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While the past year brought immense hardship to Sri Lanka's economy, the year 2023 has shown signs of resilience. We, as a company, are proud to have weathered these storms alongside our nation, and our core principles continue to guide us.

As a purpose-driven organization, we remain dedicated to fostering a win-win mentality within our team. We cultivate a culture of continuous learning and development, emphasizing love, care, integrity and trust. This approach fosters strong internal synergy and teamwork, allowing us to navigate challenges and contribute to Sri Lanka's economic recovery.

Our steadfast commitment to our purpose has solidified our partnerships with stakeholders. Together, we are building a stronger future for Sri Lanka.



PURPOSE

To build leaders who uplift the lives of people by simple acts of love.

VISION

To be the most liberated Company admired for its people, partnership and performance

MISSION

To be a dynamic Finance Company which develops and nurtures leaders at every level of the organization to serve society with passion.



<https://www.ccll.lk/about-us/overview/en>

CONTENT

ABOUT US

Shared Values	04
Financial & Non-Financial Highlights	06

OUR LEADERS

Chairman's Statement	10
CEO's Review	12
Board of Directors	15
Executive Management Team	19

ABOUT THE COMPANY

About The Company	22
Branch Network	23
Awards	24

MANAGEMENT DISCUSSION & ANALYSIS

Economic Review	28
Company Financial Review	32
Sustainability Report	34
Stakeholder Engagement	38
Risk Management	40

CORPORATE GOVERNANCE

Corporate Governance	48
Annual Report of the Board of Directors on the Affairs of the Company	95
Report of the Board Audit Committee	97
Report of the Board Human Resource & Remuneration Committee	99
Report of the Board Nomination Committee	100
Report of the Related Party Transaction Review Committee	101
Report of the Board Integrated Risk Management Committee	102
CEO's & CFO's Responsibility Statement	103

Statement by the Senior Independent Director	104
Statement of Directors responsibility for financial reporting	105
Directors Statement on Internal Control over financial reporting	106
Independent Assurance Report	108

FINANCIAL INFORMATION

Independent Audit Report	111
Statement of Financial Position	114
Statement of Profit or Loss	115
Statement of Comprehensive Income	116
Statement of Changes in Equity	117
Statement of Cash Flows	119
Accounting Policies	121
Notes to the Financial Statements	135

SUPPLEMENTARY INFORMATION

Ten Year Summary	199
Investor Information	200
Glossary	204
Notice Of Meeting	207
Form Of Proxy	208
Notes	209
Investor Feedback Form	209
Corporate Information	212

<https://www.cclk.lk/about-us/investor-relations/en>

Scan the QR Code with your smart device to view this report online.



SHARED VALUES

Loving and Caring

Love is defined by CCFP as the commitments made or the extra miles travelled to uplift others' lives. Those who seek to love, love themselves, love others and also love life. Everyone is energized and feels safe by love, and the advantages of unconditional love and respect are invaluable. Love is the act, the Principle which will run through all five shared values, which we come into contact with in Commercial Credit. We believe we are not held back by the love we did not receive in the past, but by the love, we are not extending in the present.



Integrity and Trust

We believe that trust is the key to every relationship. It determines how relationships begin and grow. Integrity means that our lives are integrated around principles and that our security comes from within, not from outside. Being a person of integrity is of utmost importance to all team members at Commercial Credit. A trustworthy individual has the gift of lifting others and making them do good deeds, sometimes even impossible ones. Therefore, we place great emphasis on creating a culture of integrity where an individual does the right thing even when no one is watching.

Learning and Development

At CCFP, learning and development is defined as the process of renewing and enhancing the Physical, Spiritual, Mental and Emotional components of our lives in order to support personal and interpersonal development. The most successful investment anybody can make is focusing on their own learning and development, which is a constant process that leads to effective, efficient, and long-lasting results. CCFP encourages a culture that places a high value on learning and development and works hard to encourage its employees to continuously renew in the above four quadrants.





Think Win-Win

Win-Win is one paradigm of human interaction and it arises from a character of integrity, maturity and the abundance mentality. Human interactions in life are cooperative and are based on mutual respect and mutual benefit. A culture of Think Win-Win is also demonstrated by agreements that effectively manage and explain expectations. The processes and supporting systems of CCFP are constantly being adjusted to promote this win-win mentality. Our main goal is to constantly establish win-win situations, where everyone involved is satisfied with the outcome and no one feels undervalued. It is an attitude that has been readily embraced by our team members and one that has created countless satisfied customers.

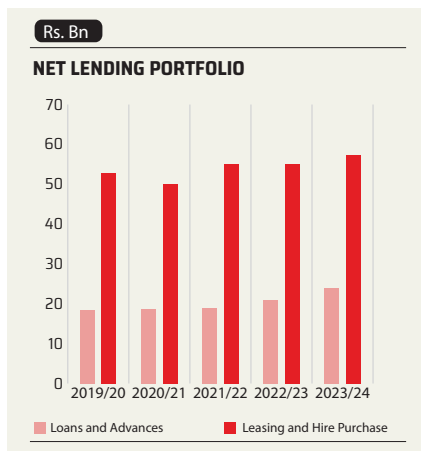
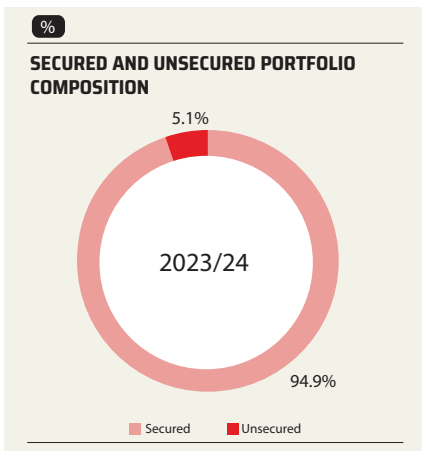
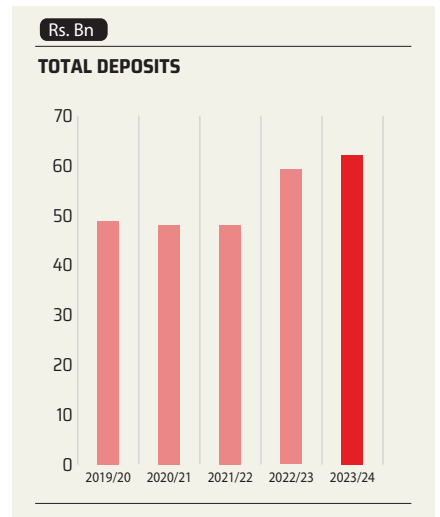
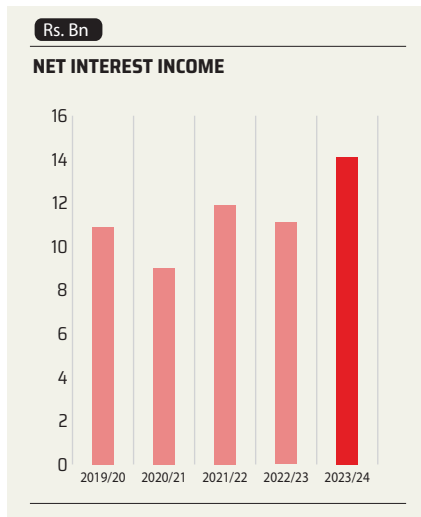
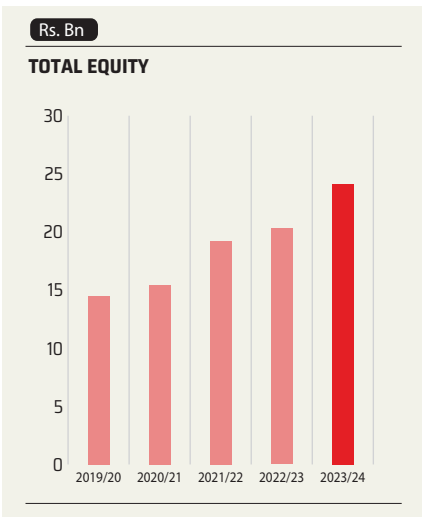
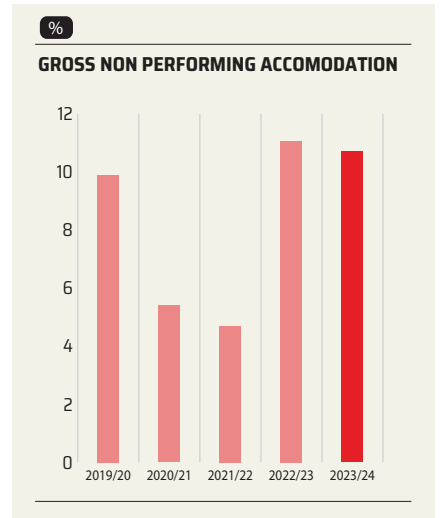
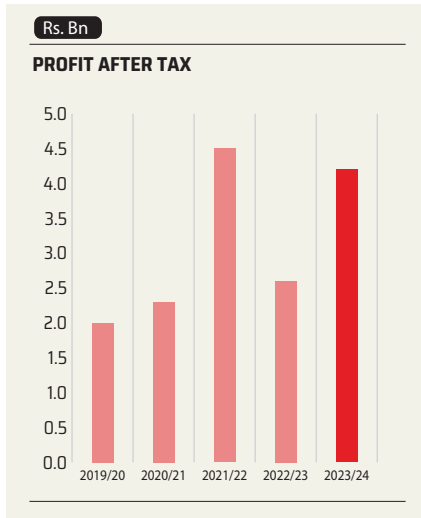
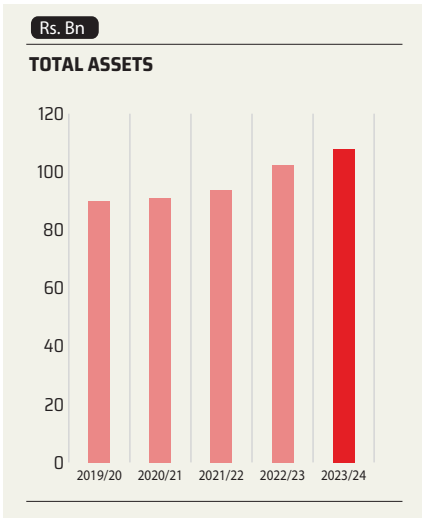


Synergy and Teamwork

CCFP believes that synergy creates better alternatives by valuing the mental, emotional, and psychological differences among individuals. Acknowledging that diversity, not similarity, is where power rests. CCFP team members always try to combine individual strengths with a shared commitment to perform towards common goals aligning to the Company purpose.

FINANCIAL HIGHLIGHTS

	2023/24 Rs.'000'	2022/23 Rs.'000'	% Change
Financial Performance			
Gross Income	31,055,222	28,949,269	7.3%
Net Interest Income	12,808,022	11,106,651	15.3%
Profit Before Taxation	6,594,978	3,859,879	70.9%
Profit After Taxation	4,193,917	2,599,629	61.3%
Financial Position			
Leases, Hire Purchases, Loans and Advances	81,437,828	76,170,663	6.9%
Total Assets	107,987,834	102,154,440	5.7%
Total Deposit Base	62,121,240	59,243,651	4.9%
Borrowings	13,902,823	17,555,544	-20.8%
Shareholders' Funds	24,179,669	20,359,015	18.8%
Liquid Assets	11,483,294	12,836,935	-10.5%
Key Indicators per Ordinary Share			
Earnings per Share(Rs.)	13.19	8.17	
Net Assets per Share (Rs.)	76.02	64.01	
Year end Market Price per Share (Rs.)	35.30	26.00	
Key Performance Indicators			
Return on Average Assets (%)	3.99	2.66	
Equity / Assets (%)	22.39	19.93	
Gross Non Performing Accommodations (%)	10.65	11.07	
Net Non Performing Accommodations (%)	1.47	1.17	
Return on Average Shareholders' Funds (%)	18.83	13.15	
Statutory Ratios			
Capital Funds to Deposits (%)	38.92	34.36	
Core Capital (Tier 1 Capital) (Rs. '000)	21,046,964	17,694,262	
Core Capital (Tier 11 Capital) (Rs. '000)	21,143,415	18,874,733	
Core Capital Ratio (%)	19.35	17.49	
Total Risk Weighted Capital Ratio (%)	19.43	18.66	
Memorandum information			
Number of Employees	2,999	2,816	
Number of Branches	133	133	
External Credit Rating (LRA)	BBB (Positive)	BBB (Stable)	



**“You don’t need
to be perfect to
inspire others.
Let people get
inspired by how
you deal with your
imperfections .”**

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OUR LEADERS

Chairman's Statement **10**

CEO's Review **12**

Board of Directors **15**

Executive Management Team **19**

CHAIRMAN'S STATEMENT



Our commitment to purpose and shared values enabled us to support and retain customers, fostering resilience in overcoming significant obstacles together.

I warmly welcome you to Commercial Credit and Finance PLC's 41st Annual General Meeting on behalf of the Board of Directors. It is my privilege to present the Annual Report for the fiscal year ending March 31, 2024. The report has been made accessible to shareholders within the stipulated time frame, and with your permission, I consider it as acknowledged.

The company effectively managed a challenging year amidst a socio-economic crisis in the country. Our commitment to purpose and shared values enabled us to support and retain customers, fostering resilience in overcoming significant obstacles together.

The successes we have achieved over the past year fill us with pride, reinforcing our dedication to conducting business while driving our purpose and maintaining our value-centered approach. By prioritizing our customers and upholding our core shared values, we are confident in our ability to flourish even in the face of adversity. Furthermore, on behalf of the Board, I want to assure you that the Directors, Management, and employees of Commercial Credit and Finance PLC have conducted business with integrity and diligence in executing the company's operations in line with its shared values, ethics and business code of conduct.

ECONOMIC PERFORMANCE

In the financial year 2023, the Sri Lankan economy began its journey towards recovery after facing significant challenges in the preceding year. This recovery was supported by improvements in various economic indicators, including reduced inflation, strengthened external resilience, better fiscal management, and maintained stability in the financial system. The government, in collaboration with the Central Bank, implemented a range of policy measures and pursued structural reforms in alignment with the Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF), contributing to overall macroeconomic stability.

The Gross Domestic Product (GDP) contracted by 2.3% in 2023, marking a notable improvement from the 7.3% contraction recorded in 2022.

The Economic performance in 2023 was driven by concerted efforts to enhance revenue and rationalize expenditure, while containing inflation. The primary balance showed a surplus, and the overall budget deficit decreased compared to the previous year. The Government primarily relied on domestic sources to finance the budget deficit due to constraints in accessing foreign

sources. Moreover, the decline in central government debt as a percentage of GDP from 114.2% in 2022 to 103.9% by the end of 2023, facilitated by nominal GDP growth and currency appreciation, had a positive impact on foreign debt.

The above developments are anticipated to have a favourable influence on the finance industry and our company. It is imperative that the authorities continue to implement further reforms to maintain the path to recovery and growth in 2024 and beyond.

INDUSTRY PERFORMANCE

Despite the challenges stemming from adverse economic conditions, the non-banking financial institutions (NBFI) sector remained resilient with adequate capital and liquidity buffers throughout the year. The sector recorded growth in terms of assets, deposit base, and profitability.

The asset quality of the NBFI sector showed signs of deterioration, as indicated by the increased Gross Stage 3 Loans Ratio, which stood at 17.8 percent at the end of 2023 compared to 17.4 percent at the end of 2022. Nonetheless, Profit After Tax (PAT) saw an increase of 11.3 percent, rising from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023, attributed to higher net interest income and non-interest income. Loans and advances constituted 68.6 percent of the total assets of the sector.

The capital base of the NBFI sector saw a marginal improvement of 3.9 percent (Rs. 12.3 billion), reaching Rs. 329.0 billion by the end of 2023, compared to Rs. 317.0 billion recorded by the end of 2022. Overall, the NBFI sector maintained liquidity well above the minimum required level throughout 2023, with customer deposits continuing to dominate the liabilities, accounting for 55.3 percent.

BUSINESS PERFORMANCE

Despite the difficulties mentioned above, our company successfully navigated the obstacles and achieved notable growth during this period. We experienced a 7% growth in our net loan book, which contributed to an increase in our Net Interest Margin (NIM) from 13.1% to 14.2%. In addition, the company reported a profit after tax of Rs. 4.2 billion, representing a good improvement compared to the previous year's profit of Rs. 2.6 billion which is 61% growth. This notable improvement

was driven by a rise in net interest income, gains from investment properties, and a reduction in impairment costs compared to the previous year.

The increase in profitability over the previous year, combined with a 6% growth in our asset base, resulted in an improvement in the Return on Assets (ROA) to 4%, up from 2.7% in the prior year. Similarly, the Return on Equity (ROE) increased to 18.8%, compared to 13.1% the year before.

These achievements underscore our company's resilience and adaptability in the face of challenging circumstances. Our continued focus is on enhancing our performance and strategically navigating the evolving socioeconomic landscape with determination and foresight.

In recognition of our strong financial performance, the Board of Directors is pleased to recommend a final dividend of Rs.4.00 per share for the financial year ending March 31, 2024.

NAVIGATING THROUGH THE CHALLENGES

The Company has consistently upheld the highest standards of ethics and governance, prioritizing sustainable value creation for its stakeholders. Despite the socio-economic challenges encountered by the country, the Board has intensified its oversight to ensure the efficacy of internal controls and the identification and mitigation of key risks.

Throughout the year, all Board Sub-Committees and Executive Sub-Committees have actively convened regular meetings to provide guidance to management on operational matters, assess evolving situations, and propose necessary measures. The proactive involvement of a predominantly non-executive Board has played a pivotal role in ensuring uninterrupted business operations and the Company's ability to navigate challenges while seizing new opportunities in the market.

DEFINING THE FUTURE

After a successful financial year, the sustained recovery of the Sri Lankan economy depends on the continuation of the reforms already initiated. As part of this ongoing process, the successful continuation of the IMF-EFF arrangement and the completion of debt restructuring

remain critical. Given that the country has not fully emerged from the crisis, our company must ready itself for yet another year of moderate challenges.

Considering our company's standpoint, it is crucial to adopt a proactive approach in tackling the moderate challenges that accompany the country's journey towards economic recovery. With strategic and thorough planning, we can leverage these challenges as opportunities to drive the growth of our organization.

APPRECIATIONS

The Board of Directors and I extend our heartfelt appreciation to our valued customers for entrusting us with their support and loyalty. Their confidence in our products and services has played an indispensable role in driving our success.

We extend sincere thanks to my esteemed colleagues on the Board for their invaluable guidance, support, and genuine encouragement during a challenging year. Their collective expertise has steered us through obstacles and ensured sustained success. Additionally, I would like to express deep appreciation to our Chief Executive Officer and esteemed Board Member, Mr. Roshan Egodage, for his inspirational leadership and unwavering commitment to uplift the company through these challenging circumstances.

I take this opportunity to convey sincere gratitude to our senior management and our dynamic and dedicated employees. Their drive, diligence, determination, and discipline have been instrumental in our remarkable achievements. Together, we are poised to achieve even greater heights in the future.

Our sincere thanks and appreciation are extended to the Central Bank of Sri Lanka (CBSL) for their solid support and guidance. We also express gratitude to all our stakeholders for their trust and confidence during these challenging times. We eagerly anticipate their continued support as we forge ahead.



G. B. Egodage
Chairman

01st July 2024

REVIEW OF THE CHIEF EXECUTIVE OFFICER



We firmly believe that fulfilling our Company's purpose, which is "To build leaders who uplift the lives of people by simple acts of love," necessitates the cultivation of a distinctive corporate culture.

As the conclusion of the fiscal year 2023/24 drawn to a close, I am delighted to provide you with the performance evaluation of Commercial Credit and Finance PLC for the year ending on March 31, 2024.

It gives me great pleasure to highlight the company's major accomplishments and highlights through the assessed period. The Management Discussion & Analysis and other sections of this Annual Report provide a thorough overview of our performance with in-depth analysis and information on all pertinent topics.

IMPORTANCE OF SHARED VALUES

During the year 2023, the Sri Lankan economy experienced a gradual resurgence following its worst economic downturn since gaining independence. Despite the short-term difficulties faced by economic players, the Government and the Central Bank were able to successfully restore some macroeconomic stability through significant policy changes and structural reforms. In these short-term challenging times, our commitment to the Company's purpose and shared values guided us. We always stayed true to our values by helping those in need and working to uplift their lives as much as possible.

The accomplishments of our Company in the past year are a testament to the steadfast commitment, passion, and determination demonstrated by each member of the Commercial Credit Family. Integral to our sustained success is the embodiment of our Shared Values and the establishment of a principled culture within our organization. These internal standards not only set us apart from others but also contribute to the expansion of our clientele. Through the embrace of these Shared Values, Commercial Credit and Finance PLC has emerged as an innovative and formidable entity within Sri Lanka's financial landscape. Our unique culture propels our employees to become principle-centered leaders, serving customers with genuine care and empathy. Irrespective of their role,

title, department, or level, every employee is committed to continual personal growth, professional advancement, and the pursuit of leadership that uplift the lives of those they encounter through simple acts of love.

Within our organization, we place utmost importance on our five Shared Values and Principles, embedding them into a countless of initiatives that resonate throughout every level of our company. We firmly believe that fulfilling our Company's purpose, which is "To build leaders who uplift the lives of people by simple acts of love," necessitates the cultivation of a distinctive corporate culture. To nurture this culture we have implemented a range of deliberate practices. These include ongoing training sessions, commencing each working day at all locations and corporate events with the singing of our trilingual Theme Song, wearing Value Badges as a symbol of our shared values and reminding ourselves to live by the same and celebrating practice of shared values by holding events such as the Value Day. Through these endeavours, our aim is to foster a sense of belonging and wellness among our employees, empowering them with a proactive growth mindset that transcends their professional endeavours and permeates their day-to-day interactions with all individuals.

Moreover, the upgrading of value badges holds considerable weight in remuneration and promotion opportunities. These badges are bestowed upon employees who consistently demonstrate the practice of Shared Values within and outside the company. Additionally, our Enterprise Resource Planning system administers quarterly 360 Degree Evaluations to meticulously gauge employee character and competency. This comprehensive evaluation mechanism guarantees a rigorous and impartial assessment, thereby nurturing the holistic growth and progression of our workforce.

The enduring legacy of the late Dr. Stephen Covey, Founder of the esteemed personal development organization Franklin Covey and author of "The 7 Habits of Highly Effective People," continues to inspire the Company. In light of this influence, the Company has embarked on several endeavours to impart the essence of these "7 habits" to its employees. Robust training programs have been rolled out across all

Company branches, involving a significant cross-section of employees across various hierarchies. These initiatives are designed to embed the principles and practices delineated in Dr. Covey's work, thereby nurturing both personal and professional development throughout the organization.

These continuous efforts are empowering our employees to lead principle-based lives, fostering effectiveness both personally and within the company. These transformative shifts have enhanced the well-being of our staff, positively influencing their professional and personal spheres. Consequently, these advancements reverberate throughout our organization, enriching the experiences of both internal and external stakeholders across all facets of our operations.

I strongly believe the establishment of a well-equipped Training Academy as essential for realizing our company's purpose. It serves as a hub where our employees can refine their character and productivity. With our new training academy, we are now better positioned than ever to furnish our employees with the requisite tools for success. This investment in our workforce will not only yield benefits for our employees but will also generate positive outcomes for our clients and overall business performance. I am confident that our new training academy proves to be a valuable asset to our company for many years to come.

PERFORMANCE

In the financial year 2023/24, as Sri Lanka began recovering from the significant challenges of the previous year, our company also faced its share of obstacles. Despite these short-term difficulties, we managed to not only navigate through but also achieve growth. This reflects our ongoing efforts to adapt to changing economic conditions and our focus on sustainable development.

We achieved a profit after tax of Rs. 4.2 billion, a considerable increase from the previous year's profit of Rs. 2.6 billion. This improvement was largely due to an increase in net interest income, gains from investment properties, and a reduction in impairment costs. These factors combined to enhance our financial performance,

showing the focus on optimizing revenue streams and managing risks effectively.

The Net Interest Margin (NIM) improved to 14.2%, up from 13.1% in the previous year, driven by a 3.0% growth in average earning assets. However, there was a 15.7% reduction in fee and commission income. Consequently, the cost-to-income ratio increased to 56.1% from 51.8% in the previous year, primarily due to a slight increase in operating cost.

During the year, our company's asset base expanded to Rs. 107.9 billion, representing a 6% growth. This increase was mainly fuelled by a 7% rise in our net loan book, which constitutes 75% of our total assets. Although the economic crisis adversely affected our asset quality last year, we have observed a slight improvement in the Gross Non-Performing Asset (NPA) ratio, which marginally improved to 10.65% from 11.07% in the previous year.

The Net Non-Performing Asset (NPA) ratio slightly increased to 1.47% from 1.17% in the previous year. Both our gross and net NPA ratios performed favourably compared to the sector averages of 17.79% and 12.01%, respectively, as of December 2023.

Public deposits remained the cornerstone of our funding base, comprising 81.71% of the total liability. Our deposit base saw significant growth, increasing by 5% to reach Rs. 62.1 billion. In contrast, bank borrowing decreased substantially by 22% during the year. This reduction was mainly attributed to our company maintaining adequate internal funds and experiencing lower fixed deposit refunds. This shift underscores the company's strong liquidity position and effective deposit mobilization efforts.

These results demonstrate the resilience and adaptability of our company in difficult times. Our focus continues to be on improving performance and navigating through the changing socioeconomic landscape with determination and strategic planning. By staying adaptable and implementing effective strategies, we are confident in our ability to sustain growth and build a solid foundation for the future.

REVIEW OF THE CHIEF EXECUTIVE OFFICER

FUTURE FOCUS

As a company that has grown alongside our customers, it is our responsibility to be deeply dedicated to our customers, going above and beyond to understand their needs and uplift them. Our commitment to transparency ensures that customers are fully informed about the implications of every financial decision they make. By genuinely caring for our customers and empathizing with their situations, we aim to empower them to make well-informed choices and foster a supportive partnership built on mutual understanding and trust.

Looking forward, our strategic roadmap places a strong emphasis on digitalization, recognizing it as a pivotal driver for growth and prosperity. Embracing digital platforms is integral to our mission of broadening our customer base, adapting to evolving expectations, and delivering innovative services. Collaboration with fintech partners will allow us access to specialized expertise and state-of-the-art technologies, allowing us to grow in the digital world.

We are keenly aware of the importance of robust cybersecurity measures to safeguard customer data. Our commitment to cybersecurity is underscored by the implementation of advanced security protocols, vigilant monitoring systems, and comprehensive employee training to mitigate the risks posed by cyber threats and data breaches. Embracing digital transformation and nurturing a culture of continuous innovation will be indispensable for maintaining our competitive edge and ensuring sustained success in the dynamic digital landscape.

Additionally, I recognize a deficiency within both the Finance industry and our own Company in terms of female leadership and engagement. We are dedicated to enhancing female representation and leadership within our organization. To achieve this, we are committed to recruiting a greater number of female employees who share our vision and are eager to contribute to its realization.

APPRECIATION

I am delighted to commend the exceptional accomplishments of Commercial Credit in recent years, positioning us as a significant contributor in the Non-Bank Financial Institutions (NBFI) sector in the Country. These achievements stand as a testament to our dedication, strategic foresight, and pursuit of excellence guided by our company purpose.

Reflecting on Commercial Credit's journey and the significant milestones attained within the NBFI sector is truly inspiring. This success is owed to the steadfast support and trust of our esteemed customers and shareholders. I extend my heartfelt gratitude to each one of them for placing your confidence in us and enabling the transformation of our aspirations into tangible achievements. Their belief in our company purpose has been the driving force behind our pursuit of excellence, propelling us to unprecedented levels of success.

I wish to express my sincere appreciation and admiration for the exceptional team at Commercial Credit. Their steadfast commitment to our company purpose, coupled with their exemplary work ethic, professionalism, and innovative mindset played a pivotal role in propelling Commercial Credit to the extraordinary heights we have reached today.

Lastly, I extend my utmost gratitude to the esteemed members of the Board of Directors, led by our Chairman, Mr. Bandula Egodage. Their unwavering support and invaluable guidance during challenging times have been instrumental in navigating our company through various obstacles. The depth of knowledge, extensive experience, and strong leadership demonstrated by the Chairman and the Board have significantly contributed to the growth and success of our organization.



R. S. Egodage
Chief Executive Officer

01st July 2024

BOARD OF DIRECTORS



G. B. EGODAGE

Chairman/ Non-Executive Director

Mr. Bandula Egodage is a seasoned professional with over 38 years of experience in the local and international business markets. He possesses a diverse range of experience in both the private and government sectors in Sri Lanka, having served in senior management and board levels in various organizations. Mr. Egodage has excelled in his career, demonstrating proficiency in public affairs, regulatory affairs, sales, corporate communications, and crisis management functions.

He was appointed as a Director of Commercial Credit and Finance PLC in October 2021 and has been serving as the Chairman since November 2022. He also chairs the Board of Human Resource and Remuneration Committee and is a member of several other committees, including the Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee, and Board Nomination Committee.

Mr. Egodage holds the position of Chairman and Non-Executive Director at the Asia Pacific Institute of Information Technology and serves as a Non-Executive Director at the Coconut Research Institute and Suwasevana Hospitals. He is also Vice President of Corporate Affairs and Regulatory at Nestlé Lanka PLC, a member of the Sri Lanka-Maldives Business Council, and an executive member of the SAARC Chamber of Commerce and Industry. Additionally, he is a member of the Export Development Board's Advisory Committee on Education, the Swiss Business Circle, and the Institute of Directors (SLID).

Previously, Mr. Egodage held roles such as Chairman of the Export Development Board of Sri Lanka, the Industrial Association of Sri Lanka, the National Packaging Center, and Development Holdings Pvt Ltd. He also served as a Director of Trade Finance PLC, the National Gem & Jewellery Authority of Sri Lanka, and the Sri Lanka Coconut Cultivation Board.



R. S. EGODAGE

Chief Executive Officer/ Executive Director

Mr. Egodage assumed his position on the Board of Commercial Credit in March 2011 subsequent to the company's acquisition by BG Investments (Private) Limited. Since then, as Chief Executive Officer, he has spearheaded the company towards remarkable success, steering it with visionary leadership and driving substantial growth.

Prior to taking over the stewardship of Commercial Credit, Mr. Egodage held several senior management positions in the finance industry while also serving on the Boards of several group of companies simultaneously.

Mr. Egodage previously held the positions of General Manager - Finance, Planning and Administration at Kotagala Plantations PLC and General Manager - Projects and Planning at Agalawatte Plantations PLC.

Having earned a BSc. Eng. degree from the University of Peradeniya and initially embarking on a career in engineering, he then set his sights on a career in business management, earning an MBA from the University of Colombo. Mr. Egodage is a fellow member of the Chartered Institute of Management Accountants, UK (FCMA), and an associate member of the Chartered Institute of Marketing, UK (ACIM) and an associate member of the Institute of

Certified Management Accountants, Sri Lanka (ASCMA).

He currently serves as the Non- Executive Director of BG Capital (Pvt) Ltd, BG Investments (Pvt) Ltd, Colombo International Nautical & Engineering College (CINEC), K-Seeds Investments (Pvt) Ltd and Dankotuwa Pcelain PLC.



L.L.S. WICKREMASINGHE

Senior Director/ Independent Non-Executive Director

Mr. Lasantha Wickremasinghe, is a fellow member and a past president of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and a fellow member of the Association of Accounting Technicians of Sri Lanka (AAT).

He was appointed to the Board of Commercial Credit and Finance PLC on 26th June 2019 and designated as Senior Director on 17th November 2022. Currently, he serves as the Chairman of the Board Integrated Risk Management Committee and the Board Nomination Committee of Commercial Credit and Finance PLC. Additionally, he is a member of the Board Audit Committee and Board Related Party Transaction Review Committee.

Mr. Wickremasinghe currently serves as a Non- Executive Board Member of Api Wenuwen Api Fund and as an Director of Accounting and General Services (Pvt) Ltd, AMBK Consultant (Pvt) Ltd, Nexia BPO (Pvt) Ltd, Nexia Business Advisory Services (Pvt) Ltd, Nexia Management Services (Pvt) Ltd, and N. I. T. & T (Pvt) Ltd and Executive Director of Neem Lanka (Pvt) Ltd

He has been a partner at B R De Silva & Company, Chartered Accountants since 1997 and specializing in Audit and Assurance Services.

BOARD OF DIRECTORS



G. R. EGODAGE

Executive Director

Ms. Egodage joined Commercial Credit as an Executive Director following the takeover by BG Investments (Private) Limited in December 2009. Currently, she serves as a Non-Executive Director of BG Investments (Private) Limited and BG Capital (Private) Limited.

Ms. Egodage began her career as an Assistant Lecturer in the Department of Chemistry at the University of Peradeniya. She then served for four years as a Process Chemist at Ansell Lanka. From 1996 to 2005, she served as Assistant Director of Quality Control and Quality Assurance at the Coconut Development Authority.

Ms. Egodage brings her experience and dedication to her role as an Executive Director of Commercial Credit, playing an integral part in the company's success. She holds a BSc (Hons) in Chemistry from the University of Peradeniya and a Postgraduate Diploma in Business Administration from the Open University of Sri Lanka.



F.A.P.L SOLBANI

Non-Executive Director

Mr. Frederic Solbani holds a Masters degree in Marketing, Specialization in Management and Communication from EDHEC Business School, France.

He has a wide range of experience in private sector organizations at senior management level and Board levels, including more than seven years of experience working with global companies.

He currently serves as the Chief Executive Officer of Group Lease Finance, Indonesia. Additionally, he holds Executive Directorships at Group Lease Laos, BG Micro Finance Myanmar, and Group Lease PLC.



R. C. CHITTY

Chief Operating Officer/ Executive Director

Mr. Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK, an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK, and a Chartered Financial Analyst (CFA), USA. He completed his MSc in Computer Science at Staffordshire University, UK, and earned his Masters in Economics from the University of Colombo. He was honored with the Janashakthi Gold Award at the 2006 CIMA Pinnacle Awards. Furthermore, Mr. Casie Chitty is the former President of the ACCA Sri Lanka panel.

Mr. Casie Chitty has over 32 years' experience in the private sector, including more than 17 years at the senior management level. He currently serves as a Non-Executive Director of several companies, including ACL Cables PLC, Tangerine Beach Hotel PLC, Royal Palm Beach Hotel PLC, Office Equipment PLC, Paragon Ceylon PLC, Ceylon Printers PLC, Ceyline Holdings (Pvt) Ltd, Lakdhanavi Limited, TVS Lanka (Pvt) Ltd, CMA Ships Lanka Ltd, BG Marine Investments (Pvt) Ltd, Mercantile Marine Management (Pvt) Ltd and Ceyline Investments (Pvt) Ltd.



T. M. L. PAKTSUN

Independent Non- Executive Director

Ms. Tamara Paksun is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Association of Chartered Certified Accountants, UK. She is a senior finance professional with extensive experience in the private sector, both in Sri Lanka and overseas.

Ms. Paksun joined the Board of Commercial Credit and Finance PLC in February 2020 and chairs the Board Audit Committee and the Board Related Party Transactions Review Committee and is a member of the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee, and the Board Nomination Committee.

She was the Director Finance & Operations of PricewaterhouseCoopers Sri Lanka and Maldives for over 13 years and previously held the role of Chief Financial Officer at Ceylease Financial Services Limited, the leasing subsidiary of the Bank of Ceylon.



G. EDWARDS

Independent Non- Executive Director

Ms. Gillian Edwards is a career banker with over 36 years of experience in the Sri Lankan Banking Sector. She has accumulated over 11 years of experience at the senior corporate management level at DFCC Bank PLC and Seylan Bank PLC. Her experience encompasses transformative years in Retail Banking. Under her Leadership, Personal Financial Services / Retail Banking were established at DFCC Vardhana Bank PLC and she progressed to head the Consumer Banking at DFCC Bank PLC.

With her previous roles as Senior Vice President of Consumer Banking at DFCC Bank PLC and Assistant General Manager of Personal Banking at Seylan Bank PLC, Ms. Edwards has gained extensive experience across all areas of retail banking, including small and medium enterprises (SMEs) and micro, small, and medium enterprises (MSMEs).

Ms. Edwards holds a Masters in Business Administration from University of Southern Queensland, Australia, a Post Graduate Executive Diploma in Bank Management from the Institute of Bankers of Sri Lanka, and is an Associate Member of the Certified Management Accountants, Australia. She was honoured for her achievements in the Banking Sector at the "Top 50 Professional and Career Women Awards Sri Lanka and Maldives, 2020.

She was appointed to Board of Commercial Credit and Finance PLC as Independent Non-Executive director in July 2021 and she is a member of the Board Integrated Risk Management Committee and Board Human Resource and Remuneration Committee of the company. She also currently serves as a Trustee in Federation of Environmental organisation.



W. D. BARNABAS

Independent Non-Executive Director

Mr. Barnabas served as the Managing Director and Chief Executive Officer of ICRA Lanka Limited (ICRA Lanka), a Group Company of Moody's. He established the credit rating operations in Sri Lanka for the Moody's group in 2011 and served the Company until his retirement in January 2022.

He has also held the positions of CEO and Director at NDB Stock Brokers, Capital Development and Investment Company, NDB Housing Bank Ltd and Maldives Finance Leasing Company. In addition, he has been a Director and Investment Committee member of Ayjona Fund Management Company, a venture capital fund Management Company. Mr. Barnabas spent 20 years with the NDB group, holding several senior positions. He was one of the pioneers who established investment banking at NDB bank and eventually led the department. After retiring from NDB Bank, he served as CEO of Overseas Realty PLC.

Mr. Barnabas earned his MBA from the University of Colombo and holds a first class B.Sc degree from Madras University.

He was appointed to the Board of Commercial Credit and Finance PLC in February 2023 and is a member of the Board Integrated Risk Management Committee.

BOARD OF DIRECTORS



J. KURUPPU

Independent Non-Executive Director

Dr (Ms) Kuruppu was appointed to the Board of Commercial Credit and Finance PLC in August 2023 as an Independent Non-Executive Director.

Her extensive experience in the finance sector includes serving as the first Chairperson of the Regional Development Bank, which she established in 2010 by merging six provincial level banks with over 250 branches. She is also a former Director of Commercial Bank of Ceylon PLC, Director of Sarvodaya Development Finance PLC for 7 years, and a Director at CBC Finance for 9 years.

Dr Kuruppu began her career as an entrepreneur, and was instrumental in bringing Nielsen to Sri Lanka by inviting them to invest in her market research company, SMART and was the first Managing Director, of Nielsen Lanka, transforming it into the largest market research company at that time. Subsequently, she served as the Group Director-Strategic Planning and Business Development at the Cargills Group and an Independent Non- Executive Director of Colombo Dockyard Ltd.

After an illustrious career in the private sector covering over 12 industries, Dr Kuruppu served the public sector for seven years in an advisory capacity. Her tenure in public service is marked by many milestones. She was the first Chairperson of the Regional Development Bank and the first female Chairperson of the Sri Lanka Tea Board. As the Director - Strategic Planning at the Presidential Secretariat she also served as an adviser to the Cabinet Sub-Committee for Food Security and Cost of Living Management. In 2008, she set up her own charitable foundation under the brand Mother Sri Lanka, dedicated to promoting Responsible Citizenship and Livelihood Development.

