property	26,200,806	14,200,506	-	-	12,000,300	4,763,400
	76,980,746	31,344,164	39,434,551	258,937	6,460,968	1,704,522
Deferred Tax Assets						
Right of Use Assets	4,156,989	2,292,137	-	-	1,864,851	1,325,646
Allowance for Impairment Losses	64,554,956	42,666,458	-	-	21,888,498	7,987,440
Defined Benefit Plans	3,252,645	2,310,769	-	-	941,876	269,894
	71,964,590	47,269,364	-	-	24,695,225	9,582,979
Deferred Income Tax Charge/(Reversal)			39,434,551	(258,937)	(18,234,257)	(7,878,457)
Net Defferred Tax Liability/(Assest)	5,016,155	(15,925,200)				

31. DUE TO BANKS

	31.03.2026 Rs.	31.03.2025 Rs.
Bank Overdrafts	42,964,172	158,053,901
Securitised Borrowings and Other Bank Facilities (Note 31.2)	2,448,756,199	911,913,918
	2,491,720,371	1,069,967,819

31.1 Due to Banks

	31.03.2026			31.03.2025		
	Amount repayable within 1 year	Amount repayable after 1 year	Total	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Overdrafts	42,964,172	-	42,964,172	158,053,901	-	158,053,901
Term Loan facilities from Banks	888,955,820	1,559,800,379	2,448,756,199	371,267,209	540,646,709	911,913,918
	931,919,991	1,559,800,379	2,491,720,371	529,321,110	540,646,709	1,069,967,819

31. DUE TO BANKS (Contd...)

31.2 Term Loan Facilities from Banks

Direct Bank Borrowings	As at 01.04.2025	Loans Transferred	Loans Obtained	Interest Recognized	Repayments Capital	Repayments Interest	As at 31.03.2026	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term Loans									
Term Loan 01 - Sampath Bank PLC	200,264,247	-	45,500,000	23,806,389	(55,628,353)	(23,747,361)	190,194,922	05 Years	Personal Guarantee
Term loan 02-Sampath Bank PLC	-	-	300,000,000	12,166,985	(33,333,333)	(11,619,040)	267,214,612	03 Years	Personal Guarantee
Term Loan 03-Sampath Bank PLC	-	-	400,000,000	136,986	-	-	400,136,986	04 Years	Personal Guarantee
Pan Asia Bank	209,629,808	-	-	19,729,884	(84,000,000)	(20,500,185)	124,859,507	03 Years	Loan/Lease Portfolio Mortgage
DFCC Bank - Revolving Loan	200,000,000	-	800,000,000	20,884,932	(800,000,000)	(20,884,932)	200,000,000	01 Year	Loan Portfolio Mortgage
DFCC Bank - Term Loan	302,019,863		-	35,871,224	(60,000,000)	(36,801,224)	241,089,863	05 Years	Loan Portfolio Mortgage
Tempory Loan-FC (REPO Loan-RF20250401-017)	-	-	200,000,000	3,204,990	(200,000,000)	(3,204,990)	-	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20250402-009)	-	-	100,000,000	3,100,198	(100,000,000)	(3,100,198)	-	01 Year	Repo
Tempory Loan-FC (REPO Loan-RF20250402-013)	-	-	153,204,990	621,032	(153,204,990)	(621,032)	-	01 Year	Repo
Tempory Loan-FC (REPO Loan-RF20250613-002)	-	-	150,000,000	274,726	(150,000,000)	(274,726)	-	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20250403-001)	-	-	100,000,000	3,071,990	(100,000,000)	(3,071,990)	-	01 Year	Repo
Tempory Loan -FC (RF20251010-012)	-	-	150,000,000	258,904	(150,000,000)	(258,904)	-	01 Year	Repo
Tempory Loan -FC (RF20251021-003)	-	-	100,000,000	303,753	(100,000,000)	(303,753)	-	01 Year	Repo
Tempory Loan -FC (RF20251118-017)	-	-	50,000,000	160,403	(50,000,000)	(160,403)	-	01 Year	Repo
Tempory Loan -FC (RF20251125-002)	-	-	120,000,000	183,453	(120,000,000)	(183,453)	-	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20251022-012)	-	-	100,000,000	246,680	(100,000,000)	(246,680)	-	01 Year	Repo
HNB Bank - Revolving Loan	-	-	500,000,000	3,613,836	(500,000,000)	(3,613,836)	-	06 Months	Clean
Tempory Loan -FC (RF20251222-001)	-	-	200,000,000	98,630	(200,000,000)	(98,630)	-	01 Year	Repo
HNB Bank Loan	-	-	500,000,000	23,538,474	(62,400,000)	(22,413,902)	438,724,572	04 Years	Loan / Lease Portfolio ortgage
HNB Bank Loan	-	-	200,000,000	6,303,985	(200,000,000)	(6,303,985)	-	04 Months	Clean
Cargills Bank Loan	-	-	300,000,000	4,205,101	(5,000,000)	(4,021,151)	295,183,950	05 Years	Loan / Lease Portfolio Mortgage
BOC 150Mn Term Loan	-	-	150,000,000	671,425	-	-	150,671,425	03 Years	Lease Portfolio Mortgage
BOC 140Mn Term Loan	-	-	140,000,000	680,362	-	-	140,680,362	03 Years	Lease Portfolio Mortgage
	911,913,918	-	4,758,704,990	163,134,343	(3,223,566,677)	(161,430,375)	2,448,756,199		
Repurchase Agreements (REPO)	-	-	-	-	-	-	-		
Bank Overdrafts	-	-	-	-	-	-	-		
	911,913,918	-	4,758,704,990	163,134,343	(3,223,566,677)	(161,430,375)	2,448,756,199		

NOTES TO THE FINANCIAL STATEMENTS

	As at	Loans	Loans	Interest	Repayments		As at	Period	Security
	01.04.2024	Transferred	Obtained	Recognized	Capital	Interest	31.03.2025		
Direct Bank Borrowings	Rs.	Rs.	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 Year	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-RF20251218-018)	-	-	150,000,000	1,560,815	(150,000,000)	(1,560,815)	-	01 Year	Repo
Tempory Loan (REPO Loan-RF20260218-008)	-	-	50,000,000	503,339	(50,000,000)	(503,339)	-	01 Year	Repo
Tempory Loan (REPO Loan-RF20260227-008)	-	-	150,000,000	1,100,055	(150,000,000)	(1,100,055)	-	01 Year	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		

32. FINANCIAL LIABILITIES AT AMORTISED COST- DUE TO CUSTOMERS

	31.03.2026 Rs.	31.03.2025 Rs.
Fixed Deposits	5,690,500,046	3,946,634,793
Savings Deposits	355,715,233	472,105,901
Interest Payable	243,443,066	224,718,949
	6,289,658,345	4,643,459,643

33. FINANCIAL LIABILITIES AT AMORTISED COST - DEBT SECURITIES

	31.03.2026 Rs.	31.03.2025 Rs.
High Yield Bond	195,000,000	-
High Yield Bond Interest Payable	7,438,629	-
	202,438,629	-

33. FINANCIAL LIABILITIES AT AMORTISED COST - DEBT SECURITIES (Contd...)

33.1 Listed, Rated, Unsecured, Subordinated, Redeemable High Yield Bonds

The Company issued One Million Nine Hundered Fifty Thousand (1,950,000) Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 Year High Yield Bonds on 23 September 2025 (Date of allotment is 17 October 2025 and the date of maturity is 17 October 2030), at the par value of Sri Lankan Rupees one hundred (LKR 100/-) each and raised Sri Lankan Rupees One Hundered and Ninty Five Million (LKR 195,000,000/-) which has been recorded under Debt Securities in Statement of Financial Position as at 31 March 2026.

Type	Amount raised Rs.	Type of Interest	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency
A	80,000,000	Fixed Rate	12.60%	13.00%	Semi-Annual
B	115,000,000	Fixed Rate	12.41%	13.00%	Quarterly

Interest Rates

			31st March 2026		31st March 2025	
Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Rate (per annum)	Annual Effective Rate (AER)
A	Fixed Rate	05 year	12.60%	13.00%	N/A	N/A
B	Fixed Rate	05 year	12.41%	13.00%	N/A	N/A

Market Values

	Highest (Rs.)		Lowest (Rs.)		Period End (Rs.)	
Type	31st March 2026	31st March 2025	31st March 2026	31st March 2025	31st March 2026	31st March 2025
A	Not traded	N/A	Not traded	N/A	Not traded	N/A
B	Not traded	N/A	Not traded	N/A	Not traded	N/A

34. OTHER FINANCIAL LIABILITIES

	31.03.2026 Rs.	31.03.2025 Rs.
Lease Creditors (Note 28.2)	265,466,307	149,275,327
Other Payables	42,338,421	32,641,591
Provisions and Accruals (Note 33.1)	10,946,789	7,628,383
	318,751,517	189,545,301

34.1 Provisions and Accruals

	31.03.2026 Rs.	31.03.2025 Rs.
Salary Payable	3,463,753	2,013,178
Professional Fee Payable	4,341,892	2,771,433
Other Expenses Payable	3,141,144	2,843,773
	10,946,789	7,628,383

NOTES TO THE FINANCIAL STATEMENTS

35. OTHER NON FINANCIAL LIABILITIES

	31.03.2026 Rs.	31.03.2025 Rs.
EPF/ETF/APIT Payable	3,478,149	3,256,508
Income Tax Payable	120,365,514	71,590,025
VAT on Financial Services & SSCL Payable	9,891,541	11,989,722
Other Tax Payable	3,510,277	3,274,641
Other Payable	36,176,975	123,427,222
	173,422,456	213,538,118

36. RETIREMENT BENEFIT OBLIGATIONS

	31.03.2026 Rs.	31.03.2025 Rs.
Balance at the beginning of the year	8,565,688	6,802,916
Past Service Cost	-	(217,546)
Current Service Cost	2,623,463	1,693,819
Payments made during the year	(908,225)	(1,392,975)
Interest Charged/(Reversed) for the year	942,225	816,350
(Gain)/Loss arising from changes in the assumption	(190,499)	863,124
Balance at the end of the year	11,032,650	8,565,688

36.1 Expenses on Defined Benefit Plan

	31.03.2026 Rs.	31.03.2025 Rs.
Current Service Cost for the year	2,623,463	1,693,819
Interest Charge for the year	942,225	816,350
Past Service Cost	-	(217,546)
	3,565,688	2,292,623

36.2 Amount Recognized in the Other Comprehensive Income

(Gain)/Loss arising from changes in the assumption (Note 36)	(190,499)	863,124
	(190,499)	863,124

Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2026 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19-'Employee Benefits'.

36.3 Assumptions

36.3.1 Financial Assumptions

	31.03.2026 Rs.	31.03.2025 Rs.
Discount Rate	10.00%	11.00%
Salary Increment Rate	6%	8%

36. RETIREMENT BENEFIT OBLIGATIONS (CONTD...)

36.3.2 Demographic Assumptions

	31.03.2026 Rs.	31.03.2025 Rs.
Staff Turnover	20%	19%
Retirement Age	65 years	60 years
Mortality	A 1967/70	A 1967/70
	Mortality table	Mortality table

Expected average future working life of the active participants is 4.9 years (2025: 4.1 years)

36.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

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

		2026		2025	
Increase/(Decrease) in Discount Rate	**Increase (Decrease) in Salary Increment Rate**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**
1%	-	(460,892)	460,892	(402,695)	402,695
-1%	-	498,231	(498,231)	437,827	(437,827)
-	1%	564,602	(564,602)	411,364	(411,364)
-	-1%	(529,478)	529,478	(385,194)	385,194

36.5 MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATION PLAN

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

	31.03.2026 Years Rs.	31.03.2025 Years Rs.
Weighted Average Duration of the Defined Benefit Obligation	4.66	4.92
Average Time to Benefit Payout	4.74	5.40
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payments		
within the next 12 months	1,340,398	841,476
between 02 to 05 years	3,938,192	2,913,565
between 06 to 10 years	5,039,798	4,054,295
beyond 10 years	714,263	756,351
	11,032,650	8,565,687

37. STATED CAPITAL

37.1 Issued and Fully Paid-Ordinary Shares

	31.03.2026		31.03.2025	
	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

NOTES TO THE FINANCIAL STATEMENTS

37.2 Rights of Shareholders

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

37.3 Net Asset Value per Share

The Net Asset Value (NAV) per ordinary share of the Company was as follows:

	31.03.2026 Rs.	31.03.2025 Rs.
As at 31st March		
Equity Holders Funds	3,378,726,162	3,123,407,365
Total No. of Shares	790,168,780	790,168,780
Net Asset Value per ordinary share	4.28	3.95

37.4 Market Price per Share

The market price per ordinary share of the Company during the year was as follows:

	2026 Rs.	2025 Rs.
Description		
Highest	9.90	11.40
Lowest	7.00	2.50
Closing	7.60	8.10

38. RESERVES

38.1 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.

38.2 Revaluation Reserve Fund

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company's Property, Plant & Equipment with net of differed tax on revaluation.

38.3 Regulatory Loss Allowance

A Regulatory Loss Allowance Reserve (RLAR) is a non-distributable capital reserve. It ensures that if the institution's accounting-based Expected Credit Loss (ECL) falls short of the minimum thresholds set by central regulators, the institution holds additional capital to protect against risky loans.

38.4

	Statutory Reserve Rs.	Revaluation Reserve Fund Rs.	Regulatory Loss Allowance Rs.	Total Rs.
As at 01 April 2024	59,642,422	-	-	59,642,422
Transfers During the Year	10,225,687	-	-	10,225,687
Regulatory Loss Allowance	-	-	5,711,038	5,711,038
As at 31 March 2025	69,868,109	-	5,711,038	75,579,147
Transfers During the Year	14,091,508	-	-	14,091,508
Revaluation of Computer & Accessories, Furniture & Fittings , Motor Vehicles, Office Equipments	-	91,880,603	-	91,880,603
As at 31 March 2026	83,959,617	91,880,603	5,711,038	181,551,258

39. RETAINED EARNINGS

	2026 Rs.	2025 Rs.
Balance as at 01 April	508,694,818	320,721,989
Dividend Paid	(118,525,317)	-
Profit for the Year	281,830,162	204,513,741
Other Comprehensive Income not to be Reclassified to Profit or Loss	133,350	(604,187)
Transfers During the Year	(14,091,508)	(10,225,687)
Regulatory Loss Allowance	-	(5,711,038)
Balance as at 31 March	658,041,504	508,694,818

Retained earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future losses or dividend payable.

40. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.
Level 2: Valuation technique using observable inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets are valued using models where all significant inputs are observable.
Level 3: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Key methodologies and assumptions used are as follows.

Assets for Which Fair Value Approximates Carrying Value
For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity Instruments at Fair Value Through OCI
Equity instruments at fair value through OCI primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate Financial Instruments
Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

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.

NOTES TO THE FINANCIAL STATEMENTS

	31-Mar-26					31-Mar-25				
		Fair value measurement using					Fair value measurement using			
	Carrying value	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total	Carrying value	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total
FINANCIAL ASSETS										
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	1,291,376	-	1,291,376	21,834,438	-	21,834,438	-	21,834,438
Financial Investments at Fair Value through Other Comprehensive Income	315,813	-	-	315,813	315,813	315,813	-	-	315,813	315,813
Total Financial Assets	1,607,189	-	1,291,376	315,813	1,607,189	22,150,251	-	21,834,438	315,813	22,150,251

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.

	31-Mar-26					31-Mar-25				
		Fair value measurement using					Fair value measurement using			
	Carrying value	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total	Carrying value	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total
FINANCIAL ASSETS										
Financial Investment at amortised Cost	669,603,996	-	669,603,996	-	669,603,996	578,160,999	-	578,160,999	-	578,160,999
Financial assets at amortised Cost - Loans and Receivables	8,534,594,506	-	-	-	-	6,019,034,814	-	-	-	-
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,761,405,794	-	-	-	-	1,779,857,440	-	-	-	-
NON-FINANCIAL ASSETS										
Property, plant and equipment										
Motor Vehicles	65,680,000	-	-	65,680,000	65,680,000	7,712,239	-	-	-	-
Machinery	408,471	-	-	-	-	9,734,346	-	-	-	-
Office Equipment	56,912,773	-	-	56,912,773	56,912,773	16,306,656	-	-	-	-
Furniture and Fittings	70,725,282	-	-	70,725,282	70,725,282	45,427,933	-	-	-	-
Fixture & Fittings	1,067,658	-	-	-	-	1,144,259	-	-	-	-
Name Board	5,411,175	-	-	-	-	-	-	-	-	-
Computer Equipment & Accessories	35,986,202	-	-	35,986,202	35,986,202	17,819,231	-	-	-	-
	11,201,795,857	-	669,603,996	229,304,258	898,908,254	8,475,197,916	-	578,160,999	-	578,160,999
FINANCIAL LIABILITIES										
Due to Customers	6,289,658,345	-	-	-	-	4,643,459,643	-	-	-	-
	6,289,658,345	-	-	-	-	4,643,459,643	-	-	-	-

40. FAIR VALUE OF ASSET AND LIABILITIES (CONTD…)

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.

	2026		2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalent	905,746,595	905,746,595	216,952,568	216,952,568
Financial Investment at amortised Cost	669,603,996	669,603,996	578,160,999	578,160,999
Other Financial Assets	16,910,717	16,910,717	114,240,209	114,240,209
Total Financial Assets	1,592,261,308	1,592,261,308	909,353,776	909,353,776
Financial Liabilities				
Financial Liabilities at amortised Cost - Due to Banks	2,491,720,371	2,491,720,371	1,069,967,819	1,069,967,819
Other Financial Liabilities	318,751,517	318,751,517	189,545,301	189,545,301
	2,810,471,887	2,810,471,887	1,259,513,120	1,259,513,120

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.

41. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

	2026 Rs.	2025 Rs.
Nature of Assets		
Loan Lease Portfolio	3,379,900,000	962,000,000

42. RISK MANAGEMENT

42.1 Introduction

Risk is inherent in the financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is mainly exposed to Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Legal, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

42.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. Integrated Risk Management committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

NOTES TO THE FINANCIAL STATEMENTS

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 3 Directors, Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the BIRM Committee, Risk Management function is managed by Risk Management Department (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

Above committees closely monitors any developments related to face for the economic crisis and reviews measures undertaken by the company in response to resulting risk. These actions has helped the company mitigating any adverse effect on its asset liability position that may arise due to the continuously evolving nature of the economic crisis.