In addition to receiving more than seven awards locally and internationally for her performance, Dr. Kuruppu has the rare honour of being appointed to the Steering Committee of AgriFin, a joint project of the Bill and Melinda Gates Foundation and the World Bank focused on agriculture financing. Dr. Kuruppu holds a PhD from the University of Colombo, an M.A. in Statistics, and a B.Sc. in Mathematics from the University of Missouri, USA.

Currently, Dr. Kuruppu serves as the Chairperson of the Mother Lanka Foundation and the Nalanda Ellawala Foundation. She runs her own business ventures and works as a freelance business strategy and development consultant while also serving on various corporate boards.

EXECUTIVE MANAGEMENT TEAM



ROSHAN EGODAGE



GEYA EGODAGE



ANURADHA RANAWEERA



RAJIV CASIE CHITTY



K.L.A. SENEVIRATHNE



JANAKA DESHAPRIYA



LALITH KARUNARATHNE



SHALIKA HERATH



AYESH PITIGALA



HAVINDU BALASOORIYA



SISIRA ATTANAYAKE



THILAN PREMATHILAKA



SHAMMI JAYATHILAKE

“Integrity gives
you real freedom,
because you have
nothing to fear,
since you have
nothing to hide.”

— Zig Ziglar —

INCREDIBLE
INSPIRE
INSPIRE
INSPIRE
INSPIRE

ABOUT THE COMPANY

About The Company **22**

Branch Network **23**

Awards **24**



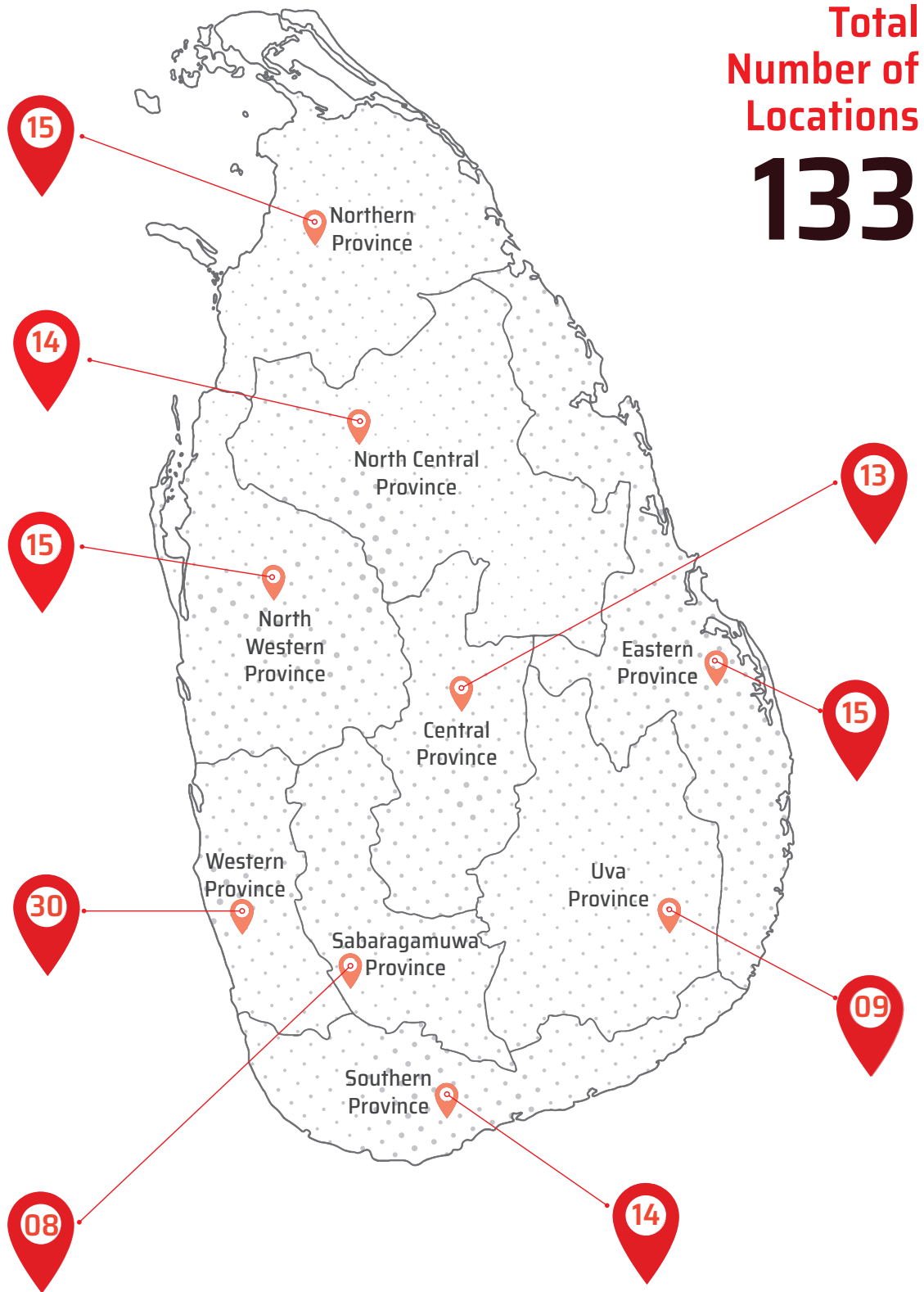
ABOUT THE COMPANY

Commercial Credit and Finance PLC was founded on the 4th of October 1982, with its incorporation as a Private Limited Liability Company under the Companies Act No. 17 of 1982 in Kandy, Sri Lanka's hill capital, under the name Commercial Credit (Pvt) Ltd. Later, on the 16th of December 1989, it was registered as a Public Limited Liability Company, known as Commercial Credit Ltd, in accordance with the aforementioned Act. Subsequently, the Company was re-registered under the Companies Act No. 07 of 2007 on the 8th of April 2008 and under the Finance Business Act No. 42 of 2011 on the 6th of August 2012. With the listing of its shares on the Dirisavi Board of the Colombo Stock Exchange on the 1st of June 2011, the Company's name was changed to Commercial Credit PLC. To comply with the provisions of the Finance Business Act No. 42 of 2011, the Company adopted its current name, Commercial Credit and Finance PLC, effective from 17th May 2012.

Initially founded with an emphasis on agricultural lending, the Company adopted a process and system-oriented culture from the beginning, which has provided numerous advantages over time. However, in October 2009, a shift in majority shareholdings brought in a new management team. This energetic team introduced a value-centric culture, aligning the Company's philosophy with long-term success and fostering meaningful societal development.

Throughout these milestones and strategic changes, Commercial Credit and Finance PLC has continuously evolved, adapting to market dynamics and striving to create lasting value for its stakeholders.

BRANCH NETWORK



Total Number of Locations
133





"Learning to stand in somebody else's shoes, to see through their eyes, that's how peace begins. And it's up to you to make that happen. Empathy is a quality of character that can change the world."

— Barack Obama —

INCREDIBLE
INSPIRE
INSPIRE
INSPIRE
INSPIRE

**MANAGEMENT DISCUSSIONS
AND ANALYSIS**

Economic Review **28**

Company Financial Review **32**

Sustainability Report **34**

Stakeholder Engagement **38**

Risk Management **40**



Sri Lankan economy started to recover from its deepest economic crisis in the previous year. This recovery was supported by rapid disinflation, improved external stability and government finance.

ECONOMIC REVIEW

SRI LANKAN ECONOMY

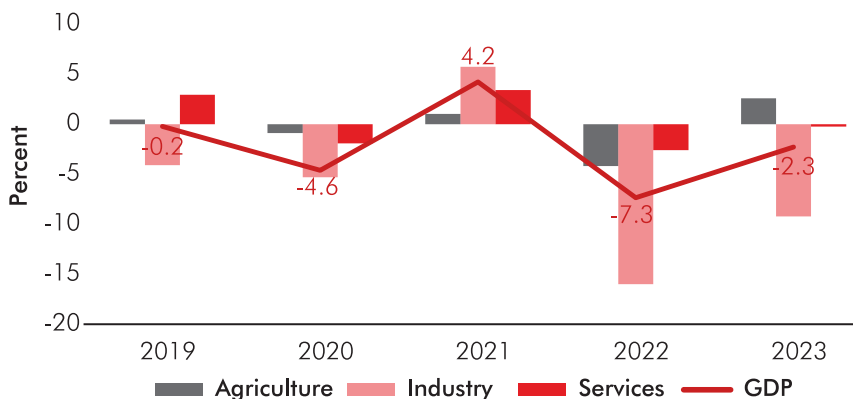
In 2023, the Sri Lankan economy started to recover from its deepest economic crisis in the previous year. This recovery was supported by rapid disinflation, improved external stability and government finance. The Government and the Central Bank took actions, and the structural reforms with the help of the International Monetary Fund's Extended Fund Facility (IMF-EFF) helped stabilize the overall economy and transition towards a growth path.

The persistent twin deficits—comprising the overall government budget and the external current account, which were the primary drivers of the economic downturn—began to correct in 2023. Notably, the government recorded a surplus in the primary balance, and the external current account also posted a surplus. Additionally, external buffers, which were nearly depleted during the crisis, were gradually rebuilt throughout the year.

ECONOMIC GROWTH

In 2023, the Sri Lankan economy showed signs of recovery, experiencing a contraction of 2.3 percent, compared to the significant 7.3 percent contraction observed in 2022. The latter half of 2023 marked the end of a prolonged economic contraction spanning six consecutive quarters. The faster than expected recovery of the tourism sector is expected to support the growth momentum with positive spillover effects on other related sectors. The industry sector is also expected to benefit from recent positive developments such as the lifting of import restrictions, declining cost of credit and raw material prices. Leading indicators also show a revival in construction sector activities in light of the resumption of several previously halted infrastructure development projects of the Government. The economy is expected to grow by 3 percent in 2024 as the benefits of the eased monetary policy stance and low inflation environment continue to be gradually channelled into the economy.

Graph 01: Annual GDP Growth Rate



(a) Based on the GDP estimates (base year 2015)

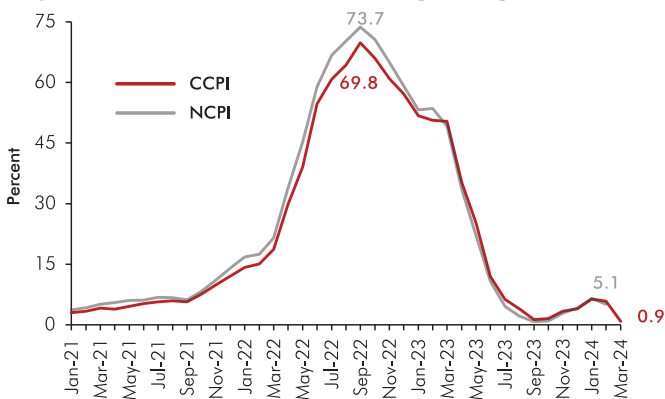
Source: Department of Census and Statist

Source - Central Bank of Sri Lanka, Annual Economic Review 2023

INFLATION

By the end of 2023, inflation was successfully contained at single-digit levels, following its peak in 2022, allowing for the normalization of monetary policy. The effects of tax increase are anticipated to be partly offset by the notable downward revisions to electricity tariffs and the moderation in food prices. Inflation is expected to remain around the target of 5 per cent, on average, during 2024, in line with CBSL projections and is expected to stabilize around mid-single digit levels over the medium term with appropriate policy measures. However, given the prevailing domestic and global economic uncertainties, adverse weather conditions, and geopolitical tensions, the risks associated with inflation will remain challenging.

Graph 02: Movements in Headline Inflation (year-on-year) (a)

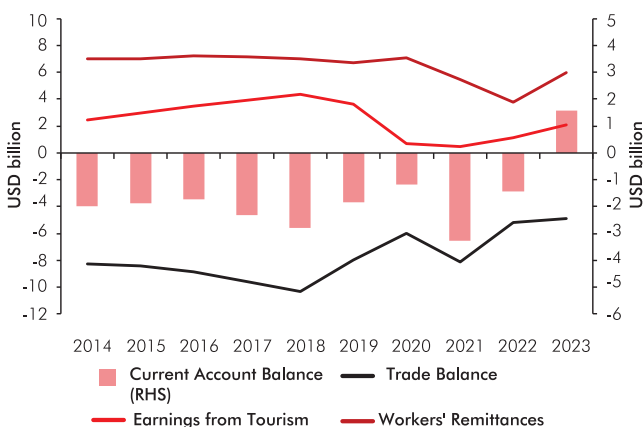


Source - Central Bank of Sri Lanka, Annual Economic Review 2023

EXTERNAL SECTOR DEVELOPMENTS

Sri Lanka's external sector rebounded strongly in 2023, demonstrating stability in the latter part of the year. The external current account recorded a surplus in 2023, supported by a notable contraction in the trade deficit and significant inflows from services exports and workers' remittances. This renewed stability in the external sector is expected to positively impact the financial industry, including the Licensed Finance Companies (LFCs). As the overall external sector improves and external reserves strengthen, LFCs will benefit from relaxation of import controls, mainly on vehicles. The external sector outlook for 2024 and beyond will be contingent on the successful completion of External Debt Restructuring (EDR) and the perseverance with the reform path set out in the IMF-EFF supported programme.

Graph 03: Highlights of the External Sector

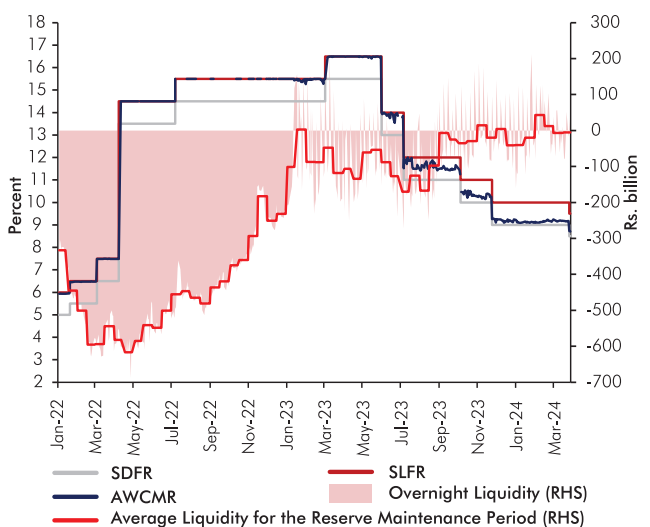


Source - Central Bank of Sri Lanka, Annual Economic Review 2023

DOMESTIC MONEY MARKET LIQUIDITY AND SHORT TERM INTEREST RATES

Overnight liquidity in the domestic money market improved significantly in 2023, shifting from deficit levels to broadly balanced levels. The Central Bank implemented several measures to enhance market liquidity, including term reverse repo auctions under open market operations (OMO), overnight liquidity provision, and special liquidity assistance to institutions facing persistent liquidity deficits. These measures, aligned with an accommodative monetary policy stance, have positively impacted the overall financial environment.

Graph 04: Key Policy Interest Rates, AWCMR and Overnight Money Market Liquidity

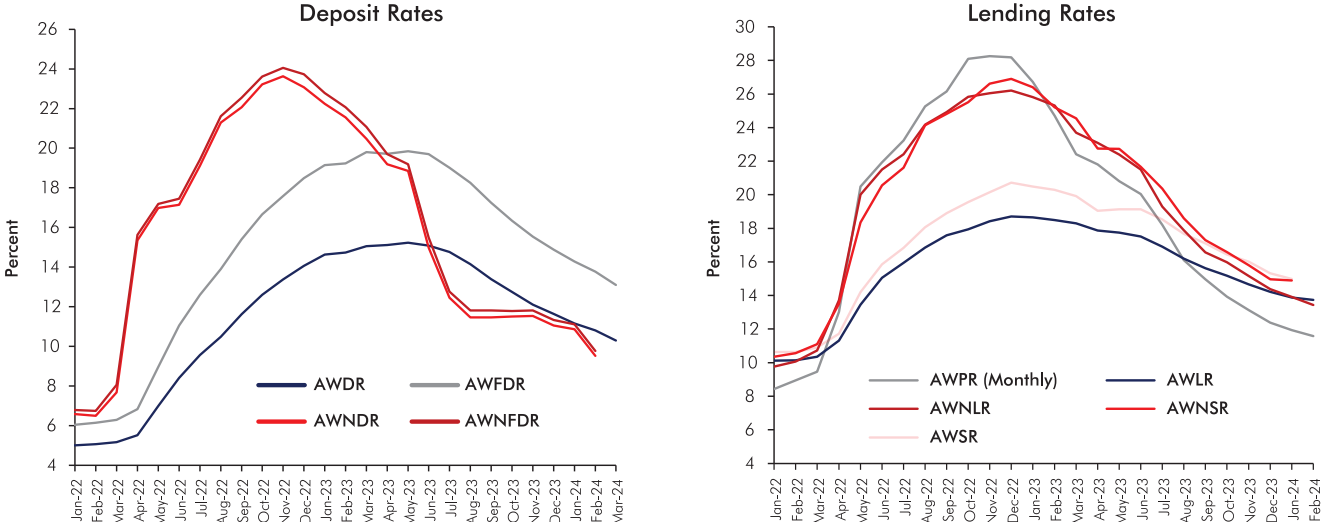


Source - Central Bank of Sri Lanka, Annual Economic Review 2023

Market interest rates declined significantly in 2023 from the notably high levels recorded in 2022. This reduction was driven by the accommodative monetary policy measures implemented since June 2023, along with several other contributing factors. In August 2023, administrative measures were introduced to reduce excessive lending interest rates, and broader guidelines were established to induce a gradual reduction in other market lending interest rates on rupee loans and advances. The Central Bank's policy interest rates were reduced by 650 basis points in 2023, with a further 50 basis points decrease recorded thus far in 2024, totalling a cumulative reduction of 700 basis points. These actions led to a noticeable decline in market lending rates, reflecting an appreciable pass-through effect.

ECONOMIC REVIEW

Graph 05: Movement of deposits and Lending Rates



Source - Central Bank of Sri Lanka, Annual Economic Review 2023

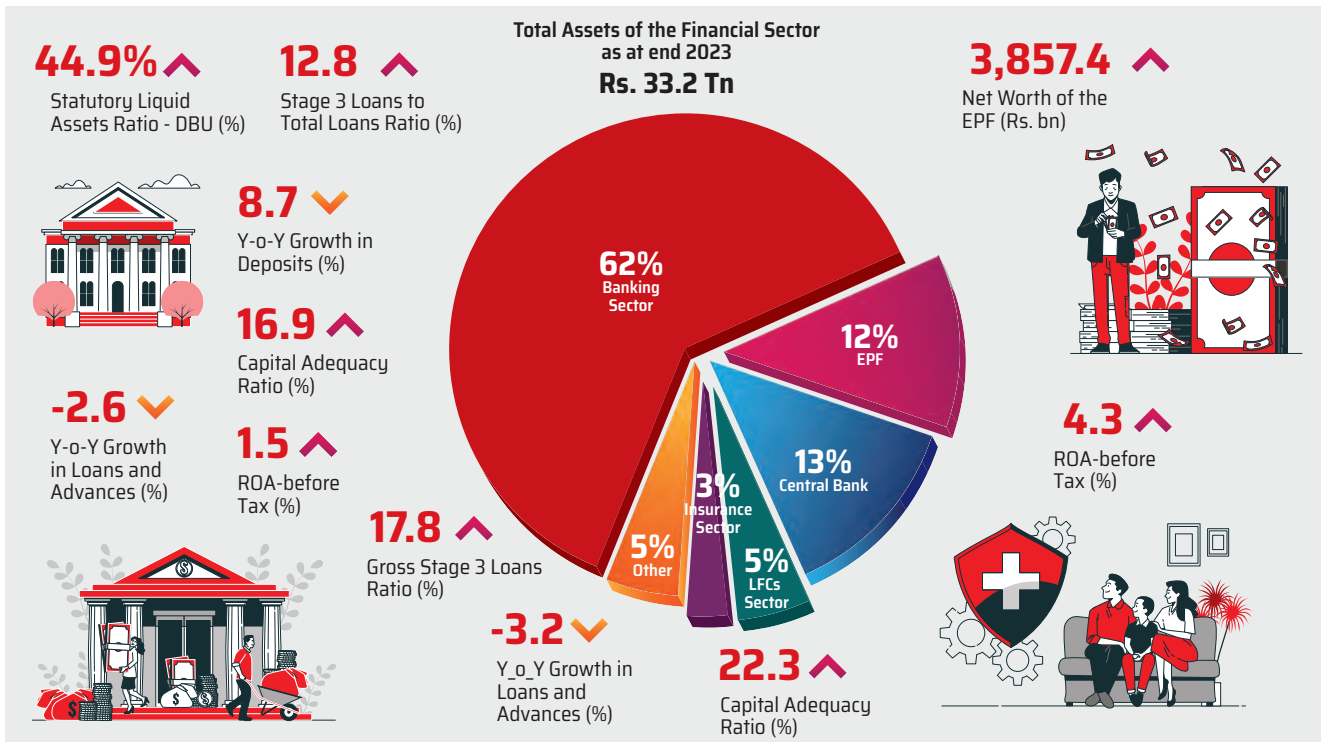
FINANCIAL SECTOR

In the year 2023, the financial sector demonstrated resilience in the face of challenging conditions, particularly stemming from the economic crisis. Despite these obstacles, the banking sector, which constitutes a significant portion of the financial sector with 61.5 percent of total assets as of the end of 2023, managed to maintain stability by preserving capital and liquidity above regulatory requirements. Deposits remained the primary source of funding for the banking sector, representing

81.5 percent of total on-balance sheet liabilities as of the end of 2023, while borrowings accounted for 6.8 percent.

Additionally, the banking sector saw improvements in total assets and profitability, even though with an increase in default risk indicated by the Stage 3 loans ratio compared to 2022. Similarly, the non-banking financial institution (NBFI) sector also experienced growth in total assets but faced increased default risk reflected in the Stage 3 loans ratio in

2023. Consequently, elevated credit risk, as evidenced by the Stage 3 loans ratio, remained a concern for both the banking and NBFI sectors. Meanwhile, the insurance sector, encompassing both long-term and general sub-sectors, exhibited varying financial performance throughout the year. In financial markets, the liquidity shortage in the domestic money market notably declined by the end of the year, while liquidity conditions in the domestic foreign exchange market also improved.



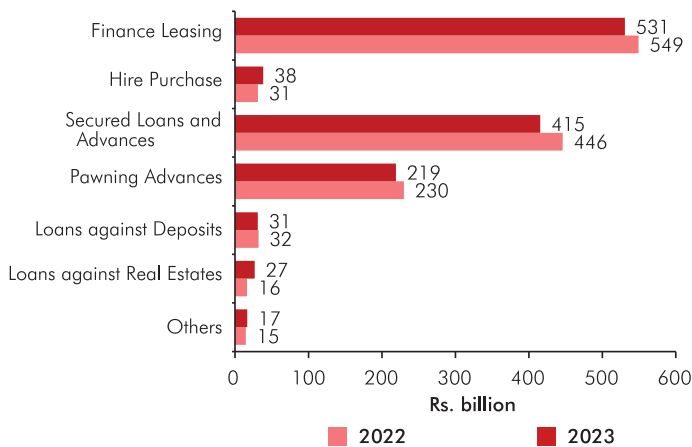
LICENSED FINANCE COMPANIES & SPECIALIZED LEASING COMPANIES (LFC AND SLC) SECTOR

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector exhibited growth in credit expansion, asset quality enhancement, and profitability, constituting 5% of Sri Lanka's financial system assets.

Assets

The LFCs sector's asset base expanded by 5.1 percent, reaching Rs. 1,692.0 billion by the end of 2023. This growth was primarily fuelled by a significant increase in the investment portfolio, particularly investments in government securities. Loans and advances constituted 68.6 percent of the total assets, with the loans and advances portfolio experiencing a contraction of 3.2 percent, amounting to Rs. 1,160.4 billion by the end of 2023. Finance leases dominated the loans and advances portfolio, accounting for 41.5 percent, followed by other secured loans, including vehicle loans, which accounted for 32.5 percent. Additionally, other assets, mainly comprising cash and balances with banks and financial institutions, increased by 3.2 percent during 2023.

Graph 07: Product wise loans and Advances



Source - Central Bank of Sri Lanka, Annual Economic Review 2023

LIABILITIES AND CAPITAL

Customer deposits remained the primary source of funding for the LFCs sector, representing 55.3 percent of total liabilities. Deposits increased by 8.2 percent to Rs. 935.3 billion, while borrowings declined by 17.9 percent to Rs. 264.6 billion during 2023. The capital base of the LFCs sector improved marginally by 3.9 percent, reaching Rs. 329.0 billion by the end of 2023. Both the core capital and total capital ratios increased to 21.1 percent and 22.3 percent, respectively, by the end of 2023.

CREDIT QUALITY

The asset quality of the LFCs sector deteriorated, with the Gross Stage 3 Loans Ratio increasing to 17.8 percent by the end of 2023 from 17.4 percent in 2022. This deterioration was partly attributed to a tightening in Stage 3 Loans classification criteria, reducing the classification period from 120 days to 90 days effective from April 1, 2023. However, the net Stage 3 Loans Ratio improved to 12.0 percent by the end of 2023. The impairment coverage ratio for Stage 3 loans stood at 32.5 percent by the end of 2023.

PROFITABILITY

The LFCs sector's Profit After Tax (PAT) increased by 11.3 percent from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023, driven by higher net interest income and non-interest income. Return on Assets (ROA) increased to 4.3 percent in 2023 from 3.7 percent in 2022, while Return on Equity (ROE) marginally decreased to 12.4 percent in 2023 from 12.7 percent in 2022. The cost-to-income ratio increased to 81.1 percent in 2023 from 79.9 percent in 2022.

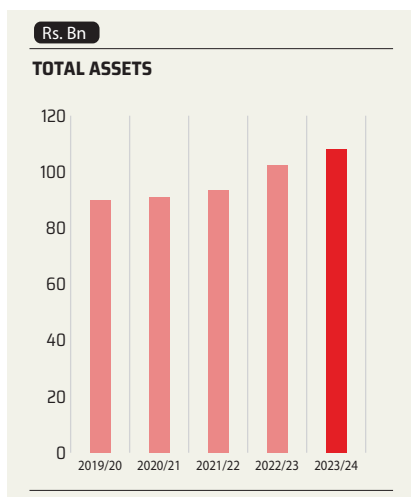


The Company achieved a profit after tax of Rs. 4.2 billion, driven primarily by net interest income of Rs. 12.8 billion, fee and commission income of Rs. 2.5 billion, and other operating income of Rs. 1 billion.

COMPANY FINANCIAL REVIEW

ASSETS

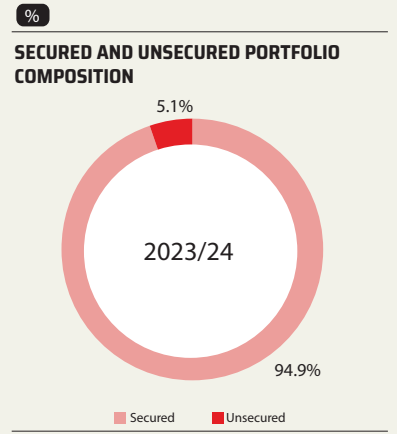
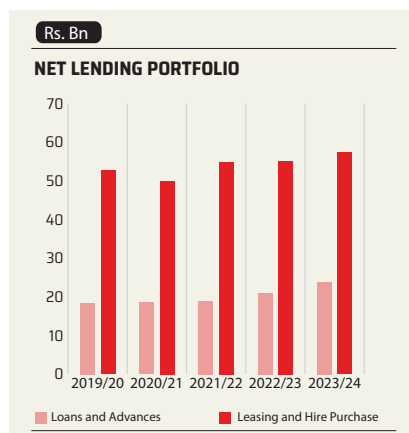
During the financial year ending March 31, 2024, our company experienced a significant growth in its asset base, which increased from Rs. 102.1 billion to Rs. 107.9 billion, reflecting a growth rate of 5.7%. This expansion was primarily driven by a 13.9% increase in loans and advances and a 4.2% growth in leasing and hire purchase, which together account for 75.4% of the Company's total assets. Additionally, there was notable growth in investments in associates and gains from investment properties. In addition, the asset base of the Non-Bank Financial Institution (NBFI) sector as a whole grew by 5.1% during the same period.



LENDING PORTFOLIO

The Company's net loan book reached Rs. 81.4 billion, reflecting a growth of 6.9% from its previous value of Rs. 76.2 billion. Within this, the loans and advances segment saw a significant expansion of 13.9%, now accounting for 29.4% of the Company's net loan book. Additionally, the leasing and hire purchase segment, which also grew by 4.2%, constitutes 70.6% of the net loan book. Furthermore, there is an 18.7% increase in the gold loan portfolio contributing to the overall growth of the loan book.

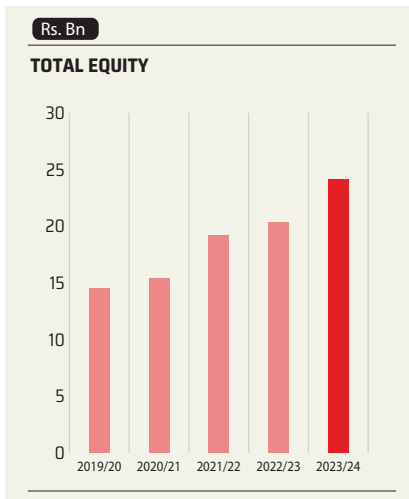
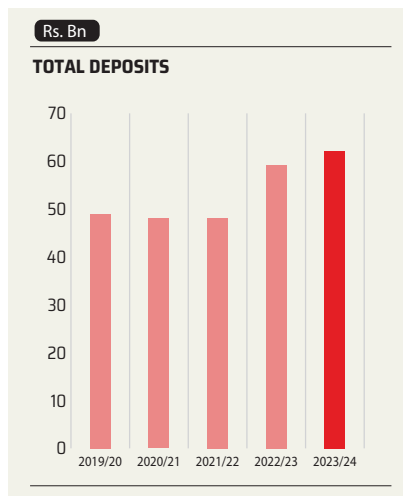
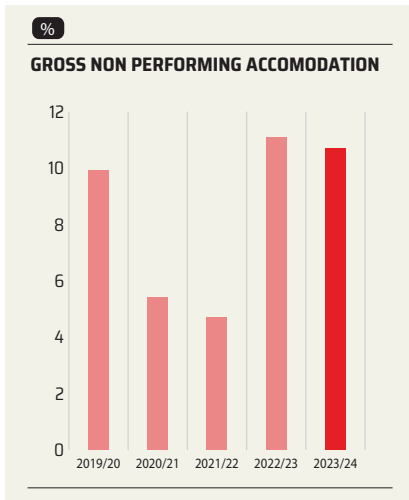
During the financial year, the Company observed a 6.1% growth in its secured loan portfolio. This increase was mainly driven by the Leasing & Hire Purchase and Gold Loan segments. Consequently, secured loans now represent a substantial 94.9% of the Company's overall loan portfolio.



ASSET QUALITY

The Company's asset quality improved alongside the recovery of the Sri Lankan economy, positively impacting its financial performance. The year concluded with a Gross Non-Performing Accommodation (NPA) ratio of 10.65%, a modest improvement from the previous year's 11.07%. This enhancement in asset quality aligns with the country's broader economic recovery. Moreover, the Company's net non-performing assets (NPA) ratio experienced a slight increase from 1.17% to 1.47%.

Conversely, within the Non-Bank Financial Institution (NBFI) sector, the Gross NPA ratio slightly increased from 17.4% to 17.8% during the year, highlighting the Company's relatively better performance in managing non-performing assets amidst challenging conditions.



DEPOSITS

Public deposits remained the primary source of funding for the company, constituting 81.7% of the overall funding base. During the financial year, the deposit base grew by 4.9%, reaching a total of Rs. 62.1 billion. This steady increase underscores the trust and confidence our customers have in our financial stability and services.

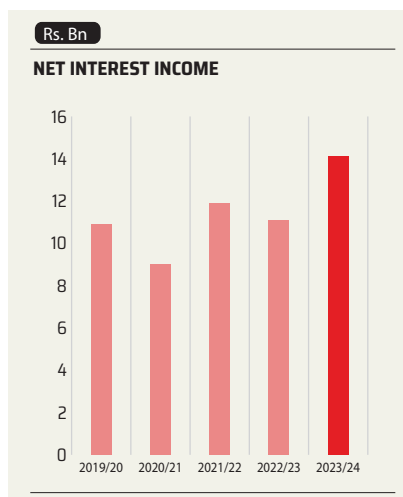
Similarly, the Non-Bank Financial Institution (NBF) sector also witnessed growth in its deposit base, expanding by 8.2% in 2023. This trend reflects a broader industry confidence, as more individuals and entities opted to invest their funds in the NBF sector, seeking security and potential returns despite prevailing economic uncertainties.

These positive developments highlight the resilience and appeal of the NBF sector, demonstrating its ability to attract and retain deposits even in challenging economic times.

NET INTEREST MARGIN

The Company experienced a moderate increase in interest costs of 3.5%, driven by the overall rise in market interest rates due to the tight monetary policy imposed by the Central Bank of Sri Lanka (CBSL). This increase is a marked improvement compared to the previous year, where interest costs had doubled from 2022 levels. Despite this challenge, the Company successfully increased its interest income by 8.7%. Consequently, the Net Interest Margin (NIM) improved significantly, rising to 14.2% from 13.1%.

This enhancement in Net Interest Margin (NIM) is mainly driven by higher interest income resulting from the expansion of the net loan book. These favourable changes reflect the Company's effective management strategies and its ability to adapt to market conditions, ultimately enhancing financial performance.



PROFITABILITY

The Company achieved a profit after tax of Rs. 4.2 billion, driven primarily by net interest income of Rs. 12.8 billion, fee and commission income of Rs. 2.5 billion, and other operating income of Rs. 1 billion. This strong financial performance is reflected in the Company's Return on Assets (ROA), which increased to 3.9% from 2.7% in the previous year. Similarly, the Return on Equity (ROE) improved to 18.8%, up from 13.1% in the prior year.

Additionally, both the core capital ratio and the total risk-weighted capital ratio showed positive trends, reaching 19.35% and 19.43%, respectively. These figures are notable improvements over the previous year's ratios of 17.5% and 18.7%, and are well above the minimum regulatory requirements of 10% and 14%, respectively.

Within the Non-Bank Financial Institution (NBF) sector, the Profit After Tax (PAT) increased by 11.3%, rising from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023. This increase was largely due to higher net interest income and non-interest income. The sector's ROA also increased, reaching 4.3% in 2023 compared to 3.7% in 2022. However, the Return on Equity (ROE) marginally decreased to 12.4% from 12.7% in the previous year, owing to a relatively larger increase in equity capital. The cost-to-income ratio also slightly change from 79.9% in 2022 to 81.1% in 2023.

These results highlight the resilience and adaptability of the Company and the broader NBF sector, demonstrating strong performance and growth despite challenging market conditions.

K Seeds Investments (Pvt.) Ltd ranked CCFP as the top-performing finance company in among companies with asset bases over Rs. 100 billion, based on the financial performance in the fourth quarter of financial year 2023/24.

ROA
3.99%

ROE
18.83%



We firmly believe that maintaining dedication to our purpose and shared values is essential for achieving a sustainable business model.

SUSTAINABILITY REPORT

CCFP firmly believe that maintaining dedication to our purpose and shared values is essential for achieving a sustainable business model. This involves incorporating the company's corporate philosophy into its products, services, and daily operations. By ensuring alignment across these areas, the company aims to establish a robust and socially responsible business model.

MARKETING AND BRANDING

Overview

The company's strong culture, deeply connected to its purpose and shared values, is effectively communicated to the public through all communication mediums. Our marketing and branding initiatives go beyond merely highlighting the simple acts of love within individuals, and also serve to spotlight the leadership role inherent in these actions.

This approach not only effectively impacts society but also illustrates how these acts can uplift lives. In addition to our promotional efforts, we actively engage in community initiatives that align with our shared values, fostering a culture of empathy and social responsibility.

We thoroughly understand the vast impact, which goes along with messages that are spread via different mediums of communication. Therefore, we take utmost responsibility to ensure that our intended messages create a paradigm shift in our staff, our valued customers and to the entire community to become better. We are committed to delivering exceptional service and ensuring that our communications reflect our company's purpose and commitment to our stakeholders. Because we believe in inspiration and not manipulation.

DELIVERING TECHNOLOGY-BACKED PRODUCTS AND SERVICES

Overview

In our pursuit of a sustainable business model, we understand the critical need for a strong infrastructure that enhances the experience of all stakeholders, both within and outside the organization. To meet this imperative, CCFP has established the Information & Communication Technology (ICT) Department, specializing in the deployment of state-of-the-art IT solutions across diverse departments. Our foremost objective is to empower our internal clients

with advanced ICT tools and dedicated support, facilitating seamless execution of their daily duties with utmost efficiency and efficacy.

Moreover, we are committed to reinforcing our infrastructure to support the ongoing digital transformation within the organization. This involves investing in scalable technologies and platforms that can adapt to evolving business needs and consumer expectations. By embracing digital innovation, we aim to streamline operations, enhance customer experiences, and drive sustainable growth.

In parallel, Commercial Credit places paramount importance on cybersecurity in today's interconnected landscape. We have developed a robust Cybersecurity Strategy to safeguard our digital assets, customer data, and organizational integrity. This strategy encompasses proactive measures such as regular risk assessments, employee-training programs, and the implementation of advanced security protocols and tools. By prioritizing cybersecurity, we mitigate potential risks and fortify trust among our stakeholders.

Through these concerted efforts, Commercial Credit remains steadfast in its commitment to delivering technology-backed products and services that not only meet but exceed the expectations of our valued clientele, while also ensuring the security and resilience of our digital infrastructure.

EMPLOYEES

The company understands that its strength and uniqueness lies in its principled culture, cultivated around a defined purpose and shared values. This distinctive culture, strengthened by strategic investments in human resources, has evolved into the company's most invaluable asset.

Employees are at the heart of Commercial Credit's success, and we hold a profound responsibility to uplift their lives. From the recruitment process onward, we provide continuous encouragement and support to every employee, fostering a culture of growth and development. Moreover, we are committed to ensuring a safe and inclusive work environment for all employees, particularly for our female workforce. We believe in creating a workplace where every individual feels respected, valued, and empowered to thrive.

The exceptional talent, discipline, and passion exhibited by our employees have been instrumental in driving our company to unprecedented heights. Our Human Resources Department (HR) and Learning and Development Department (L&D) play a crucial role in nurturing this culture and developing effective leaders who contribute significantly to our growth and impact on society. We are dedicated to continually enhancing the capabilities of these departments and refining best practices to create a harmonious and conducive environment for all stakeholders.

By prioritizing the cultivation of our unique culture and investing in the development of our human resources, Commercial Credit is well-positioned to maintain its distinctiveness and achieve sustainable success in today's dynamic business landscape.

MAINTAINING COMPLIANCE

The company has implemented a comprehensive framework of policies and procedures to govern various aspects of employee rights, privileges, duties, and

responsibilities. These guidelines serve as essential tools for employees to navigate their daily interactions and address unforeseen situations effectively. Aligned with the provisions of the Shop and Office Employees Act No. 15 of 1954, the company meticulously upholds these human resources practices.

Additionally, the company has formulated its own set of policies and operational protocols, covering a wide spectrum of crucial HR domains. These encompass grievance handling, attendance and leave management, disciplinary procedures, performance evaluations, recruitment processes, orientation programs, resignation and termination protocols, retirement policies, staff amenities, as well as procedures for transfers and promotions.

In accordance with its forward-thinking ethos, the company has also instituted several specialized policies including an Anti-Sexual Harassment Policy, a Whistle-blower Policy, and an Ethical Framework. These initiatives aim to cultivate a workplace culture that promotes respect and inclusivity, while instilling a sense of self-discipline among employees.

MAINTAINING EFFECTIVE INFRASTRUCTURE FOR PEOPLE

The Company places a high value on employee well-being and has established several steps to protect their health and well-being. Employees are given affordable subscriptions to the Fitness Center (Gymnasium) and encouraged to use these facilities to improve their physical well-being. Furthermore, the company provides medical insurance plans to all employees and their families, prioritizing their healthcare needs. These efforts represent our dedication to creating a supportive environment that prioritizes the overall well-being of our valued employees.

The Company maintains an inclusive "open door policy" that encourages all employees, regardless of status, to communicate directly with the Chief Executive Officer and Executive Directors as needed. This strategy has been widely adopted by our workforce, resulting in consistently excellent employee satisfaction levels, as indicated by our biannual employee satisfaction surveys. This great sense of satisfaction has developed a profound commitment and inspiration among our staff, leading

to remarkable outcomes for the company. Furthermore, the elimination of traditional hierarchical designations has positively influenced the development of a distinct culture rooted in shared values.

The establishment of a learning academy represents a significant milestone in our commitment to fostering the growth and development of our staff members. While the state-of-the-art Commercial Credit Academy is nearly 95% complete, its current operational status since February 2023 allows for the facilitation of a wide range of trainings. We believe that the Academy will serve as a catalyst for transforming our employees into effective individuals who continuously seek renewal across all four dimensions: Physical (PQ), Spiritual (SQ), Mental (IQ), and Emotional (EQ).

By providing a dedicated training center, our aim is to empower our workforce to strengthen their character through the knowledge on how to live by Principles while providing them with the necessary knowledge, skills, and tools to excel in their respective roles and, enhance their professional capabilities. Through comprehensive training initiatives, we envision our staff members embracing continual renewal and achieving excellence in all facets of their lives.

In addition to the establishment of the Academy, the Company launched its in-house management trainee program (STF Program) in 2018 with the objective of cultivating future leaders within the organization. This program involves a rigorous selection process, with candidates identified as potential future leaders by senior management and superiors. Selected candidates undergo extensive training in character development and enhancing competencies related to products and services, preparing them for future leadership roles within the Company.

Recognizing a gap in both the Sri Lankan context and within our own organization regarding female leadership and engagement, the Company is committed to providing training and education to empower female employees to transcend cultural barriers and realize their full potential while making all employees also be aware of the paradigm shifts they need to have regarding females without giving in to traditional conditionings in

SUSTAINABILITY REPORT

their surroundings. Additionally, female employees are supported through a confidant network, which offers regular development programs. The primary aim of this network is to cultivate a work environment of mutual respect and mutual benefit, ensuring a safe and harassment-free environment for all employees, regardless of gender.

MANAGING AND ASSESSING EMPLOYEE SATISFACTION

The Company places a high value on cultivating a contented workforce, recognizing the myriad benefits it brings. When employees feel satisfied, they are more likely to be happier and more productive, ultimately leading to increased output and improved outcomes for the Company as a whole. To achieve this, the Human Resources department takes proactive measures to create an optimal work environment for all staff members.

Regular employee satisfaction surveys are a cornerstone of our approach, allowing us to gather valuable feedback on job contentment levels and promptly address any workplace concerns. This feedback also provides insights into the diverse inspirations of our employees, helping us identify future growth opportunities and devise strategic plans accordingly. By prioritizing employee satisfaction, we aim to enhance productivity, foster a positive work culture, and achieve long-term success.

We utilize two surveys, namely the On-Board Satisfaction Survey and the Employee Satisfaction Survey, to assess employee contentment based on their respective employment categories. The On-Board Satisfaction Survey targets newly hired employees still in their probationary period, conducted at the end of their fifth month. This survey delves into various aspects such as working conditions, relationships with peers and supervisors, company culture, and the learning environment. The General Employee Satisfaction Survey, administered in June and December, gathers feedback from permanent employees regarding their perceptions of workplace conditions. With a questionnaire comprising 15 essential questions, employees can express their views and opinions, providing valuable primary survey data for analysis.

Sustainability Initiatives:

In line with our focus on sustainable financing, Commercial Credit PLC plans to introduce lending products for energy-saving, with a particular emphasis on electric bikes. This initiative aims to promote renewable energy adoption and contribute to a reduction in the country's overall fuel consumption. Additionally, we are committed to installing solar panels across our branches to reduce reliance on conventional power sources and minimize our ecological footprint, demonstrating our commitment to energy efficiency.

At Commercial Credit PLC, we firmly believe in the power of financial inclusion and its significant impact on sustainable development. As part of our sustainability initiatives, we are conducting a series of value-added training programs designed to enhance the financial literacy and capabilities of our valued micro-finance customers. By equipping

individuals, especially women, with the necessary knowledge and skills, we empower them to make informed financial decisions, fostering resilience and long-term economic growth within our communities. Furthermore, we are dedicated to poverty reduction through targeted micro-finance solutions that provide opportunities for the underprivileged to improve their livelihoods. By promoting women empowerment, financial inclusion, and sustainable practices, we aim to create a more equitable and prosperous society.



Additionally, our 360-Degree Appraisal system serves as a performance evaluation mechanism, enabling employees to provide feedback on their superiors, peers, and subordinates. This fosters a sense of involvement and empowerment among our workforce. By conducting these surveys and implementing a comprehensive appraisal system, we demonstrate our commitment to understanding and addressing employee concerns, thereby enhancing overall job satisfaction and engagement.

In order to provide an environment where our employees can freely participate in training while giving more opportunities for them to build relationships with their families, Commercial Credit provides discounts for staff to bring in their families to the Academy when they come for trainings. They can also reserve the Academy for their personal outings, function etc. for nominal charges as well. In order to break the barrier where mothers cannot find time to learn with children, Commercial

Credit has facilitated female employees who are mothers to bring in their children with a caretaker for discounted rates or FOC basis especially for feeding mothers.

LEARNING AND DEVELOPMENT

The Company recognizes that the growth and development of its employees, rooted in its steadfast commitment to purpose and shared values, hinge on continuous learning initiatives. Throughout the year, a diverse array of training programs and workshops focused on culture development have been conducted across all Company locations. Among these, the teachings of the '7 Habits of Highly Effective People' philosophy authored by Dr. Stephen Covey have served as a pivotal source of inspiration. These teachings, emphasizing fundamental principles and practical application, empower employees to adopt a holistic and integrated approach to effectiveness in both their professional and personal spheres.

It is believed that the practice of the 7 Habits will lead to the internalization of principles and the shared values of the Company. To facilitate this, Mentors, in collaboration with location heads, organize monthly Value Hours at each location. These sessions offer staff members regular opportunities to address challenges they encounter in living the shared values and principles on a day-to-day basis.

In addition to culture development programs aimed at building employee character, various other training initiatives are implemented to enhance employee competencies. These programs are delivered through virtual and physical methods. Notably, a significant aspect of these trainings is the involvement of internal employees as trainers. While internal expertise is leveraged, external specialists are also engaged to impart Character growth related knowledge and industry-specific best practices, ensuring the growth of employees.

In addition to all other training the Unique 05 day Induction Program is a warm welcome which Commercial Credit gives to all its new employees with an experience of 04 day physical session followed by one day Virtual session. An Introduction to Culture (05 shared values, 07 Habits introduction, Scenarios, KBG Discussion, etc.) of the company together with the addresses of CEO, ED & DCEO which contains 60% of the program plus the knowledge of products and services of the company are included in this unique program.

SHARED VALUES

THE LAUNCH OF OUR SHARED VALUES

Commercial Credit's Shared Values were launched during the Value Day event on March 4, 2012, at the BMICH, with active participation from all of the employees. The event marked a significant milestone in fostering a culture rooted on principles. It included the introduction of a Value Policy, alongside the unveiling of the Company's trilingual Theme Song, Value Oath, and Value Badges, all emblematic of the Company's steadfast commitment to these principles. Since then, continual efforts have been made to ensure and encourage all staff members to live by Principles and Share values which defines the Company's distinct culture.

INSTILLING OUR SHARED VALUES

To instill our Shared Values within the Commercial Credit team, including our expanding number of new employees, we have implemented various programs throughout the year. While some programs build upon past initiatives, we have also introduced new endeavours to broaden our training offerings. One such initiative is the Mentor Network, established to actively engage a group of nominated employees as "Mentors" to drive the company's purpose and foster its culture. This is mainly done through value hour discussion which are conducted at every location/department monthly.

Another significant initiative is the 360 Degree Value Appraisal System, operational since 2012. Aligned with our Company's Shared Values and our Purpose of developing leaders who uplift people's lives through simple acts of love, this system seamlessly integrates with our culture-building efforts. It also identifies esteemed Value Champions who make significant contributions to shaping our desired culture.

Utilizing the Commercial Credit HRIS system, we conduct quarterly evaluations for all members of our organization using the 360 Degree Value Appraisal. As a Value-driven Company, we prioritize this appraisal process to effectively assess individual growth.

THEME SONG AND VALUE BADGES



Company Theme Song
<https://www.youtube.com/watch?v=5bs9gPK092I>

The Company's trilingual theme Song is played promptly at 8:25 a.m. in all Company offices, at the beginning of each workday and featured during various Commercial Credit events. It serves as a daily reminder for every employee to embrace the Company's purpose and Shared Values. Additionally, employees are encouraged to wear the Value Badge, starting with the bronze badge as the initial recognition

level. Through consistent demonstration of commitment to practicing the Shared Values, employees can update their badge from bronze to silver, gold, and ultimately platinum. This badge upgrade system acts as a tangible acknowledgment of an employee's ongoing devotion to embodying the Company's purpose and shared values.

VALUE DAY

The Company hosts a special event called Value Day, held once in every three to four years to celebrate and honour employees who consistently exemplify the Company's Shared Values. This occasion provides a platform to recognize and commend staff members who embody the essence of the Shared Values, serving as inspiring examples for their colleagues. The recognition process involves a thorough procedure where employees nominate their peers for consideration to upgrade their Value Badges. After evaluating the results of the 360 Degree Value Appraisal and the number of nominations received, deserving individuals are acknowledged for their outstanding contributions by upgrading their Value Badges from bronze to silver, gold, and ultimately platinum. This serves as a testament to their excellence and dedication in upholding the Company's Shared Values.

VALUE POLICY

Commercial Credit is committed to its Shared Values, as described in the Value Policy. This policy acts as a guide for creating a culture, which is based on these values by providing staff with the necessary guidelines and procedures. It applies to all employees and activities inside the organization, ensuring that the shared Values are integrated into the performance evaluation process.

VALUE REGISTER

The Value Register is a record of exceptional conduct and acts that reflect employees' Shared Values, whether at work or in other aspects of their lives. When a team member observes a remarkable activity of any Commercial Credit Employee, it is documented on the Value Register, allowing for acknowledgment and gratitude across the organization as well as an inspiration to follow through similar kinds of good deeds. Employees anonymously express compliments about their co-workers, making the Value Register a useful internal social networking tool. Each employee has a Value profile based on the recognition they receive from their co-workers.



CUSTOMERS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Customer security and privacy	Customer visits and meetings	As required
• Service quality	Branch network and call center	Continuous
• Financial inclusion	Media advertisements	As required
• Affordability of services and convenience	Corporate website	Continuous
• Grievance handling mechanism	Customer workshops	As required
• Financial education and literacy	Sponsorships for social events	As required
• Financial support for revival of business		



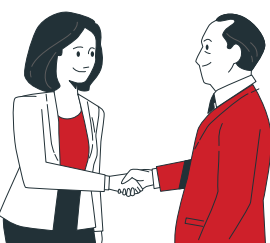
SOCIETY & ENVIRONMENT

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Responsible financing	Media advertising campaigns	As required
• Commitment to community	Press releases, conferences and media briefings	As required
• Financial inclusion and awareness	Informal briefings and communications	As required
• Ethics and business conduct	Public events and gatherings	As required
• Environmental performance	Corporate website	Continuous
• Employment opportunities	Sponsorships for social events	As required



EMPLOYEES

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Performance and reward management	Social events: value day, family day etc	Continuous
• Training and development	360 degree staff appraisal	Quarterly
• Career advancement opportunities	Training programmes	As required
• Work-life balance	Open door policy	Continuous
• Retirement benefit plans	Intranet	Continuous
• Value driven corporate culture	Special staff events	Continuous
• Diversity and inclusion	Employee satisfaction survey	Bi-annually
• Perception of a prosperous future in the Company	Code of conduct and whistle blower policy	Continuous



INVESTORS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Financial performance	Annual Reports and Annual General Meetings (AGMs)	Annually
• Governance	Extraordinary General Meetings	As required
• Transparency and disclosure	Interim financial statements	Quarterly
• Business expansion plans	Press conferences and releases	As required
• Risk management	Announcements to CSE	As required
• Sustainable growth	Corporate website	Continuous
	Investor feedback forms	Annually

RISK MANAGEMENT

The volatile economic environment that prevailed during the year warranted the BIRMC to adopt a more robust and forward-looking approach in managing risks.

OVERVIEW

Risk Management underpins the day-to-day management of the Company's operations and supports the achievement of the Company's long term strategic objectives. Staying firmly anchored to its core risk principles, the Company has adopted a precautionary approach to ensure Risk Management by anchoring itself to its core risk principles, regulatory requirements as well as best practices and industry trends that emerge both in the local market and the global environment.

In this context, the Company seeks to manage its risk profile carefully in line with the Board approved Risk Appetite Statement that sets out the limits for managing its most significant risks. The Risk Appetite limits play a vital role in the Company's risk strategy together with the Company's Integrated Risk Management framework (IRMF), serve as the foundation for ensuring that all material risks are identified, well understood, accurately measured and pro-actively managed in order to safeguard the

Company's financial strength and reputation as well as retain the public trust in the Company.

The ability to manage multiple risk factors arising across multiple locations, product categories, asset classes, customer segments and functional departments is one of the key factors that determines the degree of success and sustainability of a financial institution. Since risk management is a responsibility of each and every employee of the Company and they need to clearly understand the risks the Company is exposed to, Commercial Credit has enhanced its risk management capabilities and insights to facilitate more robust and better risk based decision making processes to ensure that the Company continues to create value to its stakeholders.

RISK GOVERNANCE STRUCTURE

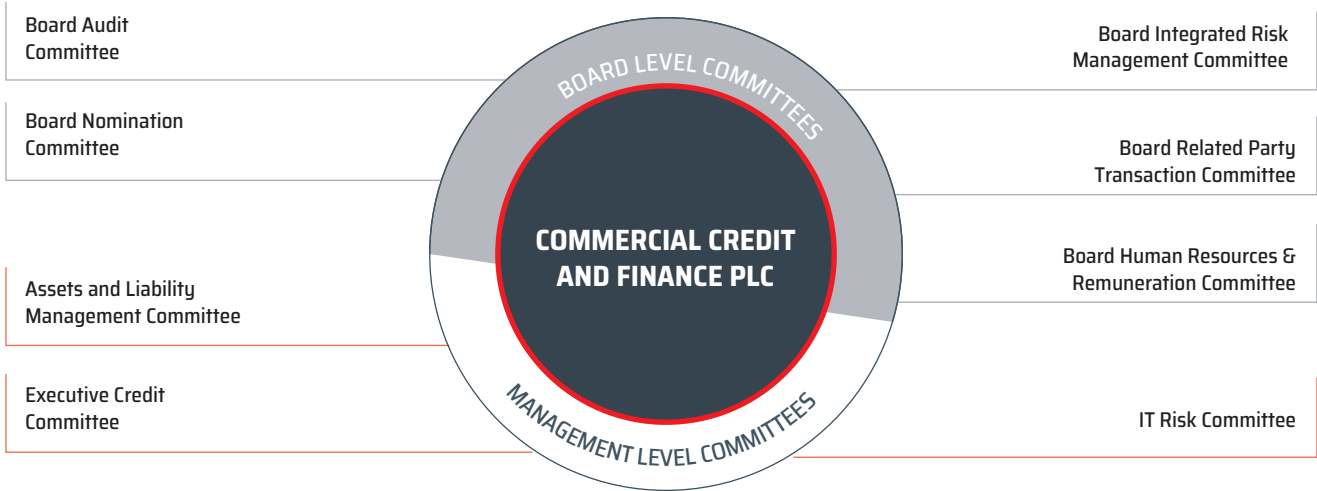
The overall responsibility for risk governance lies with the Company's Board of Directors. The Board sets the Company's risk strategy and risk appetite boundaries

for all key risk categories. As the ultimate authority responsible for risk management, the Board determines guidelines for the management and control of the Company's key risks and for ensuring appropriate risk policies and limits for all important risk areas. Based on the business model and the strategic objectives of the Company, the Board has approved risk policies for various risk areas. These risk policies are subject to review and approval by the Board annually.

The Corporate Management takes proactive measures to execute and monitor the risk mitigants for each activity. The management also inculcates the principles of responsible risk management among employees at all levels. The Company has invested in establishing strong risk management architecture, which includes an independent Risk Management Department, Board-approved risk appetite and risk tolerance levels along with well-defined procedures to support effective management of risk.

Functional Structure of the Integrated Risk Management Framework





Meanwhile, the day to day management of risks is cascaded down to the operational level via the three-lines-of-defense mechanism that reflects the Company’s belief that “managing risk is everyone’s responsibility”



As such all business heads and branch managers are deemed the first-line- of-defence and are held accountable for identifying and managing risks and operating within the approved risk policies. The second-line-of defence comprises the Risk Management Department (RMD) and the Compliance Department (CD) headed by independent CRO and CO respectively. The RMD monitors all key risks in line with Board approved appetite boundaries and plays a key role in assisting the Board in its routine risk review process. The RMD performs periodic assessments to determine any shift in the

individual risk profiles based on new developments or trends in the macroeconomic environment. More frequent need-based assessments are also often carried out in times of uncertainty. The RMD is also tasked with monitoring new and emerging risks within the Company’s risk universe. Due diligence procedures conducted by the Company’s internal audit team and external auditors act as the third-line-of-defence in providing independent assurance regarding the overall efficacy of the Company’s Integrated risk management framework in meeting its stated objectives.

Business decisions are made in a manner that the safeguarding of stakeholders’ interest of the Company and profitability arising from various sources of risk contribute towards our strategic objectives. Underlying systems and processes permit the creation of risk awareness across the entire Company and identify, measure, analyse and evaluate risks. Processes are also in place to develop and implement appropriate response strategies according to the set risk appetite in order to manage such identified risks. As in the case of all activities of the Company, it could be said that the efforts

RISK MANAGEMENT

made to develop a culture based on the Shared Values of the Company form a very fundamental aspect of Risk Management at Commercial Credit.

The activities of Commercial Credit’s Risk Management system take place at three broad levels as follows:

STRATEGIC LEVEL

At the strategic level, Risk Management functions are performed by the Board of Directors and the Board Integrated Risk Management Committee (BIRMC). Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

MANAGEMENT LEVEL

At the management level, Risk Management within business areas or across business lines ensures that strategies, policies and directives approved at the strategic level are operationalised. Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring the compliance with laid down policies, procedures and controls, and reviewing the outcome of operations, and measuring and analysing risk related information are also performed at this level.

OPERATIONAL LEVEL

At the operational level, Risk Management activities are performed by individuals who take risks on Company’s behalf, which includes front, middle and back office personnel. They are required to comply with approved policies, procedures and controls. Operational level personnel give valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.

RISK MANAGEMENT PROCESS

A comprehensive Risk Management process has been developed and is continuously reviewed by the Board Integrated Risk Management Committee (BIRMC) together with the Operational Management.

The Company has established risk subcommittees in the areas of credit and Information Technology in addition to the

Assets and Liabilities Committee (ALCO). The effectiveness of these sub-committees are assessed by the BIRMC annually.



The risk sub-committees comprise of selected representatives from Operational Management, Middle Management and operational Staff from respective disciplines. These sub-committees meet regularly and are responsible for identifying and analyzing risks. The identified risks are taken up for discussion at risk sub-committee meetings where issues are discussed in detail. The minutes of the sub-committee meetings are submitted for approval of the BIRMC and the ALCO meeting minutes are circulated to the board through BIRMC. The decisions and directives of the BIRMC are communicated to the Operational Management through sub-committees for operationalization of such decisions and directives. The BIRMC meets on a regular basis to review and discuss various reports related to Risk Management presented to the Committee by the Management and the findings of the risk sub-committees.

Risks related to areas under each sub-committee have been identified and Risk Registers have been developed and maintained. Each identified risk has been categorized based on the probability of occurrence and expected impact. The impact has been categorized as critical, high, medium and low. The probability has been categorized as certain, likely, possible and remote. Control activities are developed for all risks and the appropriate risk treatment identified and actioned.

TYPES OF RISKS

In pursuing the Company’s desired strategic objectives, Commercial Credit is exposed to several risks which have been categorized as follows.

CREDIT RISK

Credit risk is the risk of financial loss if a customer or counter party fails to honour its financial or contractual obligations to the company. The Company’s credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company. The credit risk management objective is to minimize credit risk while ensuring optimal risk rewards pay off for the financial institution and maximize the return and maintain the quality of the portfolio by minimizing the non-performing loans and probable losses.

The Credit Risk Management Framework deals with the credit risk management of the Company and the credit policy and credit procedures are used as the tools for implementing the credit risk

CREDIT RISK MANAGEMENT STRUCTURE AND APPROACH



management framework. The Credit Policy and credit procedures play a central role in managing daily business activities. The policy is reviewed at least once a year and approved by the Board of Directors, ensuring consistency with the Company's business strategy. The Executive Credit committee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to Credit Risk Management in terms of analyzing customer credit worthiness through comprehensive customer investigations before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

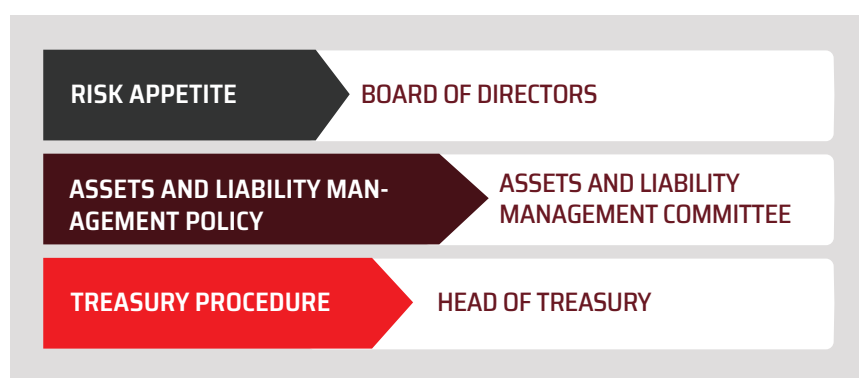
The credit facility origination process comprises of initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet his/her obligations in a timely manner. Efforts are made to ensure that consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process.

To safeguard the Company against possible losses, problems that may arise in granting credit facilities need to be identified early. The Credit Risk sub-committee measures and tracks the status of the credit portfolio. Credit reports need to be prepared monthly without failing to review high level credit portfolio concentration and assess performance of the facilities granted.

Default loans are managed by the Recovery and Credit Division of the company. This unit is responsible for all aspects of an overdue facility, restructuring of the credit facility, scrutiny of legal documents and liaising with the customer until all recovery matters are finalized. Regular meetings are held in order to ensure the smooth functioning of the recoveries function.

Credit Quality Parameters such as Credit quality related ratios, Product-wise NPA, Provision covers, and as a percentage of the total portfolio are monitored.

Lending Parameters such as Single borrower exposure (individual), Sector-wise concentration, Product-wise concentration, collateral wise concentration, geographical concentration, and related party exposure limits were monitored.



MARKET RISK

Market risk is the risk arising from fluctuations in market variables such as interest rates, exchange rates, vehicle prices and gold prices. The market risk is addressed through Liquidity risk management and interest rate risk management. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company. The company's market risk management is operationalised through ALCO Policy, Treasury procedures and Board-approved Risk appetite limits.

INTEREST RATE RISK

Interest rate risk exists in an interest-bearing asset, such as lending and borrowings, due to the possibility of a change in the interest rates. Interest rate risk is an integral part of finance business, and may even be a source of profit.

INTEREST RISK MANAGEMENT APPROACH

The Company encounters interest rate risk in several ways, including repricing risk, and yield curve risk. Interest rate risk parameters such as WACC, Incremental Cost of funds, and maturity profiles of assets and liabilities are monitored. Further, the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. Although the mismatch in assets and liabilities in terms of maturity

is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent. Gold prices are monitored continuously and LTV rates for pawning and gold loan advances are revised on a regular basis taking the tenure of each product into account.

LIQUIDITY RISK

Liquidity risk is the risk of being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company, this relates mainly to the ability to meet repayment of deposits obtained from the public as they fall due and the settlement of instalments on bank and other borrowings.

LIQUIDITY RISK MANAGEMENT APPROACH

Special attention is given on the liquidity of the Company as it provides critical defence against this and several other risks such as reputation, compliance, and financial risks. The company maintains a conservative outlook towards managing Liquidity Risk, which is governed by the Board approved ALCO Policy, investment Policy and appropriate Risk Appetite Limits. The

RISK MANAGEMENT

Company works towards ensuring adequate resources are maintained at all times to meet obligations and prevent potential liquidity shocks. From the governance perspective, the responsibility for managing the company's Liquidity risk lies with ALCO while clearly defined responsibilities ensure its management at operational level.

The treasury department is responsible for maintaining the Liquid Asset Ratio above the Central Bank stipulated levels, while the ALCO is responsible for monitoring the liquid asset ratio. The assets and liability mismatch of the company is monitored on a monthly basis at the ALCO and reported to the BIRMC if there is any deviation from the Board approved risk appetite limits.

The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013.

OPERATIONAL RISK

Operational risk is the risk of losses or failed internal processes, people and systems, or from external events such as natural disasters, social or political events. It is inherent in all financial products and processes and the company's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

OPERATIONAL RISK MANAGEMENT APPROACH

The Company manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, managing technology risk, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the Company, stress testing and monitoring and reporting. The degree of compliance of staff with such operational policies, processes and controls is regularly reviewed.

Awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls. In this context, the Value driven culture which is rigorously promoted across all levels of Commercial Credit in ensuring that employees are self-disciplined, plays a key role. Internal Frauds as an operational risk parameter is monitored.

REPUTATIONAL RISK

Reputational risk is the risk of adverse impact on earnings, assets and liabilities or brand value arising from negative stakeholder perception of the Company's business practices, activities and financial position. The Company recognizes that reputational risk is driven by a wide range of other business risks relating to the "conduct" of the company that must all be actively managed. In addition, the increase of social media has widened the stakeholder base and expanded the sources of reputational risk.

Further, with the emergence of the Company as a major player among NBFIs, it is critical that due attention is given to safeguard the high reputation the Company has earned among all stakeholders. In today's highly interconnected environment with the capability to communicate rapidly, an excellent reputation carefully built over a long period could be at risk instantly.

REPUTATIONAL RISK MANAGEMENT APPROACH

Accordingly, reputational risk is broadly managed through the systems and controls adopted for all other risk types such as credit, market, operational risk, etc., which are underpinned by communication policy and ethics framework that prohibit unethical behaviour and promote employees to live a principle-based life. Further, promotion of the value driven culture within the organization and customer confidence building initiatives employed, enhance the reputation of the Company. The Company pays close attention to ensure that there is no reputation-reality gap for any stakeholder group of Commercial Credit.

INFORMATION TECHNOLOGY (IT) RISK

IT risk is the business risk associated with use, ownership, operation, involvement, influence and adoption of IT within an organization. It is a major component of operational risk comprising IT-related events such as system interruptions/failures, errors, frauds through system manipulations, cyber-attacks, obsolescence in applications, falling behind competitors concerning the technology, etc., that could potentially affect the whole business. Given the uncertainty with regard to frequency and magnitude, managing IT risk poses challenges. Hence, the Company has accorded top priority to addressing IT risk, giving more focus to cyber security strategies and continually investing on improving the cyber security capabilities. With the growing needs of the business, the focus on managing IT risks is intensified in recent years with an ever-increasing emphasis on strengthening IT governance to align with CBSL directives as well as globally accepted best practices.

INFORMATION TECHNOLOGY RISK MANAGEMENT APPROACH

The Company has strengthened the governance of information security and Information Security risk management, by establishing ISSC (Information Security committee) and an Information security unit which is headed by the Chief Information Security Officer (CISO) and an IT Risk Committee which reports to the BIRMC and is responsible for managing risks relating to information security. The IS function is supported out-sourced Security Operation Center which monitors systems on a 24x7 basis. The Information Security Risk Management Program focuses on Identifying risks and addressing all levels of IT risk, conducting vulnerability assessments for all critical systems, ensuring strict compliance with all regulations and best practices and raising awareness among employees and customers.

A comprehensive Disaster Recovery Plan is in place in preparation of contingent risk incidents. As a result of our continuous efforts in managing ICT risk, minimal system disruptions, with no significant impact on

operations, were experienced. Information Security/ Information Technology Governance Framework provide the framework to the Company.

STRATEGIC RISK

Strategic risk is related to strategic decisions and may manifest in the Company not being able to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals. Corporate planning and budgeting process and critical evaluation of their alignment with the Company's vision, mission and the risk appetite facilitate management of strategic risk.

STRATEGIC RISK MANAGEMENT APPROACH

The primary means of managing strategic risk is through a Board-approved Strategic Plan prepared annually to outline the future direction of the Company through a set of long-term goals, objectives and priorities along with the actions needed to achieve them in line with the Company's purpose on a three year rolling basis. It is the key document used by the leadership to prioritize the allocation of resources, to strengthen the Company's competitive position.

COMPLIANCE AND REGULATORY RISK

Compliance and regulatory risk refers to the potential risk to the Company resulting from non-compliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, and disruptions to business activities and reputational damage.

COMPLIANCE AND REGULATORY RISK MANAGEMENT APPROACH

A compliance function reporting directly to the Board of Directors is in place to assess the Company's compliance with external and internal regulations on an ongoing basis. The Company's culture and the shared values too play a key role in managing this risk.

RISK APPETITE

Risk Appetite is defined as the quantum of risk the Company is willing to assume in different areas of business in achieving its strategic objectives and ensuring the stringent maintenance of the desired risk profile. The Risk Appetite framework and Risk Tolerance limits have been defined by the Board in consultation with the Senior Management of the Commercial Credit in line with the Commercial Credit's overall business strategy, providing clear direction to the business units for ongoing operations and risk management. The Risk Appetite framework and Risk Tolerance limits are reviewed and adjusted by the Board when required, based on developments in the operating environment. In the event the risk appetite threshold has been breached, risk management and business controls are implemented to bring the exposure level back within the accepted range. Risk appetite, therefore, translates into operational measures such as limits or qualitative checkpoints for the dimensions of capital, earnings volatility and concentration risk etc. In order to effectively implement Risk appetite, Commercial Credit has defined quantitative indicators (e.g., capital adequacy level and risk limits) or qualitatively embedded same in the policies and procedures.

“The happiest people don’t have the best of everything, they just make the best with everything they have.”

INSPIRE

CORPORATE GOVERNANCE

Corporate Governance **48**

Annual Report of the Board of Directors on the
Affairs of the Company **95**

Report of the Board Audit Committee **97**

Report of the Board Remuneration Committee **99**

Report of the Board Nomination Committee **100**

Report of the Related Party

Transaction Review Committee **101**

Report of the Board Integrated

Risk Management Committee **102**

CEO's & CFO's Responsibility Statement **103**

Statement by the Senior Independent Director **104**

Statement of Directors Responsibility for
Financial Reporting **105**

Directors Statement on Internal Control
Over Financial Reporting **106**

Independent Assurance Report **108**

CORPORATE GOVERNANCE

Corporate Governance is the system of rules, practices and processes by which a Company is managed. Good Corporate Governance helps in driving the Company towards performance excellence while complying with external and internal regulations, guidelines and ethical standards. Sound internal controls and procedures play an integral part in maintaining high standards of transparency, disclosure, financial controls and accountability in good Corporate Governance.

The Company is committed to upholding the highest standards of corporate governance and continually seeks ways to enhance our governance practices. We integrate these requirements with our principle-based culture, ensuring our actions consistently reflect our purpose, shared values, and commitments to these principles. As a company dedicated to cultivating leaders who uplift lives through simple acts of love, the Company upholds this purpose with unwavering determination. This purpose guides our actions and inspires us to make a positive impact every day, further encouraging others to live in alignment with the Company's purpose through shared values and principles.

The systems are designed and developed to influence the behavior of everyone assigned with the responsibility of managing the affairs of the Company ensuring that the interests of all stakeholders are effectively served on a consistent basis. The Board of Directors holds ultimate accountability for the Company's operations and has established an effective governance framework to ensure the proper execution of its responsibilities. The Board is supported by several subcommittees that focus on specialized areas or those requiring substantial attention. The Board subcommittee reports are available in the annual report and include comprehensive explanations of their responsibilities and actions.

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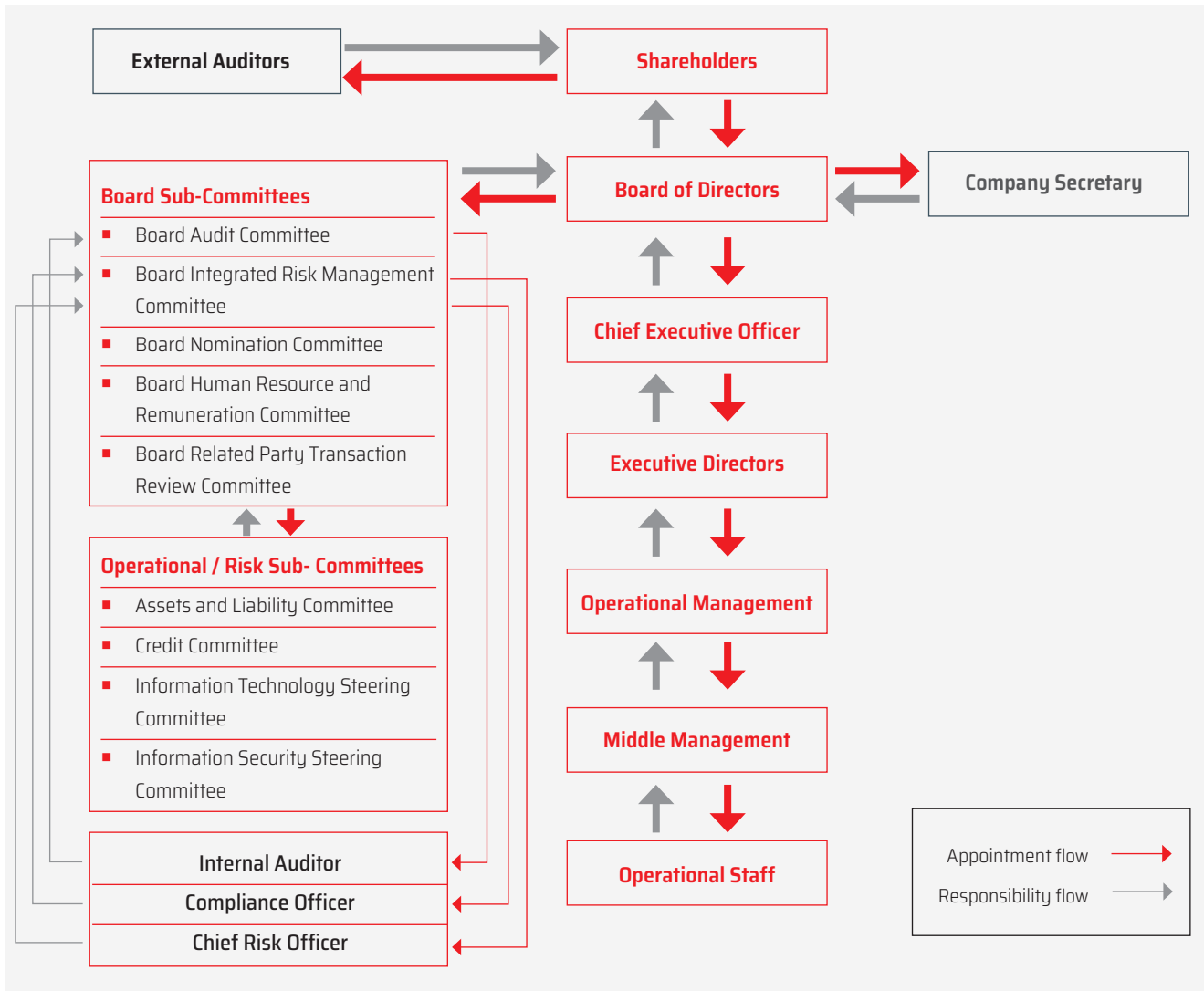
GOVERNANCE FRAMEWORK

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

1. Companies Act No. 07 of 2007.
2. Finance Business Act No. 42 of 2011 and Directions/Guidelines/Rules/Determinations/ Notices issued by the Central Bank of Sri Lanka including Finance Business Act Directions No. 5 of 2021, Corporate Governance.
3. Listing Rules of Colombo Stock Exchange.
4. Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
5. Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.
6. All other applicable regulations.

GOVERNANCE STRUCTURE OF THE COMPANY

The governance structure of the Company comprises several governance bodies with well-defined roles and responsibilities, accountability and clear reporting lines.



BOARD OF DIRECTORS

The Board of Directors as the highest decision-making authority of the Company jointly provides strategic leadership and direction to the Company and ensures that strategies are formulated and implemented so that consistent progress is made by the Company towards its Purpose in keeping with our Shared Values.

The Board is led by the Chairman who is a Non - Independent Non-Executive Director and the Board has appointed one of the Independent directors as as Senior independent director as required by the regulator. The Board of Directors of the Company comprised of ten (10) members

as at the end of the financial year under review. The Company's Board of Directors consists of professionals in varied fields who collectively possess a wealth of knowledge and experience are thus eminently suitable to provide the leadership and direction required.

The CEO has been given the responsibility of leading the organization as its chief executive by the Board. The Board has also designated additional Key Responsible Persons (KRPs) who direct activities, oversee business operations, and have significant influence over policies. The Board has created a comprehensive succession plan for these critical roles in order to protect

operational continuity and minimize interruptions.

The Board has instituted an annual self-assessment program for each director to assess their own performance as well as the performance of the Board and its committees. The objective of this is to improve the Board's and its committees' effectiveness. The senior director and other directors evaluate the Chairperson's performance, while the Chief Executive Officer is evaluated by the non-executive directors. Every year, these assessments are carried out in compliance with the best practices for corporate governance. In order to strengthen its procedures and to improve

CORPORATE GOVERNANCE

its practices, the Board examines the outcomes of these self-evaluations.