42.3 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.

42. RISK MANAGEMENT (CONTD…)

42.3 Risk Measurement & Reporting System and Risk Mitigation

	Financial Risks	Risk Measures	Key Risk Mitigation Controls
			· Board approved credit policies/ procedures/ framework and annual review
			· Delegated authority levels/ segregation of duties
			· Setting Prudential limits on maximum exposure
	1.Default Risk	· Probability of Default	- Overall NPL Ratio setting based on risk appetite
	Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations	· Loss Given Default	- Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios
		·Sector / Asset / Client / Branch Concentrations of Lending Portfolio	- Concentration limits for clients/ groups, asset types
	2. Concentration Risk	·Concentrations in Repossessed assets	· Monitoring of exposures against the limits
	Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)	· Macro Credit Portfolio risk measures such as	· Trend analysis reported to BIRMC
Credit Risk		a) Provision Coverage	Strict compliance with CBSL Guidelines
		b) Net NPL as a % of Equity Funds	
		· Net Interest Yield and Movement in Net Interest Yield	
		· Lending to Borrowing Ratio	
		· Tracking of Movements in Money Market rates	
		· Marginal Cost of funds / Risk based Pricing	
Interest rate risk		· Gaps in asset Liability Re-Pricing	· Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets
	Adverse effect on Net Interest Income	· Cumulative Gaps as a % of Cumulative Liabilities	· Setting of Lending to Borrowing ratios
			· Gaps limits for structural liquidity,
			· Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets
Liquidity Risk	Inability to meet obligations as they fall due	· Gaps in dynamic liquidity flows	· Volatile Liability Dependency measures
		· Stocks of high quality liquid assets	· Balance sheet ratios

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42.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

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

Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. In determining the borrower's credit risk the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility the equity contribution, security cover and guarantors are taken in to consideration.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

42.4.1 Assessment of Expected Credit Losses

The methodology of the impairment assessment is explained in Note 4.1.8 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

42.4.1 (a) Definition of Default and Cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal assessment of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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42.4.1 (b)Significant Increase in Credit Risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

42.4.1 (c) Analysis of the Total Allowance for Expected Credit Losses is as follows;

As at 31st March	2026			
	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalent	197,472	-	-	197,472
Term loan Personal Guarantees	48,013,768	4,891,436	106,416,723	159,321,927
Term loan Property Mortgage	36,404,652	28,068,744	155,052,646	219,526,042
Gold Loans	3,288,335	2,525,494	148,200	5,962,029
Government Undertake Loan	25,502,178	12,995,020	5,357,831	43,855,029
Lease rentals receivables and Hire Purchases	29,394,615	29,912,773	39,346,341	98,653,729
Total allowance for expected credit losses	142,801,021	78,393,467	306,321,740	527,516,228

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

42.4.1 (d)Movement of the Total Allowance for Expected Credit Losses During the Period

	2026
	Rs.
Balance as at 01st April 2025	408,373,367
Net Charge/(Reversal) Profit and loss	119,142,862
Balance as at 31 Mar 2026	527,516,229

42.4.1 (e)Sensitivity Analysis : Impact of Staging of Loans on Collective Allowance for Expected Credit Losses

The following table illustrates the impact of staging of loans by comparing the allowance, if all performing financial assets were in stage 1 or if all such assets were in stage 2 to the actual expected credit loss recorded on these assets.

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 1	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	220,997,016	182,939,808	(38,057,207)

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 2	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	220,997,016	310,807,429	89,810,413

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

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42.4.1 (f) A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due.

As at 31st March	2026				
	0-30 Days	31- 60 Days	61- 90 Days	Above 90	Total
	Rs.	Rs.	Rs.		Rs.
Gold loan receivables	2,424,921,470	153,866,209	91,513,210	3,339,700	2,673,640,589
Term loan Personal Guarantees	1,527,502,819	61,424,373	10,458,760	235,063,024	1,834,448,977
Term loan Property Mortgage	1,752,035,213	301,464,970	316,211,641	468,203,947	2,837,915,770
Government Undertake	570,650,736	194,272,909	186,234	8,746,384	773,856,262
Lease rentals receivables and Hire Purchases	1,048,213,721	386,032,533	278,386,284	147,426,984	1,860,059,522
Cash Margin Loan	843,397,936	-	-		843,397,936
	8,166,721,894	1,097,060,994	696,756,129		10,823,319,056

42.4.1 (g) Overview of Rescheduled / Restructured Loans and Advances (Except Individually Impaired Loans and Advances)

As at 31st March	2026								
	Gross Carrying Value				Allowance for ECL				Net Carrying Value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loan Property Mortgage	10,886,707	14,076,398	16,856,242	41,819,348	342,076	760,677	4,284,212	5,386,965	36,432,382
Term loan Personal Guarantees	-	9,420,161	7,033,344	16,453,505	-	891,539	2,510,911	3,402,451	13,051,054
	10,886,707	23,496,559	23,889,586	58,272,853	342,076	1,652,217	6,795,123	8,789,416	49,483,437

As at 31st March	2025								
	Gross Carrying Value				Allowance for ECL				Net Carrying Value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	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

42.4.1 (h) Sensitivity of Impairment Provision on Loans and Advances to Customers

The Company has estimated the impairment provision on Loan and advances to customers as at 31st March 2026,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 2026 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity Effect on Statement of Financial Position				Sensitivity Impact of Income statement
	Increase/Decrease in Impairment Provision				
	Stage 01	Stage 02	Stage 03	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.
PD 1% Increment across all Buckets	8,038,553	1,531,478	-	9,570,031	(9,570,031)
PD 1% Decrease across all Buckets	(8,038,553)	(1,531,478)	-	(9,570,031)	9,570,031
LGD 5% Increment	22,197,832	9,913,047	10,490,631	42,601,511	(42,601,511)
LGD 5% Decrease	(22,197,832)	(9,913,047)	(10,490,631)	(42,601,511)	42,601,511
Probability Weighted forward looking Macro Economic Indicators					-
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	(41,029)	(36,380)	(1,849)	(79,258)	79,258
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	41,029	36,380	1,849	79,258	(79,258)

42.4.1(i) Sensitivity of Impairment Provision on Lease and Hire Purchases to Customers

The Company has estimated the impairment provision on Lease and Hire Purchases to customers as at 31st March 2026, 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 2026 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity Effect on Statement of Financial Position				Sensitivity Impact of Income statement
	Increase/Decrease in Impairment Provision				
	Stage 01	Stage 02	Stage 03	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.
PD/LGD	-	-	-	-	-
PD 1% Increment across all Buckets	1,937,634	1,104,519	-	3,042,153	(3,042,153)
PD 1% Decrease across all Buckets	(1,937,634)	(1,104,519)	-	(3,042,153)	3,042,153
LGD 5% Increment	5,542,557	5,427,304	2,530,040	13,499,901	(13,499,901)
LGD 5% Decrease	(5,542,557)	(5,427,304)	(2,530,040)	(13,499,901)	13,499,901
Probability Weighted Forward Looking Macro Economic Indicators					
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	-	(40,440)	-	(40,440)	40,440
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	-	40,440	-	40,440	(40,440)

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42.4.2 Credit Quality by Class of Financial Assets

	3/31/2026					3/31/2025				
	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total	Percentage	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total	Percentage
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	
Assets										
Cash and bank balances	905,746,595	-	-	905,746,595	7.62%	216,952,568	-	-	216,952,568	2.49%
Financial instruments at amortised cost	669,603,996	-	-	669,603,996	5.63%	578,160,999	-	-	578,160,999	6.62%
Financial assets at amortised Cost - Loans and Receivables	5,214,863,543	2,031,890,049	1,716,505,941	8,963,259,533	75.39%	4,495,113,552	1,045,321,392	826,676,787	6,367,111,732	72.93%
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	638,396,450	929,673,596	291,989,478	1,860,059,523	15.64%	930,445,298	731,759,617	177,383,240	1,839,588,154	21.07%
Other Financial Assets	16,910,717	-	-	16,910,717	0.14%	114,240,209	-	-	114,240,209	1.31%
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	1,291,376	0.01%	21,834,438	-	-	21,834,438	0.25%
Financial Investment as Fair Value through Other Comprehensive Income	315,813	-	-	315,813	0.00%	315,813	-	-	315,813	0.00%
Allowance for impairment				(527,318,756)	-4.44%				(407,807,633)	-4.67%
Total	7,447,128,489	2,961,563,644	2,008,495,419	11,889,868,796	100.00%	6,357,062,878	1,777,081,008	1,004,060,027	8,730,396,280	100.00%

◈ Past Due but Not Impaired Leases & Loans

Past due but not impaired Leases & Loans are those for which contractual interest or principal payments are past due up to 90 days, however as per the Company's assessment do not need to be impaired.

◈ Past Due and Impaired Leases & Loans

Past due and impaired Leases & Loans are those for which contractual interest or principal payments are past due over 90 days, however as per the Company's assessment need to be impaired.