The Board convenes approximately once a month, or as necessary, to address prevailing issues and undertake requisite actions. During the financial year under review, a total of fourteen Board meetings were conducted, including two sessions exclusively for Non-Executive Directors in the absence of Executive Directors. Through regular meetings and those of the Board Sub-Committees, the Board of Directors evaluates the Company's performance in the best interests of all stakeholders. Close attention is given to financial performance, compliance with regulations, and risk management. The Board reviews and approves financial budgets, plans, and related resource requirements for the forthcoming financial period. Additionally, the Board meets with

Executive Management as needed during the performance review of the Company. The Board of Directors ensure that they are aware of the applicable laws, rules, and regulations, and of changes, particularly to CBSL regulations, listing rules, and applicable market provisions.

BOARD SUB-COMMITTEES

The Board has delegated authority to five specialized Board Sub-Committees to dedicate additional time and resources to specific focus areas. These include the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Nomination Committee, the Board Human Resource and Remuneration Committee, and the Board Related Party Transaction Review Committee.

These Committees consist of members of the Board and were established in

accordance with the Listing Rules of the CSE and the relevant directives of the CBSL. The reports of each individual Committee can be found in this annual report.

These Committees are entrusted with the deliberation and resolution of specific subjects and specialized matters, presenting well-considered recommendations to the Board. The terms of reference of the sub-committees are approved by the Board and define the responsibility and scope of each committee. The Committees convene regular meetings and detailed recordings of proceedings are maintained by the Committee secretary and subsequently reported to the Board.

The composition of the Board during the period under review is detailed below, accompanied by a comprehensive record of attendance at both Board and Board Sub-Committee meetings.

Director / Category	Directorship Status	Board	Audit Committee ^{NI}	Intergrated Risk Management Committee ^{NI}	Related Party Transaction Review Committee ^{NI}	Human Resource and Remuneration Committee ^{NI}	Nomination Committee ^{NI}	
		Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	
1	Mr. G.B. Egodage	Non Executive/ Non-Independent	14/14*	13/13**	8/8	4/4	3/3	5/5
2	Mr. L..L S Wickremasinghe	Non Executive/ Independent / Senior Director	14/14*	13/13**	8/8	4/4	N/A	5/5
3	Mr. R.S. Egodage	Executive	12/12	N/A	N/A	N/A	N/A	N/A
4	Ms. G.R. Egodage	Executive	12/12	N/A	N/A	N/A	N/A	N/A
5	Mr. P.S.R. Casie Chitty	Executive	12/12	N/A	N/A	N/A	N/A	N/A
6	Ms. T.M.L. Paktsun	Non Executive/ Independent	14/14*	13/13**	8/8	4/4	3/3	5/5
7	Ms. G.A.M. Edwards	Non Executive/ Independent	14/14*	N/A	8/8	N/A	3/3	N/A
8	Mr. D. Malfar (resigned w.e.f. 01.09.2023)	Non Executive/ Non-Independent	5/6*	N/A	N/A	N/A	N/A	N/A
9	Mr. F. Solbani	Non Executive/ Non-Independent	13/14*	N/A	N/A	N/A	N/A	N/A
10	Mr. W. D. Barnabas	Non Executive/ Independent	14/14*	N/A	6/6	N/A	N/A	N/A
11	(Dr) Ms. J. P. Kuruppu	Non Executive/ Independent	8/9*	N/A	N/A	N/A	N/A	N/A

* Includes two meetings of the Non-Executive Directors in the absence of the Executive Directors.

** Includes two meetings with the External Auditors in the absence of the Executive Directors and Management

OPERATIONAL AND RISK SUB-COMMITTEES

To ensure effective implementation of the Board's policies and decisions, regular meetings are conducted among operational management, functional heads, and branch leaders of the Company. These meetings concentrate on achieving operational targets, identifying resource needs, and assessing underlying processes and risks. The Company periodically holds meetings with all Key Responsible Persons (KRPs), providing a platform specifically for Independent KRPs to discuss their concerns and offer input on ongoing business and regulatory requirements.

The Assets and Liabilities Committee (ALCO) and various Risk Sub-Committees, such as those overseeing Information Technology, Information Security, and Credit, have been established to identify and review risk aspects related to the Company's operations. These Sub-Committees comprise risk management and operational personnel who convene regularly to discuss matters and make decisions. The outcomes of these discussions and decisions are communicated to the Board Integrated Risk Management Committee (BIRMC).

COMPANY SECRETARY

The Board has appointed an in-house Company Secretary, effective from 2nd April 2023, with a transitional period and started the official duties from 16th September 2023. This individual assumes a pivotal role in ensuring the Company's compliance with the Companies Act No. 07 of 2007, the regulations of the CSE, and other regulatory bodies. Additionally, the Company Secretary oversees adherence to Board procedures and ensures timely provision of information to shareholders. The authority for the appointment and removal of the Company Secretary is exclusively vested in the Board of Directors.

COMMUNICATION WITH STAKEHOLDERS

The Company strives at all times to maintain its corporate credibility and instill investor confidence in the Company by practicing a structured Communication Policy approved by the Board which covers all stakeholders; including depositors, creditors, shareholders, and borrowers. It spells out the process through which timely, transparent, consistent, and credible information on corporate strategies, operational performance, and financial data is disseminated.

WHISTLE BLOWING POLICY

All employees are able to report any occurrences or suspected wrongdoing through the company's Board approved Whistle-Blowing Policy. Employees are encouraged to adhere to this policy in order to maintain integrity within the company. The company's Human Resource Information System (HRIS) has a unique feature that enables workers to anonymously report problems to any staff member, including executive directors. Furthermore, employees have access to an exclusive email channel where they can address concerns with the Board of Directors directly.

Awareness of the whistle-blower policy is emphasized during the induction program for all new employees. Senior Management periodically conducts awareness programs to encourage staff to raise genuine concerns. Moreover, the company has established a dedicated network called the Confidant Network, where each branch has a confidant available to support employees. This network enables employees to confidentially share their concerns or grievances and escalate issues to the relevant authorities as needed.

GROUP GOVERNANCE

The Company's Governance Framework outlines precise tasks and responsibilities for Group Governance, which is responsible for supervising and putting into practice group-wide policies that effectively protect the interests of the Group's stakeholders. The Board and the BIRMC regularly assess the possible risks which may arise in subsidiary companies and have developed the necessary procedures to identify potential risks and to take timely action to minimize such risks.

COMPLIANCE WITH LEGAL REQUIREMENTS

All Directors have access to the guidance and support of the Company Secretary, as well as access to the financial information of the Company and external consultants, if necessary and at the Company's expense. Directors strive to uphold compliance with relevant laws and regulations. Additionally, the Company has appointed a Compliance Officer to enhance adherence to regulatory and statutory requirements governing the Company's operations.

HIGHLIGHTS FOR 2023/24

1. Directors' Appointment/ Re-designation / Re-appointments

- Mr. L.L.S. Wickremasinghe, Independent Non-Executive Director of the Company who was first appointed to the Board on 26th June 2019, designated as Senior Director on 17th November 2022. He was re-elected at the Annual General Meeting held on 29th August 2023
- Mr.P.S.R. Casie Chitty appointed as an Executive Director of the Company with effect from 05th January 2016 was re-elected at the Annual General Meeting held on 29th August 2023
- Ms. G. A. M. Edwards appointed as an Independent Non-Executive Director of the Company with effect from 01st July 2021 was re-elected at the Annual General Meeting held on 29th August 2023
- Mr. W. D. Barnabas appointed as an Independent Non-Executive Director of the Company with effect from 01st February 2023 was re-elected at the Annual General Meeting held on 29th August 2023
- Mr. F. A. P. L. Solbani appointed as a Non-Executive Director of the Company with effect from 01st January 2023 was re-elected at the Annual General Meeting held on 29th August 2023
- (Dr) Ms. J.P. Kuruppu appointed as an Independent Non-Executive Director of the Company with effect from 01st August 2023 was re-elected at the Annual General Meeting held on 29th August 2023

2. Director Retirement / Resignation

- Mr. D.E. Malfar resigned as a Non-Executive Director of the Company with effect from 01st September 2023

3. Re-appointment of Auditors

- Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the company at the AGM held on 29th August 2023
- Re-appointment of Messrs. Ernst & Young, Chartered Accountants for assessment of Corporate Governance and Compliance

CORPORATE GOVERNANCE

- The Company engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek their assessment of the Company's compliance with the requirements of the Corporate Governance Direction issued by the CBSL.
- Re-appointment of Messrs. Ernst & Young, Chartered Accountants for certification on the process adapted by

the Directors on the system of Internal Controls over Financial Reporting

- The Company also engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek an assurance on the process adopted by the Directors on the system of internal control over financial reporting.

COMPLIANCE WITH FINANCE COMPANIES DIRECTION

Compliance with the Finance Business Act Directions No.05 of 2021 on corporate governance issued by the central bank of Sri Lanka for licensed finance companies.

COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021 ON CORPORATE GOVERNANCE ISSUED BY THE CENTRAL BANK OF SRI LANKA FOR LICENSED FINANCE COMPANIES.

Section	Direction	Status of Compliance
1	OVERALL RESPONSIBILITIES OF THE BOARD	
	The Board shall have overall responsibility and accountability for the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below in effectively discharging its responsibilities.	The Board of Directors (Board) provides strategic leadership and direction to the Company, ensuring that strategies are crafted and implemented to consistently drive the Company towards its Purpose, Vision, and Mission, in harmony with our Shared Values. Additionally, the Board has instituted a robust governance framework and ensures strict compliance with regulatory requirements.
1.2	BUSINESS STRATEGY AND GOVERNANCE FRAMEWORK	
	a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	Overall business strategy with measurable goals for next three financial years (2024/25, 2025/26, 2026/27) was approved by the Board of Directors on 30.04.2024.
	b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	The required policies and procedures for the Governance framework are in place.
	c). Assessing the effectiveness of its governance framework periodically	The effectiveness of the governance policies is monitored by the Internal Audit Department, which reports to the Board Audit Committee through their routine audits.
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	The Chairman and the CEO are appointed by the Board, and their functions and responsibilities are defined and approved by the Board of Directors. The Chairman and Chief Executive positions are held by two individuals, and the functions of the Chairman and the Chief Executive are clearly documented on a policy document 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. The Chief Executive Officer (CEO) 's role is primarily to conduct the business operations of the Company with the help of Senior Management.

Section	Direction	Status of Compliance
1.3.	CORPORATE CULTURE AND VALUES	
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behaviour.	The company maintains a shared value-based, sound corporate culture that reinforces ethical, prudent, and professional behaviour. The underlying component that has attributed to the company's continuous success through the years is the company's shared values and unique principle-based culture. A Board approved Ethical Framework (Code of Conduct) for employees is in place.
	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board plays a leading role in establishing the corporate culture and values. They have adopted an ethical framework and policy to effectively manage conflicts of interest.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The Board approved sustainable finance policy is in place. The strategic plan of the company also includes the integration of sustainable development activities.
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Board is dedicated to maintain effective communication for the best interest of all stakeholders of the company. Further the Board has adopted policy on communication in line with the regulatory requirements.
1.4.	RISK APPETITE, RISK MANAGEMENT AND INTERNAL CONTROLS	
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	The Board approved Risk Appetite Statement (RAS) is in place that is in line with the Company's business strategy and governance framework.
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board of Directors, through the Board Integrated Risk Management Committee (BIRMC) has adopted processes to identify, mitigate and manage risk pertaining to credit, market, operational, and other residual risks of the company.
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The Board of Directors, through the Board Audit Committee (BAC) has adopted and reviewed the adequacy and the effectiveness of the company's internal control systems and management information systems (MIS).
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Board approved business continuity and disaster recovery plan is in place to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.
1.5.	BOARD COMMITMENT AND COMPETENCY	
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	The Board has devoted sufficient time on dealing with the matters relating to affairs of the company by attending monthly Board meetings and other sub-committee meetings. Please refer to the record of the attendance at Board meetings and Board Sub-Committee meetings. <i>Please refer to the record of the attendance at Board meetings and Board Sub-Committee meetings.</i>
	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess proven track records, necessary skills, knowledge, and experience. <i>Please refer to the Board of Directors' profiles in this annual report</i>

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
	c) The Board shall regularly review and agree the training and development needs of all the members.	The Board has recognized the need for continuous training and actively participates in professional development to enhance their capabilities in carrying out their duties as Directors. Furthermore, the Board has adopted the policy on "Composition, Independence, and Capacity Building of the Board of Directors." Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation.
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	A procedure is in place for self-assessments to be undertaken annually by each Director, as well as by the Board as a whole and its committees. The summary of assessment were discussed at the Board and the records of these assessments are maintained by the Company Secretary.
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The Board approved procedure in seeking independent professional advice is in place.
1.6.	OVERSIGHT OF SENIOR MANAGEMENT	
	a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	The Board of Directors has identified and designated personnel who hold significant influence over policy, direct activities, and exercise control over business activities as Key Responsible Persons (KRPs) in line with the directives of the Central Bank of Sri Lanka (CBSL).
	b) Defining the areas of authority and key responsibilities for the senior management.	The company has approved areas of key responsibilities and has defined specific areas of key responsibilities for management KRPs.
	c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	The Board has ensured that management KRPs possess the necessary qualifications, skills, experience, and knowledge to effectively perform their job duties and contribute to the achievement of the company's strategic objectives. Further Management KRPs are recommended by the Board Nomination Committee for Board approval and fit & proper assessment of CBSL.
	d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Board has ensured that the management KRPs are providing appropriate oversight of the company's affairs. Additionally, the management KRPs make regular presentations to the Board and its sub-committees to ensure effective performance of the company.
	e) Ensuring the FC has an appropriate succession plan for senior management.	The Board approved succession plan for management KRPs is in place.
	f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Executive Directors, Chief Operating Officer, Chief Financial Officer and Deputy Chief Executive Officer are called to regular Board Meetings to review policies and monitor the progress towards the corporate objectives. The management KRPs attend Board meetings and its subcommittee meetings on invitation to review policies, establish lines of communication and monitor progress towards strategic objectives.

Section	Direction	Status of Compliance
1.7.	ADHERENCE TO THE EXISTING LEGAL FRAMEWORK	
	a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	The Board has adopted a governance framework in line with regulatory requirements to ensure that the company does not engage in any actions that are detrimental to any of its stakeholders.
	b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The company adheres to all applicable regulatory requirements, including directives issued by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE). Furthermore, the company has adopted an ethical framework that applies to all employees, ensuring that the company maintains the highest ethical standards.
	c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	The Board is fully aware of the potential civil and criminal liabilities that may arise from their failure to diligently discharge their duties. Furthermore, the company has obtained Directors & Officers liability insurance cover to mitigate civil liabilities.
2.	GOVERNANCE FRAMEWORK	
2.1.	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.	
	a) Role and responsibilities of the Board	Policy on responsibility of the Board of Directors is in place.
	b) Matters assigned for the Board.	Policy on matters reserved for the Board of Directors is in place.
	c) Delegation of authority.	The Board approved delegation of authority is in place.
	d) Composition of the Board.	Policy on composition, independence and capacity building of Board of Directors is in place.
	e) The Board's independence.	Policy on composition, independence and capacity building of Board of Directors is in place.
	f) The nomination, election and appointment of directors and appointment of senior management.	Policy on the nomination, election, appointment of Directors and other key responsible persons is in place.
	g) The management of conflicts of interests	Policy on conflict of interest is in place.
	h) Access to information and obtaining independent advice.	Procedure for seeking independent professional advice is in place
	i) Capacity building of Board members.	Policy on composition, independence and capacity building of Board of Directors is in place.
	j) The Board's performance evaluation.	The Board performance evaluation mechanism is in place.
	k) Role and responsibilities of the Chairperson and the CEO.	Policy on functions and responsibilities of Chairperson and Chief Executive Officer is in place.
	l) Role of the company secretary.	The policy on the role of the Company Secretary is in place.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
	m) Board sub committees and their role; and	The company has established five (5) Board Committees, namely the Audit Committee, Integrated Risk Management Committee, Related Party Transactions Review Committee, Remuneration Committee, and Nomination Committee. Further the board has adopted charters for each aforementioned subcommittees
	n) Limits on related party transactions.	Policy on related party transaction is in place.
3.	COMPOSITION OF THE BOARD	
3.1.	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	All members of the Board possess extensive experience, qualifications, sufficient skills, and knowledge in their respective fields. <i>Please refer to the Board of Directors' profiles in this annual report</i>
3.2.	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	During the year, the Board comprised a minimum of seven (7) and a maximum of thirteen (13) Directors, in accordance with the regulatory requirement. As of March 31, 2024, the Board consists of ten (10) Directors. <ul style="list-style-type: none"> ■ Mr. G.B Egodage (NI/NED- appointed as the Chairman w.e.f 17.11.2022) ■ Mr. L.L.S. Wickremasinghe (IND/NED-Senior Director) ■ Ms.T. M. L. Paktsun (IND/NED) ■ Ms.G.A.M. Edwards (IND/NED) ■ Mr. F.A.P.L. Solbani (NI/NED) ■ Mr. D. Malfar (NE/NID- Resigned w.e.f 01.09.2023) ■ Mr.W. D. Barnabas (IND/NED) ■ (Dr.) Ms. J.P Kuruppu (IND/NED- A.w.e.f 01.08.2023) ■ Mr. R.S.Egodage -CEO ■ Mr. R.C. Chitty (ED) ■ Mrs. G.R. Egodage (ED) <i>Please refer to the section on the composition of the Board and meeting attendance in this annual report</i>
3.3.	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	None of the Non-Executive Directors have held office for more than nine (9) years
3.4.	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (¼) of the total number of directors of the Board.	None of the Non-Executive directors of the Company have exceeded nine years of service as at 31 March 2024

Section	Direction	Status of Compliance
3.5.	EXECUTIVE DIRECTORS	
a)	Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	The number of Executive Directors does not exceed one-third (1/3) of the total number of Directors on the Board. Currently, there are three (3) Executive Directors, and all of them are employees of the company.
b)	A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	The company has complied with the requirement as all existing Executive Directors have contracts of employment and functional reporting lines in place.
c)	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	The CEO is one of the Executive Directors.
d)	All Executive directors shall have a functional reporting line in the organization structure of the FC.	All Executive Directors have a clear functional reporting line within the organizational structure of the company.
e)	The executive directors are required to report to the Board through CEO	Executive Directors are reporting to the Board through the CEO
f)	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	The Executive Directors have not held any executive directorships or senior management positions in any other entities.
3.6.	NON-EXECUTIVE DIRECTORS	
a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	The Non-Executive Directors of the Company possess extensive experience and skills in their respective fields. <i>Please refer to the Board of Directors' profiles in this annual report</i>
b)	A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	None of the Non-Executive Directors are appointed or function as the Executive Directors or CEO of the Company.
3.7.	INDEPENDENT DIRECTORS	
a)	The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.	The number of Independent Non-Executive Directors is in compliance with the regulatory requirement that at least 3 or one third (1/3) of the total number of Directors on the Board. There were five (5) Independent Non-Executive Directors as end of the reporting period. <i>Please refer to the section on the composition of the Board and meeting attendance in this annual report</i>

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	All Independent Non-Executive Directors of the Company possess, professional qualifications, a proven track record, and substantial experience in their respective fields. A brief profile of their expertise and experience is given on the annual report board of directors profile <i>Please refer to the Board of Directors' profiles in this annual report</i>
c)	A non-executive director shall not be considered independent if such: <ol style="list-style-type: none"> i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC. vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director. viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. 	All Independent Non-Executive Directors have complied with the independence requirements as specified by the regulatory direction. Further, the company has adopted policy on composition, independence and capacity building of Board of Directors to determine the independence factors of the Non-Executive Directors.

Section	Direction	Status of Compliance
	d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	No such circumstance transpired during the reporting period.
	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, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	No such circumstance transpired during the reporting period. Declarations have been obtained from the Directors regarding the status of their independence / non-independence against the specified criteria, and copies of the same are under the custody of the Company Secretary for review.
3.8.	ALTERNATE DIRECTORS	
	a) Representation through an alternate director is allowed only; <ul style="list-style-type: none"> i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad. 	No such circumstance transpired during the reporting period.
	b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	
	c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	
	d) An alternate director cannot be appointed to represent an executive director.	
	e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.	
3.9.	COOLING OFF PERIODS	
	a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	Dr. (Ms) J. P. Kuruppu- Independent Non Executive Director who has been appointed to the Board w.e.f. 01st August 2023 following the cooling off period of 6 months as per the Direction No. 05 of 2021 section 3.9
3.10.	COMMON DIRECTORSHIPS	
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is 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).	No such circumstance transpired during the reporting period.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
3.11.	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	According to the declarations given by the directors for the year 2023/24. There are no Directors who hold Directorship in more than twenty (20) companies/ societies / bodies / corporate including associate companies and subsidiaries of the company
4.	ASSESSMENT OF FITNESS AND PROPRIETY CRITERIA	
4.1.	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board has appointed Directors in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons, which aligns with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
4.2.	A person over the age of 70 years shall not serve as a director of a FC.	There are no Directors who are over seventy (70) years of age.
4.3.	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,	No such situation has arisen during the financial year 2023/24.
	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.	No such situation has arisen during the financial year 2023/24.
	b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	
	c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	
	d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	
5.	APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT	
5.1.	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company has complied with the provisions outlined in Finance Business Act Direction No. 6 of 2021 concerning the assessment of fitness and propriety of Key Responsible Persons for appointments, resignations, or removals.

Section	Direction	Status of Compliance
6.	THE CHAIRPERSON AND THE CEO	
6.1.	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The responsibilities of the Chairman and the CEO are clearly separated and documented in the policy on the functions and responsibilities of the Chairperson and Chief Executive Officer.
6.2.	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman holds the position of a Non-Independent Non-Executive Director, and the company has appointed one of the Independent Directors as a Senior Director with appropriate terms of reference. The performance of the Chairman has been assessed for the financial year 2023-2024
6.3.	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	
6.4.	RESPONSIBILITIES OF THE CHAIRPERSON	
	<p>The responsibilities of the chairperson shall at least include the following:</p> <ul style="list-style-type: none"> a) Provide leadership to the Board. b) Maintain and ensure a balance of power between executive and non-executive directors. c) Secure effective participation of both executive and non-executive directors. d) Ensure the Board works effectively and discharges its responsibilities. e) Ensure all key issues are discussed by the Board in a timely manner. f) Implement decisions/directions of the regulator. g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO. 	The Board-approved policy on the functions and responsibilities of the Chairperson includes the requirement of the regulations. Furthermore, performance of the Chairperson has been assessed by the Non-executive Board members. Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman. The Board approved policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
6.5.	RESPONSIBILITIES OF THE CEO	
	<p>The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include:</p> <ul style="list-style-type: none"> a) Implementing business and risk strategies in order to achieve the FC's strategic objectives. b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions. c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behaviour. d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e) Strengthening the regulatory and supervisory compliance framework. f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10. 	<p>The Board-approved policy on the functions and responsibilities of the CEO includes the requirement of the regulations. Further, CEO performance has been assessed by the Non - Executive Board members.</p>
7.	MEETINGS OF THE BOARD	
7.1.	<p>The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.</p>	<p>Board Meetings were held regularly, and a total of 14 Board meetings (including two meetings without the presence of Executive Directors) were conducted during the financial year 2023/24. Furthermore, there were 55 instances where the Board's consent was obtained through the circulation of resolutions/papers, which were subsequently ratified by the Board at their meetings.</p> <p><i>Please refer to the section on the composition of the Board and meeting attendance in this annual report</i></p>
7.2.	<p>The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.</p>	<p>A Board-approved policy is in place to include matters and proposals in the agenda of the Board meeting.</p>
7.3.	<p>A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.</p>	<p>The Board provides a notice period of at least 3 days for regular Board meetings.</p>

Section	Direction	Status of Compliance
7.4.	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	All members of the Board have made significant contributions during the Board meetings, and these deliberations are duly recorded in the minutes of the Board meetings. <i>Please refer to the section on the composition of the Board and meeting attendance in this annual report</i>
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 (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	No such situation has arisen during the financial year 2023/24 and the company has complied with the requirement.
7.6.	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Two meetings were conducted exclusively with the participation of Non-Executive Directors, without the presence of Executive Directors
7.7.	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board approved policy on conflicts of interests is in place. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting
7.8.	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	In 2023/24, no such incidents occurred. Further, the Company Secretary monitors attendance. During the financial year 2023/24, none of the directors has been absent for three consecutive meetings.
7.9.	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	The Board meetings have been scheduled using a hybrid method, as detailed in the annual report.
8.	COMPANY SECRETARY	
8.1.	a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations. b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	The Board has appointed a person as the Company Secretary a designated as KRP whose primary responsibilities are to handle the secretarial services to the Board. The Company Secretary has been appointed in accordance with the provisions outlined in Finance Business Act Direction No. 6 of 2021. A transitional period until 01st July 2024 has been granted by the CBSL to comply with the same. However, the company has already recruited and appointed a person as the Secretary to handle the functions of the Company. After a transitional period, she officially began her duties on September 16, 2023.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
8.2.	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	A Board approved procedure in seeking advice from company secretary by a director is in place.
8.3.	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Company Secretary is responsible for the preparation of 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.	The Company Secretary maintains the minutes and all submissions of the Board Meetings, and directors have access to past Board minutes and papers at any time. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period as applicable in the regulations.
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.	The Board approved policy on the role of company secretary is in place to ensure the regulatory requirements. 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: <ul style="list-style-type: none"> (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions. 	Board minutes contain required details, such as data and information used by the Board in its deliberations, matters considered by the Board, fact-finding discussions, decisions, and Board resolutions, which are used by the Board members in their decision making.
8.7.	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Directors have access to past Board minutes and documents at any time.
9.	DELEGATION OF FUNCTIONS BY THE BOARD	
9.1.	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board approved delegation authority limits is in place to give clear directions to the senior management of the company.
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.	The Board has appointed Board sub-committees as required by the direction.

Section	Direction	Status of Compliance
9.3.	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	The Board has approved senior management level sub-committees, namely the Assets and Liability Committee, Credit Committee, Information Technology Steering Committee, and Information Security Steering Committee, which are currently in place. <i>Please refer to the section Governance Structure Of The Company in this annual report</i>
9.4.	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board approved policy on matters reserved for the Board of Directors is in place.
9.5.	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	The delegation process is periodically reviewed to ensure that it meets the demands of the Company. The Board has approved the delegation of authority for Credit limits and Finance limits

10 BOARD SUB-COMMITTEES

10.1 a). Board Sub-Committees

Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC) and Board Related Party Transactions Review Committee (BRPTRC)

The company has established five Board Committees, namely the Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee, Human Resource and Remuneration Committee, and Nomination Committee. Each sub-committee is governed by its own terms of reference and Company Secretary who maintains minutes and records under the supervision of the Chairperson of the sub-committee. The reports of the Board sub-committees are included in this Annual Report.

Meetings

Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.

The Board Audit Committee (BAC) meetings were held thirteen times (13) and eight (8) Board Integrated Risk Management Committee (BIRMC) meetings were during the financial year 2023/24.

The Board Nomination Committee (BNC) have been held five (5), Board Related Party Transactions Review Committee (BRPTRC) have been held four times (4) and Board Human Resource and Remuneration Committee (BHRRC) was held three times (3) during the under review.

Please refer to the section on the composition of the Board and meeting attendance in this annual report

- b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.
- 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 FC.
- d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.

Written terms of reference (charters) clearly specifying the authority and duties are in place for each sub-committee.

Each sub-committee has provided reports in the annual report, disclosing their performance, duties, and functions.

Refer Reports on Sub-committee each

The company secretary appointed as the secretary for all Board sub-committees and minutes contain required details.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
	<p>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 committee.</p> <p>f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.</p>	<p>The Board sub-committee consists of at least three Board members and consists only of members of the Board who have the skills, knowledge, and experience relevant to the responsibilities of the committee.</p> <p>When necessary, the rotation of Chairs and members of the Board's subcommittees will be taken into consideration.</p>
10.2	BOARD AUDIT COMMITTEE (BAC)	
	<p>a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.</p>	<p>The Chairperson of the Committee is an Independent Non-Executive Director, and the profile of the Chairperson is provided in this Annual Report.</p> <p><i>Please refer to the Board of Directors' profiles in this annual report</i></p>
	<p>b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.</p>	<p>All members of the Board Audit Committee are Non-Executive Directors and majority members are Independent directors with necessary qualifications and experience relevant to the scope of the BAC.</p> <p><i>Please refer to the Board of Directors' profiles in this annual report</i></p>
	<p>c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).</p>	<p>The Company Secretary functions as the Secretary of the BAC.</p>
	d) External Audit Function	
	<p>i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.</p>	<p>The Auditor's appointments, service periods, and fees are determined and recommended by the BAC.</p>
	<p>ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p> <p>Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.</p>	<p>E&Y functions as the External Auditor of the Company. The engagement of the same audit partner has not exceeded five years and has not been re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p> <p>The Company will adhere to the aforementioned section once it takes effect on July 1st, 2024.</p>
	<p>iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.</p>	<p>E&Y functions as the External Auditor of the Company and the audit partner has declared that he is not a substantial shareholder, director, senior management or employee of any other finance company.</p>
	<p>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.</p>	<p>The Committee monitors the External Auditor's independence objectivity and effectiveness of the audit process taking into account relevant professional and regulatory requirements.</p> <p>The Committee has obtained a representation from the External Auditors that confirmed the External Auditors are independent.</p>

Section	Direction	Status of Compliance
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.	A Board approved policy on the engagement of the External Auditor to provide non-audit services is in place. The BAC ensures that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services.
vi.	The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Committee has prior discussed and finalized the nature and scope of the audit with the External Auditor including the assessment of the company's compliance with Directions issued under the Act and the management's internal controls over financial reporting, the preparation of financial statements in accordance with relevant accounting principles and reporting obligations.
vii.	The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major 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.	The BAC has a process to review financial information of the Company in order to monitor the integrity of the financial statements of the Company, its annual report, accounts and periodical reports prepared for disclosure and the significant financial reporting judgments contained therein.
viii.	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	The Committee has met External Auditors in the absence of senior management to discuss issues, problems and reservations arising from the final audit and any matters the auditor may wish to discuss.
ix.	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	The management letter and the management's response are reviewed by the BAC, and oversight is given to any corrective actions required.
e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The BAC conducts reviews to ensure the effectiveness of the internal control system. Further, the effectiveness of the Company's internal control mechanism has been certified by the Directors in the annual report under the heading "Directors' Statement on Internal Controls over Financial Reporting."
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 internal audit function of the FC.	The BAC ensures that senior management takes corrective actions in a timely manner for internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies regarding the internal audit function of the company.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
g)	Internal Audit Function	
	i). The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	The company has an in-house internal audit function with an appropriate internal audit mandate that covers the scope and functions of the internal audit department as required by the regulations.
	ii). The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	There is a Board-approved internal audit mandate that defines the purpose, authority, and responsibility of the internal auditor. It ensures independence, sufficient resources, and authority for the internal auditor to carry out their functions effectively and objectively. The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same.
	iii). The BAC shall take the following steps with regard to the internal audit function of the FC:	
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	The BAC has reviewed the scope, functions, and skills and resources of the internal audit department. Furthermore, the committee has ensured that the internal auditors have the necessary authority to carry out their work in accordance with the mandate.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	The Committee reviewed the audit programs, internal audit findings and results of the internal audit process and, where necessary, ensured that appropriate actions are taken on the recommendations of the internal Audit Department.
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	The Committee has carried out of the performance appraisal of the Head of Internal Audit and other senior staff members of the Internal Audit Department.
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	Internal audit function is independent and activities are performed with impartiality, proficiency and due professional care through the implementation of internal audit mandate.
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	The BAC reviews the compliance reviews conducted by Internal Audit department.
	(vi) Examine the major findings of internal investigations and management's responses thereto.	The Committee considers the major findings of the internal audit department and the management's responses to them. They ensure that the recommendations have been implemented.
	h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The BAC reviews the progress of the implementation of recommendations from the CBSL on-site investigation report on a quarterly basis.

Section	Direction	Status of Compliance
	<p>i) Meetings of the Committee</p> <p>i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p> <p>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.</p> <p>iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.</p>	<p>Every BAC meeting is conducted with due notice of the issues to be discussed. Discussions during the meetings are recorded, and minutes are subsequently submitted to the Board for its information.</p> <p>The BAC invites other Board members, Key Responsible Persons (KRPs), and any other required employees to attend meetings when discussing matters under their purview.</p> <p>During the financial year 2023/24, the BAC has held two meetings with external auditors without the presence of any other directors, senior management, or employees.</p>

10.3. BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

a)	The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The BIRMC is chaired by an Independent director, and the composition of the Committee complies with the requirements stipulated in the direction. The Committee works closely with management KRPs and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
b)	The secretary to the committee may preferably be the CRO.	The company secretary function as the secretary to the committee.
c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	The Committee has established a process to assess all risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks to the Company on a monthly basis using appropriate risk indicators and management information. Additionally, the committee assesses the risk appetite statement of the company and reports to the board, highlighting key risks and mitigation strategies of the company.
d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	The BIRMC has developed a Board-approved risk appetite statement (RAS) that includes both quantitative and qualitative measures as required by the regulations. The RAS also defines maximum limits and business considerations in accordance with which the company is expected to operate when pursuing its business strategy.
e)	The BIRMC shall review the FC's risk policies including RAS, at least annually.	The BIRMC periodically reviews risk policies, including the risk appetite statement (RAS).

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
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.	The BIRMC has reviewed the effectiveness of the performance of management level Committees.
g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The committee has reviewed the business continuity and disaster recovery plans and assessed all aspects of the company's risk management.
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	The BIRMC assessed the performance of the Compliance Officer and the Chief Risk Officer for the financial year 2023/24.
i)	Compliance Function	
i.	BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The company has established an independent compliance function which is independent from day-to-day management operations.
ii.	For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A dedicated Compliance Officer has been appointed.
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.	Not applicable.
iv.	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following:	The Board-approved mandate of the Compliance Officer (CO) encompasses the regulatory requirements
(i)	develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	Compliance-related policies and procedures have been developed to minimize the risk of breaching regulatory requirements.
(ii)	ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	A Board-approved Compliance policies are in place and have been communicated to all KRPs. It is also available in the HRIS system (intranet system), accessible by all employees of the Company.
(iii)	ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory requirements.
(iv)	understand and apply new legal and regulatory developments relevant to the business of FC;	The Company implements all new legal and regulatory developments that are applicable to its business.

Section	Direction	Status of Compliance
	(v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards;	The Board approved new product development policy is in place and sign off is obtained from all required officers including compliance prior to implementation of a new product.
	(vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and	Compliance concerns were highlighted to the BIRMC and with the support of the management, they were rectified.
	(vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	A positive working relationship is upheld with the regulator. There is maintenance of timely reporting and communications.

J) RISK MANAGEMENT FUNCTION

i.	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	The company has established an independent risk management function.
ii.	For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	A dedicated Chief Risk Officer (CRO) has been appointed to carry out the risk management function and regular reports are submitted to the BIRMC.
iii.	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	The Board approved risk management policy and procedures including RAS has been developed.
iv.	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:	The Board approved mandate of the CRO is in line with the regulatory requirement.
	(i) Various potential risks and frauds;	Various potential risk and frauds and sources of such risk and frauds have been identified and discussed in the BIRMC
	(ii) Possible sources of such risks and frauds;	
	(iii) Mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ;	The BIRMC has established a mechanism for identifying, assessing, and monitoring risks, and regular reports are forwarded to the committee. These reports are discussed, and measures are taken to control and mitigate the identified risks.
	(iv) Effective measures to control and mitigate risks at prudent levels; and	
	(v) Relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The risk management framework reviewed and updated frequently.
v.	The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	The CRO participates in key decision-making processes including strategic planning, capital, liquidity planning, new product development etc.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Risk register of the company is updated and forwarded to the BIRMC committee on timely manner.
	vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	A risk report is submitted by the BIRMC to the upcoming board meeting for the Board review.

10.4. NOMINATION COMMITTEE

The following shall apply in relation to the Nomination Committee:

a) The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Board Nomination Committee (BNC) is Chaired by an Independent Director, and the composition of the Committee complies with the requirements stipulated in the direction.
b) Secretary to the nomination committee may preferably be the company secretary.	The Secretary to the committee is the Company Secretary.
c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	The policy on the nomination, election, and appointment of Directors and other key responsible persons is in place. The appointment of new key responsible persons is subject to the recommendation of the BNC. The process will be further strengthened in future in line with the requirement of the Direction
d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The BNC has ensured that all the KRPs are fit and proper individuals to perform their functions in accordance with the directives of CBSL. The company has obtained the necessary approval from CBSL for their initial appointments and for the continuing of Directors as required by the Direction.
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.	All KRPs are appointed in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons. This policy ensures adherence to the stipulated selection criteria for the appointment of KRPs.
f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	The committee strive to ensure that the composition of the Board is structured in a way that prevents any form of domination by an individual or a small group of individuals.
g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The committee has set criteria that are required for eligibility to be considered for appointment of management KRPs.
h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The committee ensures that the stipulated requirements are in compliance for the appointment of a new Director.

Section	Direction	Status of Compliance
	i) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The committee ensured compliance of the stipulated requirements for the reelection of a current Director.
	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	The Board-approved succession plan for Key Responsible Persons (KRPs), recommended by the BNC, is in place.
	k) A member of the nomination committee shall not participate in decision making relating to own appointment/ re-appointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Members of the BNC are not involved in the decision-making process for their own appointment or re-appointment.

10.5. HUMAN RESOURCE AND REMUNERATION COMMITTEE

The following shall apply in relation to the Human Resources and Remuneration Committee:

a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The committee is chaired by a non-executive director, and its composition complies with the required guidelines.
b) The secretary to the human resource and remuneration committee may preferably be the company secretary.	The company secretary serves as the secretary of the BHRRC.
c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	The company has a Board approved Remuneration policy for Executive Directors and Senior Management. The remuneration of Non-Executive Directors is governed by the board-approved Non-Executive Directors Remuneration Policy, which falls under the purview of the BHRRC and is approved by the Board
d) There shall be a formal and transparent procedure in developing the remuneration policy.	The Remuneration Policy ensures that remuneration (salaries, allowances, and other financial payments) to all employees of the Company is based on considerations such as individual performances, adherence to the Company's purpose and values, overall Company performance, and industry best practices. The remuneration policy is recommended by the BHRRC and approved by the Board, and subject to periodic reviews.
e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	
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 incentive employees to take excessive risk or to act in self-interest.	The committee has ensured that the remuneration structure is aligned with the business strategy, objectives, values, long-term interests, and cost structure of the company.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
	g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	The BHRRC has reviewed the emoluments structure of Key Responsible Personnel (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer), as well as their Performance Evaluation scores and any changes compared to the previous year's data.
	h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	The committee ensures that senior management are not in attendance when matters relating to them are being discussed.
11.	INTERNAL CONTROLS	
11.1.	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	The effectiveness of the Company's internal control mechanism has been certified by the Directors in the annual report under the heading "Directors' Statement on Internal Controls over Financial Reporting.
11.2.	A proper internal control system shall: <ul style="list-style-type: none"> (a) Promote effective and efficient operations; (b) Provide reliable financial information; (c) Safeguard assets; (d) Minimize the operating risk of losses from irregularities, fraud and errors; (e) Ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies. 	<p><i>Refer Directors' Statement on Internal Controls over Financial Reporting.</i></p> <p>Further, the External Auditors were engaged in providing assurance on the aforementioned report, and their opinion is submitted to the Board.</p> <p>The BAC has adopted and reviewed the adequacy and the effectiveness of the company's internal control systems and management information systems (MIS). Internal Audit Department supports the process by carrying out audits to assess the internal controls over financial reporting and management information systems.</p>
11.3.	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	All employees are given the responsibility for internal controls through their appointment letters and acceptance of ethical framework of the company.
12.	RELATED PARTY TRANSACTIONS	
12.1.	Board shall establish a policy and procedures for related party transactions, which covers the following. <ul style="list-style-type: none"> a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors. 	The company has established an RPTRC, with an Independent Director serving as the Chairperson and two Non-Executive Directors as members.

Section	Direction	Status of Compliance
	b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	The committee approved mechanism is in place to avoid any conflicts of interest that may arise from such transactions.
	c) The business transactions with a related party that are covered in this Direction shall be the following: <ul style="list-style-type: none"> <li data-bbox="272 566 544 589">i. Granting accommodation. <li data-bbox="272 611 775 663">ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. <li data-bbox="272 685 799 736">iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. <li data-bbox="272 759 799 920">iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. 	Except for specific transactions mentioned in the RPT policy, all other Related party transactions are post reviewed and recommended by the RPTRC.
12.2.	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ul style="list-style-type: none"> <li data-bbox="236 1193 584 1216">a) Directors and senior management. <li data-bbox="236 1238 783 1290">b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. <li data-bbox="236 1312 783 1413">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. <li data-bbox="236 1435 767 1487">d) Directors and senior management of legal persons in paragraph (b) or (c). <li data-bbox="236 1509 783 1561">e) Relatives of a natural person described in paragraph (a), (b) or (d). <li data-bbox="236 1583 799 1715">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. 	A Board-approved related party transaction policy is in place, which addresses various types of related party transactions in accordance with the relevant directives. The purpose of this policy is to prevent any conflicts of interest that may arise from such transactions involving the identified related parties. In this regard, the company maintains a name list of the identified related parties.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
12.3.	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	<p>A monitoring system is in place at the Company where the Company extracts quarterly reports on all related party transactions which are reviewed by the committee to ensure that the Company does not grant related parties more favorable treatment than accorded to other customers.</p>
13.	GROUP GOVERNANCE	
13.1.	<p>Responsibilities of the FC as a Holding Company</p> <ul style="list-style-type: none"> a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them. b) The Board of the FC shall: <ul style="list-style-type: none"> i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies. ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries. 	<p>The Board has established a group governance framework to ensure adequate oversight over its group, in compliance with the regulatory requirements.</p> <p>The purpose of this group governance framework is to ensure that Commercial Credit and Finance PLC (CCL) as a holding company exercises adequate oversight over its subsidiaries and associates, while complying with independent legal, regulatory, and governance responsibilities.</p> <p>Currently, the company has one subsidiary named Commercial Credit Insurance Brokers Private Limited and another company named TVS Lanka Private Ltd with significant influence under LKAS 24</p>

Section	Direction	Status of Compliance
	<ul style="list-style-type: none"> iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements. <p>c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.</p> <p>d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.</p> <p>e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.</p>	
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 not a subsidiary of another financial institution and the company discharge its own legal and governance responsibilities.
14.	CORPORATE CULTURE	
14.1.	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	The company has established an Ethical Framework that provides awareness and guidance on the values of Commercial Credit, corporate governance practices, good business ethics, professionalism, and the expected behaviors when fulfilling duties and responsibilities. The Ethical Framework also outlines breaches and their consequences.
14.2.	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	The company has adopted Human Resource Operating Procedure and all the breaches are addressed in accordance with the said procedure. Further, the company maintain records of breaches.
14.3.	A FC shall establish a Whistle blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	The company has adopted Whistle blowing policy and the BAC has reviewed the policy regularly.

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
15.	CONFLICTS OF INTEREST	
15.1.	<p>a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.</p> <p>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,</p> <ol style="list-style-type: none"> i. Identify circumstances which constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed. 	The Board has adopted Conflict of Interest policy which has ensured the compliance with the stipulated requirements
16.		
16.1.	<p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.</p>	Annual audited financial statements and interim financial statements were prepared in accordance with formats prescribed by the supervisory and regulatory authorities and accounting standards and are published in the newspapers in all three languages.
	i. Financial statements	
	<ul style="list-style-type: none"> ■ 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. 	<p>This is being disclosed in the report of the Board of Directors on the Affairs of the Company.</p> <p><i>Refer report of the Board of Directors on the Affairs of the Company</i></p>

Section	Direction	Status of Compliance
ii. Chairperson, CEO and Board related disclosures		
	<ul style="list-style-type: none"> ■ Name, qualification and a brief profile. ■ Whether executive, non-executive and/or independent director. ■ Details of the director who is serving as the senior director, if any. ■ The nature of expertise in relevant functional areas. ■ Relatives and/or any business transaction relationships with other directors of the company. 	<p>Refer "Profiles of the Board Of Directors" in this annual report.</p> <p>The Chief Executive Officer (CEO) has a business relationship with a Non-Executive Director of the company where such Non-Executive Director and CEO serve on the Board of Asia Pacific Institute of Information Technology Ltd.</p> <p>The CEO of the Company is the spouse of an Executive Director of the Company. Except for the above there are no business relationships with other Directors of the Company.</p>
	<ul style="list-style-type: none"> ■ 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; ■ Names of board committees in which the director serves as the chairperson or a member. 	<p>Refer "Profiles of the Board of Directors" in this annual report.</p> <p>Refer record of the attendance at Board meetings and Board Sub-Committee meetings.</p>
iii. Appraisal of board performance		
	<ul style="list-style-type: none"> ■ An overview of how the performance evaluations of the Board and its committees have been conducted 	<p>A procedure is in place for self-assessments to be conducted annually by each Director, as well as for the Board as a whole and its committees. These assessments are undertaken to evaluate the effectiveness and performance of the Board and its committees. The records of these assessments are maintained by the Company Secretary.</p>
iv. Remuneration		
	<ul style="list-style-type: none"> ■ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) 	<p>The Board approved Remuneration policy is in place for the Executive directors and for Senior Management.</p> <p>The Remuneration Policy ensured that payment of remuneration (salaries, allowances and other financial payments) to all employees of the Company is by considering the individual performances, adherence to the Company's purpose and values, the performance of the Company as a whole and industry best practices.</p> <p>Non-Executive Directors remuneration is governed by the board approved Non-Executive Directors Remuneration Policy and is under the purview of the BHRRC and approved by the Board.</p> <p><i>Please refer of the Board Human resource remuneration Committee.</i></p>

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance																
	<ul style="list-style-type: none"> The aggregate values of remuneration paid by the FC to its directors and senior management. 	<p>Refer the Report of the Board of Directors on the Affairs of the Company and notes to the financial statements on related party transactions in this annual report for the director's remuneration details.</p> <p>Remuneration paid to Senior Management (KRP's) (including Executive Directors): Rs.251,599,840/-</p>																
v.	Related party transactions																	
	<ul style="list-style-type: none"> The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. 	<p>The Chairman/ Non Independent Non-Executive Director has a business relationship with the CEO of the company where the Chairman and CEO serve on the Board of Asia Pacific Institute of Information Technology Ltd. Except that the Chairman has no financial or any other relationship with any other member of the Board.</p> <p>The CEO of the Company is the spouse of an Executive Director of the Company</p>																
	<ul style="list-style-type: none"> 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. 	<table border="1"> <thead> <tr> <th>Category</th> <th>Net accommodation granted (Rs.)</th> <th>Outstanding (Rs.)</th> <th>% Core capital</th> </tr> </thead> <tbody> <tr> <td>Directors and other KRPs</td> <td>16,662,790.99</td> <td>13,583,019.55</td> <td>0.07%</td> </tr> <tr> <td>Subsidiaries, associates, affiliates, holding company, ultimate parent</td> <td>19,382,749.80</td> <td>NIL</td> <td>0%</td> </tr> <tr> <td>Relatives of KRPs</td> <td>4,900,506.88</td> <td>5,742,161.32</td> <td>0.03%</td> </tr> </tbody> </table>	Category	Net accommodation granted (Rs.)	Outstanding (Rs.)	% Core capital	Directors and other KRPs	16,662,790.99	13,583,019.55	0.07%	Subsidiaries, associates, affiliates, holding company, ultimate parent	19,382,749.80	NIL	0%	Relatives of KRPs	4,900,506.88	5,742,161.32	0.03%
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	<ul style="list-style-type: none"> The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. 	<p>Remuneration paid to Senior Management (KRP's)(including Executive Directors) - Rs.251,599,840/-</p> <p>Accommodations granted to Senior Management (KRP's) - Rs.16,662,790.99 Deposits made by Senior Management (KRP's) (including Executive Directors) : Rs. 35,630,000.00</p>																
vi.	Board appointed committees																	
	<ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings. 	<p>Refer to the Board committee reports and attendance at Board meetings and Board Sub-Committee meetings.</p>																
vii.	Group Structure																	
	<ul style="list-style-type: none"> The group structure of the FC within which it operates. 	<p>The Board has established group governance framework for exercising adequate oversight over its group in accordance with the regulatory requirements.</p> <p>The purpose of this group governance framework is to ensure that Commercial Credit and Finance PLC (CCL) as a holding company exercises adequate oversight over its subsidiaries and associates, while complying with independent legal, regulatory, and governance responsibilities.</p>																

Section	Direction	Status of Compliance
	<ul style="list-style-type: none"> The group governance framework. 	Currently, the company has one subsidiary named Commercial Credit Insurance Brokers Private Limited and one company with significant influence named TVS Lanka Private Ltd (share percentage is below 20%)
viii. Director's report		
A report, which shall contain the following declarations by the Board:		
	<ul style="list-style-type: none"> The FC has not engaged in any activity, which contravenes laws and regulations. The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. 	Refer Annual Report of the Board of Directors on the Affairs of the Company
ix. Statement on Internal Control		
	<ul style="list-style-type: none"> A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions 	Refer Directors Statement on Internal Control Over Financial Reporting.
		Refer Directors Statement on Internal Control Over Financial Reporting.
x. Corporate governance report		
	<ul style="list-style-type: none"> Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. 	<p>The Corporate Governance report is disclosed in this annual report.</p> <p><i>Refer Corporate Governance report in this annual report</i></p> <p>The Company has obtained an independent assurance statement (factual findings report) from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.</p>

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance
xi. Code of Conduct		
	<ul style="list-style-type: none"> FC's code of business conduct and ethics for directors, senior management and employees. The Chairperson shall certify that the company has no violations of any of the provisions of this code. 	<p>The company has established an Ethical Framework (code of conduct) that offers awareness and guidance to the company on the values of Commercial Credit, corporate governance practices, good business ethics, professionalism, and the connected behaviors required to demonstrate when carrying out duties and responsibilities. The framework also defines breaches and their consequences.</p> <p>Furthermore a Board Directors Engagement Charter is in place.</p> <p><i>Please refer to the Chairperson's message.</i></p>
xii. Management report		
	<ul style="list-style-type: none"> Industry structure and developments Opportunities Risks and concerns Sustainable finance activities carried out by the company Prospects for the future 	<p>Refer Management Discussion & Analysis of the annual report.</p> <p>Refer Sustainability Report of the annual report</p> <p>Refer CEO' Review report of the annual report</p>
xiii. Communication with shareholders		
	<ul style="list-style-type: none"> The policy and methodology for communication with shareholders. The contact person for such communication. 	<p>The Board approved policy on communications with the relevant stakeholders is in place.</p> <p>The Company Secretary communicates with shareholders through the Annual Report, Quarterly Reports, and notices issued to the shareholders.</p> <p>Further, shareholder meetings are chaired by the Chairman of the Board of Directors of the company wherever possible. If the Chairman is unable to attend the meeting, a Chairman for the meeting will be appointed as per the Articles of Association.</p>

COMPLIANCE WITH THE CONTINUING LISTING REQUIREMENTS SECTIONS 7.6 ON CORPORATE GOVERNANCE RULES FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

Rule No.	Disclosure Requirement	Section/Reference	Status
7.6 (i)	Names of the Directors who held duties during the financial year	Refer Annual Report of the Board of Directors on the Affairs of the Company in the Annual Report	Complied
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Refer Annual Report of the Board of Directors on the Affairs of the Company in the Annual Report	Complied
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non- voting shares and the percentage of such shares held	Refer Investor Information Report in the Annual Report	Complied
7.6 (iv)	The public holding percentage	Refer Investor Information Report in the Annual Report	Complied
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Refer Annual Report of the Board of Directors on the Affairs of the Company in the Annual Report	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors	Refer Annual Report of the Board of Directors on the Affairs of the Company in the Annual Report	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	There were no material issues pertaining to employees and industrial relations	Complied
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties	Refer Notes 18 & 19 of the Audited Financial Statements in this Annual Report (Investment property and Property Plant and Equipment)	Complied
7.6 (ix)	Number of shares representing the stated capital	Refer Annual Report of the Board of Directors on the Affairs of the Company in the Annual Report	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Refer Investor Information Report in this Annual Report	Complied
7.6 (xi)	Ratios and market price information on Equity , debt and any changes in credit rating	Refer Annual Report Investor information section in this Annual Report	Complied
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Not Applicable	N/A
7.6 (xiii)	Details of funds raised through an Initial Public issue, Rights Issue and private Placement	Not Applicable	N/A
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme	Not Applicable	N/A
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules Section 9 of the Rules	Company is in compliance with the Corporate Governance requirement of the listing rules (sec. 9) issued by the Colombo Stock Exchange (CSE).	Complied
7.6 (xvi)	Related Party transactions exceeding ten (10) percent of the Equity or five (5) percent of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Not applicable as there were no related party transactions that have exceeded the stipulated limit.	Complied
7.6 (xvii)	Additional disclosures in the event the company has its Foreign Currency denominated Securities listed on the Exchange,	Not applicable	Complied

CORPORATE GOVERNANCE

STATEMENT OF THE EXTENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE.

Rule No.	Requirement	Status of Compliance
9.1/9.1.1/9.1.2	APPLICABILITY OF CORPORATE GOVERNANCE RULES The company is complied with the rules set out in section 9.2 to 9.16 on continuous basis subject to transitional provisions.	Complied and subject to transitional provisions which will be complied in line with the effective date as of 1st October 2024.
9.2	POLICIES	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees - To mention regarding the TOR. (c) Policy on Corporate Governance, Nominations and Re-election. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption	8 out of 12 policies are in place and remaining will be complied in line with the effective date as of 1st October 2024.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	Requirement will be complied in line with the effective date as of 1st October 2024
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Requirement will be complied in line with the effective date as of 1st October 2024
9.3	BOARD COMMITTEES	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	The Company has established the Board Committees in terms of the Listing rules.
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirement.

Rule No.	Requirement	Status of Compliance
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Requirement will be complied in line with the effective date as of 1st October 2024
9.4.	ADHERENCE TO PRINCIPLES OF DEMOCRACY IN THE ADOPTION OF MEETING PROCEDURES AND THE CONDUCT OF ALL GENERAL MEETINGS WITH SHAREHOLDERS	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.	The Company Secretary maintains records of all resolutions which are being considered at the Annual General Meeting.
9.4.2	Communication and relations with shareholders and investors (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	The Company has a Board approved Communication Policy. However, additional requirements in section 9.14 will be complied by 1st October 2024
9.5	POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS	
9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) Recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) Where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) Set out the rationale for combining such positions; and, (ii) Require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.	The Company has separate Board approved policy on Matters related to the board of director and several other board approved policies on matters relating to the Board of Directors. However, any additional requirements in line with section 9.1.4 will be complied by 1st October 2024

CORPORATE GOVERNANCE

Rule No.	Requirement	Status of Compliance
	<p>(iii) Set out the measures implemented to safeguard the interests of the SID.</p> <p>(c) Require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>(d) Stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) Specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>(f) Provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</p> <p>(g) Specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p> <p>(h) Provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>(i) Specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</p>	
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	Company is in compliance with the requirements stated in the in section 9.5.1
9.6	CHAIRPERSON AND CEO	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Directors and the Chairman and Chief Executive positions are held by two individuals. The responsibilities of the Chairman and the CEO are clearly separated and documented in the policy on the functions and responsibilities of the Chairperson and Chief Executive Officer.
9.6.2	<p>A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).</p> <p>Such Market Announcement shall include the following:</p> <p>(a) The reasons for non-compliance</p> <p>(b) The rationale for combining the positions of the Chairperson and CEO</p>	Not applicable

Rule No.	Requirement	Status of Compliance
9.6.3	<p>(a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:</p> <p>i. The Chairperson and CEO are the same person</p> <p>ii. The Chairperson and CEO are Close Family Members or Related Parties</p> <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.</p> <p>(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.</p> <p>(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	<p>The roles of Chairperson and CEO are not held by the same individual. The Chairperson holds the position of a Non-Independent Non-Executive Director, and the company has appointed one of the Independent Directors as a Senior Director with appropriate terms of reference on 17th November 2022</p> <p>The Chief Executive Officer (CEO) has a business relationship with the Chairperson, who is a Non-Executive Director of the company.</p> <p>Two meetings were conducted exclusively with the participation of Non-Executive Directors, without the presence of Executive Directors</p> <p>The senior Independent Director chaired of the meeting to evaluate the chairperson's performance.</p>
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	The Company has complied as per the listing rules requirement.
9.7	FITNESS OF DIRECTORS AND CEOS	
9.7.1	Fit and proper assessments of Directors and CEO	The Company has complied as per the listing rules requirement.
9.7.2	Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper	There is a procedure in place to get a declaration from individuals whose names are suggested for appointment as Directors from the BNC attesting to their compliance with the fit and appropriate requirements outlined in section 9.7.3 of the listing rules.
9.7.3	Fit and Proper Assessment Criteria:	The Company has complied as per the listing rules requirement. All the Directors and CEO have declared that they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has complied as per the listing rules requirement under Circular No.04/2023 dated 11 September 2023 and obtain declarations from the Directors and CEO on annual basis to confirm that each of them have continuously satisfied the Fit and Proper Assessment Criteria

CORPORATE GOVERNANCE

Rule No.	Requirement	Status of Compliance
9.7.5	<p>Disclosures in the Annual Report of Listed Entities</p> <p>Listed Entities shall include the following disclosures/reports in the Annual Report;</p> <p>(a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.</p> <p>(b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.</p>	<p>The Company relies on the annual fit and proper declaration as defined in the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.</p> <p>Further the Board has appointed Directors in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons, which aligns with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.</p> <p>No such instances recorded during the year under review.</p>
9.8	BOARD COMPOSITION	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board consists of Ten (10) Directors, which is within the statutory requirement.
9.8.2	Minimum Number of Independent Directors:	There were five Independent Non-Executive Directors as end of the reporting period.
9.8.3	Criteria for determining independence:	The Company has obtained a declaration from the directors as specified in appendix 9A to ensure their independence.
9.8.4	Criteria for determining independence for the purpose of rule 9.8.3	
9.8.5.	<p>The Board of Directors of Listed Entities shall require:</p> <p>(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p>(b) Make an annual determination as to the "independence" or "non- independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.</p> <p>(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</p>	<p>The Company has obtained a declaration from the directors as specified in appendix 9A to ensure their independence.</p> <p>No such instances occurred during the year under review.</p>
9.9	ALTERNATE DIRECTORS	There are no Alternate Directors in the Board during the financial year
9.10	DISCLOSURES RELATING TO DIRECTORS	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	The company has a Board-approved Policy on the Composition, Independence, and Capacity Building of the Board of Directors. Additional requirements specified in rule 9.5.1 will be complied with by 1st October 2024.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	(Dr) Ms Janaki Padma Kuruppu an Independent Non-Executive Director, has been appointed to the Board effective 1st August 2023. The market announcement was made on 03 August 2023.

Rule No.	Requirement	Status of Compliance
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	No such matters occurred during the year under review
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given in the annual report director's profile section on the Annual Report
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE	The Board Nomination Committee has been established to handle nomination and governance-related matters, and it also acts as the governance committee of the company. A Board-approved Charter for the committee is available, defining its scope, roles, responsibilities, and other pertinent details. Additional requirements will be complied with in accordance with the effective date of 1st of October 2024
9.11.1	Availability of Nomination and Governance committee	BNC complied with the requirements set out in rule 9.11 of listing rules. Refer Board Nomination Committee report in this annual report.
9.11.2	Board appointments through Nomination and Governance Committee	A Board-approved policy is in place to ensure a formal and transparent process for the appointment of new Directors and their re-election to the Board through the Board Nominations Committee (BNC).
9.11.3	Terms of reference of Nominations and Governance Committee	A Charter for the Board Nomination Committee is available, defining its scope, roles, responsibilities, and other pertinent details.
9.11.4	(1) Composition of the Board Nomination and Governance Committee (2) The members of the Nomination Committee shall; (a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) Not comprise of Executive Directors of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Nomination and Governance Committee by the Board of Directors.	The Committee is comprised of two Independent Non-Executive Directors and one Non-Executive Director. The Committee is chaired by Mr. L.L.S. Wickremasinghe, who serves as the Senior Independent Director of the Board (Independent and Non-Executive Director). Refer Board Nomination Committee report in this annual report.
9.11.5	Functions of the Board Nomination and Governance Committee	Refer Board Nomination Committee report in this annual report.
9.11.6	Disclosure in Annual Report	Refer Board Nomination Committee report in this annual report.
9.12	REMUNERATION COMMITTEE	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	The Board Human Resource and Remuneration Committee of the company has been established
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of Individual Directors. No Director shall be involved in fixing his/her own remuneration.	A Board-approved remuneration policy is in place to ensure a formal and transparent process for setting remuneration and to comply with the relevant requirements.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	A separate Board-approved Remuneration Policy for non-executive directors is in place to comply with the relevant requirements.

CORPORATE GOVERNANCE

Rule No.	Requirement	Status of Compliance
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	A Charter for the Board Human Resource and Remuneration Committee is available, defining its scope, roles, responsibilities, and other pertinent details.
9.12.6	<p>Composition</p> <p>(1) The members of the Remuneration Committee shall;</p> <p>(a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) Not comprise of Executive Directors of the Listed Entity.</p> <p>(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p>	<p>The Committee is comprised of two Independent Non-Executive Directors and One Non-Executive Director. The Committee is chaired by Mr. G.B. Egodage, who serves as the Chairperson of the Board (Non-Independent and Non-Executive Director).</p> <p>The requirement of appointing an Independent Director as the Chairperson of the Remuneration Committee will be complied before the 1st of October 2024.</p>
9.12.7	<p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p>	The Remuneration Policy of the Company, encompassing salaries, allowances, and other financial benefits related to the Executive Directors, CEO and senior management, is determined by the Board Human Resource and Remuneration Committee (BHRRC).
9.12.8	Disclosure in Annual Report	The report of Board Human Resource and Remuneration Committee (BHRRC) is given in the Annual Report.
9.13	AUDIT COMMITTEE	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently operates two separate committees: a Board Audit Committee (BAC) and a Board Integrated Risk Management Committee (BIRMC).
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	A Board-approved Charter is in place, defining the scope, authority, and duties
9.13.3.	Composition	<p>All members of the Board Audit Committee are Non-Executive Directors. Chaired by Ms.T.M.L. Paktsun (Independent Non-Executive Directors). The profile of the Chairperson is provided in this Annual Report.</p> <p>Majority members are Independent directors with necessary qualifications and experience relevant to the scope of the BAC</p>

Rule No.	Requirement	Status of Compliance
9.13.4	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) Changes in or implementation of major accounting policy changes;</p> <p>(b) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) Compliance with accounting standards and other legal requirements;</p> <p>(d) Any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) Any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) Whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</p> <p>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p> <p>(iv) Obtain and review assurance received from:</p> <p>(a) The CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</p> <p>(b) The CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p> <p>(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.</p> <p>(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.</p>	<p>Until 1st October 2024 The Listed Entity shall at a minimum comply with present rules 7.10.6 (b) (c) relating to functions and disclosures in the Annual Report relating to Audit Committee. Requirements are already incorporated into the BAC Charter.</p> <p>The BAC has a process in place to review the financial information of the Company, aiming to monitor the integrity of its financial statements, annual report, quarterly accounts, and other periodical reports prepared for disclosure, along with the significant financial reporting judgments therein. Before making a recommendation for the Board's approval, a thorough discussion is held with an emphasis on critical areas, modifications to accounting procedures, important audit findings in the Financial Statements, and adherence to pertinent laws and standards.</p> <p>Currently this aspect is addressed by the BAC</p> <p>Complied with the requirements</p> <p>Complied with the requirements through BIRMC</p>

CORPORATE GOVERNANCE

Rule No.	Requirement	Status of Compliance
	(viii) Review the risk policies adopted by the Entity on an annual basis.	Complied with the requirements through BIRMC
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.	Complied with the requirements through both BIRMC and BAC
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	The Board Audit Committee and the Board Integrated Risk Management Committee execute their respective tasks as defined in their charters.
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken	
	(xii) If a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	
(2)	Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	

9.13.5

DISCLOSURES IN ANNUAL REPORT

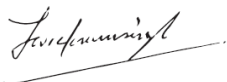
(1)	The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The Report of the Board Audit Committee and BIRMC is given in this Annual Report. Further refer the CEO's & CFO's responsibility statement in this Annual Report.
(2)	The Audit Committee Report shall contain the following disclosures: <ul style="list-style-type: none"> (a) The names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company); (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable). (c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances. 	

Rule No.	Requirement	Status of Compliance
	<p>(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Listed Entity has a formal Audit Charter;</p> <p>(e) Whether the listed entity has a formal Audit Charter</p> <p>(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;</p> <p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p> <p>(h) A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</p> <p>(l) A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of How auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external Auditor and affiliated parties.</p>	
9.14 /9.14.1 /9.14.2 /9.14.3	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	<p>The Company has established its own Related Party Transaction Committee (BRPTRC).</p> <p>BRPTRC comprises a total of three (3) Non- Executive Directors, out of which majority is an Independent Directors. The Chairperson is an Independent Director.</p> <p>All requirements will be complied by 1st October 2024 in line with 9.1.4 (2)</p>
9.14.4 / 9.14.5	General Requirements or Related Party Transactions Review Committee and Review of Related Party Transactions by the Related Party Transactions Review Committee	<p>The committee convened four (4) times a year. Please refer to the BRPTRC report included in this annual report.</p> <p>The BRPTRC members has the knowledge and experience to evaluate every facet of suggested related party transactions. When necessary, the committee should consult a suitably qualified individual to acquire professional and expert opinion.</p>
9.14.6	Shareholder Approval and The Company shall make an immediate Market Announcement to the CSE for Related Party Transactions listed in Section 9.14.7 (a) and (b)	<p>The procedure outlined in section 9.14.6 (1) of the listing rules for obtaining shareholder approval through a special resolution for RPTs is in place.</p> <p>No transactions occurred that needed to be immediately disclosed to the market in accordance with section 9.14.7 of the listing rules.</p>

CORPORATE GOVERNANCE

Rule No.	Requirement	Status of Compliance
9.14.7	The Company shall make an immediate Market Announcement to the CSE for Related Party Transactions listed in Section 9.14.7 (a) and (b)	None
9.14.8	Disclosures in the Annual Report	<p>There were no non recurrent related party transactions which exceed 10% of the equity or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. Refer the RPT Note No. 52 of the Financial Statements in this annual report.</p> <p>There were no recurrent related party transactions which exceed aggregate value 10% of gross revenue/income or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules.</p> <p>Refer the BRPTRC in this annual report.</p>
9.14.9	Acquisition and disposal of Assets from / to Related Parties	None
9.14.10	Exempted Related Party Transactions	Complied
9.16	ADDITIONAL DISCLOSURES	
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Directors' interest register and Directors' interest in contracts or proposed contracts is being maintained as required by the Companies Act. Refer annual report of the board of directors on the affairs of the company and Report on directors' statement on internal control
	(2) They made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	
	(3) They made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	<p>Given in the section of the Annual Report of the board of Directors on the affairs of the company in this Annual Report . Further this has address in the Corporate Governance Report in this Annual Report.</p> <p>Furthermore, the Board has adopted the policy on "Composition, Independence, and Capacity Building of the Board of Directors. "Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation</p>
	(4) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	None
9.17	ENFORCEMENT PROCEDURE FOR NON-COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS.	None

On behalf of the Board Nomination Committee



L.L.S. Wickremasinghe

Chairperson - Board Nomination Committee

3rd July 2024
Colombo

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

The directors have pleasure in presenting to the shareholders the annual report of the board of directors (the "Board") for the year ended 31st March, 2024. This report contains information conforming to the requirements under the Companies Act No. 7 of 2007 (the "Companies Act") and other information required by the Listing Rules of the Colombo Stock Exchange (the "Listing Rules").

PRINCIPAL ACTIVITIES

The principal activities of Commercial Credit and Finance PLC (the "Company") are accepting deposits, granting of leasing facilities, hire purchase facilities, personal loans, micro finance loans, gold loans and other credit facilities.

CHANGES TO THE NATURE OF BUSINESS

There were no significant changes to the principle activities of the Company during the financial year ended 31st March, 2024.

FINANCIAL STATEMENTS

The financial statements for the year ended 31st March, 2024 are set out in this annual report.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing and presenting the financial statements, as set out in this annual report. The financial statements have been prepared in conformity with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act.

The directors are of the view that the financial statements give a true and fair view of the state of affairs of the Company and of the profit for the year then ended.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are given on pages 121 to 134. The Directors consider that, in preparing these financial statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The financial statements are prepared on a Going Concern basis.

CORPORATE GOVERNANCE

The Board ensures that the Company's corporate governance framework remain robust and relevant. The corporate governance practices within the Company are set out in pages 48 to 94 of this report.

DIRECTORS

The names and the profiles of the directors as who held office during the year are set out on Pages 15 to 18.

RELATED PARTY TRANSACTIONS

The Related Party Transaction Review Committee considers all transactions that require approval, in line with the Company's Related Party Transaction Policy and in compliance with section 9 of the Listing Rules, Sri Lanka Accounting Standard and the Directions issued by the Central Bank of Sri Lanka and are disclosed in Note 52 to the financial statements.

Further, the directors have abstained from voting on matters, if any, in which they were materially interested as related party.

INTEREST REGISTER

An interest register is being maintained as required by the Companies Act.

DIRECTORS' SHAREHOLDING

The shares held by the directors at the beginning and at the end of the financial year were as follows. (The Articles of Association of the Company do not stipulate a share qualification for directors):

Name of director	As at 31st March 2023	As at 31st March 2024
G.B. Egodage	Nil	Nil
R.S. Egodage	Nil	Nil
G.R. Egodage	Nil	Nil
P.S.R. Casie Chitty	429,808	429,808
L.L.S Wickremasinghe	Nil	Nil
T.M.L. Paktsun	Nil	Nil
G.A.M. Edwards	Nil	Nil
D. Malfar (resigned on 01.09.2023)	Nil	Nil
F. Solbani	Nil	Nil
W. D. Barnabas	Nil	Nil
J.P.Kuruppu (appointed on 01.08.2023)	Nil	Nil

There are no Company debentures held by the directors

PROPERTY, PLANT & EQUIPMENT

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note 19 to the financial statements. The directors consider the market value of the property, plant & equipment as at 31st March, 2024 not to be significantly different to the amounts disclosed.

STATED CAPITAL

The stated capital of the Company remains at LKR 2,150,640,315/- consisting of 318,074,365 Ordinary (Voting) Shares. The shares of the Company are listed on the Colombo Stock Exchange (CSE).

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

EQUITABLE TREATMENT FOR STAKEHOLDERS

The Directors declare that the Company made endeavors to ensure the fair treatment for all Stake holders including shareholders and depositors.

GOING CONCERN

The Board of Directors is satisfied that the Company can continue its operations in the foreseeable future.

SHAREHOLDERS

The total shareholder base of the Company as at 31st March, 2024 was 3,211. The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information in pages 200 to 203 of this report.

STATUTORY PAYMENTS

The directors, to the best of their knowledge and belief are satisfied that all statutory payments had been made up to date.

DONATIONS

During the year the Company has made LKR 832,308 as charitable contributions (2023 LKR 1,694,098/-)

DIRECTOR'S FEES & EMOLUMENTS

Directors' fees and emoluments for the financial year ended 31st March, 2024, was LKR 13,940,997.20 (2023 - LKR 16,310,000/-).

COMPLIANCE

We certify that the Company complies with the prudential requirements, regulations, laws and internal controls and are taking measures to rectify any non-compliance. Further, we declare that the Company has not engage in any activity which contravenes laws and regulations.

AUDITORS

The financial statements for the period under review have been audited by Messers Ernst & Young, Chartered Accountants and the audit report is set out in pages 111 to 113 of this report.

The audit & audit related fees and non-audit fees payable to Ernst & Young for the year under review amounted to LLKR 6,600,000 and LKR 3,835,000 respectively.

As far as the directors are aware, the auditors do not have any relationship other than that of an auditor with the Company or any of its subsidiaries.

A resolution appointing M/s KPMG-Chartered Accountants as the auditors of the Company for the Financial Year 2024/25 and authorizing the directors to determine their remuneration will be proposed at the annual general meeting.

DIRECTORS' DECLARATIONS IN TERMS OF RULE 9.16 (I) OF THE LISTING RULES OF THE CSE

The Directors declare that all material interests in contracts involving the Company have been disclosed to the Board. Whenever any Director was materially interested in a contract or a proposed contract with the Company, they refrained from voting on such contracts. Furthermore, it is declared that during the year under review, the Company did not enter into any contracts in which any Director was interested.

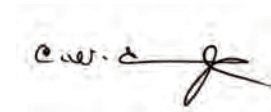
DIRECTORS' DECLARATIONS IN TERMS OF SECTION 16.1 (II) AND (V) OF FINANCE BUSINESS ACT DIRECTIONS NO. 5 OF 2021 AND RULE 9.10.4 (C) OF THE LISTING RULES OF THE CSE

The Chairman and the Directors of the Company have made the required declarations under the aforementioned Directions and Rules. They have confirmed that there is no financial, business, family, or other material/relevant relationship between the Chairman and the members of the Board, except for the CEO. Due to the business relationship between the Chairman and the Chief Executive Officer (CEO), the Chairman is identified as a Non-Independent Non-Executive director. Consequently, the Company appointed one of the Independent Directors as a Senior Director with appropriate terms of reference on 17th November 2022.

FIT AND PROPER ASSESSMENT OF DIRECTORS

In accordance with Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors, confirming that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as of the date of such declarations.

By Order of the Board.



Chamila Nilanthi Edirisinghe
Company Secretary



G.B. Egodage
Chairman



R.S. Egodage
Executive Director / Chief Executive Officer

30th May 2024
Colombo

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) exercises oversight on behalf of the Board in discharging its responsibilities over financial reporting, internal audit, internal controls and external audit. The Board approved Charter for the BAC clearly defines the Terms of Reference of the Committee and regulates the composition, role and responsibilities of the BAC. The BAC Charter is subject to review periodically and was last reviewed and approved by the Board in March 2024.

The Committee is empowered by the Board to:

- Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, the Regulatory Authorities, the Management and other stakeholders.
- Review the adequacy and effectiveness of accounting policies, financial controls and other internal controls and the financial reporting process
- Exercise independent oversight of the Company's external auditors and internal audit function and ensures the independence and effectiveness of both.
- Review Company's compliance with relevant legal and regulatory requirements and accounting standards in the preparation, reporting and presentation of financial information and monitor the integrity of the Financial Statements and other reports issued by the Company in terms of disclosure requirements.

COMPOSITION OF THE COMMITTEE

The Committee consists of three Non-Executive Directors, the majority of whom are independent. Ms. T.M.L. Paktsun an Independent Director is the Chairperson and the other members are Mr. L.L. S. Wickremasinghe and Mr. G.B. Egodage. Brief profiles of the Members are given on pages 15 to 18 of the Annual Report.

The Committee held Thirteen meetings during the year ended 31 March 2024. The proceedings of these meetings are reported to the Board.

The Committee met, during the year and in the absence of the Management, with the Chief Financial Officer and the senior finance team during the year, to ensure the independence of the financial reporting function, the Head of Internal Audit and Senior Internal Audit staff to ensure their independence and the External Auditor twice during the year in the absence of the Management to ensure that the Auditors had the independence to discuss and express their opinion on any matter and that there was no limitation of scope in relation to the audit.

The Committee invites members of the senior management team on a need's basis to participate in the BAC meetings, including but not limited to the Head of Internal Audit, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and the Compliance Officer. The Company's External auditors and members of the Operational Management team are also invited to participate when deemed necessary.

ACTIVITIES DURING THE YEAR

Financial Reporting, risks and internal controls

- The Committee supported the Board in its oversight of the preparation of the financial statements by ensuring the statements were prepared in accordance with the Company's accounting records and in compliance with the provisions of Sri Lanka Accounting Standards and the Companies Act No7 of 2007
- The Committee ensured that the accounting policies and practices are appropriate and adequate internal controls and procedures were in place to provide reasonable assurance that the financial reporting system is effective and provides reliable and timely information.
- The Committee reviewed the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties and key estimates and judgments material to the Company's financial reporting and whether disclosures made in the published financial statements were adequate and appropriate

- The Committee satisfied itself that adequate internal controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded.
- During the year the committee placed additional focus on prevailing macro-economic challenges and its impact on the financial reporting process. The Committee also reviewed the adequacy of the impairment provision on Loans and advances and related management overlays computed to address the impact of the challenging macro - economic environment.
- The committee reviewed the assurance statement from the CEO and CFO that the financial records have been properly maintained and the financial statements provide a true and fair view of the Company's finances.
- The committee obtained and reviewed the assurance received from the CEO and other Key Management Personnel who are responsible for the adequacy and effectiveness of the Company's risk management and internal control systems.
- The Committee met, in the absence of the Management, with the Chief Financial Officer and the senior finance team during the year, to ensure the independence of the financial reporting function.

INTERNAL AUDIT

- Ensured that the Internal Audit function is independent of the activities it audits and that audits are performed with impartiality, objectivity and due professional care.
- Reviewed and approved the internal audit plan for the year and evaluated its adequacy and its frequency of coverage.
- Reviewed the internal audit reports and significant findings with management responses and the status of implementation of BAC recommendation, on a regular basis.
- Evaluated the Internal Audit function covering key areas such as scope, quality of internal audits, independence and resource availability.

REPORT OF THE BOARD AUDIT COMMITTEE

EXTERNAL AUDIT

- The Committee assisted the Board in engaging External Auditors for audit services, in compliance with regulatory provisions and recommended the reappointment of M/s Ernst & Young as external auditor for the year 2023/2024 for shareholder approval
- The committee evaluated the independence, objectivity and effectiveness of the audit process and obtained a statement confirming the independence in terms of the relevant professional and regulatory requirements.
- The Committee reviewed the non-audit services provided by the auditors, ensuring such assignments do not fall within the restricted services and the provision of such services and would not impair the external auditor's independence and objectivity.
- The committee reviewed the details and related fees for all Audit and Non-audit services obtained from the External Auditor to ensure that non-audit related fees do not exceed the combined fees and expenses payable for audit and audit related services and the ratio of 2:1 was maintained between audit and audit related work and non-audit fees during the year under review.
- The Engagement Partner was rotated in 2020 to be in line with Corporate Governance requirements
- The Committee discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the External Auditor prior to commencement of the annual audit.