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

	Past due					Past due				
	Less than 30 days	31 to 60 days	61 to 90 days	"More than 90 days"	Total	Less than 30 days	31 to 60 days	61 to 90 days	"More than 90 days"	Total
	2026	2026	2026	2026	2026	2025	2025	2025	2025	2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	390,585,668	386,032,533	278,386,284	147,426,984	1,202,431,469	319,682,161	308,910,410	241,876,410	63,859,647	909,142,856
Financial assets at amortised Cost - Loans and Receivables	1,529,999,447	1,097,060,994	696,756,129	862,780,038	4,186,596,608	437,406,235	448,885,786	225,543,790	777,142,507	1,871,998,179
	1,920,585,116	1,483,093,527	975,142,413	1,010,207,022	5,389,028,078	757,088,396	757,796,196	467,420,200	841,002,154	2,823,306,947

42.4.3 Maximum Exposure to Credit Risk

The following tables shows the maximum exposure to credit risk by class of financial assets. It further shows the net exposure to credit risk.

As at 31 March	Note	2026		2025	
		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	905,746,595	905,746,595	216,952,568	216,952,568
Financial Investment at amortised Cost	19	669,603,996	669,603,996	578,160,999	578,160,999
Financial assets at amortised Cost ;					
Loans & Receivables	20	8,534,594,506	2,804,127,981	6,019,034,814	1,311,325,162
Lease rentals receivables and Hire Purchases	21	1,761,405,794	701,376	1,779,857,440	754,246,056
Other Financial Assets	22	16,910,717	16,910,717	72,074,298	114,240,209
Financial Assets Measured at Fair value through Profit or Loss	23	1,291,376	1,291,376	21,834,438	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	24	315,813	315,813	315,813	315,813
Total Financial Assets		11,889,868,796	4,398,697,853	8,688,230,369	2,997,075,246

Expected credit losses in respect of cash margin loans are not recognized, as such exposures are fully collateralized and the risk of loss is considered negligible. Consequently, no allowance for impairment has been recorded against the outstanding cash margin loan balance.

42.4.4 Offsetting Financial Assets and Liabilities

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed as follows;

As at 31 March	Notes	2026			2025		
		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		843,397,936	1,114,397,080	(270,999,144)	587,738,508	826,856,788	(239,118,279)
		843,397,936	1,114,397,080	(270,999,144)	587,738,508	826,856,788	(239,118,279)
Financial Liabilities							
Repurchase Agreements (REPO)		-	-	-	-	-	-
		-	-	-	-	-	-

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42.4.5 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2026	Manufacturing	Tourism	Agriculture	Trade	Construction
Cash and Cash Equivalent	-	-	-	-	-
Financial Investment at amortised Cost	-	-	-	-	-
Financial assets at amortised Cost - Loans and Receivables	399,987,199	159,781,464	493,954,600	888,508,525	916,379,605
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	147,099,456	114,112,719	111,602,539	177,977,323	150,577,493
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	547,086,655	273,894,183	605,557,139	1,066,485,848	1,066,957,098

As at 31 March 2025	Manufacturing	Tourism	Agriculture	Trade	Construction
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	629,478,392
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	153,053,303	150,543,907	103,319,702	192,086,710	77,104,884
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	706,583,276

Transport	Services	Government	Financial Institutions	Consumers	Others	Rs. Total
-	-	-	905,746,595	-	-	905,746,595
-	-	-	669,603,996	-	-	669,603,996
94,424,136	235,830,876		2,483,198,012	2,453,061,805	838,133,310	8,963,259,533
692,772,084	30,902,431		31,699,657	384,930,326	18,385,495	1,860,059,523
-	-	-	-	-	16,910,717	16,910,717
-	-	-	1,291,376	-	-	1,291,376
-	-	-	315,813	-	-	315,813
						(527,318,756)
787,196,220	266,733,307	-	4,091,855,449	2,837,992,131	873,429,522	11,889,868,796

Transport	Services	Government	Financial Institutions	Consumers	Others	Rs. Total
-	-	-	216,952,568	-	-	216,952,568
-	-	-	578,160,999	-	-	578,160,999
3,982,581	2,319,478,191	-	-	-	2,127,797,164	6,367,111,732
391,627,620	670,843,613	-	-	-	101,008,416	1,839,588,154
-	-	-	-	-	72,074,298	72,074,298
-	-	-	21,834,438	-	-	21,834,438
-	-	-	315,813	-	-	315,813
						(407,807,633)
395,610,202	2,990,321,805	-	817,263,818	-	2,300,879,878	8,688,230,369

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42.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing brands. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

42.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2026	2026 Rs'000	2026
Long Term Loans linked to AWPLR	1/ (-1)	20,043/(20,043)	0.61%
	0.5 / (0.5)	10,021/(10,021)	0.30%
	0.25 / (0.25)	5,010/(5,010)	0.15%

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2025	2025 Rs'000	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%

The base ratio considers in the Interest Rate Sensitivity Analysis is the existing Loan rates. Since only 82% (2025-45%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2026	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Cash and cash Equivalents	857,559,729	-	-	-	-	48,186,866	905,746,595
Financial Investment at amortised Cost	349,776,360	319,827,636	-	-	-	-	669,603,996
Financial assets at amortised Cost - Loans and Receivables	2,488,815,364	3,954,224,867	1,785,296,747	231,931,629	74,325,899	-	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	334,950,704	478,092,860	788,101,763	160,260,468	-	-	1,761,405,794
Other Financial Assets	-	-	-	-	-	16,910,717	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	1,291,376	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	4,031,102,157	4,752,145,362	2,573,398,510	392,192,097	74,325,899	66,704,772	11,889,868,797
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	420,620,470	511,748,259	1,199,163,367	360,188,275	-	-	2,491,720,371
Financial Liabilities at amortised Cost - Due to customers	2,572,683,037	2,933,234,003	728,925,918	54,815,387	-	-	6,289,658,345
Financial Liabilities at amortised Cost - Debt Securities	7,438,629			195,000,000			202,438,629
Other Financial Liabilities	4,527,284	19,231,850	66,855,696	66,871,984	107,979,493	53,285,210	318,751,517
Total Financial Liabilities	3,005,269,420	3,464,214,111	1,994,944,981	676,875,647	107,979,493	53,285,210	9,302,568,862
Interest Sensitivity Gap	1,025,832,737	1,287,931,251	578,453,529	(284,683,550)	(33,653,594)	13,419,561	2,587,299,936

NOTES TO THE FINANCIAL STATEMENTS

42. RISK MANAGEMENT (CONTD...)

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	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	-	-	-	-	578,160,998
Financial assets at amortised Cost - Loans and Receivables	2,092,572,463	1,921,144,345	1,564,425,891	349,712,488	91,179,627	-	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	188,642,718	670,359,652	666,489,653	254,365,417	-	-	1,779,857,440
Other Financial Assets	-	-	-	-	-	72,074,298	72,074,298
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	2,768,869,168	2,838,200,556	2,230,915,543	604,077,905	91,179,627	154,987,570	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	40,269,975	189,545,301
Interest Sensitivity Gap	(382,027,307)	961,214,633	1,728,659,367	320,709,132	41,984,185	114,717,595	2,785,257,607

42.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The key elements of the Company's liquidity strategy are as follows. Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.
- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.
- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

Management of the Company has been maintaining a stable liquidity position to meet strongly any liquidity shock will arise due to any economic crises since the COVID 19 pandemic period and closely monitoring the position on daily basis and taking necessary measures to ensure the safeguard of the entity. The company introduced more rigor to the processes already in place to manage its liquid assets. These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

42.6.1 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 22.25% of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction). Such Liquid assets are maintained in the form of Sri Lanka Government securities.

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

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 March 2026.

NOTES TO THE FINANCIAL STATEMENTS

42. RISK MANAGEMENT (CONTD...)

42.6 Liquidity Risk (Contd...)

As at 31 March 2026	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	905,746,595	-	-	-	-	905,746,595
Financial Investment at amortised Cost	352,942,561	329,760,994	-	-	-	682,703,555
Financial assets at amortised Cost - Loans and Receivables	2,702,247,412	4,384,845,806	2,150,077,935	295,605,541	89,770,604	9,622,547,297
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	431,013,977	705,997,420	1,056,329,471	181,917,262	-	2,375,258,130
Other Financial Assets	16,910,717	-	-	-	-	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	-	-	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	4,410,152,637	5,420,604,220	3,206,407,406	477,522,803	90,086,417	13,604,773,482
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	233,289,269	666,080,889	1,404,275,147	375,224,029	-	2,678,869,335
Financial Liabilities at amortised Cost - Due to customers	2,683,199,148	3,290,362,375	1,053,421,207	81,924,714	-	7,108,907,444
Financial Liabilities at amortised Cost - Debt Securities	13,526,504	18,263,625	73,054,500	209,205,042	-	314,049,671
Other Financial Liabilities	13,047,270	43,508,340	120,917,938	101,265,839	138,119,460	416,858,847
Total Financial Liabilities	2,943,062,191	4,018,215,230	2,651,668,793	767,619,624	138,119,460	10,518,685,297
Net Financial Asset/Liabilities	1,467,090,446	1,402,388,990	554,738,613	(290,096,821)	(48,033,043)	3,086,088,185