- The Committee discussed all relevant matters arising from the interim and final audits, together with the Management Letter and management responses thereto.
- In accordance with the Finance Business Direction No 5 of 2021 the appointment of M/s KPMG (Chartered Accountants) as the external auditor for the year 2024/25 was recommended to the Board for shareholder approval at the forthcoming Annual General Meeting.

COMMITTEE EFFECTIVENESS

The Committee completed the annual evaluation process with a self-assessment during the year and concluded that the Committee continues to operate effectively.



T.M.L. Paktsun

Chairperson - Board Audit Committee

26th May 2024
Colombo

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board Human Resource and Remuneration Committee appointed by the Board of directors consists of three (3) Non-Executive Directors. Mr. G. B. Egodage, Non-Executive Director is the Chairperson of the Committee. Ms. T.M.L. Paktsun, Independent Non-Executive Director, and Ms. G. Edwards, Independent Non-Executive Director, are the other two members.

Brief profiles of the Members are given on pages 15 to 18 of the Annual Report.

The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

During the year under review, 3 Committee meetings were held and the attendance of the members at these meetings is given on page 50 of this Report.

The Committee is responsible to the Board for reviewing the remuneration of the Executive Director/Chief Executive Officer and to recommend appropriate remuneration benefits and other payments.

The Committee established a non-discriminatory remuneration policy for all members of the Board of Directors so far as their contributions on the Board and their participation and leadership of the Board Sub-Committees are concerned. This policy will be reviewed as required.

The Committee shall consider / evaluate the performance of the CEO against the targets and goals set and determine the basis for revising the remuneration, increments, bonuses and other performance-based incentives of the CEO.

A signed statement by the Chairman of the Committee on the matters highlighted at the meeting and included in the minutes are tabled at Board meetings as appropriate. Recommendations made by the Committee are discussed at Board meetings and the final determination based on such recommendations if any is required, is made by the Board of Directors.



G. B. Egodage

Chairperson – Board Human Resource and Remuneration Committee

25th June 2024
Colombo

REPORT OF THE BOARD NOMINATION COMMITTEE

The Board Nomination Committee appointed by the Board of Directors consists of three (3) Non-Executive Directors. Mr.L.L.S.Wickremasinghe, Independent Non-Executive Director/Senior Independent Director is the Chairperson of the Committee. Ms. T.M.L.Paktsun, Independent Non-Executive Director, and Mr.G.B.Egodage, Non-Executive Director, are the other two members.

Brief profiles of the Members are given on pages 15 to 18 of the Annual Report.

The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

During the year under review, five (05) Committee meetings were held and the attendance of the members at these meetings is given on page 50 of this Report.

The Committee supports the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new Directors, re-appointment of current Directors, selection and appointment of the CEO and the Executive Directors and senior management to ensure the highest levels of Corporate Governance in the Company and among members of the Board of Directors.

Whilst exercising general oversight with respect to the corporate governance by the Board of Directors, the Committee also considers and recommends succession arrangements from time to time for the retiring Directors, the Chief Executive Officer, Executive Directors and senior management taking into account the additional/new expertise required. The Committee regularly reviewed the structure, size, composition

including gender representation and competencies (including the skills, knowledge and experience) of the Board members and made recommendations to the Board with regard to any changes.

The fitness and propriety of the Directors and the new KRP's were considered during the year as and when required to ensure compliance with the CBSL requirements and Corporate Governance Rules of the CSE.

The Committee completed the annual evaluation process with a self-assessment in May 2024 and concluded that the Committee continues to operate effectively.



L.L.S. Wickremasinghe

Chairperson - Board Nomination Committee

03rd July 2024
Colombo

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) of the Company was established as a Board Sub-Committee on 22nd September 2015. The scope of the committee is to ensure compliance with the rules set out in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

The Committee appointed by the Board of directors consists of three non-executive directors. Ms T M L Paktsun an Independent Director is the Chairperson of the Committee. Mr L L S Wickremasinghe and Mr G B Egodage are the other two members.

Brief profiles of the Directors representing the Committee are given on pages 15 to 18.

The Committee held four meetings during the year under review. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

PURPOSE OF THE COMMITTEE

The Committee was formed to assist the Board in reviewing all related party transactions carried out by the company and is governed by a Charter approved by the Board of Directors.

The mandate of the committee includes

- Reviewing to evaluate and consider all transactions with related parties (except those expressly exempted by Listing Rule 9.14.10 of the CSE) in order to ensure that transactions with related parties are on normal commercial terms and not better than the best terms afforded to other non-related parties.
- Determining whether Related Party Transactions that are to be entered into by the company, require Board or shareholder approval

- Establishing guidelines for recurrent related party transactions for senior management to follow in its ongoing dealings with the related parties.
- Ensuring immediate market disclosures and disclosures in the Annual Report as required by rules /regulations are made on a timely manner.

SCOPE OF OPERATION

The committee has ensured that a company has the necessary processes to identify, review and disclose Related Party transactions.

The monitoring of the system in place to capture information on Related Party Transactions and to ascertain that these transactions and dealings are in strict conformity with Statutory and Regulatory requirements the Company is obliged to adhere to.

The monitoring of the system in place to obtain a comprehensive list of Related Parties based on latest available declarations by Directors and Key Responsible Persons.

The review of the quarterly Reports on Related Party Transactions presented to the Committee by comparing Related Party Transactions with benchmarked criteria applicable for Non-Related Party Transactions, to evaluate and determine that related Parties have not received more favorable or preferential consideration.

The Committee has the right of access as well as the right to call for clarifications and explanations from the Management and Auditors on any related matter.

RELATED PARTY TRANSACTIONS DURING THE PERIOD

Details of Related Party Transactions are disclosed under Note No. 52 to the financial statements in this Annual Report.

COMMITTEE EFFECTIVENESS

The committee completed the annual evaluation process with a self-assessment in March 2024 and concluded that the Committee operates effectively.



T.M.L. Paktsun

Chairperson-Related Party Transaction Review Committee

7th May 2024
Colombo

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board's Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in compliance with the corporate governance for Licensed non-bank financial institutions in Sri Lanka, issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL). The composition and the scope of work of the committee are in line with the same, as set out in the BIRMC charter, and clearly sets out the membership, authority, duties and responsibilities of the committee.

The BIRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the numerous risks faced by the Company in its business operations. The Corporate Management is responsible for identifying relevant risks and notifying the BIRMC. Duties of the BIRMC include determining the adequacy and effectiveness of such measures taken, and to ensure that the actual overall risk profile of the Company conforms to the desirable risk appetite of the Company, as approved by the Board.

The BIRMC is made up of four Independent Non-Executive Directors and One Non-Executive Director. Chief Executive Officer, an Executive Director and Members of the Corporate Management supervising broad risk categories are invitees of the meeting.

During the year under review the BIRMC was made up of the following:

- ◆ Mr. L. S. Wickremasinghe- Independent Non-Executive Director - Chairman
- Ms.T. M. L. Paktsun- Independent Non-Executive Director
- Mr. G. B. Egodage- Non-Executive Director
- Ms. G. Edwards- Independent Non-Executive Director
- Mr. W. D. Barnabas - Independent Non-Executive Director

Brief Profiles of the Directors are given in the Board of Directors section.

Eight (08) Meetings of the BIRMC were held during the period under review and attendance of the Directors at these meetings is given in this Annual Report. All key risks such as credit, operational, market, liquidity, information technology, strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very

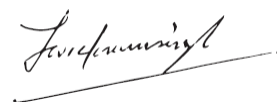
closely with the Key Responsible Personnel and the Board in fulfilling its statutory, fiduciary, and regulatory responsibilities for risk management. The risk profile of the Company is communicated to the Board of Directors periodically through the Risk Assessment Report submitted to the Board following each BIRMC meeting. A self-assessment of the effectiveness of the BIRMC was made by the members of the committee and the assessment was conveyed to the Board of Directors.

ACTIVITIES IN 2023/2024

In discharging the above duties and responsibilities vested on the BIRMC, the Committee reviewed significant risks during the year. The activities carried out by the Committee are detailed below.

- Main focus area for the year 2023/2024 was on the deteriorated credit quality level of the industry amidst socio-economic challenges that the country is facing. Deliberations on sectors affected and the factors that are within the control of the Company to mitigate the associated risks were given due consideration with a view to arresting the deterioration of credit quality.
- Excess liquidity arising out of mediocre credit growth, challenges stemming from decreasing interest rates attracted the attention of the Committee in most of the deliberations leading to formulation of strategies by the Management.
- Amidst the heightened cyber threats in the environment, the BIRMC focused on the progress of the key information security of the Company which is included in data leakage prevention policy implementation.
- Reviewed periodic reports from the Management on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures.
- Improvements were recommended to the Company's risk management framework and related policies and procedures as deemed suitable.
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk, such as Asset and Liability Committee and Executive Credit Committee. Actions initiated by the Senior Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committee.
- Assessed the compliance function to ascertain the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business Operations.
- Conducted stress testing to evaluate the potential effects of earnings, capital levels and liquidity, ensuring a comprehensive and forward-looking risk assessment.
- Assessed the impact of changes in interest yields, gross loan portfolio, cost of funds, impairment charges and other key parameters by using a range of additional stress tests.
- Actions were taken to mitigate enhanced Cyber Risk and data leakage prevention by conducting periodic internal and external vulnerability assessments, timely patch upgrades/ update databases, applications, middleware and operating systems, strengthening the security measures.
- Analyzed the outcomes of the Expected Credit Loss (ECL) validation and back testing conducted by the Company's risk management department, and provided recommendations for enhancing the processes.
- Assessed contracts that have been granted moratoriums and due skips, and advised management on identifying and classifying contracts as non-performing loans (NPLs) under potential risk.
- The Company's Risk Appetite limits were reviewed based on the strategic plan of the company.
- Involvement in the development of an Early Warning System to management for proactively accessing information regarding potential risks of the Company.
- The Company's Credit Risk Management framework was further strengthened with the recent review and implementation of credit delegation authority levels of the company.

On behalf of the Board Integrated Risk Management Committee



L.L.S. Wickremasinghe
Chairman - Board Integrated Risk Management Committee

25th April 2024

Colombo

CEO'S & CFO'S RESPONSIBILITY STATEMENT

The Financial Statements of the Commercial Credit and Finance PLC (Company) as at 31 March 2024 are prepared and presented in compliance with the following regulatory requirements:

- I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- III. Companies Act No. 07 of 2007
- IV. Finance Business Act No. 42 of 2011
- V. Directions, circulars and guidelines issued to Licensed Finance Companies by the Central Bank of Sri Lanka
- VI. Listing Rules of the Colombo Stock Exchange

The Accounting Policies of the Company are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka and have been consistently applied by the Company.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. All significant items have been disclosed and explained by way of Notes to the Financial Statements.

We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Company for the year ended 31 March 2024. We also confirm that the Company has adequate resources to continue its operations into the foreseeable future and accordingly adopt the going concern basis in preparing these Financial Statements.

We accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements

reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Company is reasonably presented. To ensure this, the company has taken proper and sufficient care in implementing internal control systems, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the company has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting

The Financial Statements of the Company were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on pages 111 to 113 of this Report. The audit and non-audit services provided by Messrs Ernst & Young are approved by the Board Audit Committee, to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair Messrs Ernst & Young's independence

The Board Audit Committee meets periodically with the internal audit team and the external auditor to review their audit plans and to discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee Report is available on page

We confirm to the best of our knowledge that

- The Company has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the company other than those disclosed in Note 50 of the Financial Statements section of this Annual Report;

- All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at the reporting date have been paid, or where relevant provided for.



Janaka Deshapriya
Chief Financial Officer



Roshan Egodage
Director/Chief Executive officer

30th May 2024

Colombo

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

Profile of Mr. Lasantha Wickremasinghe is given on page 15 of this report.

In compliance with Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company appointed me as the Senior Independent Director of the Company with effect from 17th November 2022

Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka provide that in the event the Chairman and CEO are the same person or where the Chairman is not an Independent Director, a Senior Independent Director shall be appointed. At Commercial Credit & Finance PLC although the Chairman is not the CEO, he is not an Independent Director.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director provides guidance to the Chairman on matters of governance of the Company.

The Senior Independent Director makes himself available to any Director or any employee to have confidential discussions on the affairs of the Company should the need arise.

ACTIVITIES DURING THE YEAR

Meetings were held with the Non-Executive Directors without the presence of the Executive Directors. At these meetings the performance of the Chairman and the Executive Directors were appraised.

The outcome of these meetings together with recommendations were duly informed to the Chairman and the Board.

As we look to the future, company remain focused on navigating the challenges and opportunities that lie ahead. Commercial Credit's strategic priorities will continue to be underpinned by our commitment to sound corporate governance, effective risk management, and sustainable growth.

As the senior independent director, I am confident that with the continued dedication of our Board, management team, and employees, we will achieve our goals and deliver long-term value for our shareholders.



L.L.S. Wickremasinghe
Senior Independent Director

02nd July 2024

Colombo

STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The statement sets out the responsibility of the Board of Directors (the “Board”) in relation to the Financial Statements of Commercial Credit and Finance PLC (the “Company) and its subsidiary prepared in accordance with the provisions of the Companies Act No. 07 of 2007 (the “Companies Act”).

The responsibility of the external auditor in relation to the financial statements is set out in the report of the auditors given on pages 111 to 113 of the annual report.

In terms of sections 150 (1), 151, 152) and 153(1) and (2)) of the Companies Act, the directors are required to prepare financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its subsidiary as at the end of each financial year and place them before a general meeting. The financial statements comprise of the Statement of Financial Position as at 31 March 2024, the Statement of Profit or Loss and the Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and notes thereto.

The financial statements of the Company and its subsidiary gives a true and fair view of the:

- Financial position of the Company and its subsidiary as at 31 March 2024 and
- Financial performance of the Company and its subsidiary for the financial year then ended.

In preparing the financial statements, the directors are required to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards as relevant have been complied with and material departures, if any, have been disclosed and explained.

The directors after considering the financial position, operating conditions, regulatory and other factors have reasonable expectation that the Company and its subsidiary has adequate resources to continue operations in the foreseeable

future and have adopted the going concern basis in preparing these financial statements.

Further, the directors have a responsibility to ensure that the companies within the group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and its subsidiary. The financial statements prepared and presented in this report have been prepared based on Sri Lanka Accounting standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board has also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and is under regular review of the Board. The results of such reviews carried out during the year are given on pages 106 to 107 in the Directors Statement on Internal Control over Financial Reporting. The External Auditors Assurance Report on the Directors Statement on Internal Control is given on page 108.

The Board has taken steps to ensure that the Company maintains proper books of accounts and review the financial reporting system at their regular meetings and also through the Board Audit Committee. The report of the Board Audit Committee is given on pages 97 to 98.

The Board also approves the interim and annual financial statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented in this annual report.

The Company’s external auditors, Messer Ernst & Young were provided with every opportunity to carry out reviews and checks on the system of internal control they considered appropriate and necessary for expressing their independent audit opinion on the financial statements. They have examined the financial statements made available to them by the Company together with the financial records, related data and minutes of shareholders’ and directors’ meetings and expressed their opinion which appears as reported by them on pages 111 to 113.

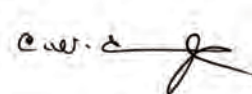
The financial statements of the Company and its subsidiary have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 150 (1) (b) and 152(1) (b) of the Companies Act and have been signed by two directors of the Company as required by section 150 (1) (c) and 152(1) (c) of the Companies Act.

Further as required by section 56(2) of the Companies Act, the Board has assessed the solvency of the Company immediately after the distribution of dividends based on the information available and confirms that the Company satisfies the solvency test as required by section 57 of the Companies Act and have obtained the necessary certificates of solvency from the external auditors.

The directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for.

Accordingly, the directors are of the view that they have discharged their responsibilities as set out in this statement

By order of the Board



Chamila Nilanthi Edirisinghe
Secretary

30th May 2024

Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

The Board of Directors present this statement on internal control over Financial Reporting of the company in compliance with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board is responsible for ensuring the adequacy and effectiveness of the system of internal control at Commercial Credit and Finance PLC. The system is designed, to manage the Company's key areas of risk within an acceptable risk profile and established risk appetite, rather than to eliminate the risk of failure in achieving the business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Company and this process includes enhancing the system of internal controls in response to changes to the Company's enabling business environment and regulatory guidelines.

The process is regularly reviewed by the Board and the Board is of the view that the system of internal controls in place over financial reporting 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 applicable and relevant accounting principles and regulatory requirements.

The Management supports the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks encountered with and in the design, operation and monitoring of suitable internal controls to mitigate these risks and their impact on the Company

Key Internal Control Processes

The key processes established in monitoring the adequacy and integrity of the system of internal controls with respect to financial reporting include the following,

- Monitoring of the Company's operational verticals in ensuring that the Company's operations are conducted in accordance with the corporate objectives, the Board's stated risk appetite, strategies and the annual budget as well as the policies and business decisions that have been approved.
- Board Sub-Committees regularly develop, review and recommend to the Board the Company's Policies and procedures covering all functional areas of the Company and recommend these to the Board for approval for adoption.
- The Internal Audit function of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using appropriate sampling and rotational procedures and highlights significant findings of concern. Audits are carried out on all departments, branches, locations and units in accordance with the annual audit plan reviewed and approved by the Board Audit Committee (BAC). The frequency of audits is determined by the level of risk assessed, to provide an independent and objective report. Findings of Internal Audit are submitted to the BAC for review and observations at their periodic meetings.
- The BAC reviews internal control issues identified by the Internal Audit Function, External Auditor, Regulatory authority and the management and evaluates the adequacy of specific rectification actions, defective controls and preventive controls in ensuring the underlying systemic effectiveness of the internal control systems are continuously improved. The BAC also carries out a review of the effectiveness of the internal audit function with particular emphasis on the scope and quality of internal audits. The minutes of the BAC meetings are tabled at the meetings of the Board of Directors on a periodic basis. Further details of the activities undertaken by the BAC are set out in the Board Audit Committee Report which appears on pages 97 to 98.
- The Board Integrated Risk Management Committee (BIRMC) is established to support the Board in overseeing the overall management of principal areas of risk of the Company. The Committee works with Key Responsible Persons and Management Level Committees which includes representatives from key business units of the Company to support the Board with the implementation of policies advocated by the BIRMC.
- In assessing the internal control systems over financial reporting, identified officers of the Company continue to review and update all procedures and controls that are connected with significant accounts and disclosures in the Financial Statements of the Company. The Internal Audit Department of the Company continues to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- The Company adopts Sri Lanka Accounting Standards comprising of SLRFS's and LKAS's and progressive improvements to processes to comply with the new requirements of recognition, measurement, classification and disclosures were implemented. Financial reporting and management information processes will be further strengthened by continuous monitoring and steps are taken to make improvements to the process where required to enhance effectiveness and efficiency.
- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

- The recommendations made by the External Auditors in connection with the internal control system in the previous year's audit was taken into consideration and appropriate steps taken to implement them where appropriate.

CONFIRMATION

Based on the above, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the listing rules of the CSE.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed the above Directors Statement on Internal Control over Financial Reporting for the year 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 internal controls over Financial Reporting of the Company. Their Report on the Statement of Internal Control is given on page 108.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no instances of material non-compliance with prudential requirements, regulations, laws and internal controls during the year.

There were no concerns raised by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka regarding the Company's Risk Management Systems or instances of non-compliance with the Finance Business Act and rules and directions issued by the Central Bank of Sri Lanka that required public disclosure as directed by the Monetary Board.

By order of the Board,



G.B. Egodage
Chairman



R. S. Egodage
Executive Director / Chief Executive Officer



T. M. L. Paktsun
Director / Chairperson of Board Audit Committee

30th May 2024

Colombo

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
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REPORT ON THE STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING INCLUDED IN THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of Commercial Credit and Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report.

Management's responsibility

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

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants 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.

30th May 2024
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, 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 ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

“Life is from the inside out. When you shift on the inside, life shifts on the outside.”

Kamal Ravikant

INCUBIDE
INSPIRE
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INSPIRE
INSPIRE

FINANCIAL INFORMATION

Independent Audit Report	111
Statement of Financial Position	114
Statement of Profit or Loss	115
Statement of Comprehensive Income	116
Statement of Changes in Equity	117
Statement of Cash Flows	119
Accounting Policies	121
Notes to the Financial Statements	135

SUPPLEMENTARY INFORMATION

Ten Year Summary	199
Investor Information	200
Glossary	204
Notice of Meeting	207
Notes	208
Form of Proxy	209
Investor Feedback Form	211
Corporate Information	212

INDEPENDENT AUDITORS' REPORT



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Chartered Accountants
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ey.com

TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Commercial Credit and Finance PLC (“the Company”) and consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the Statement of Financial Position as at 31 March 2024, and the Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, 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 Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial

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

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, 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 ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

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INDEPENDENT AUDITORS' REPORT



Key audit matter

Impairment Allowances for Financial Assets at Amortised Cost

Impairment Allowances for Financial Assets at Amortised Cost

Impairment allowances for financial Assets at amortised cost amounting to LKR 8.4Bn arising from Lease, Loan and advances of LKR 81.4Bn (Note 10 & 11) is determined by the management based on the accounting policies described in Note 5.4.5.

This was a key audit matter due to

- the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and
- the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.

Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.

Information Technology (IT) systems related internal controls over financial reporting

Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.

Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.

How our audit addressed the key audit matter

In addressing the adequacy of the Impairment allowances for financial Assets at amortised cost, 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, based 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.
- Checked 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.
- Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages.
- Assessed the adequacy of the related financial statement disclosures set out in notes 10 and 11.

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 systems related internal controls over financial reporting, relating to user access and change management.
- Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.
- Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other information included in the 2024 Annual Report

Other information consists of the information included in the Company's and Group 2024 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's and Group 2024 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 will not express any form of assurance conclusion thereon.

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

Responsibilities of management and those charged with governance 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 Group'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 and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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 internal controls of the Company and the Group.
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.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 2199.

30th May 2024
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2024	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Assets					
Cash and bank balances	7	2,162,917,318	2,437,142,080	2,174,887,825	2,455,286,849
Reverse repurchase agreements		541,345,511	860,000,000	588,345,511	860,000,000
Placements with banks	8	3,648,330,913	2,666,945,165	3,790,360,489	2,666,945,165
Financial assets recognised through profit or loss - measured at fair value	9	6,883,129,751	8,437,229,910	6,883,380,225	8,437,448,650
Financial assets at amortised cost					
Loans and receivables	10	23,959,319,517	21,028,377,642	23,959,343,517	21,028,377,642
Lease Rentals Receivable & Stocks out on hire	11	57,478,508,628	55,142,285,509	57,478,508,628	55,142,285,509
Financial assets at fair value through other comprehensive income	12	56,554,019	2,554,019	56,554,019	2,554,019
Other financial assets	13	170,892,035	170,759,082	170,892,035	203,189,138
Inventories	14	68,776,384	215,979,349	68,776,384	215,979,349
Other assets	15	738,354,624	714,279,365	786,583,675	717,157,183
Investment in subsidiary	16	15,000,000	15,000,000	-	-
Investment in associate	17	525,936,491	342,306,353	525,936,491	342,306,353
Investment property	18	2,437,850,045	1,220,344,185	2,437,850,045	1,220,344,185
Property, plant and equipment	19	6,922,680,160	6,460,091,383	6,922,895,887	6,460,091,383
Right of use assets	20	476,082,498	383,532,475	476,082,498	383,532,475
Intangible assets & goodwill	21	828,262,603	894,398,277	828,262,603	894,398,277
Deferred tax Asset	28	1,073,893,464	1,163,215,632	1,073,893,464	1,163,215,632
Total assets		107,987,833,959	102,154,440,425	108,222,553,295	102,193,111,808
Liabilities					
Due to banks	22	12,606,977,873	16,259,699,210	12,606,977,873	16,259,699,210
Due to customers	23	62,121,240,398	59,243,650,511	62,121,240,398	59,243,650,511
Debt instruments issued	24	1,295,844,686	1,295,844,686	1,295,844,686	1,295,844,686
Other financial liabilities	25	1,486,660,789	984,158,637	1,486,660,789	996,498,438
Other liabilities	26	3,178,408,510	2,365,992,817	3,180,926,431	2,365,992,817
Post employment benefit obligations	27	495,936,946	365,950,612	495,936,946	365,950,612
Current tax liabilities		2,623,095,320	1,280,129,104	2,670,382,655	1,289,818,582
Total Liabilities		83,808,164,521	81,795,425,578	83,857,969,778	81,817,454,858
Shareholders' Funds					
Stated capital	29	2,150,640,315	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	30	17,266,535,340	13,655,576,606	17,442,518,949	13,671,386,604
Reserves	31	4,762,493,783	4,552,797,926	4,771,424,253	4,553,630,031
Total Equity		24,179,669,438	20,359,014,847	24,364,583,517	20,375,656,950
Total Liabilities and Shareholders' Funds		107,987,833,959	102,154,440,425	108,222,553,295	102,193,111,808
Commitments and Contingencies	50	432,640,195	481,783,866	432,640,195	481,783,866

I certify that these Financial Statements are in compliance with the requirements of the companies Act No. 07 of 2007.



Chief Financial Officer

The Board of Directors is responsible for these financial statements.



Chairman



Director/Chief Executive Officer

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

30th May 2024
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2024	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross Income	32	31,055,221,987	28,949,268,637	31,295,094,391	28,997,582,970
Interest income	32.1	27,239,198,771	25,054,737,863	27,251,350,690	25,054,773,922
Interest expenses	32.2	(14,431,176,928)	(13,948,087,048)	(14,431,176,928)	(13,948,087,048)
Net interest income		12,808,021,843	11,106,650,814	12,820,173,763	11,106,686,874
Fee and commission income	33	2,462,253,647	2,920,130,715	2,689,956,893	2,968,408,988
Net income from Real estate sales	34	-	1,539,165	-	1,539,165
Net (loss)/gain from trading	35	(3,084,237)	27,603,125	(3,084,237)	27,603,125
Other operating income	36	980,679,993	907,417,770	980,697,232	907,417,770
Change in fair value of Investment property	18	376,173,812	37,840,000	376,173,812	37,840,000
Total operating income		16,624,045,059	15,001,181,589	16,863,917,463	15,049,495,921
Impairment Charges of financial assets	37	(885,306,694)	(3,414,558,266)	(885,306,694)	(3,423,135,466)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss		(8,083,850)	2,098,755	(8,083,850)	2,098,755
Net operating income		15,730,654,515	11,588,722,078	15,970,526,919	11,628,459,210
Operating expenses					
Personnel expenses	38	(4,128,959,528)	(3,568,310,142)	(4,136,033,028)	(3,568,885,142)
Depreciation & amortization	19,20,21	(425,691,743)	(321,225,721)	(425,788,253)	(321,225,721)
Other operating expenses	39	(2,903,936,373)	(2,659,908,774)	(2,907,059,690)	(2,672,739,324)
Operating profit before Tax on financial services		8,272,066,871	5,039,277,442	8,501,645,948	5,065,609,023
VAT on Financial Services	40	(1,633,801,712)	(1,143,299,356)	(1,633,801,712)	(1,143,299,356)
Social Security Contribution Levy	40	(226,916,904)	(77,764,893)	(226,916,904)	(77,764,893)
Operating profit after Value Added Tax on financial services		6,411,348,255	3,818,213,193	6,640,927,332	3,844,544,774
Share of Profit/(loss) of associates	41	183,630,138	41,665,956	183,630,138	41,665,956
Profit before Taxation		6,594,978,393	3,859,879,148	6,824,557,470	3,886,210,728
Income Taxation	42	(2,401,061,265)	(1,260,250,607)	(2,468,673,012)	(1,269,940,085)
Profit for the year		4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Profit attributable to:					
Equity holders of the company		4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Non - controlling interests		-	-	-	-
		4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Basic Earnings Per Share	43.1	13.19	8.17	13.69	8.23
Diluted Earnings Per Share	43.2	13.19	8.17	13.69	8.23
Dividend Per Share	44	1.00	2.00		

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024	Note	Company		Group	
		2024	2023	2024	2023
		LKR	LKR	LKR	LKR
Profit for the year		4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Actuarial gains/(losses) on defined benefit plans	27	(78,840,247)	21,612,500	(78,840,247)	21,612,500
Deferred tax charge/(reversal) relating to actuarial gain on defined benefit plans	28	23,652,074	(6,483,750)	23,652,074	(6,483,750)
		(55,188,173)	15,128,750	(55,188,173)	15,128,750
Total other comprehensive income not to be reclassified to Statement of profit or loss		(55,188,173)	15,128,750	(55,188,173)	15,128,750
Other Comprehensive Income for the year, net of taxes		(55,188,173)	15,128,750	(55,188,173)	15,128,750
Total Comprehensive Income for the Year		4,138,728,955	2,614,757,291	4,300,696,285	2,631,399,393
Total Comprehensive income attributable to:					
Equity holders of the company		4,138,728,955	2,614,757,291	4,300,696,285	2,631,399,393
Non- controlling interests		-	-	-	-
Total Comprehensive Income for the year		4,138,728,955	2,614,757,291	4,300,696,285	2,631,399,393

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Company	Note	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Statutory Reserve	FVOCI Reserve	Total
		LKR	LKR	LKR	LKR	LKR	LKR	LKR
As at 31 March 2024		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,270
Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,270
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022		-	-	-	(812,922,983)	-	-	(812,922,983)
Adjusted Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	11,806,949,473	4,015,557,373	(10,000,000)	18,380,406,287
Net profit for the year	30	-	-	-	2,599,628,541	-	-	2,599,628,541
Other comprehensive income net of tax	30/31	-	-	-	15,128,750	-	-	15,128,750
Total comprehensive income		-	-	-	2,614,757,291	-	-	2,614,757,291
Transferred to Statutory Reserve	30/31	-	-	-	(129,981,427)	129,981,427	-	-
Dividend paid	44	-	-	-	(636,148,730)	-	-	(636,148,730)
Balance as at 31 March 2023		2,150,640,315	358,508,001	58,751,125	13,655,576,607	4,145,538,800	(10,000,000)	20,359,014,848
Balance as at 1 April 2023		2,150,640,315	358,508,001	58,751,125	13,655,576,607	4,145,538,800	(10,000,000)	20,359,014,848
Net profit for the year	30	-	-	-	4,193,917,128	-	-	4,193,917,128
Other comprehensive income net of tax	30/31	-	-	-	(55,188,173)	-	-	(55,188,173)
Total comprehensive income		-	-	-	4,138,728,955	-	-	4,138,728,955
Transferred to Statutory Reserve	30/31	-	-	-	(209,695,856)	209,695,856	-	-
Dividend paid	44	-	-	-	(318,074,365)	-	-	(318,074,365)
Balance as at 31 March 2024		2,150,640,315	358,508,001	58,751,125	17,266,535,341	4,355,234,657	(10,000,000)	24,179,669,438

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Note	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Statutory Reserve	FVOCI Reserve	Total
		LKR	LKR	LKR	LKR	LKR	LKR	LKR
As at 31 March 2024								
Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,270
Adjustment for SurchARGE Tax levied under the SurchARGE Tax Act No. 14 of 2022		-	-	-	(812,922,983)	-	-	(812,922,983)
Adjusted Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	11,806,949,473	4,015,557,373	(10,000,000)	18,380,406,287
Net profit for the year		-	-	-	2,616,270,643	-	-	2,616,270,643
Other comprehensive income net of tax		-	-	-	15,128,750	-	-	15,128,750
Dividend paid		-	-	-	(636,148,730)	-	-	(636,148,730)
Total comprehensive income		-	-	-	1,995,250,663	-	-	1,995,250,663
Transferred to Statutory Reserve		-	-	-	(130,813,532)	130,813,532	-	-
Balance as at 31 March 2023		2,150,640,315	358,508,001	58,751,125	13,671,386,605	4,146,370,905	(10,000,000)	20,375,656,950
Balance as at 1 April 2023		2,150,640,315	358,508,001	58,751,125	13,671,386,605	4,146,370,905	(10,000,000)	20,375,656,950
Audit Adjustment		-	-	-	6,304,646	-	-	6,304,646
Adjusted Balance as at 1 April 2023		2,150,640,315	358,508,001	58,751,125	13,677,691,251	4,146,370,905	(10,000,000)	20,381,961,598
Net profit for the year		-	-	-	4,355,884,457	-	-	4,355,884,457
Other comprehensive income net of tax		-	-	-	(55,188,173)	-	-	(55,188,173)
Total comprehensive income		-	-	-	4,300,696,285	-	-	4,300,696,285
Transferred to Statutory Reserve		-	-	-	(217,794,223)	217,794,223	-	-
Dividend paid		-	-	-	(318,074,365)	-	-	(318,074,365)
Balance as at 31 March 2024		2,150,640,315	358,508,001	58,751,125	17,442,518,949	4,364,165,128	(10,000,000)	24,364,583,517

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash flows from / (used in) operating activities					
Profit before Income Tax Expense		6,594,978,393	3,859,879,148	6,824,557,470	3,886,210,728
Adjustments for					
Depreciation and amortisation	19/ 20/ 21	278,293,586	67,896,078	278,390,096	67,896,078
Amortisation of Right of use assets	20	147,398,157	253,329,643	147,398,157	253,329,643
Share of loss / (Profit) of associate	41	(183,630,138)	(41,665,956)	(183,630,138)	(41,665,956)
Impairment charge of loans and advances, lease, hire purchase	37	885,306,694	3,414,558,266	885,306,694	3,423,135,466
Net fair value adjustment of Investment property	18	(376,173,812)	(37,840,000)	(376,173,812)	(37,840,000)
Disposal gain on Investment property	36	1,380,400	14,008,840	1,380,400	14,008,840
Net fair value gains/(losses) from financial instruments		8,083,850	(2,098,755)	8,083,850	-
Provision for defined benefit plans	27	121,820,742	94,051,825	121,820,742	94,051,825
Operating profit before working capital changes		7,477,457,871	7,622,119,089	7,707,133,459	7,659,126,625
Decrease in Inventories		147,202,965	(127,005,915)	147,202,965	(127,005,915)
Decrease in Loans and Advances		(2,930,941,875)	(2,038,057,882)	(2,930,965,875)	(2,038,057,882)
Increase in Lease Rentals Receivable & Stock out on hire		(3,221,529,805)	(3,553,829,487)	(3,221,529,805)	(3,562,406,687)
Right of use assets		(239,948,179)	(151,323,497)	(239,948,179)	(151,323,497)
(Increase)/Decrease in Other Financial Assets		(132,953)	291,179,551	32,297,104	258,749,495
(Increase)/Decrease in Other Assets		(24,075,264)	(212,624,728)	(69,429,362)	(215,502,547)
Decrease in Amounts Due to Customers		2,877,589,888	11,165,662,787	2,877,589,888	11,165,662,787
Increase/(Decrease) in Other Financial Liabilities		502,502,151	(1,004,405,596)	496,469,860	(992,065,795)
Increase/(Decrease) in Other Liabilities		2,915,018,590	186,571,552	2,937,078,304	186,571,552
Cash generated from Operations		7,503,143,387	12,178,285,874	7,735,898,359	12,183,748,136
Post employment benefit obligation	27	(70,674,655)	(40,913,525)	(70,674,655)	(40,913,525)
Surcharge Tax Paid		-	(812,922,983)	-	(812,922,983)
Taxes paid		(2,880,285,278)	(1,642,838,878)	(2,929,840,962)	(1,642,838,878)
Net cash flows (used in)/from Operating activities		4,552,183,454	9,681,610,488	4,735,382,742	9,687,072,749
Cash flows from / (used in) Investing activities					
Financial assets at fair value through other comprehensive income		(54,000,000)	-	(54,000,000)	-
Acquisition of Investment Property	18	(427,246,261)	(344,877,978)	(427,246,261)	(344,877,978)
Disposal Proceeds from Investment Property		6,260,000	49,490,860	6,260,000	49,490,860
Acquisition of Property, plant and equipments	19	(1,096,023,576)	(1,344,681,954)	(1,096,608,313)	(1,344,681,954)
Acquisition of subsidiary		-	(15,000,000)	-	-
Net investment in placements with banks		440,112,241	665,755,008	440,112,241	665,755,008
Acquisition of Intangible assets	21	(473,300)	(5,614,857)	(473,300)	(5,614,857)
Net investment in Financial assets recognised through profit or loss - measured at fair value		1,546,016,309	(3,347,616,481)	1,545,984,575	(3,349,933,976)

STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Notes	Company		Group	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
		24,000	236,203,582	296,500	236,203,582
		414,669,413	(4,106,341,820)	414,325,442	(4,093,659,314)
		Cash flows from / (used in) Financing activities			
	22	9,757,000,000	11,981,278,371	9,757,000,000	11,981,278,371
		(167,438,426)	(137,840,643)	(167,438,426)	(137,840,643)
	22	(13,341,308,895)	(14,566,806,823)	(13,341,308,895)	(14,566,806,823)
	44	(318,074,365)	(636,148,730)	(318,074,365)	(636,148,730)
		(4,069,821,687)	(3,359,517,824)	(4,069,821,687)	(3,359,517,823)
		897,031,180	2,215,750,844	1,079,886,497	2,233,895,611
		5,411,823,050	3,196,072,206	5,429,967,818	3,196,072,206
		6,308,854,230	5,411,823,050	6,509,854,315	5,429,967,818
		Cash and Cash Equivalents For the Purpose of Cash Flow Statement			
	7	2,162,917,318	2,437,142,080	2,174,887,825	2,455,286,848
		541,345,511	860,000,000	588,345,511	860,000,000
		3,648,330,913	2,226,832,924	3,790,360,490	2,226,832,924
	22	(43,739,511)	(112,151,954)	(43,739,511)	(112,151,954)
		6,308,854,230	5,411,823,050	6,509,854,315	5,429,967,818

Accounting policies and notes from pages 121 to 197 form an integral part of these Financial Statements.

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Commercial Credit and Finance PLC ("Company") is a Limited Liability Company incorporated in Sri Lanka on 4 October 1982 under the Companies Act No. 17 of 1982 and domiciled in Sri Lanka. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 7 of 2007 (Companies Act) on 8 April 2008. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011.

The registered office of the Company and the principal place of business is located at No.106, Yatinuwara Veediya, Kandy. The shares of the company have a primary listing on the Colombo Stock Exchange (CSE).

1.2 Principal Activities and Nature of Operations Company

During the year, the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, term loans, personal loans, micro loans, pawning and other credit facilities, real estate development and related services.

Subsidiary

Commercial Credit Insurance Brokers (Pvt) Ltd (Formerly known as A.M.W Insurance Brokers (Pvt) Ltd)

Commercial Credit Insurance Brokers (Pvt) Ltd is a Limited Liability Company incorporated & domiciled in Sri Lanka. The registered office is situated at No.165, Kynsey Road, Colombo 08. The principle activities of the Company are the business of Insurance Brokering.

Associate Company

TVS Lanka (Pvt) Ltd

The company's primary activities involved import, assembling and distribution of brand new TVS motor bikes, motor bike spare parts, Tractors and Tractors spare part, lubricants, batteries and tyres.

The registered office and principal place of business of the company is located at No.38, Old Negombo Road, Wattala. The Company holds 19.5% of the share of TVS Lanka (Pvt) Ltd. as at the balance Sheet Date. The Chief Operating Officer of the Company is a director of TVS Lanka (Pvt) Ltd and it is considered an associate since Commercial Credit and Finance PLC has a significant influence.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent is BG Investment (Private) Limited. In the opinion of the directors, the Company's ultimate parent entity is BG Capital (Private) Limited, which is incorporated in Sri Lanka while Mr. R.S. Egodage is the Company's ultimate controlling party.

1.4 Approval of financial statements by Directors

The Financial Statements of Commercial Credit and Finance PLC for the year ended 31 March 2024 was authorized for issue by the board of directors on 30 May 2024.

1.5 Responsibility for Financial Statements

The Board of Directors of the company is responsible for these Financial Statements of the Company as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the company have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No 42 of 2011.

These financial statements include the following components.

- A Statement of Profit or Loss and Statement of Comprehensive Income providing the information of the financial performance of the Company

- A Statement of Financial Position providing the information on the financial position of the Company as at the year end
- A Statement of Changes in Equity depicting all changes in shareholder's equity during the year under review of the Company
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows
- Notes to the Financial Statements comprising accounting policies & other explanatory information

2.2 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items stated in the Statement of Financial Position which have been measured at fair value.

- Financial assets recognized through Profit or Loss (FVPL)
- Financial assets held at fair value through other comprehensive income (FVOCI)
- Investment Property
- Freehold Land & Buildings classified as Property, Plant & Equipment

2.3 Functional and presentation currency

The Financial Statements of the Company have been prepared in Sri Lanka Rupees (LKR), except when otherwise indicated.

2.4 Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's presentation.

2.5 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 order that reflects their relative liquidity and maturity pattern. No adjustments have been made for

ACCOUNTING POLICIES

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 49 (Current & Non-Current analysis of Assets & Liabilities).

2.6 Materiality & Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on "Presentation of Financial Statements", each material class of similar items are presented separately in these Financial Statements. Items of dissimilar nature or functions are presented separately unless they are not material.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position of the company only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss of the Company unless required or permitted by any accounting standard or interpretation thereon.

3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the company in conformity with Sri Lanka Accounting Standards requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, Management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in the respective notes.

3.1 Going Concern

The Company has prepared the financial statement for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the management has assessed the prevailing macroeconomic conditions and its effects on Company and the appropriateness of the use of the going concern basis. The management is of the view that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

3.2 Impairment Losses on Lease Receivable, Hire Purchase Receivable and Loans and Advances to Customers

The measurement of impairment losses under Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of impairment allowances.

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and

all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgements are discussed in detail under Note 5.4.5 to the Financial Statements.

During the review period, the Company conducted a reassessment of its loans and advances portfolio within the individually significant loans (ISL) category, considering both the financial resilience of customers and external macroeconomic pressures. Moreover, the proactive provisioning approach implemented by the Company in the previous financial year to address potential risks associated with customers has persisted throughout 2023/2024. The collective impairment models applied in 2022/2023 were continued in 2023/2024 to ensure sufficient buffers were in place to mitigate any potential credit risks that may arise in the future. Additionally, owing to favourable shifts in major macroeconomic indicators, the Economic Factor Adjustment (EFA) has been appropriately updated to reflect these positive changes.

3.3 Impairment of other financial assets

The Company reviews its debt securities classified as FVOCI/ amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at FVOCI/ amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc.

Equity instruments classified as Fair Value through Other Comprehensive Income (FVOCI) are not subjective to impairment assessment.

3.4 Impairment of Goodwill

The Company assesses whether there are any indicators of impairment of goodwill at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the Value in Use (VIU) of the asset. Estimating VIU requires the Company to make an estimate of the expected future cash flows from the asset and also to select a suitable discount rate in order to calculate the present value of the relevant future cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty. Refer Note 21 for details.

3.5 Taxation including Deferred Tax Assets

The Company is subject to income taxes and other taxes including VAT on financial services.

3.6 Fair Value of Property Plant and Equipment

The freehold land and buildings of the Company are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The Company engages independent valuation specialists to determine fair value of freehold land and buildings, including methods of valuation are given in note 19.5 to the financial statements.

3.7 Useful lifetime of Property Plant and Equipment

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

3.8 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties (Refer Note 18).

3.9 Fair value of Investment Properties

The Company carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company engaged an independent valuer to determine the fair value as at 31 March 2024.

The best evidence of fair value is usually the current price in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making such estimates, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalization rates that reflect current market assessments of the returns and yields, an uncertainty in the amount and timing of the cash flows.

3.9.1 Subsequent Transfers to/from Investment Properties

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment properties to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

ACCOUNTING POLICIES

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income statement. When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

3.10 Principal assumptions for management's estimation of fair value

If information on current or recent prices of assumptions underlying the discounted cash flow approach of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The company uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate capitalization rates / yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the company and those reported by the market.

3.11 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are derived from observable market data where possible, but if this is not available, judgements such as discount rates, default rate assumptions, etc. is required to establish fair values. The fair valuation of financial instruments is described in more in Note 47 to these financial statements.

The Company measures fair value using the fair value hierarchy that

reflects the significance of input used in making measurements.

3.12 Defined Benefit Plan

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. 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 maturities corresponding to the expected duration of the defined benefit obligations. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rate and expected future salary increase rates of the Company.

3.13 Right-of-Use Assets and Lease Liability

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Company applies judgments in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create economic benefits for it to exercise either the renewal or termination. Further, the Company cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to measure operating lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment.

3.14 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. Unless the probability of occurrence is certain, contingent liabilities are not recognized in the statement of financial position but are disclosed in the statement of financial position. (Refer Note 50).

3.14.1 Uncertainty Over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/ CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st

March 2024. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 1st April 2023 did not have a material impact on the Financial Statements of the Company.

- Sri Lanka Accounting Standard - LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)
- Sri Lanka Accounting Standard - LKAS 12 (Income Taxes)
- Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements)

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Company, unless otherwise indicated. The accounting policies have been consistently applied by the Company where applicable.

5.1 Basis of Consolidation

The group financial statement comprise consolidation of the financial statements of the company and its subsidiary in terms of Sri Lanka Accounting standards (SLFRS 10) Consolidated financial statement.

Company's associate accounted under "Equity method of accounting" in terms of Sri Lanka Accounting Standard (LKAS 28) "Investments in Associates & Joint Ventures".

5.2 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations". When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition related costs are expensed as incurred and included in other expenses. Goodwill is initially recorded at cost and subsequently at cost less any accumulated impairment losses in accordance with the Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations".

Goodwill has to be reviewed for impairment annually or more frequently if events or circumstances indicate that the carrying value may be impaired.

The Company elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

5.3 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transactions were affected. In this regard, the Company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.4 Financial instruments - initial recognition and subsequent measurement

5.4.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, 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: purchases or sales of financial assets that require delivery or assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to customers when funds are transferred to the Company.

5.4.2 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, as described in Notes 5.4.3.1(a) and 5.4.3.1(b). Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day 1 profit or loss. As described below,

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same

ACCOUNTING POLICIES

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 statement of profit or loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) 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 statement of profit or loss when the inputs become observable, or when the instrument is derecognized.

5.4.3 Measurement categories of Financial Assets and Liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in note 5.4.3.1
- Fair value through Profit or loss 5.4.3.2
- FVOCI, as explained in note 5.4.3.3

The subsequent measurement of financial assets depends on their classification.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

5.4.3.1 Loans and advances, Lease rental receivables

The Company only measures loans and receivables, Lease rentals receivable and stock out on hire and debt & other financial instruments at amortised cost if both of the following conditions are met,

- The financial asset is held within a business model with the objective of collecting 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.

The details of these conditions are outlined below,

(a) 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 objectives.

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 risk 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 value 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 Group'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 realised in a way that is different from the Group's original expectations, the Group 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.

(b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instruments 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 assets (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 Group applies judgement and considers relevant factors such as the currency in which the financial assets is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de-Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.4.3.2 Financial assets or financial liabilities at Fair Value through Profit or Loss (FVPL)

The Company classified financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent patterns of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.4.3.3 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments 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 recognised 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 and are not subject to an impairment assessment.

5.4.3.4 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Company does not have compound financial instruments that contain both liability and equity components and require separation as at the date of the issue.

5.4.3.5 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees and loan commitments. Financial guarantees are initially recognized in the financial statements 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 recognised in the income statement, and the ECL provision.

The premium received is recognised in the income statement under net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits 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.

The nominal contractual value of financial guarantees and undrawn loan commitments where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 50.

5.4.3.6 Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company may acquire, dispose of, or terminates a business line (change in business model). When the Company reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified when a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassified date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain

or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income.

The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

The effective interest rate and measurement of expected rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

ACCOUNTING POLICIES

5.4.4 Derecognition of financial assets and liabilities

5.4.4.1 Derecognition due to substantial modification of terms and conditions

The Company de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to de-recognize a loan to a customer, amongst others, the Group considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criteria

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

5.4.4.2 De-recognition other than for substantial modification

(a) Financial assets

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

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 the cash flows, but has assumed an obligation to pay the received cash flow 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 derecognition 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.

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 an 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.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.4.5 Impairment allowance for financial assets

5.4.5.1 Overview of the ECL principles

The Company has been recording the impairment for expected credit losses for all loans and debt & other financial instruments not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL impairment 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 impairment 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 5.4.5.1(a)

The Company has applied expert credit judgement (Management Overlays), in the assessment of underlying credit deterioration and migration of balances to progressive stages. The Company considered both quantitative and qualitative information in the assessment of significant increase in credit risk. Utilization of a payment deferral program was not necessarily considered an immediate trigger, in keeping with CA Sri Lanka and regulatory guidance, for an account to migrate to a progressive stage. Early observations of payment behavior of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in

our models for a five year period, subsequently reverting to long-run averages. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rates, gross domestic product growth rates, interest rates and inflations.

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

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 5.4.5.4. The details of individual assessment of ECLs are given in Note 5.4.5.3.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 5.4.5.1(a). Based on the above process, the Company categorize its loans into 'Stage 1', 'Stage 2', 'Stage 3' and 'originated credit impaired', as described below:

- **Stage 1**

When loans are first recognized, the group recognizes an impairment based on 12mECLs. 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 Group records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.

- **Stage 3**

Loans considered credit impaired (as outlined in Note 5.4.5). The Company records an impairment for the LTECLs.

- **Originated credit impaired**

Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They 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 a (partial) derecognition of the financial asset.

5.4.5.1 (a) Definition of default and cure

The Company consider a financial instrument as 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 an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group 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 rating of the borrower indicating default or near-default
- The borrower requesting emergency funding
- The borrower having past due liabilities to public creditors or employees

ACCOUNTING POLICIES

- 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 the 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 has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Company's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans and is explained in Note 5.4.5.10.

5.4.5.1 (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 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk. Since initial recognition. The Company considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk, such as restructuring or rescheduling of an assets while the asset is less than 30 days past due. In certain cases, the Company may also consider that events explained in note 5.4.5.1(a) are significant increase in credit risk as opposed to a default, for customers who are considered as individually significant.

5.4.5.2 The calculation of ECL

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- **Probability of Default (PD)**

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in Note 5.4.5.4(a).

- **Exposure at default (EAD)**

The EAD 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 drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 5.4.5.4(b).

- **Loss Given Default (LGD)**

The LGD 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 realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 5.4.5.4(c).

With the exception of revolving facilities, for which the treatment is separately set out in Note 5.4.5.5, the maximum period for which

the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

5.4.5.3 Calculation of Expected Credit Losses for Individually significant loans

The Company first assess ECLs individually for financial assets that are individually significant. In the event the Company determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 5.4.5.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial assets at its original effective interest rate and comparing the resultant present value with the Financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial

difficulties and generate sufficient cash flow to service debt obligations

- The amount and timing of expected receipts and recoveries
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Company and the likelihood of other creditors continuing to support the Company;

5.4.5.4 Grouping of financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include all customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be in stage 1 or stage 2, such customers are moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorizes these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Whether the loan is restructured / rescheduled

5.4.5.4 (a) PD Estimation process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Financial Institutions in the country at present.

Accordingly, exposures are categorized among 5 categories based on the DPD as follows,

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers in to bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

5.4.5.4 (b) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

5.4.5.4 (c) Loss Given Default

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against motor vehicles and other movable properties
- Secured against immovable property
- Secured against cash / deposits held within the company
- Secured against gold

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from

any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g., product type, collateral type) as well as borrower characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

5.4.5.5 Other revolving facilities

The Company's product offering includes Factoring and draft facilities in which the company has the right to cancel and/or reduce the facilities with a very short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period of 12 months to reflect 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.

5.4.5.6 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 rates
- Interest rates
- Exchange rate
- Inflation 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 completeness and accuracy, the Company obtains the above data from third party sources (Central Bank, World Bank and International Monetary Fund etc).

5.4.5.7 Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as motor vehicles, cash, guarantees, real estate, receivables,

ACCOUNTING POLICIES

inventories and other non-financial assets.

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 values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

5.4.5.8 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 are transferred to the relevant asset category.

5.4.5.9 Write-offs

Financial assets are written off either partly or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

5.4.5.10 Rescheduled and restructured loans

The Company sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, taking possession of the collateral. The Company considers a loan as rescheduled / restructured, 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. Rescheduling / restructure 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 terms. It is the Company's policy to monitor future payments of these loans are paid as agreed.

Derecognition and classification of rescheduled / restructured facilities align with Direction No. 01 of 2020, Classification and Measurement of Credit Facilities, issued by Central bank of Sri Lanka

5.5 Lease

5.5.1 Identification of a Lease

Previously, the Company determined, at contract inception, whether an arrangement is or contains a lease under LKAS 17/IFRIC 4. Under SLFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of lease as explained in Note 20.

On transition, the Company elected to apply SLFRS 16, only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17/IFRIC 4 were not reassessed to ascertain whether there is a lease. Therefore, the definition of a lease under SLFRS 16, was applied only to contracts entered in to or changed on or after 1st January 2019.

The Company applied SLFRS 16 using the modified retrospective approach and thereby the comparative figures were not restated and continues to be reported under LKAS 17.

5.5.2 As a Lessor

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessor will continue to classify leases as either operating leases or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Company is the lessor.

5.5.3 As a Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Company. Under SLFRS 16, the Company recognises right of the

use of assets and lease liabilities for most leases except for short term leases to which the Company applied recognition exemptions in SLFRS 16.

5.5.3.1 Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rates as at 1st April 2019. Rights of use of assets are measured at an amount equal to the lease liability, adjusted by the amount of any pre-paid or accrued lease payments.

In addition, the Company applied following practical expedients permitted by SLFRS 16, to Leases previously classified as operating leases under LKAS 17.

- Applied a Single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of lease term.
- Exclude initial direct costs, from the measurement of the right of use asset for leases previously accounted for as operating leases at the date of initial application.
- Used hindsight when determining the lease term of the contract contains options to extend or terminate the lease.

5.6 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 indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (Cash Generating Unit) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU 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. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimate the asset's or CGU's recoverable amount. A previously recognised 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 recognised.

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 recognised for the asset in prior years. Such reversal is recognised in the Statement of profit or loss.

5.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where 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. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

5.8 Taxation

5.8.1 Current Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of profit or loss. Management periodically evaluates

positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Refer note No. 28 for the accounting policy for deferred taxation.

5.8.2 VAT on Financial Services

VAT on financial services is calculated in accordance with VAT Act No.14 of 2002 and subsequent amendments thereto.

5.8.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022.SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.8.4 Surcharge Tax

The Government of Sri Lanka imposed a one-time tax, referred to as a Surcharge Tax in 2022,as the rate of 25% on group of companies that have earned a taxable income in excess of Rs.2,000 Million for the year of assessment 2020/2021.According to the Surcharge Tax Act No. 14 of 2022,the Surcharge Tax shall be deemed to be an expenditure in the financial statements commenced on 1 January 2020.Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the Surcharge Tax expense has been accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has recognized the total liability to the Surcharge Tax as an adjustment to the opening retained earnings as at

01 April 2022.

5.9 Recognition of Income and Expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

(i) Interest Income and Interest Expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate exactly discounts estimated future cash payment or receipt through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets and financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial assets and liability is adjusted if the Company revises its estimates of payment and receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for the financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to

ACCOUNTING POLICIES

its customers. Fee income can be divided into the following two categories:

a) Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include commission income and etc.

b) Fee income from providing transaction service

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

c) Dividend Income

Dividend income is recognized when the right to receive the payment is established.

d) Real Estate Sales

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

6. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 MARCH 2024

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

6.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The core of SLFRS 17 is the general model, supplemented by:

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

6.2 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

6.3 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

6.4 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

6.5 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024

None of the new or amended pronouncements are expected to have a material impact on the Financial Statements in the foreseeable future

NOTES TO THE FINANCIAL STATEMENTS

7. CASH AND BANK BALANCES

Year ended 31 March 2024	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Cash in Hand	657,277,512	383,505,725	657,277,512	383,505,725
Balances with banks	1,505,639,807	2,053,636,355	1,517,610,314	2,071,781,124
	2,162,917,318	2,437,142,080	2,174,887,825	2,455,286,849

ACCOUNTING POLICY

Cash and cash equivalents are defined as cash in hand, demand deposits and investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks net of outstanding bank overdrafts and reverse repurchase agreements. Investments with short maturities i.e. those having original maturities of three months or less from the date of acquisition are also treated as cash equivalents.

8. PLACEMENTS WITH BANKS

Year ended 31 March 2024	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Time deposits	3,648,330,913	2,666,933,510	3,790,360,489	2,666,933,510
Savings deposits	-	11,655	-	11,655
	3,648,330,913	2,666,945,165	3,790,360,489	2,666,945,165

9. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

Year ended 31 March 2024	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Government of Sri Lanka Treasury bills	6,882,854,302	8,433,839,633	6,883,104,776	8,434,058,373
Quoted equity investments (Note 9.1)	275,449	3,390,277	275,449	3,390,277
	6,883,129,751	8,437,229,910	6,883,380,225	8,437,448,650

9.1 Quoted Equity Investments

	Company / Group					
	2024			2023		
	No. of Shares	Cost of Investment	Market Value	No. of Shares	Cost of Investment	Market Value
		LKR	LKR		LKR	LKR
John Keells Holdings PLC	-	-	-	14,185	1,992,618	1,985,900
Lanka IOC PLC	-	-	-	5,390	1,002,846	924,385
Balangoda Plantations PLC	-	-	-	2,283	161,156	151,364
Pegasus Hotels Of Ceylon PLC	11,976	290,304	275,449	9,581	290,304	328,628
Total		290,304	275,449	-	3,446,924	3,390,277

NOTES TO THE FINANCIAL STATEMENTS

10. LOANS AND RECEIVABLES

	Company / Group	
	2024	2023
	LKR	LKR
Loan against fixed deposit	1,265,546,180	1,646,550,262
Short Term loans	353,291,684	406,959,727
Microfinance loans	3,474,152,040	3,024,908,032
Abhivurधि SME loans	219,781,914	138,558,130
Business loans	337,796,317	223,171,713
Gold Loans	14,671,574,022	12,356,061,941
Gold loan advances	38,043	59,579
Factoring receivables	38,402,740	44,753,506
Term draft loans	1,634,802,015	1,543,365,710
Auto Loans	2,171,706,092	1,944,845,754
Staff Loans	214,012,974	248,809,013
Education Loans	105,633,218	164,662,544
Other Loans	742,836,183	553,480,536
	25,229,573,423	22,296,186,446
Less : Allowance for impairment losses (Note 10.1)	(1,270,253,907)	(1,267,808,805)
Net loans and advances	23,959,319,517	21,028,377,642

10.1 Allowance for impairment losses

	Company / Group	
	2024	2023
	LKR	LKR
Balance as at 1st April	1,267,808,805	1,440,140,878
Charge / (Reversal) for the year	27,568,783	178,687,288
Amounts written off	(25,123,681)	(351,019,361)
As at 31 March	1,270,253,907	1,267,808,805

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 981,028,142/- (2023 - LKR 1,121,608,414/-) and individual impairment amounting to LKR 289,225,765/- (2023 - LKR 146,200,391/-).

10.1.1 Disclosure on Staging of Financial Asset

Credit Exposure Movement (Company / Group)

2024	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2023	16,005,453,515	3,786,723,509	2,504,009,421	22,296,186,446
During the year granted	19,802,104,673	1,861,454,498	302,154,438	21,965,713,609
W/O	(454,990)	(4,347,132)	(89,888,528)	(94,690,650)
Recoveries	(15,194,422,941)	(2,777,912,942)	(965,300,098)	(18,937,635,982)
Stage 1	(317,447,790)	141,812,193	175,635,597	-
Stage 2	696,325,772	(795,838,264)	99,512,491	-
Stage 3	190,825,287	354,641,632	(545,466,919)	-
As at 31 March 2024	21,182,383,527	2,566,533,494	1,480,656,402	25,229,573,423
2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	14,843,364,154	3,029,890,056	2,557,206,426	20,430,460,636
During the year granted	15,269,603,232	2,615,253,875	684,589,825	18,569,446,932
W/O	(18,650,380)	(126,319,363)	(214,060,646)	(359,030,389)
Recoveries	(12,905,487,313)	(2,082,651,284)	(1,356,552,135)	(16,344,690,732)
Stage 1	(1,239,256,937)	913,075,920	326,181,017	-
Stage 2	46,310,837	(628,713,349)	582,402,511	-
Stage 3	9,569,922	66,187,654	(75,757,577)	-
As at 31 March 2023	16,005,453,515	3,786,723,509	2,504,009,421	22,296,186,447

Provision for Impairment Movement (Company / Group)

2024	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2023	141,679,313	271,553,818	854,575,674	1,267,808,805
Charge/(write back) to the Income Statement	(43,573,822)	(48,451,113)	119,593,719	27,568,783
Stage 1	(9,004,285)	4,849,665	4,154,621	-
Stage 2	109,907,812	(122,989,480)	13,081,668	-
Stage 3	38,667,430	70,640,142	(109,307,571)	-
Amounts written off	-	-	(25,123,681)	(25,123,681)
As at 31 March 2024	237,676,447	175,603,031	856,974,429	1,270,253,907

NOTES TO THE FINANCIAL STATEMENTS

10. LOANS AND RECEIVABLES (Contd..)

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	309,980,759	363,529,169	766,630,950	1,440,140,878
Charge/(write back) to the Income Statement	(120,503,898)	(22,189,107)	321,380,293	178,687,288
Stage 1	(52,496,629)	37,564,451	14,932,178	-
Stage 2	3,871,915	(119,567,209)	115,695,294	-
Stage 3	827,166	12,216,514	(13,043,680)	-
Amounts written off	-	-	(351,019,361)	(351,019,361)
As at 31 March 2023	141,679,313	271,553,818	854,575,674	1,267,808,805

10.2 Gross Loans and Receivables

2024 - LKR (Company / Group)	Stage 1	Stage 2	Stage 3	Total
Loan against fixed deposit	812,191,471	364,392,809	88,961,900	1,265,546,180
Short Term loans	105,083,119	76,671,813	171,536,751	353,291,685
Microfinance loans	3,256,749,508	58,116,090	159,286,443	3,474,152,039
Abhivurdhi SME loans	198,673,035	5,125,321	15,983,558	219,781,914
Business loans	266,678,627	12,767,608	58,350,082	337,796,317
Gold Loans / Gold loan advances	13,620,084,343	987,471,486	64,056,235	14,671,612,065
Factoring receivables	13,071,377	-	25,331,362	38,402,741
Term draft loans	989,273,614	308,035,423	337,492,978	1,634,802,015
Auto Loans	1,424,981,167	514,393,095	232,331,829	2,171,706,092
Staff Loans	176,580,595	14,440,224	22,992,155	214,012,974
Education Loans	44,702,434	38,586,959	22,343,825	105,633,218
Other Loans	274,314,235	186,532,665	281,989,283	742,836,183
	21,182,383,527	2,566,533,494	1,480,656,402	25,229,573,423
Less: Impairment allowance				
Short Term loans	14,334,270	31,621,721	131,549,237	177,505,228
Microfinance loans	13,479,987	16,013,166	112,361,601	141,854,753
Abhivurdhi SME loans	11,239,740	1,987,634	13,061,855	26,289,230
Business loans	11,726,646	3,892,762	49,984,404	65,603,812
Gold Loan / Gold loan advances	77,967,809	26,707,051	19,307,797	123,982,657
Factoring receivables	684,022	-	50,510,420	51,194,443
Term draft loans	16,198,320	10,440,625	195,869,621	222,508,566
Auto Loans	46,319,962	34,103,173	65,877,883	146,301,019
Staff Loans	10,842,163	5,546,769	36,862,364	53,251,296
Education Loans	1,343,699	5,280,618	15,906,148	22,530,465
Other Loans	33,539,828	40,009,512	165,683,099	239,232,439
	237,676,447	175,603,031	856,974,429	1,270,253,907
Net Loans and Receivables	20,944,707,080	2,390,930,462	623,681,973	23,959,319,516

2023 - LKR	Stage 1	Stage 2	Stage 3	Total
Loan against fixed deposit	1,171,350,512	256,985,396	218,214,354	1,646,550,262
Short term loans	38,855,831	86,933,812	281,170,084	406,959,727
Microfinance loans	2,857,775,401	37,970,920	129,161,711	3,024,908,032
Abhivurdhi SME loans	114,252,955	1,810,592	22,494,583	138,558,130
Business loans	163,272,442	7,853,680	52,045,591	223,171,713
Gold Loans / Gold loan advances	10,304,081,690	1,928,960,243	123,079,586	12,356,121,519
Factoring receivables	17,241,474	-	27,512,032	44,753,506
Term draft loans	881,289,804	280,092,608	381,983,298	1,543,365,710
Auto Loans	224,280,098	941,550,935	779,014,721	1,944,845,754
Staff Loans	145,451,553	98,119,602	5,237,859	248,809,014
Education Loans	50,650,258	38,632,260	75,380,025	164,662,544
Other Loans	36,951,497	107,813,461	408,715,578	553,480,536
	16,005,453,515	3,786,723,509	2,504,009,422	22,296,186,446
Less: Impairment allowance				
Short term loans	5,709,066	39,817,536	182,719,195	228,245,797
Microfinance loans	12,205,762	11,699,715	90,585,473	114,490,950
Abhivurdhi SME loans	9,639,957	976,752	12,727,663	23,344,372
Business loans	7,103,346	2,690,900	41,237,710	51,031,956
Gold Loan / Gold loan advances	72,178,543	57,043,123	18,737,628	147,959,294
Factoring receivables	-	-	58,707,757	58,707,757
Term draft loans	16,133,105	11,122,086	145,012,204	172,267,395
Auto Loans	4,842,306	64,946,702	98,425,075	168,214,083
Staff Loans	3,966,224	30,122,440	24,974,331	59,062,995
Education Loans	1,952,141	4,205,712	17,029,101	23,186,954
Other Loans	7,948,863	48,928,852	164,419,537	221,297,252
	141,679,313	271,553,818	854,575,674	1,267,808,805
Net Loans and Receivables	15,863,774,202	3,515,169,691	1,649,433,748	21,028,377,642

11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE

	Company / Group	
	2024 LKR	2023 LKR
Gross rentals receivable		
- Lease rentals	38,688,821,021	45,907,434,922
- Amounts receivable from hirers	51,839,281,024	42,930,039,089
	90,528,102,044	88,837,474,011
Less: Unearned income	(25,958,296,291)	(26,512,747,622)
Net rentals receivable	64,569,805,753	62,324,726,389
Less : Allowance for impairment losses (Note 11.1)	(7,091,297,125)	(7,182,440,880)
Total net rentals receivable (Note 11.2 & 11.3)	57,478,508,628	55,142,285,509

NOTES TO THE FINANCIAL STATEMENTS

11.1 Allowance for impairment losses

	Company	
	2024	2023
	LKR	LKR
Gross rentals receivable		
Balance as at 1st April	7,182,440,882	5,323,091,722
Charge / (Reversal) for the year	861,822,972	3,235,870,980
Amounts written off	(952,966,728)	(1,376,521,820)
As at 31 March	7,091,297,125	7,182,440,882

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 7,076,656,193/- (2023 collective impairment -LKR 7,181,608,679/-) and individual impairment amounting LKR.14,640,932/- (2023 - LKR 832,200/-).

11.2 Gross rentals receivable (Company / Group)

2024

	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	21,221,172,217	9,507,059,991	7,960,588,813	(10,403,331,997)	28,285,489,024
Amounts receivable from hirers	35,284,451,387	9,590,958,133	6,963,871,504	(15,554,964,294)	36,284,316,730
	56,505,623,604	19,098,018,124	14,924,460,317	(25,958,296,291)	64,569,805,754
Less: Impairment allowance					
Lease	1,041,000,604	818,752,628	2,213,838,690	-	4,073,591,922
Amounts receivable from hirers	1,358,052,940	623,458,159	1,036,194,104	-	3,017,705,204
	2,399,053,545	1,442,210,787	3,250,032,794	-	7,091,297,125
Net Loans and Receivables	54,106,570,059	17,655,807,337	11,674,427,523	(25,958,296,291)	57,478,508,629

2023

	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	5,595,850,128	20,303,955,182	20,007,629,612	(13,265,342,814)	32,642,092,108
Amounts receivable from hirers	11,579,678,927	21,573,958,816	9,776,401,346	(13,247,404,808)	29,682,634,281
	17,175,529,055	41,877,913,998	29,784,030,958	(26,512,747,622)	62,324,726,389
Less: Impairment allowance					
Lease	198,454,976	1,513,563,168	3,137,181,068	-	4,849,199,212
Amounts receivable from hirers	292,623,147	1,076,023,661	964,594,860	-	2,333,241,669
	491,078,123	2,589,586,829	4,101,775,928	-	7,182,440,881
Net Loans and Receivables	16,684,450,932	39,288,327,169	25,682,255,030	(26,512,747,622)	55,142,285,509

Additional management overlays were applied for the financial year ended 2022/23 due to the situation in the country, namely negative economic growth, high inflation and Domestic Debt Restructuring (DDR) etc. However, with the recent recovery in these economic conditions, the situation has been reviewed, and necessary adjustments have been made to the management overlays to better reflect the current situation.

11.3 Maturity of lease rentals receivables and stock out on hire - (Company / Group)

As at 31 March 2024	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	20,199,940,858	18,484,631,280	4,248,883	38,688,821,021
- Amounts receivable from hirers	32,746,447,864	19,092,820,553	12,607	51,839,281,024
	52,946,388,722	37,577,451,833	4,261,490	90,528,102,045
Less: Unearned income	(16,408,832,467)	(9,548,950,928)	(512,897)	(25,958,296,291)
Net rentals receivable	36,537,556,255	28,028,500,905	3,748,593	64,569,805,754
Less : Allowance for impairment losses				(7,091,297,125)
Total net rentals receivable				57,478,508,629

As at 31 March 2023	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	22,899,291,370	22,993,625,635	14,517,916	45,907,434,921
- Amounts receivable from hirers	25,924,462,354	17,005,296,174	280,561	42,930,039,089
	48,823,753,724	39,998,921,809	14,798,477	88,837,474,010
Less: Unearned income	(15,632,662,788)	(10,878,249,726)	(1,835,108)	(26,512,747,622)
Net rentals receivable	33,191,090,936	29,120,672,083	12,963,369	62,324,726,388
Less : Allowance for impairment Losses				(7,182,440,880)
Total net rentals receivable				55,142,285,508

11.4 Disclosure on Staging of Financial Asset

11.4.1 Credit Exposure Movement (Company / Group)

2024

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2023	11,328,344,393	28,929,465,899	22,066,916,097	62,324,726,389
During the year granted	23,444,448,889	2,777,222,638	629,023,214	26,850,694,741
W/O	(27,306,337)	(640,064,128)	(1,761,103,482)	(2,428,473,947)
Recoveries	(8,753,885,749)	(7,799,658,914)	(5,623,596,768)	(22,177,141,431)
Stage 1	(1,743,784,618)	1,359,691,558	384,093,060	-
Stage 2	11,415,037,953	(15,083,974,755)	3,668,936,802	-
Stage 3	3,374,830,331	4,626,941,126	(8,001,771,457)	-
As at 31 March 2024	39,037,684,863	14,169,623,425	11,362,497,465	64,569,805,753

NOTES TO THE FINANCIAL STATEMENTS

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	24,295,570,374	23,026,019,533	13,004,516,095	60,326,106,002
During the year granted	8,931,354,862	13,538,284,065	4,907,220,427	27,376,859,354
W/O	(77,196,967)	(101,302,135)	(1,358,202,732)	(1,536,701,834)
Recoveries	(6,746,946,134)	(10,602,599,984)	(6,491,991,015)	(23,841,537,133)
Stage 1	(15,530,475,698)	12,112,029,798	3,418,445,900	-
Stage 2	402,257,793	(9,690,115,747)	9,287,857,954	-
Stage 3	53,780,163	647,150,369	(700,930,532)	-
As at 31 March 2023	11,328,344,393	28,929,465,899	22,066,916,097	62,324,726,389

11.4.2 Provision for Impairment Movement (Company / Group)

2024	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2023	491,078,123	2,589,586,829	4,101,775,928	7,182,440,880
Charge/(write back) to the Income Statement	458,328,510	(518,389,721)	921,884,183	861,822,972
Stage 1	(78,151,119)	59,126,381	19,024,738	-
Stage 2	1,044,204,392	(1,364,704,525)	320,500,133	-
Stage 3	483,593,639	676,591,822	(1,160,185,461)	-
Amounts written off	-	-	(952,966,727)	(952,966,728)
As at 31 March 2024	2,399,053,545	1,442,210,787	3,250,032,794	7,091,297,126

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	995,733,347	1,923,350,356	2,404,008,018	5,323,091,721
Charge/(write back) to the Income Statement	74,712,833	903,672,854	2,257,485,293	3,235,870,980
Stage 1	(634,107,213)	485,436,383	148,670,830	-
Stage 2	38,620,334	(823,983,892)	785,363,558	-
Stage 3	16,118,822	101,111,128	(117,229,951)	-
Amounts written off	-	-	(1,376,521,820)	(1,376,521,820)
As at 31 March 2023	491,078,123	2,589,586,829	4,101,775,928	7,182,440,881

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Company / Group	
	2024 LKR	2023 LKR
Financial assets at fair value through other comprehensive income		
Unquoted equity investments (Note 12.1)	2,554,019	2,554,019
Mega Pay (Pvt)Ltd (Note 12.2)	54,000,000	-
	56,554,019	2,554,019

12.1 Unquoted Equity Investments

Company / Group	2024		
	No. of Shares	Carrying Value LKR	Fair Value LKR
Credit Information Bureau	200	700,504	2,354,019
Finance House Consortium (Pvt) Ltd	40,000	400,000	200,000
Total		1,100,504	2,554,019

12.2 Mega Pay (Private) Limited

	2024 LKR	2023 LKR
As at 1 April	-	-
Investments in equity during the year	54,000,000	-
As at 31 March	54,000,000	-

The Company has entered into an Investment and Subscription Agreement with Megapay (Pvt) Ltd to invest in a 19.9% stake in Mega Pay (Private) Ltd for Rs 180,000,000 on 10th October 2023 over a period of 18 months. An initial investment has been made to acquire 5.8% stake as per the said agreement.

13. OTHER FINANCIAL ASSETS

	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Refundable deposits	43,586,387	43,402,011	43,586,387	43,402,011
Other receivables	7,366,648	7,418,071	7,366,648	39,848,128
Compensation receivable from government over acquisition of investment property (Note 13.1)	119,939,000	119,939,000	119,939,000	119,939,000
	170,892,035	170,759,082	170,892,035	203,189,138

13.1 Compensation receivable from government

	Company / Group	
	2024 LKR	2023 LKR
Government Compensation receivable	214,654,240	214,654,240
Less : Allowance for impairment losses (Note 13.2)	(94,715,240)	(94,715,240)
	119,939,000	119,939,000

NOTES TO THE FINANCIAL STATEMENTS

13.2 Allowance for impairment losses

	Company / Group	
	2024	2023
	LKR	LKR
Balance as at 01st April	94,715,240	94,715,240
Charge during the year	-	-
As at 31 March	94,715,240	94,715,240

14. INVENTORIES

	Company / Group	
	2024	2023
	LKR	LKR
Real estate stocks	62,375,671	67,447,480
Vehicle stock	6,400,713	148,531,869
	68,776,384	215,979,349

As of 31 March 2024, provision for inventories amounting to LKR.316,000/- (2023-LKR.9,529,332/-) was recognised and the inventory balances are carried at net realisable value.

ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realizable value. Company evaluates the net realizable value considering the current market prices at which such stocks can be sold in the ordinary course of business.

15. OTHER ASSETS

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Pre-paid expenses	377,393,474	399,489,369	377,438,888	399,489,369
Sundry assets	360,961,150	314,789,996	409,144,787	317,667,814
	738,354,624	714,279,365	786,583,675	717,157,183

16. INVESTMENT IN SUBSIDIARY

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Commercial Credit Insurance Brokers (Pvt) Ltd	15,000,000	15,000,000	-	-
Total	15,000,000	15,000,000	-	-

Commercial Credit Insurance Brokers (Private) Limited is a Limited Liability Company incorporated & domiciled in Sri Lanka. The registered office is situated at No.165, Kynsey Road, Colombo 08. The principle activities of the Company are the business of Insurance Brokering. On 31st August 2022 Company acquired the Commercial Credit Insurance Brokers (Private) Limited and the company holds 100% of voting shares of Commercial Credit Insurance Brokers (Pvt)Ltd.

The cost of an acquisition is measured at fair value of the consideration, which is cash consideration amounting to LKR.15,000,000.

17. INVESTMENT IN ASSOCIATES

	Company / Group	
	2024	2023
	LKR	LKR
TVS Lanka (Private) Ltd (Note 17.1)	525,936,491	342,306,353
	525,936,491	342,306,353

The Principle place of Business of TVS Lanka (Pvt) Ltd is located at No 38, Old Negombo Road ,Wattala.

The company holds 19.5% of voting shares of TVS Lanka (Pvt)Ltd.

17.1 TVS Lanka (Private) Limited

As at 1 April	342,306,353	300,640,397
Share of profit/(loss) for the year	183,630,138	41,665,956
As at 31 March	525,936,491	342,306,353

17.2 The summarized financial information of the TVS Lanka (Private) Limited is as follows,

	2024	2023
	LKR	LKR
For the year ended 31 March		
Revenue	7,591,564,458	1,764,151,464
Expenses	6,649,871,444	1,550,479,898
Net Profit/(Loss) after tax for the year	941,693,014	213,671,566
As at 31 March		
Non Current Assets	916,036,934	1,058,759,358
Current Assets	3,832,079,155	2,722,233,025
Total assets	4,748,116,089	3,780,992,383
Total liabilities	2,284,236,686	1,874,927,384
Net Assets	2,463,879,403	1,906,064,999

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTY

	Company / Group	
	2024	2023
	LKR	LKR
Balance as at 1 April	1,220,344,185	1,493,885,664
Acquired during the year	427,246,261	344,877,978
Disposal During the year	(7,640,400)	(63,499,700)
Transferred to Property Plant & Equipments	421,726,187	(592,759,757)
Net fair value adjustment	376,173,812	37,840,000
Balance as at 31 March	2,437,850,045	1,220,344,185
Rental income derived from investment properties	32,324,262	28,412,734
Profit arising from investment properties carried at fair value	32,324,262	28,412,734

18.1 During the financial year 2014/2015, The government of Sri Lanka, under the provisions of section 38 of the land acquisition Act No.28 of 1964, has acquired the Lot numbers 1 to 77 in plan No. 87/2010 dated 14/07/2010 of the investment property located at Rassandeniya, Matara. The land extent acquired was 955 perches out of the total of 1511 perches.