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

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	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	2,300,223,343	3,462,443,349	2,039,026,930	445,370,183	122,022,182	8,369,085,986
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	268,509,100	873,072,463	942,832,985	291,413,804	-	2,375,828,352
Other Financial Assets	72,074,298	-	-	-	-	72,074,298
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	2,974,641,927	4,829,535,166	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	(48,954,507)	2,572,872,608	2,205,050,439	315,415,302	58,645,783	5,103,029,624

42.7 Exchange Rate Risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies. Exchange risk could materialize as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

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

43. MATURITY ANALYSIS

An analysis of financial assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2026	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and bank balances	905,746,595	-	-	-	-	905,746,595
Financial Investment at amortised Cost	349,776,360	319,827,636	-	-	-	669,603,996
Financial assets at amortised Cost - Loans and Receivables	2,488,815,364	3,954,224,867	1,785,296,747	231,931,629	74,325,899	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	334,950,704	478,092,860	788,101,763	160,260,468	-	1,761,405,794
Other Financial Assets	16,910,717	-	-	-	-	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	-	-	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	4,097,491,116	4,752,145,362	2,573,398,510	392,192,097	74,641,712	11,889,868,797
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	420,620,470	511,748,259	1,199,163,367	360,188,275	-	2,491,720,371
Financial Liabilities at amortised Cost - Due to customers	2,572,683,037	2,933,234,003	728,925,918	54,815,387	-	6,289,658,345
Financial Liabilities at amortised Cost - Debt Securities	7,438,629	-	-	195,000,000	-	202,438,629
Other Financial Liabilities	57,812,494	19,231,850	66,855,696	66,871,984	107,979,493	318,751,517
Total Liabilities	3,058,554,630	3,464,214,111	1,994,944,981	676,875,647	107,979,493	9,302,568,862

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 - Loans and Receivables	2,092,572,463	1,921,144,345	1,564,425,891	349,712,488	91,179,627	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	188,642,718	670,359,652	666,489,653	254,365,417	-	1,779,857,440
Other Financial Assets	72,074,298	-	-	-	-	72,074,298
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	2,923,540,925	2,838,200,556	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

NOTES TO THE FINANCIAL STATEMENTS

44. COMMITMENTS AND CONTINGENCIES

As at 31st March	2026					2025				
	Rs.					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										
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Contingencies										
Letter of Guarantees Granted	2,500,000	-	-	-	2,500,000	33,500,000	-	-	-	33,500,000
	2,500,000	-	-	-	2,500,000	33,500,000	-	-	-	33,500,000

44.1 Capital Commitments

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

44.2 Litigation Filed by the Company/ Against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigation against the Company as at 31st Mar 2026 which would have a material impact on the Financial Statements.

45. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Reporting date that require adjustments to or disclosure in the Financial Statements

46. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with the parties who are defined as Related Parties in Sri Lanka Accounting Standard No.24, Related Party Disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

46.1 Parent and Ultimate Controlling Party

The Company is 54.99% owned by Lanka Credit and Business Limited. Hence, Lanka Credit and Business Limited is the parent company and the ultimate controlling party.

46.2 Transactions with Key Managerial Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include Parent Company, the Board of Directors of the Company (including Executive & Non Executive) and Chief Executive Officer of the Company.

	2026	2025
	Rs.	Rs.
Short Term Employee Benefits		
Remuneration and other expenses of directors	18,120,000	25,391,500
Other Benefits		
Terminal Benefits	-	-
Post- employment benefits	1,381,500	1,381,500
Total	19,501,500	26,773,000

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

46.3.1 Loans and advances granted to KMPs are Detailed Below

	2026	2025
	Rs.	Rs.
Loans granted during the year	-	10,733,000
Loans held at the end of the year	732,540	10,812,548
Interest received on Loans	211,190	1,471,212

46.3.2 Deposits and Borrowings from KMPs are Detailed Below

	2026	2025
	Rs.	Rs.
Term/Savings deposits accepted during the year	12,420,444	20,505,165
Term/Savings deposits held at the end of the year	9,256,591	16,150,377
Interest payable on Term/Savings deposits	85,527	545,657
Interest paid on Term/Savings deposits	517,111	1,093,854

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

46.4.1 Loan and Advances

	2026	2025
	Rs.	Rs.
Loans granted during the year	-	-
Loans held at the end of the year	-	-
Interest received on Loans	-	-

46.4.2 Deposits and Borrowings

	2026	2025
	Rs.	Rs.
Term/Savings deposits accepted during the year	10,675,000	
Term/Savings deposits held at the end of the year	19,945,826	-
Interest payable on Term/Savings deposits	746,622	-
Interest paid on Term/Savings deposits	969,555	-

NOTES TO THE FINANCIAL STATEMENTS

47. 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	2026			2025		
	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	905,746,595	-	905,746,595	216,952,568	-	216,952,568
Financial Investment at amortized Cost	669,603,996	-	669,603,996	578,160,999	-	578,160,999
Financial assets at amortized Cost - Loans and Receivables	6,443,040,231	2,091,554,275	8,534,594,506	4,013,716,808	2,005,318,006	6,019,034,814
Financial assets at amortized Cost - Lease rentals receivables and Hire Purchases	813,043,563	948,362,231	1,761,405,794	859,002,370	920,855,070	1,779,857,440
Other Financial Assets	16,910,717	-	16,910,717	72,074,298	-	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	1,291,376	21,834,438	-	21,834,438
Financial Investment at Fair value through Other Comprehensive Income	-	315,813	315,813	-	315,813	315,813
Other Non Financial Assets	39,800,707	-	39,800,707	34,908,994	-	34,908,994
Investment Property	-	420,000,000	420,000,000	-	224,000,000	224,000,000
Property, Plant and Equipment	-	236,191,561	236,191,561	-	109,742,300	109,742,300
Right of Use Assets	-	251,609,680	251,609,680	-	141,634,869	141,634,869
Intangible Assets	-	33,295,541	33,295,541	-	34,042,201	34,042,201
Deferred Tax Asset	-	-	-	-	15,925,201	15,925,201
Total Assets	8,889,437,186	3,981,329,101	12,870,766,287	5,796,650,475	3,451,833,460	9,248,483,935
Liabilities						
Financial Liabilities at amortized Cost - Due to Banks	932,368,728	1,559,351,642	2,491,720,371	559,354,574	510,613,245	1,069,967,819
Financial Liabilities at amortized Cost - Due to customers	5,505,917,040	783,741,305	6,289,658,345	4,454,074,010	189,385,633	4,643,459,643
Financial Liabilities at amortised Cost - Debt Securities	7,438,629	195,000,000	202,438,629	-	-	-
Other Financial Liabilities	77,044,344	241,707,173	318,751,517	54,723,788	134,821,513	189,545,300
Other Non Financial Liabilities	173,422,457	-	173,422,457	213,538,118	-	213,538,118
Retirement Benefits Liabilities	-	11,032,650	11,032,650	-	8,565,688	8,565,688
Deferred Tax Liability	5,016,156	-	5,016,156	-	-	-
Total Liabilities	6,701,207,354	2,790,832,771	9,492,040,125	5,281,690,490	843,386,079	6,125,076,569
Maturity Gap	2,188,229,832	1,190,496,330	3,378,726,162	514,959,986	2,608,447,381	3,123,407,366
Cumulative Gap	2,188,229,832	3,378,726,162	-	514,959,986	3,123,407,366	-

48. SEGMENTAL ANALYSIS

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

For management purposes, the Company has identified operating segments based on products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on turnover.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2026 or 2025.

There were no transactions between reportable segments in 2026 or 2025.

	Loans		Lease & Hire Purchase		Others		Total	
For the Year ended 31st March	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Income								
Interest Income	1,502,767,780	983,896,098	325,429,750	256,016,751	55,469,568	83,114,310	1,883,667,098	1,323,027,160
Other Income	61,882,579	53,190,312	13,400,894	13,840,497	54,505,886	65,722,180	129,789,360	132,752,989
Total Income	1,564,650,359	1,037,086,410	338,830,644	269,857,248	109,975,454	148,836,490	2,013,456,458	1,455,780,148
Unallocated Expenses	-	-	-	-	-	-	(1,573,981,790)	(1,173,094,839)
Profit / (Loss) Before Tax	-	-	-	-	-	-	439,474,667	282,685,309
Income Tax (Expense)/ Reversal	-	-	-	-	-	-	(157,644,506)	(78,171,567)
Net Profit / (Loss) for the period	-	-	-	-	-	-	281,830,161	204,513,742
Segment Assets	8,534,594,506	6,019,034,814	1,761,405,794	1,779,857,440	670,895,372	599,995,437	10,966,895,672	8,398,887,690
Unallocated Assets							1,903,870,614	849,596,244
Total Assets	8,534,594,506	6,019,034,814	1,761,405,794	1,779,857,440	670,895,372	599,995,437	12,870,766,286	9,248,483,934
Unallocated Liabilities	-	-	-	-	-	-	9,492,040,124	6,125,076,569
Total Liabilities	-	-	-	-	-	-	9,492,040,124	6,125,076,570

NOTES TO THE FINANCIAL STATEMENTS

49. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management
The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

Regulatory Capital
The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL)sets and monitors capital requirements for licensed finance companies. Accordingly finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

50. RE - CLASSIFICATION OF COMPARATIVES

Statement of Financial Position
During the current financial year, the company reclassified prior year figures of the lending portfolio & other assets in the Statement of Financial Position as reported below;

	As at 31 March 2025			As at 31 March 2026
	Prior classification	Re-classification	Re-classified	
	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised Cost - Loans and Receivables	6,002,054,674	16,980,140	6,019,034,814	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,754,671,668	25,185,772	1,779,857,440	1,761,405,794
Other assets	114,240,209	(42,165,911)	72,074,298	16,910,717

FIVE YEARS SUMMARY

	31.03.2026	31.03.2025	31.03.2024	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Income	2,013,456,458	1,455,780,148	1,379,715,429	1,104,019,440	541,564,212
Interest Income	1,883,667,098	1,323,027,160	1,202,448,835	1,031,981,246	504,110,594
Less: Interest Expenses	(672,470,842)	(476,220,432)	(620,158,267)	(427,366,144)	(104,982,427)
Net Interest Income	1,211,196,256	846,806,728	582,290,568	604,615,102	399,128,167
Fee and Commission Income	75,283,474	67,030,809	47,279,094	39,592,621	45,836,522
Less: Fee and Commission Expenses	-	-	-	-	-
Net Fee and Commission Income	75,283,474	67,030,809	47,279,094	39,592,621	45,836,522
Net Other Operating Income/(Expense)	54,505,886	65,722,180	129,987,500	32,445,572	(8,382,904)
Total Operating Profit	1,340,985,616	979,559,716	759,557,162	676,653,295	436,581,786
Impairment(Charge)/Reversal	(111,557,217)	(89,460,894)	(122,568,495)	(90,994,761)	61,695,234
Net Operating Income	1,229,428,399	890,098,821	636,988,667	585,658,534	498,277,020
Less : Operating Expenses					
Personnel Costs	(292,737,557)	(240,014,847)	(193,798,307)	(145,811,074)	(106,401,014)
Depreciation and Amortization	(106,708,661)	(95,356,881)	(76,799,410)	(61,957,077)	(44,834,695)
Other Operating expenses	(230,916,513)	(166,259,729)	(145,509,321)	(117,459,076)	(67,109,515)
	(630,362,731)	(501,631,457)	(416,107,038)	(325,227,227)	(218,345,223)
Operating Profit before Tax on Financial Services	599,065,668	388,467,365	220,881,629	260,431,307	279,931,796
Taxes on Financial Services	(159,591,000)	(105,782,057)	(72,323,746)	(47,877,516)	(41,413,734)
Profit before tax	439,474,668	282,685,308	148,557,883	212,553,791	238,518,062
Less: Income tax (expense)/Reversal	(157,644,506)	(78,171,567)	(26,464,210)	(49,783,037)	(140,936,083)
Profit for the Year	281,830,162	204,513,741	122,093,673	162,770,755	97,581,979
Basic earnings per share (Rs.)	0.36	0.26	0.15	0.21	0.12

FIVE YEARS SUMMARY

STATEMENT OF COMPREHENSIVE INCOME

	31.03.2026	31.03.2025	31.03.2024	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Profit for the year	281,830,162	204,513,741	122,093,673	162,770,755	97,581,979
Other comprehensive income/ (expenses)					
Other comprehensive income that will not to be reclassified to profit or loss:					
Actuarial gain/(loss) on defined benefit plan	190,499	(863,125)	1,733,864	(84,936)	13,941
Deferred tax effect on actuarial gain/(loss)	(57,150)	258,937	(520,159)	25,481	(1,952)
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	131,258,004	-	-	-	-
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	(39,377,401)	-	-	-	-
	92,013,952	(604,187)	1,213,705	(59,455)	11,989
Other comprehensive income for the year, net of tax	92,013,952	(604,187)	1,213,705	(59,455)	11,989
Total comprehensive income for the year, net of tax	373,844,114	203,909,554	123,307,378	162,711,300	97,593,968
Attributable to :					
Equity holders of the Company	373,844,114	203,909,554	123,307,378	162,711,300	97,593,968
	373,844,114	203,909,554	123,307,378	162,711,300	97,593,968

STATEMENT OF FINANCIAL POSITION

	31.03.2026	31.03.2025	31.03.2024	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and Cash Equivalent	905,746,595	216,952,568	209,863,402	179,594,556	229,434,047
Financial Investment at amortised Cost	669,603,996	578,160,999	909,460,831	809,683,821	746,819,780
Financial assets at amortised Cost - Loans and Receivables	8,534,594,506	6,019,034,814	3,747,316,490	3,738,803,049	2,634,321,859
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,761,405,794	1,779,857,440	761,346,056	441,429,394	392,635,779
Other Financial Assets	16,910,717	72,074,298	62,789,829	31,361,557	16,919,514
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	21,834,438	829,306,147	219,753,524	19,508,717
Financial Investment at Fair value through Other Comprehensive Income	315,813	315,813	315,813	315,813	315,813
Other Non Financial Assets	39,800,707	34,908,994	48,943,046	56,320,987	55,345,017
Investment Property	420,000,000	224,000,000	191,000,000	180,000,000	-
Property, Plant and Equipment	236,191,561	109,742,300	139,078,783	97,223,763	84,108,889
Right of Use Assets	251,609,680	141,634,869	67,523,775	69,643,533	73,443,343
Intangible Assets	33,295,541	34,042,201	38,439,965	34,907,586	39,121,865
Deferred Tax Asset	-	15,925,201	8,046,744	18,462,799	64,691,455
Total Assets	12,870,766,286	9,248,483,934	7,013,430,881	5,877,500,382	4,356,666,078
Liabilities					
Financial Liabilities at amortised Cost - Due to Banks	2,491,720,371	1,069,967,819	604,675,532	566,941,929	586,370,993
Financial Liabilities at amortised Cost - Due to customers	6,289,658,345	4,643,459,643	3,270,214,658	2,380,339,395	962,635,583
Financial Liabilities at amortised Cost - Debt Securities	202,438,629	-	-	-	-
Other Financial Liabilities	318,751,517	189,545,301	84,833,080	85,609,323	81,104,538
Other Non Financial Liabilities	173,422,456	213,538,118	127,406,884	42,055,952	40,778,035
Retirement Benefits Liabilities	11,032,650	8,565,688	6,802,916	6,363,350	4,887,670
Deferred Tax Liability	5,016,156	-	-	-	-
Total Liabilities	9,492,040,124	6,125,076,569	4,093,933,070	3,081,309,949	1,675,776,819
Equity					
Stated Capital	2,539,133,400	2,539,133,400	2,539,133,400	2,539,133,400	2,539,133,400
Reserves	181,551,258	75,579,147	59,642,422	54,087,738	45,949,200
Retained Earnings	658,041,504	508,694,818	320,721,989	202,969,295	95,806,659
Total Equity	3,378,726,162	3,123,407,365	2,919,497,811	2,796,190,433	2,680,889,259
Total Equity and Liabilities	12,870,766,286	9,248,483,934	7,013,430,881	5,877,500,382	4,356,666,078
EPS(Rs.)	0.36	0.26	0.15	0.21	0.12
ROE %	8.67	6.77	4.27	5.94	4.08
ROA %	3.97	3.48	2.30	4.15	5.94
NIM %	12.52	12.28	11.19	13.80	11.84
NPL (net) %	5.73	7.98	15.13	22.68	22.24
Tier 1 Capital Adequacy Ratio (Minimum Requirment 8.50%) %	33.28%	36.77	42.07	45.15	54.04
Total Capital Adequacy Ratio (Minimum Requirment 12.50%) %	35.25%	36.73	42.07	45.15	54.04
Liquid Asset Ratio %	22.25	14.96	18.39	25.94	24.01

FIVE YEARS SUMMARY

STATEMENT OF CHANGES OF EQUITY

	Stated Capital	Retained Earnings	Statutory Reserve	Asset Revaluation Surplus	Regulatory Loss Allowance	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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
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	2,539,133,400.00	202,969,294.53	54,087,738.20	-	-	2,796,190,432.72
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

	Stated Capital	Retained Earnings	Statutory Reserve	Asset Revaluation Surplus	Regulatory Loss Allowance	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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	10,225,687	-	5,711,038	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	69,868,109	-	5,711,038	3,123,407,365

FIVE YEARS SUMMARY

STATEMENT OF CHANGES IN EQUITY (Contd.)

	Stated Capital	Retained Earnings	Statutory Reserve	Asset Revaluation Surplus	Regulatory Loss Allowance	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Profit / Loss) for the Year	-	281,830,162	-	-	-	281,830,162
Other Comprehensive Income Net of Tax	-	133,350	-	-	-	133,350
Transfer to Statutory Reserve Fund	-	(14,091,508)	14,091,508	-	-	-
Regulatory Loss Allowance		-	-	-	-	-
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	131,258,004	-	131,258,004
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	(39,377,401)	-	(39,377,401)
Total Comprehensive Income for the Year, Net of Tax	-	267,872,003	14,091,508	91,880,603	-	373,844,114
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	-	(118,525,317)	-	-	-	(118,525,317)
Total Transactions with Equity Holders	-	(118,525,317)	-	-	-	(118,525,317)
Balance as at 31 March 2026	2,539,133,400	658,041,504	83,959,617	91,880,603	5,711,038	3,378,726,162

STATEMENT OF CASH FLOWS

	31.03.2026	31.03.2025	31.03.2024	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash Flows Used in Operating Activities					
Profit before tax from continuing operations	439,474,668	282,685,308	148,557,883	212,553,791	238,518,062
Adjustments for					
Depreciation and Amortization	68,363,599	66,855,861	54,433,515	41,591,568	44,834,695
Amortization of right of use asset	38,345,062	28,501,020	22,365,895	-	-
Provision/(Reversal) for Defined Benefit Plans	3,375,189	2,292,623	2,740,580	1,871,057	1,186,501
(Gain)/Losses from Change in fair value of Investment Properties	(40,001,000)	(15,878,000)	(11,000,000)	(20,457,020)	-
FairValue(Gain)/Loss from Share Investments & Unit Trust	(7,118,486)	(37,528,292)	(107,555,761)	(7,189,330)	10,813,684
Dividend Received	-	-	-	(899,287)	(561,832)
(Gain)/Losson Termination/Modification of ROU Assets	207,416		-	(2,648,282)	-
Impairment (Reversal)/Charges for Loans & receivable and Lease rentals receivables & Hire Purchases	111,557,217	89,460,894	119,974,039	85,073,977	(61,771,515)
Intereston Lease Liability	28,245,726	19,789,736	12,173,215	-	-
Interest Expenseson Borrowings	174,209,271	69,194,295	-	-	-
Impairment (Reversal)/Charges for Financial Investments	197,472	-	-	554,874	76,281
Write off balances	-	110,939,955	-	-	-
Operating Profit before Working Capital Changes	816,856,134	616,313,399	241,689,365	310,451,349	233,095,876
Working Capital Adjustments					
(Increase)/Decrease Lease Rentals Receivables and Hire Purchases	(20,471,369)	(1,092,221,360)	(329,033,350)	(64,566,778)	(80,457,144)
(Increase)/Decrease Loans and Receivables	(2,623,094,789)	(2,356,243,284)	(119,370,791)	(1,312,267,120)	(578,879,103)
(Increase)/Decrease Other Financial Assets	55,163,581	(51,450,380)	(31,428,272)	(14,442,043)	(9,155,836)
(Increase)/Decrease Other Non Financial Assets	(153,211,584)	(90,420,185)	(13,520,710)	(975,969)	(17,482,541)
Increase/(Decrease) in Other Liabilities	129,206,216	145,101,220	89,608,065	6,923,343	(89,751,464)
Increase/(Decrease) in Other Non Financial Liabilities	(40,115,662)	-	-	-	-
Increase/(Decrease) in Due to Customers	1,646,198,702	1,373,244,985	889,875,263	1,417,703,812	131,051,653
Cash Flow from/(used in) Operating Activities	(189,468,770)	(1,455,675,606)	727,819,571	342,826,594	(411,578,560)
Gratuity Paid	(908,225)	(1,392,975)	(567,150)	(480,313)	(595,050)
Income Tax Paid	(124,422,054)	(22,200,679)	(2,927,527)	(3,528,900)	-
Net Cash from Operating Activities	(314,799,049)	(1,479,269,260)	724,324,894	338,817,381	(412,173,610)
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	(53,384,758)	(32,438,709)	(93,499,983)	(49,208,365)	(69,630,765)
Acquisition of Intangible Assets	(9,423,437)	(3,541,255)	(10,818,726)	(1,283,800)	(2,600,000)
Proceeds from Sales of Investment Properties and PPE	-	2,858,348	4,497,797	-	-
Net Investment Acquisition	(91,442,997)	331,299,833	(99,777,011)	(63,379,714)	(2,279,890)
Acquisition of Investment Properties	(155,999,000)	(17,122,000)	-	-	-
Net Investments in Shares & Unit Trust	27,557,613	845,000,000	(501,996,861)	(193,055,478)	-
Dividend Received	631,125	1,842,124	652,512	899,287	561,832
Net Cash used in Financing Activities	(282,061,454)	1,127,898,341	(700,942,272)	(306,028,069)	(73,948,823)
Cash Flows from (used in) Financing Activities					
Proceeds from Issuance of Share Capital	-	-	-	-	500,000,000
Proceeds from Issuance of Bond	195,000,000	-	-	-	-
Repayment of Interest of Bond	(3,636,300)	-	-	-	-
Dividend Paid	(118,525,317)	-	-	(46,074,752)	-
Share Issue Cost	-	-	-	-	(23,643,063)
Proceeds from Interest Bearing Loans & Borrowings	4,758,704,990	1,166,600,000	37,733,602	8,326,228	51,048,930
Repayment of Interest Bearing Loans & Borrowings	(3,384,997,052)	(928,555,908)	-	-	-
Payment of Capital portion of Lease Liabilities	(45,662,033)	(37,637,907)	(30,847,376)	(14,480,696)	(12,127,180)
Net Cash used in Financing Activities	1,400,884,289	200,406,185	6,886,226	(52,229,219)	515,278,687
Net Increase in Cash and Cash Equivalents	804,023,786	(150,964,735)	30,268,848	(19,439,908)	29,156,255
Cash and Cash Equivalents at the beginning of the year	58,944,351	209,909,086	179,640,236	199,080,144	169,923,889
Cash and Cash Equivalents at the end of the year	862,968,137	58,944,351	209,909,086	179,640,236	199,080,144

INVESTOR INFORMATION

Top 20 Major Shareholders as at 31st March 2026

Serial No	Shareholder Name	Number of shares	Shareholding %
1	LANKA CREDIT AND BUSINESS LIMITED	434,538,406	54.99
2	MR. K. I. WEERASINGHE	8,510,000	1.08
3	MR. O. SENANAYAKE	7,573,871	0.96
4	SEYLAN BANK PLC/ JN LANKA HOLDINGS COMPANY (PVT) LTD	7,000,000	0.89
5	MR. S. GURUSINGHE	5,210,493	0.66
6	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/ T. RUCHIRA	5,004,725	0.63
7	ASSETLINE FINANCE LIMITED/ S. K. WIJEKOON	5,000,000	0.63
8	MR. B. A. D. R. DISSANAYAKE	4,750,000	0.60
9	PEOPLES LEASING AND FINANCE PLC/ O. SENANAYAKE & D. R. PIERIS & S. P. PERERA	4,500,000	0.57
10	LOLC FINANCE PLC/ R. MAGDON ISMAIL	4,230,000	0.54
11	MR. S. P. PERERA	4,000,673	0.51
12	MR. H. YUSOOF	3,687,050	0.47
13	MR. K. L. G. UDAYANANDA	3,681,892	0.47
14	ASSETLINE FINANCE PLC/ LAK POWER PVT LTD	3,666,396	0.46
15	SEYLAN BANK PLC/ ARRC CAPITAL (PVT) LTD	3,485,250	0.44
16	HELIOS VENTURES (PVT) LTD	3,356,901	0.42
17	MR. O. SENANAYAKE	3,121,824	0.40
18	SEYLAN BANK PLC/ GLADSTONE CAPITAL (PRIVATE) LIMITED	3,020,084	0.38
19	MR. V. SUNILGAVASKER	2,821,959	0.36
20	MR. D. R. PIERIS	2,799,994	0.35
		519,959,518	65.80
	Others	270,209,262	34.20
	Total	790,168,780	100

Public Holding of Shares of the Company

In terms of the rule 7.13.1 (i)(b) of the Listing Rules of the Colombo Stock Exchange, the Company Qualifies under option one (01) of the minimum public holding requirment.

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.	2,638,114,842	7.5%	43.92%	200	7,009

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 requirment.

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

INVESTOR INFORMATION

DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2026

Shareholding	Local			Foreign			Total		
	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%
1 To 1,000 Shares	2,849	761,869	0.100	3	917	-	2,852	762,786	0.100
1,001 To 10,000 Shares	2,307	10,036,809	1.270	3	13,333	-	2,310	10,050,142	1.270
10,001 To 100,000 Shares	1,349	47,030,261	5.950	4	140,980	0.020	1,353	47,171,241	5.970
100,001 To 1,000,000 Shares	418	123,845,558	15.670	4	2,366,457	0.300	422	126,212,015	15.970
Over 1,000,000 Shares	72	601,812,565	76.160	2	4,160,031	0.530	74	605,972,596	76.690
Total	6,995	783,487,062	99.150	16	6,681,718	0.850	7,011	790,168,780	100

Category	No of Shareholders	No of Shares	%
Institutional	306	554,091,509	70.11
Individual	6,705	236,077,271	29.89
Total	7,011	790,168,780	100.0

DIRECTORS SHAREHOLDING

		As at 31.03.2026	As at 31.03.2025
	Name	Ordinary Shares	Ordinary Shares
1	Mr. Dushmantha Thotawatte	Nil	Nil
2	Mr. Kandegoda Gamage Leelananda	Nil	Nil
3	Mr. Ranjan Lal Masakorala	Nil	Nil
4	Mr. Kapila Indika Weerasinghe	8,510,000	12,500,000
5	Mr. Jayalath Pathiranalage Chandrasiri Jayalath	Nil	Nil
6	Dr. Srinath Ajith Kumara Alahakoon	Nil	Nil
7	Prof. Ahamed Roshan Ajward	Nil	N/A
8	Mr. Kurupanawa Gamage Charles Gamage	Nil	N/A

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 capital represents supplementary capital such as instruments containing characteristics of equity and debt, revaluation gains and general provisioning/impairment allowances.

$$\text{Tier Capital} = \frac{\text{Tier Capital}}{\text{Total Risk Weighted Amount}}$$

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 2026, the Company maintained a Tier I ratio of 33.28% and a Tier II ratio 35.25% . Finaly Tier 1 ratio is above the minimum regulatory requirements (Tier I - 8.5%) set by CBSL.

Item	Amount
	Rs. 000
Tier 1 Capital	3,299,719
Total Capital	3,494,719
Total Risk Weighted Amount	9,915,314
Risk Weighted Amount for Credit Risk	8,686,252
Risk Weighted Amount for Operational Risk	1,229,062
Core Capital (Tier 1) %	33.28%
Total Capital Ratio %	35.25%

GLOSSARY OF TERMS

A

Accounting Policies

Principles, bases, conventions, rules and practices that are applied in recording transactions and in preparing and presenting Financial Statements.

Accrual Basis

The system of accounting wherein revenue is recognized at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

Allowance for Impairment

“A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.”

Amortized Cost

The systematic allocation of the depreciable amount of an intangible asset over its useful life. The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any deduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Committee (ALCO)
The committee that is responsible for managing assets and liabilities of the Company.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank on a monthly basis based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates. Average weighted prime lending rate (AWPLR) is calculated by the Cenral Bank weekly based on commercial bank’s lending rates offered to their prime customers during the week.

B

Basis Point (BP)

One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

C

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Contractual Maturity

Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a company, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Commitments

Credit facilities approved but not yet disbursed to the customers as at the date of the Statement of Financial Position.

Contingencies

A condition or situation existing at reporting date, where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or nonoccurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other stakeholders.

Cost Method

A method of accounting where by the investment is recorded at cost. The income statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee rising subsequent to the date of acquisition.

Cost/Income Ratio

Operating expenses excluding impairment charge as a percentage of net operating income (net of interest expenses).

Credit Ratings

An evaluation of a corporate’s ability to repay its obligation or the likelihood of non-defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognized financial asset or liability from an entities Statement of Financial Position.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

E

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.Indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Effective Tax Rate

Provision for taxation including deferred tax divided by the profit before taxation.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's shareof the profit or loss and other comprehensive income of the investee.

Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

Equity

Total of shareholders' funds: share capital + statutory reserves + other reserves.

Expected Credit Loss

The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure at default

A claim, contingent or position which carries a risk of financial loss.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Through Profit or Loss

A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers all risks and rewards of the ownership to the lessee.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to an other entity.

G

Global Reporting Initiative (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Gearing

Long-term borrowings divided by the total funds available for shareholders.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the forseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its opeartions.

Gross Dividend

The portion of profits distributed to the shareholders including the tax with held.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual Obligations.

H

Hire Purchase

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

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.

Individualy Assessed Impairment

When the impairment is measured on an individual basis for non- homogeneous groups of lending facilities that are considered as individually significant.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long- term in its economic, social and environmental context

Interest Cover

Earnings before interest and taxes for the year divided by total interest expenses. This provides the number of times interest expenses is covered before interest and tax; the ability to cover interest expenses.

Interst in Suspense

Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin

Net interest income expressed as a percentage of average total assets.

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interst Spread

The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and Borrowings.

Invstment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securites

Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

K

Key Management Personnel (KMP)

People having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. (The Board of Directors and Corporate Management).

L

Liquid Assets

Assets that are held in cash or can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity Risk

The risk that an entity will encounter due to difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

Loss Given Defualt

The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counter party.

Loan to Value Ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower

M

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of a share as at date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates,credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value Per Share (NAV)

Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interst Income

Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Net Interst Margin (NIM)

Net interest income as a percentage of average assets.

Non Performing Loans/Advances (NPL)

A sum of borrowed money upon which the debtor has not made scheduled payments above 180 days.

NPL Ratio

Total Non-Performing Accommodations (net of interest in suspense and other adjustments) divided by total accommodations (net of interest in suspense and other adjustments).

O

Operational Risk

The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent

An entity that controls one or more subsidiaries.

Probability of Defult (PD)

The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Provision

The amount of an expense that an entity elects to recognize now, before it has precise information about the exact amount of the expense.

R

Related Parties

Parties where one party has the ability to control the other party or exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreement

Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)

Profit before tax divided by total average assets.

Return of Equity

Profit after tax divided by total average equity.

Risk Wighted Asset

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

S

Shareholders’ Fund

This consists of issued and fully paid up ordinary shares and reserves.

Statutory Reverse Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 01 of 2003.

Specific Impairment Provision

Impairment is measured individually for loans that are individually significant to the Company.

T

Tier I Capital – Core Capital

Representing permanent shareholders’ equity (paid-up shares) and reserves created or increased by appropriations of retained earnings or other surplus, i.e., retained profits and other reserves.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subbordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

U

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services. The value added is allocated among employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

Yeild

Rate or return on an investment in percentage terms taking into account annual income.

NOTES

NOTICE OF ANNUAL GENERAL MEETING

LANKA CREDIT AND BUSINESS FINANCE PLC

Company Registration No. PQ 00251997
No. 76, S. De S. Jayasinghe Mawatha, Kohuwela

NOTICE OF THE VIRTUAL 64TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Virtual 64th Annual General Meeting of **LANKA CREDIT AND BUSINESS FINANCE PLC** will be held on **30th July 2026 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 2026 together with the report of the Auditors thereon.

2. To re-appoint M/s. Earnest & Young, Charted Accountants as Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.

By order of the Board of Directors of
LANKA CREDIT AND BUSINESS FINANCE PLC

Tamarika Rodrigo
Company Secretary
At Colombo, this 07th July 2026

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

To: Lanka Credit and Business Finance PLC
No. 76, S. De S. Jayasinghe Mawatha,
Kohuwela, Sri Lanka

LANKA CREDIT AND BUSINESS FINANCE PLC
VIRTUAL 64TH 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 27th July 2026.*
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

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
(3) Mr. K. G. Leelananda or failing him
(4) Mr. R. L. Masakorala or failing him
(5) Mr. K. I. Weerasinghe or failing him
(6) Mr. J. P. C. Jayalath or failing him
(7) Dr. S. A. K. Alahakoon or failing him
(8) Prof. A. R. Ajward or failing him
(9) Mr. K. G. C. Gamage

as my/our* Proxy to represent me/us* and vote and speak for me/us* on my/our* behalf at the **Virtual 64th Annual General Meeting** of Lanka Credit and Business Finance Limited to be held on **30th July 2026 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 2026 together with the report of the Auditors thereon.		
2.	To re-appoint M/s. Earnest & Young Charted Accountants Charted Accountants as the Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.		

Signed this ....day of..2026.

....
Signature of shareholder

Note:
i) Please delete the inappropriate words.
ii) Instructions for completion of Proxy are noted below.
iii) A proxy need not to be a shareholder of the Company.
iv) Please mark “X” in appropriate cages, to indicate your instructions as to voting.
Instructions as to completion

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 Monitory Board of the Central Bank of Sri Lanka.

COMPANY REGISTRATION NUMBER

PQ 00251997

REGISTERED OFFICE

Lanka Credit and Business Finance PLC
No. 76, S. De. S. Jayasinghe Mawatha,
Kohuwala
Tel : +94 11 2825404 – 6
Fax : +94 11 2825405

COMPANY SECRETARY

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,
Colombo 03
Tel : +94 11 2463500
Fax : +94 11 2697369

CENTRAL BANK LICENSE

No 21

TAX PAYER IDENTITY NUMBER (TIN)

124004284

NO OF BRANCHES

As At 31/03/2026 23

BOARD OF DIRECTORS

Mr. Dushmantha Thotawatte
- Chairman / Non-Executive / Independent

Mr. Kandegoda Gamage Leelananda
- Chief Executive Officer / Executive Director

Mr. Ranjan Lal Masakorala
- Non-Executive / Non-Independent Director

Mr. Kapila Indika Weerasinghe
- Non-Executive / Non-Independent Director

Mr. Jayalath Pathiranalage Chandrasiri Jayalath
- Non - Executive / Non-Independent Director

Dr. Srinath Ajith Kumara Alahakoon
-Non- Executive / Independent Director

Prof. Ahamed Roshan Ajward
- Non- Executive / Independent Director

Mr. Kurupanawa Gamage Charles Gamage
-Non- Executive / Independent Director

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
Commercial Bank
Hatton National Bank PLC
DFCC Bank PLC

ACCOUNTING YEAR-END

31st March

optima Designing Your Year! | Designed & Produced by Optima Designs (Pvt) Ltd. | A full service design and print company. www.optimadesigns.lk

LCB Finance PLC
No. 76, S. De S. Jayasinghe Mawatha, Kohuwela
T: +94 11 28 25 404 | E: info@lcbfinance.lk