By a letter dated 9th August 2019 the "Divisional Secretariat of Matara Four Gravets", has been informed that the initiatives are in progress to pay the compensation. Further on 25 May 2016, the government of Sri Lanka, under the provisions of section 7 of the land acquisition Act No.28 of 1964, has issued the gazette notice detailing lands that is intended to be acquired and has requested the persons interested to claim for compensations through acquiring officer.

Accordingly, an amount corresponding to such compensation receivable was transferred to other financial assets reflected in Note 13.1.

18.2 Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of akin location and category. Investment property is appraised in accordance with SLFRS 13, International Valuation Standards published by the International Valuation Standards Committee (IVSC) and Sri Lankan Valuation Standards by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

18.3 Investment properties are stated at fair value, which have been determined based on valuations performed by following independent chartered valuation surveyors, as at 31 March 2024.

1	Mr. Sunil Fernando	12	Mrs.G.Wanigathunga
2	Mr.A.B.M.Gunadasa	13	Mr.M.M.S.Manathunga
3	Mr. H M N Herath	14	Mr Nilantha Jayawardane
4	Mr.R M Gunarathna	15	Mr.KRN Jayawardana
5	Mr. L.K.D.A.Kulathunga	16	Mr GMG Senavirathne
6	Mr. L P Wijeweera	17	Mr WDA Welikalage
7	Mrs.W.A.C.Wikramarachchi	18	Mrs. H.M.U. Ranasinghe Kumarapeliya
8	Mr.M.A.A.Sarath	19	Mrs.K.P.Iresha Udayangani
9	Mr.K.G.A.Shantha	20	Mr.D Jayawardena
10	Mr.T.M.B.Thennakoon	21	Mr.HD Wickramasinghe
11	Mr.KUM Dissanayake	22	Mr.G.W.G Abeygunawardene

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2024 (LKR)	Value 2023 (LKR)
Lot No. 1,2 & 3 in Plan No.9327/2014 at Main Street,Negombo	Comparison Method of valuation	31-Mar-24	Estimated price per perch 2024 LKR 5,250,000/- (2023 LKR 4,300,000/-)(Land Extent - 29.34 perches)	-	Positively correlated sensitivity	154,100,000	126,100,000
Lot No. 1 in Plan No.0082 at Magamma, Dehiowita	Comparison Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 250,000/- (2023 LKR 300,000/-) - (Land Extent - 45 perches) Estimated current cost of construction per square feet LKR 3,500/- (8,254/- square feet)	1	Positively correlated sensitivity	38,100,000	43,300,000
Lot No 283 in Plan No 520004 at Moragahahe-na Road,Homagama	Comparison Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 1,150,000/- (2023 - LKR 1,050,000/-)(Land Extent - 383.45 perches)	-	Positively correlated sensitivity	443,300,000	402,600,000
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	Comparison Method of valuation	31-Mar-24	Estimated price per perch LKR 1,550,000/- (Land Extent - 263.39 perches)	-	Positively correlated sensitivity	369,300,000	-
Plan No.5253 at High level road, Gangodawila, Nugegoda	Comparison Method of valuation	31-Mar-24	Estimated price per perch LKR 9,750,000/- (Land Extent - 20 perches)	-	Positively correlated sensitivity	289,400,000	-
Lot No.1 in Plan No.802 at Nawagamuwa	Residual Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 250,000/- (2023 LKR 400,000/-) (Land Extent - A01 R01 9.15 perches)	-	Positively correlated sensitivity	14,500,000	24,300,000
Lot No.C, in Plan No. 19338, Meegahawatta, Biyagama	Development Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 1,200,000/- (2023 -LKR 1,500,000)(Land Extent - OA 01R 18.5 perches)	-	Positively correlated sensitivity	34,000,000	42,000,000
Lot No. 3 in Plan No.1143 at Kuda-Payagala,Paya-gala	Comparison Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 700,000/- (2023 -LKR 820,000/-) (Land Extent - 13.5 perches) Estimated current cost of construction per square foot LKR 3,000/- (2832 square feet)	1	Positively correlated sensitivity	17,600,000	19,600,000
Lot No. 2B in Plan No.477 at Bangalawatta Road, Kottawa	Comparison Method of valuation	31-Mar-24	Estimated price per perch 2024 -LKR 1,250,000/- (2023 -LKR 1,675,000/-) (Land Extent - 15.70 perches) Estimated current cost of construction per square foot LKR 3,000/- (809 square feet)	1	Positively correlated sensitivity	22,100,000	28,300,000
Lot no.A3,B,C1,D1 & E, Plan no. 1105, Dalaviyagodawatta, Kalawila Village, Beruwala	Comparison Method of valuation	31-Mar-21	Estimated price per perch 2021 -LKR 150,000/- (2020 -LKR 150,000/-)(Land Extent - 21.5 perches)		Positively correlated sensitivity	10,332,740	10,332,740

NOTES TO THE FINANCIAL STATEMENTS

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2024 (LKR)	Value 2023 (LKR)
Lot no X Plan no 4069, Mattakkuliya, Colombo 15	Comparison Method of valuation	31-Mar-24	"Estimated price per perch 2024-LKR 3,400,000 2023-LKR 3,500,000/- (Land Extent - 18.15 perches)" Estimated current cost of construction per square foot LKR 4,500/- (4956 square feet)	1	Positively correlated sensitivity	83,400,000	85,800,000
Lot No.2 in Plan No.3047 Bunnehepola, Udubaddawa, Kurunegala	Comparison Method of valuation	23-Jul-18	"Estimated price per perch 2018 -LKR 80,000/- (Land Extent - 1A)"		Positively correlated sensitivity	2,500,000	2,500,000
Lot no 01 Plan no 20, Hakumuna village, Pelmadulla, Rathnapura	Comparison Method of valuation	12-Nov-18	"Estimated price per perch 2018-LKR 400,000/- (Land Extent - 192 perches)"		Positively correlated sensitivity	4,159,000	4,159,000
Lot no 01 Plan no 2151, Katumuna Land, Seethaeliya, Nuwaraeliya	Comparison Method of valuation	29-Dec-18	"Estimated price per perch 2018-LKR 600,000/- (Land Extent - 10.6 perches)"		Positively correlated sensitivity	3,639,000	3,639,000
Lot No. 2A In Plan No.1280A/2008 at Gonagahawatta	Comparison Method of valuation	31-Mar-18	"Estimated price per perch 2018-LKR 150,000/- (Land Extent - 32.2 perches)" Estimated current cost of construction per square foot LKR 3,000/- (1000 square feet)	1	Positively correlated sensitivity	-	1,380,400
Lot no 99 Plan no 520022, Kahatagahavitapillawa, Siyambalagoda, Homagama	Comparison Method of valuation	27-Feb-19	"Estimated price per perch 2019 -LKR 700,000/- (Land Extent - 11.7 perches)"		Positively correlated sensitivity	4,900,000	4,900,000
Lot no X2 Plan no 7739, Gonapolakumbura Kattiya, Palannaruwa, Horana	Comparison Method of valuation	28-Mar-19	"Estimated price per perch 2019 -LKR 600,000/- (Land Extent - 10.8 perches)" "Estimated price per perch 2019 -LKR 600,000/- (Land Extent - 10.8 perches)"		Positively correlated sensitivity	10,399,000	10,399,000
Lot No.3896 Plan No.195 , Buddhagaya Mawatha, Anuradhapura	Comparison Method of valuation	28-Mar-18	"Estimated price per perch 2018 -LKR 400,000/- (Land Extent - 24.94 perches)" Estimated current cost of construction per square foot LKR 3,000/- (3986 square feet)	1	Positively correlated sensitivity	4,704,961	4,704,961
Lot 3A Plan No. 5338 Katukurudugahawatta	Comparison Method of valuation	10-Jun-22	"Estimated price per perch 2022 -LKR 900,000/- (Land Extent -0A-2R-14.75 perches)"		Positively correlated sensitivity	11,100,977	11,100,977
Homagama Land	Comparison Method of valuation	11-Sep-19	"Estimated price per perch 2019 -LKR 450,000/- (Land Extent -0A-0R-12.5 perches) 2019 -LKR 425,000/- (Land Extent -0A-0R-13.1 perches)"		Positively correlated sensitivity	9,940,000	16,200,000
Lot E Plan no.147 Kirineliya, urugamuwa	Comparison Method of valuation	28-Oct-18	"Estimated price per perch 2018 -LKR 50,000/- (Land Extent -0A-2R-10 perches)"		Positively correlated sensitivity	2,992,182	2,992,182
Lot No. 11 in Plan No.225, Gorakamulla Kumbura	Comparison Method of valuation	30-Apr-19	"Estimated price per perch 2019-LKR 147,558/- (Land Extent - 11.5 perches)"	-	Positively correlated sensitivity	1,696,926	1,696,926

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2024 (LKR)	Value 2023 (LKR)
Lot No.01 Plan No.6894 Mawela South, Kaluthara	Comparison Method of valuation	3-Aug-18	"Estimated price per perch 2018 -LKR 325,000/- (Land Extent - 40 perches)"	-	Positively correlated sensitivity	6,500,000	6,500,000
Lot No.01 Plan No.5405 Kahatagahalanda - Homagama	Comparison Method of valuation	31-Mar-24	"Estimated price per perch 2024 -LKR 1,350,000/- 2023 -LKR 1,050,000/- (Land Extent - 346.86 perches)"		Positively correlated sensitivity	468,300,000	364,200,000
Nuwaraeliya Land - Plan No.1002	Comparison Method of valuation	27-Dec-23	"Estimated price per perch 2023 -LKR 4,400,000/- (Land Extent - 77.30 perches)" Estimated current cost of construction per square foot LKR 7,500/- (5640 square feet)	1	Positively correlated sensitivity	285,999,000	-
Delgahawatta Land -Plan No: 597	Comparison Method of valuation	31-Mar-22	"Estimated price per perch 2022 -LKR 60,000/- (Land Extent - 103.95 perches)"		Positively correlated sensitivity	3,639,000	3,639,000
Hidellana,malangama,At-talawatta, Rathnapura Land	Comparison Method of valuation	12-Jun-19	"Estimated price per perch 2019 -LKR 115,000/- (Land Extent - 50.25 perches)"		Positively correlated sensitivity	2,763,261	-
Bogahawatta Property - Plan No.4331	Comparison Method of valuation	8-Jun-23	"Estimated price per perch 2023 -LKR 8,000,000/- (Land Extent - 31.63 perches)" Estimated current cost of construction per square foot LKR 6,750/- (8961 square feet)	1	Positively correlated sensitivity	138,484,000	-
						2,437,850,045	1,220,344,185

18.4 The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property of the year ended 31 March 2024.

The sensitivity of the investment property valuation is the effect of the assumed changes in land price per perch and cost of construction per square feet (while other variables are held constant) on the profit or loss for the year and carrying value of investment property as at 31 March 2024.

Increase/(Decrease)	2024			2023		
	Value of the land	Cost of construction per square feet	Fair value gain/(loss) on Investment property LKR	Value of the land	Cost of construction per square feet	Fair value gain/(loss) on Investment property LKR
	5%	5%	121,892,502	5%	5%	71,589,283
	-5%	-5%	(121,892,502)	-5%	-5%	(71,589,283)

ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. The carrying amounts includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY, PLANT AND EQUIPMENT

19.1 Gross carrying amounts

Company / Group	Balance As at 01.04.2023 LKR	Additions (Note 19.5) LKR	Transfers LKR	Disposals LKR	Balance As at 31.03.2024 LKR
At Cost					
Freehold assets					
Furniture & fittings	358,039,201	42,999,975	-	-	401,039,176
Leasehold improvements	563,595,225	27,451,024	-	-	591,046,249
Office equipment	231,109,077	49,679,613	-	24,000	280,764,690
Motor vehicles	102,075,000	4,913,130	-	-	106,988,130
Computer equipments	1,101,922,047	292,003,867	-	-	1,393,925,914
Air conditioning system	147,434,300	170,672,687	-	-	318,106,987
Generators	65,717,452	-	-	-	65,717,452
	2,569,892,301	587,720,296	-	24,000	3,157,588,599
At valuation					
Freehold Land	3,320,656,242	380,735,200	418,500,000	-	3,282,891,442
Building and building integrals	2,170,411,536	173,279,721	3,226,188	-	2,340,465,069
Work in progress	287,215,356	(45,715,202)	-	-	241,500,154
	5,778,283,134	508,299,719	421,726,188	-	5,864,856,665
Total value of depreciable assets	8,348,175,435	1,096,020,217	421,726,188	24,000	9,022,445,264

19.2 Depreciation

Company / Group	Balance As at 01.04.2023 LKR	Additions/ Charge for the Year (Note 19.5) LKR	Transfers / Revaluation LKR	Disposals LKR	Balance As at 31.03.2024 LKR
At Cost					
Freehold assets					
Furniture & fittings	288,847,333	19,404,180	-	-	308,251,513
Leasehold improvements	424,613,933	58,369,905	-	-	482,983,839
Office equipments	126,392,038	23,407,401	-	3,261	149,796,178
Motor vehicles	27,047,348	25,540,616	-	-	52,587,964
Computer equipments	882,229,010	20,170,510	-	-	902,399,520
Air conditioning system	96,718,313	14,115,931	-	-	110,834,244
Generators	18,439,307	7,317,121	-	-	25,756,428
	1,864,287,280	168,325,666	-	3,261	2,032,609,687
At valuation					
Building and building integrals	23,796,472	43,358,946	-	-	67,155,418
	23,796,472	43,358,946	-	-	67,155,418
Total Depreciation	1,888,083,752	211,684,612	-	3,261	2,099,765,105

19.3 Net book values

Year ended 31 March 2024	Company		Group	
	2024	2023 LKR	2024	2023 LKR
At Cost				
Furniture & fittings	92,787,663	69,191,869	92,787,663	69,191,869
Leasehold improvements	108,062,410	138,981,292	108,062,410	138,981,292
Office equipment	130,968,512	104,717,039	130,968,512	104,717,039
Motor vehicles	54,400,166	75,027,652	54,400,166	75,027,652
Computer equipments	491,526,394	219,693,037	491,742,123	219,693,037
Air conditioning system	207,272,743	50,715,987	207,272,743	50,715,987
Generators	39,961,024	47,277,845	39,961,024	47,277,845
Freehold Land	3,282,891,442	3,320,656,242	3,282,891,442	3,320,656,242
Building & building integrals	2,514,809,805	2,433,830,420	2,514,809,805	2,433,830,420
Total net book value of property, plant & equipment	6,922,680,158	6,460,091,383	6,922,895,887	6,460,091,383

NOTES TO THE FINANCIAL STATEMENTS

- 19.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 1,141,735,217 /- (2023 - LKR 507,440,544/-). Cash payments amounting to LKR 1,096,023,576/- (2023- LKR 507,440,544/-) was paid during the year for purchases of Property, Plant & Equipment.

Commercial Credit and Finance PLC

Fair Value of Lands

Location	Extent	Valuer	Valuation Date
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	P 12.2		31/03/2021
No 106, Yatinuwara Veediya, Kandy	P 13.4		31/03/2021
Plan 3256, Lot C1A & C1B , Yaggapitiya, Kurunegala	P 738.9		31/03/2021
Plan 806, Lot 2, Assessment No. 136 ,Kurunegala Road, Puttalam	P 13.64		31/03/2021
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	P 23.39		31/03/2021
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	P 18.50		31/03/2021
Lot No. 275,277,283,285,287,6289 High Level Road ,Nugegoda	P 29.85		31/03/2021
113/11, Green road, Negombo	P 26.5		31/03/2021
Plan 3333A, No 165,Kynsey Road, Colombo 08	P 66	Sunil Fernando & Associates	31/03/2021
Lot No.01 to 07 in Plan No.2762, Dampe Road,Bolgoda	P 458.12 P		31/03/2019
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	P 22.5	(Private) Limited	19/03/2021
Lot no 01 Plan no 8002 at Nupe Anagarika Dharmapala Mawatha	P 16.83		31/03/2021
Welikanda	P 66		
Plan No.8147 Main Street,Rathnapura Land	P 14.8		2/4/22
Battaramulla Land	P 23.1P		7/3/22
Lot no01 Plan No.6125, N032, Baudhdhaloka Road,Kurunegala	P 15.3		14/03/2022
Awissawella Land	P 24.24		29/4/2023
Delgahawatta Land	P 31.63		8/6/23
Wackwella Kekiribokka Land	P 17.435		28/02/2022

- 19.5 The Company uses the revaluation model of measurement of land and buildings. The company engaged Sunil Fernando & Associates (Private) Limited and A.B.M. Gunadasa, an independent chartered valuation surveyor, to determine the fair value of its land and buildings as at 31 March 2024. The fair value was determined by Comparison Method using current market value of land, residual method of valuation and the depreciated replacement cost of buildings and Lands. Valuations are based on market prices, adjusted for any difference in the nature, location or condition of the specific property.

(Level 3)

Valuation Details	No. of buildings	Significant unobservable input: price per perch/ acre/range	Fair Value 2024	Fair Value 2023
			LKR	LKR
Comparison Method	-	Rs. 2,750,000/- per perch	33,000,000	33,000,000
Comparison Method	-	Rs.7,400,000/- per perch	136,680,000	136,680,000
Residual Method of valuation	-	Rs. 350,000/- per perch	143,300,000	143,300,000
Comparison Method	-	Rs. 800,000/- per perch	13,640,000	13,640,000
Comparison Method	-	Rs. 800,000/- per perch	-	210,700,000
Comparison Method	-	Rs. 5,700,000/- per perch	105,450,000	105,450,000
Comparison Method	-	Rs. 450,000/- per perch	-	207,800,000
Comparison Method	-	Rs. 1,700,000/- per perch	45,000,000	45,000,000
Comparison Method	-	Rs. 15,500,000/- per perch	1,122,000,000	1,122,000,000
Comparison Method	-	Rs. 276,697/- per perch	216,576,485	216,576,485
Comparison Method	-	Rs. 17,500,000/- per perch	393,750,000	393,750,000
Comparison Method	1	Rs. 5,300,000/- per perch	96,000,000	96,000,000
Comparison Method	-		4,000,000	4,000,000
Comparison Method	-	Rs. 21,000,000/- per perch	114,599,000	114,599,000
Comparison Method	-	Rs. 10,000,000/- per perch	171,362,757	171,362,757
Comparison Method	-	Rs. 13,000,000/- per perch	202,799,000	202,799,000
Comparison Method	1	Rs. 7,500,000/- per perch	170,656,200	-
Comparison Method	1	Rs. 8,000,000/- per perch	210,079,000	-
Comparison Method	-	Rs. 7,000,000/- per perch	103,999,000	103,999,000
			3,282,891,442	3,320,656,242

NOTES TO THE FINANCIAL STATEMENTS

Fair Value of Buildings

Location	Extent	Valuer	Valuation Date
Plan 806, Lot 2, Assessment No. 136 ,Kurunegala Road, Puttalam	1640 square feet		31/03/2021
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	3975 square feet		31/03/2021
No 106, Yatinuwara Veediya, Kandy	12850 square feet		31/03/2021
113/11, Green road, Negombo	2700 square feet		31/03/2021
Plan 3333A, No 165,Kynsey Road, Colombo 08	29,305 square feet		31/03/2021
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	12,267 square feet		31/03/2021
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	3,550 square feet		19/03/2021
Battaramulla	3,015 square feet	“Sunil Fernando & Associates (Private) Limited”	31/03/2023
Plan No.8147 Main Street,Rathnapura Land	7,084 square feet		2/4/22
Welikanda	Under Construction		
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	Container Box		
No.225 Anagarika Dharmapala Mawatha,Mathara	7,194 square feet		31/03/2023
Lot no01 Plan No.6125, N032, Baudhdhaloka Road,Kurunegala	Container Box		14/03/2022
Lot No.01 to 07 in Plan No.2762, Dampe Road,Bolgoda	110,325 square feet		31/03/2023

19.6 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

Year ended 31 March 2024	2024		2023	
	Land LKR	Building & building integrals LKR	Land LKR	Building & building integrals LKR
Cost	3,282,891,442	2,340,465,069	3,320,656,242	2,170,411,536
Less: Accumulated depreciation	-	(67,155,418)	-	(23,796,472)
Net carrying amount	3,282,891,442	2,273,309,651	3,320,656,242	2,146,615,064

Valuation Details	No. of buildings	Significant unobservable input: price per perch/ acre/range	Fair Value 2024 LKR	Fair Value 2023 LKR
Depreciated Replacement Cost	1	Rs. 3,500/- per square feet	5,921,700	4,890,000
Depreciated Replacement Cost	1	Rs. 4,750/- per square feet	13,000,000	13,000,000
Depreciated Replacement Cost	1	Rs. 6,500/- per square feet	59,958,988	59,958,988
Depreciated Replacement Cost	1	Rs. 2,500/- - Rs.2750/- per square feet	90,000,000	90,000,000
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 11,000/- per square feet	323,208,000	323,208,000
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 6,650/- per square feet	80,550,000	80,550,000
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 9,282/- per square feet	32,951,180	32,951,180
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 4,500/- per square feet	12,661,550	8,793,215
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 25,500/- per square feet	17,503,294	2,772,124
Depreciated Replacement Cost & Investment or Income based valuation	1	Under Construction	14,595,538	4,218,100
Depreciated Replacement Cost & Investment or Income based valuation	1	Container Box	-	3,467,310
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 17,000/- per square feet	126,769,848	-
		Container Box	854,900	-
Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 14,000/- per square feet	1,562,490,072	-
			2,340,465,070	623,808,917

19.7 Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 1,349,054,459/- (2023 - LKR 1,546,292,763/-).

19.8 Title Restriction on Property, Plant and Equipment

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

19.9 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than those disclosed in the Note 51 of these Financial Statements.

19.10 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

Property, Plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant and equipment. Initially Property, Plant and equipment are measured at cost.

Subsequent measurement

Property, Plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Company has elected to use the revaluation model for land and buildings, while other classes of property, plant and equipment are measured using the cost model.

Cost Model

These are the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Revaluation Model

Land and buildings are measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.s. Freehold land and buildings of the Company are revalued every three to five years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives.

The estimated useful lives used are as follows:

Components included in buildings and building integrals	Useful Life
Buildings	50 years
Cladding	8 years
Furniture and Fittings	8 years
Leasehold Improvements	5 years
Office Equipment	8 years
Motor Vehicles	4 years
Computer Hardware	4 years
Air Conditioning System	8 years

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other Operating Income' in the Statement of profit or loss in the year the asset is derecognized.

20. RIGHT OF USE ASSET

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.

20.1 Movement in right-of-use assets

	Company / Group	
	2024	2023
	LKR	LKR
Balance as at 1st April	975,727,348	971,224,960
	975,727,348	971,224,960
Additions / renewal lease during the year	240,023,183	79,777,382
Expiration of lease agreements during the year	(185,576,198)	(75,274,994)
Balance as at 31st March	1,030,174,333	975,727,348
Accumulated amortisation		
Balance as at 1st April	592,194,873	485,686,339
Amortisation for the year	147,398,157	253,329,643
Expiration of Amortisation for the year	(185,501,195)	(146,821,109)
Balance as at 31st March	554,091,835	592,194,873
Net Book Value as at 31st March	476,082,498	383,532,475

20.2 Movement in lease liabilities

	Company / Group	
	2024	2023
	LKR	LKR
Balance as at 1st April	316,819,046	377,072,583
Restated Balance as at 31st March	316,819,046	377,072,583
Additions/renewal of lease agreements during the year	173,828,251	58,128,251
Accretion of interest	41,221,178	47,212,572
Payments to lease creditors	(145,438,012)	(165,594,360)
As at 31st March	386,430,463	316,819,046

The lease liabilities are presented under Note 26.1 to the financial statements. Above is the movement of the lease liability during the period.

Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates Increase/(decrease) in incremental borrowing rate as at 31st March 2024 by 1% would have (decreased)/increased the lease liability by approximately Rs (51,546,993) and Rs 52,588,347 Mn respectively. Had the company increased/(decreased) the discount rate by 1%, the company profit before tax for the year would have (decreased)/increased by approximately Rs 8,127,796 and Rs (7,966,850) Mn respectively.

ACCOUNTING POLICY

Basis of recognition

The Company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision for services.

NOTES TO THE FINANCIAL STATEMENTS

Basis of measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. After initial recognition Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are amortised on the straight line basis over the lease term.

Lease liability

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term.

Interest expense on the lease liability is recognised in the profit or loss.

The Company applied modified retrospective approach in accordance with SLFRS 16 when accounting for right - of use assets and operating lease liabilities.

21. INTANGIBLE ASSETS & GOODWILL

	Company / Group		
	2024	2023	2024
	LKR	LKR	LKR
Goodwill	741,712,566	741,712,566	741,712,566
Computer software (21.1)	86,550,037	152,685,711	86,550,037
	828,262,603	894,398,277	828,262,603

Goodwill

Goodwill of LKR 741,712,566 has been recognized by Commercial Credit and Finance PLC ("CC") in respect of acquisition of Trade Finance and Investments PLC.

LKAS 36 states that an annual impairment test needs to be carried out to for intangible assets such as goodwill acquired in a business combination. An impairment loss should be recorded if the carrying amount of the cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the cash generating unit's fair value less costs to sell or its value in use.

As operations of Trade Finance PLC cannot be separated and projected from the consolidated Commercial Credit PLC; the impairment testing has been carried out based on the Value in use of Commercial Credit PLC. Further the book value of Commercial Credit PLC has been adjusted by the Goodwill amount for the purpose of the value computation. Therefore, a value in excess of the current book value of COCR has been considered indicative of an unimpaired goodwill and vice versa.

A multi stage Residual Income method has been utilized for the value in use computation. The multistage model forecasts residual income for a certain time period and then estimates a terminal value. A persistence factor is used to calculate the level of residual income after the initial forecast.

- VO = value of a share of stock today (t = 0)
- BO = current per-share book value of equity
- Bt = expected per-share book value of equity at any time t
- Et = expected earnings per share for period t
- r = required rate of return on equity (cost of equity)
- ω = Persistence Factor

The following prospective financials have been evaluated inline with company's historical performance, peers and outlook for the sector:

- Asset Growth and Mix
- Interest Yield %
- Interest Expense %
- Spread
- Net Interest Margin
- Fee Income
- Cost to Income [Incl Provision Cost]
- VAT as % of NII
- Income Tax as % of PBT
- Dividend Payout
- RoA
- Assets/ Equity
- RoE

Key variables used for in the impairment test

A multi period Cost of Equity has been utilized for the purpose of impairment testing to account for volatility in the investment yields resulting from Sri Lanka.

Cost of equity has been determined in consideration of inflation expectations as per IMF guidelines, a spread inline with previous yields and average inflation rate. A further equity risk premium of 6% has been assumed. Persistence factor has been assumed in consideration of market observations and that the industry is regulated and the barriers present for entry. The persistence factor implies residual income will decline to zero as RoE drops to cost of equity of the stage 2 period.

A further sensitivity analysis has been performed on testing parameters.

Based on the results it does not indicate of a goodwill impairment. i.e the Recoverable value is higher than the Net Asset Value of the Company.

Goodwill Rs.8,577,200 Created on acquisition of Commercial Credit insurance Brokers (Pvt)Ltd during the year has been charged to the Profit or loss in financial year ended 31 March 2023.

21.1	Computer software Cost	Company / Group			Balance As At 31.03.2024
		Balance As At 01.04.2023	Additions/ Incurred	Transfers	
		LKR	LKR	LKR	LKR
	Computer software	332,355,939	473,300	-	332,829,239
	Capital work in progress - Computer software	-	-	-	-
	Written down value	332,355,939	473,300	-	332,829,239
	Amortisation	Balance As At 01.04.2023	Additions/ Incurred	Transfers	Balance As At 31.03.2024
		LKR	LKR	LKR	LKR
	Computer software	179,670,228	66,608,974	-	246,279,202
		179,670,228	66,608,974	-	246,279,202
	Net Book Value	152,685,711			86,550,037

NOTES TO THE FINANCIAL STATEMENTS

22. DUE TO BANKS

	Company / Group	
	2024 LKR	2023 LKR
Bank Overdrafts	43,739,511	112,151,953
Securitised Borrowings, Syndicated Loans and Other Bank Facilities (Note 22.1)	12,563,238,361	16,147,547,257
Total	12,606,977,873	16,259,699,210

22.1 Securitised Borrowings and Direct Bank Facilities

	As at 01.04.2023 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2024 LKR	Period	Security
Securitised Borrowings							
People's Bank - Securitization Loan 11	252,551,199	-	41,291,189	167,920,315	125,922,073	48 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 2	360,591,781	-	40,315,068	220,610,959	180,295,890	18 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 3	233,689,429	-	24,354,242	124,421,048	133,622,622	48 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 16	97,610,245	-	3,691,791	101,302,036	-	36 Months	Gold Loan
Hatton National Bank PLC - Trust 17	280,382,334	-	19,294,628	299,676,962	-	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 20	146,990,399	-	1,878,362	148,868,762	-	30 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 4	600,000,000	-	62,666,849	262,019,178	400,647,671	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 22	188,802,532	-	4,678,829	162,156,131	31,325,230	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 23	226,406,016	-	6,510,463	232,916,479	-	29 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 24	643,434,347	-	50,819,458	336,002,972	358,250,834	39 Months	Gold Loan
Hatton National Bank PLC - Trust 25	712,917,992	-	54,815,690	767,733,682	-	16 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 5	1,218,087,452	-	179,850,062	490,786,089	907,151,425	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 26	2,111,221,364	-	387,850,811	1,473,946,186	1,025,125,989	12 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 28	1,128,257,816	-	210,131,285	1,338,389,101	-	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 27	582,057,474	-	88,412,631	670,470,105	-	14 Months	Lease & HP receivables
People's Bank - Trust 4	1,099,027,181	-	329,149,030	947,578,217	480,597,994	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 12 (TF)	70,610,950	-	611,844	71,222,794	-	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 13 (TF)	64,052,392	-	1,695,776	65,748,169	-	36 Months	Lease & HP receivables
National Development Bank PLC-TRUST 01	340,000,000	660,000,000	245,493,721	143,242,192	1,102,251,529	18 Months	Lease & HP receivables

	As at 01.04.2023	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2024	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Securitized Borrowings							
National Development Bank PLC-TRUST O2-1	-	500,000,000	83,813,050	-	583,813,050	24 Months	Lease & HP receivables
National Development Bank PLC-TRUST O2-2	-	500,000,000	57,872,937	-	557,872,937	24 Months	Lease & HP receivables
PEOPLES BANK-TRUST -05- 01	-	215,000,000	16,536,336	-	231,536,336	6Month	Lease & HP receivables
PEOPLES BANK-TRUST -05- 02	-	197,000,000	15,427,124	-	212,427,124	14Month	Lease & HP receivables
PEOPLES BANK-TRUST -05- 03	-	115,000,000	7,797,236	-	122,797,236	17Month	Lease & HP receivables
PEOPLES BANK-TRUST -05- 04	-	420,000,000	22,986,528	-	442,986,528	22Month	Lease & HP receivables
	10,356,690,905	2,607,000,000	1,957,944,940	8,025,011,377	6,896,624,468		
Direct Bank Borrowings							
	As at 01.04.2023	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2024	Period	Security
	LKR	LKR	LKR	LKR	LKR		
National Development Bank PLC - Term Loan	402,493,151	-	25,676,452	428,169,603	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	33,284,932	533,284,932	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	29,996,432	529,996,432	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	450,000,000	25,917,534	475,917,534	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	20,794,521	520,794,521	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	19,479,452	519,479,452	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	18,308,219	518,308,219	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	18,308,219	518,308,219	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	14,191,781	-	514,191,781	3 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	187,543,935	-	30,787,726	155,827,686	62,503,975	48 Months	HP & Lease Receivables
Cargills Bank Ltd- Short Term Loan	-	500,000,000	18,579,104	518,579,104	-	3 Months	Lease & HP receivables
Cargills Bank Ltd- Term Loan	157,956,849	-	19,346,973	95,569,083	81,734,739	48 Months	Lease & HP receivables
Cargills Bank Ltd- Term Loan	-	250,000,000	7,417,603	-	257,417,603	3 Months	Lease & HP receivables
Cargills Bank Ltd- Term Loan	-	500,000,000	13,497,534	-	513,497,534	3 Months	Lease & HP receivables
Hatton National Bank PLC -Term Loan 3	1,596,575,303	-	304,931,550	813,225,872	1,088,280,981	12 Months	Lease & HP receivables
	2,344,569,239	5,200,000,000	600,518,030	5,627,460,655	2,517,626,614		

NOTES TO THE FINANCIAL STATEMENTS

	As at 01.04.2023	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2024	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Direct Bank Borrowings							
Sampath Bank PLC - Term Loan	676,579,455	-	98,884,651	355,442,659	420,021,447	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	-	300,000,000	9,759,093	9,288,545	300,470,548	6 Months	Against Foreign Currency Ac
Sampath Bank PLC - Short Term Loan	-	450,000,000	708,904		450,708,904	6 Months	Against Foreign Currency Ac
Hatton National Bank PLC - Term Loan	333,865,504	-	27,264,745	361,130,249	-	36 Months	Lease & HP receivables
Hatton National Bank PLC - Term Loan	1,251,917,024	-	191,107,146	690,874,111	752,150,059	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan	33,704,767		4,780,196	25,069,160	13,415,803	60 Months	Land Mortgage
Bank of Ceylon -Term Loan	33,704,767		4,780,196	25,069,161	13,415,803	60 Months	Land Mortgage
DFCC Bank - Term Loan	229,792,511		34,223,624	159,694,103	104,322,032	48 Months	HP & Lease Receivables
DFCC Bank - Term Loan	-	300,000,000	9,566,219	309,566,219	-	3 Months	HP & Lease Receivables
Nation Trust Bank - Tram Loan	166,778,173	-	19,816,908	186,595,081	-	36 Months	Land Mortgage & HP & Lease Receivables
Nation Trust Bank - Tram Loan	600,000,000	-	57,371,630	418,482,740	238,888,889	36 Months	Land Mortgage & HP & Lease Receivables
Nation Trust Bank - Tram Loan	-	900,000,000	47,759,915	142,785,011	804,974,904	36 Months	Land Mortgage & HP & Lease Receivables
Central Finance Company PLC - Term Loan	119,944,910	-	9,246,903	78,572,923	50,618,890	36 Months	Lease & HP receivables
	3,446,287,113	1,950,000,000	515,270,129	2,762,569,963	3,148,987,279		
Total	16,147,547,256	9,757,000,000	3,073,733,099	16,415,041,996	12,563,238,361		

22.2 Changes in liabilities arising from financing activities (Securitised Borrowings, Syndicated Loans and Other Bank Facilities)

Company / Group	Cash Flows			Non Cash Flows	
	Opening 1/4/2023	Loans Obtained	Capital Repaid and Interest Net Movement	prepaid expense amortisation	Closing 31/03/2024
	LKR	LKR	LKR	LKR	LKR
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	16,147,547,256	9,757,000,000	3,073,733,099	16,415,041,996	12,563,238,361

Year ended 31 March 2024		Company / Group	
23. DUE TO CUSTOMERS		2024	2023
		LKR	LKR
Term Deposits - Monthly		25,725,546,842	25,911,609,737
Term Deposits - Maturity		34,637,334,187	31,769,618,548
Savings Deposits		1,758,359,370	1,562,422,226
		62,121,240,398	59,243,650,511

Year ended 31 March 2024		Company / Group	
24. DEBT INSTRUMENTS ISSUED		2024	2023
		LKR	LKR
Debentures (Note 24.1)		1,295,844,686	1,295,844,686
		1,295,844,686	1,295,844,686

24.1 Debentures

Type of debenture	Face value	Frequency of interest payment	Issued date	Maturity date	Amortised Cost	Amortised Cost
	LKR				LKR	LKR
Senior Rated, Subordinated, Guaranteed, Redeemable Debentures	1,287,590,000	Yearly	5-Mar-21	4-Mar-26	1,295,844,686	1,295,844,686
					1,295,844,686	1,295,844,686

24.2 Changes in liabilities arising from financing activities (Debentures)

Type of debenture	Cash Flows		Non Cash Flows			As at 31/03/2024
	As at 01/04/2023	Debentures Capital Repaid	Debenture nterest Net Movement	Debenture Interest Net Movement	Prepaid expense amortisation	
	LKR	LKR	LKR	LKR	LKR	LKR
Debts Instruments Issued	1,295,844,686	-	115,883,100	(115,883,100)	-	1,295,844,686

25. OTHER FINANCIAL LIABILITIES	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Trade Payables	1,486,660,789	984,158,637	1,486,660,789	996,498,438
	1,486,660,789	984,158,637	1,486,660,789	996,498,438

NOTES TO THE FINANCIAL STATEMENTS

26. OTHER LIABILITIES	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
VAT Payables	1,839,019,742	1,193,145,437	1,839,019,742	1,193,145,437
Advances received against Real Estate stock	1,822,000	1,066,000	1,822,000	1,066,000
Dividend Payable	4,207,788	4,263,441	4,207,788	4,263,441
Other Liabilities	946,712,314	850,482,689	949,230,234	850,482,689
Lease Liabilities	386,430,463	316,819,046	386,430,463	316,819,046
Deferred Revenue on Land sale income	216,204	216,204	216,204	216,204
	3,178,408,510	2,365,992,817	3,180,926,431	2,365,992,817

26.1 Undiscounted Cash flow of Lease Liability

2024 March	Within one year LKR	1 - 3 years LKR	3 - 5 years LKR	Total LKR
Lease Liability	262,092,147	161,301,076	192,005,244	615,398,467
	262,092,147	161,301,076	192,005,244	615,398,467
2023 March				
Lease Liability	110,844,306	422,307,833	55,334,953	588,487,092

27. POST EMPLOYMENT BENEFIT OBLIGATIONS

	Company / Group	
	2024 LKR	2023 LKR
As at the 1 April	365,950,612	334,424,812
Amount Charged for the year (Note 27.1)	121,820,742	94,051,825
Payments made during the year	(70,674,655)	(40,913,525)
Actuarial (Gains) / Loss for the year	78,840,247	(21,612,500)
As at 31 March	495,936,946	365,950,612

27.1 Expenses on Defined Benefit Plan

	Company / Group	
	2024 LKR	2023 LKR
Current Service Cost for the year	55,949,632	43,888,103
Interest cost for the year	65,871,110	50,163,722
	121,820,742	94,051,825

27.2 Assumptions

	Company / Group	
	2024	2023
Discount Rate	12.30%	18.00%
Salary scale	10.00%	12.00%
Staff Turnover		
20 - 30 years		
35 years		
40 years		
45 years		
50 years		
19-20 years	29.00%	33.00%
21-25 years	27.00%	24.00%
26-30 years	15.00%	15.00%
31-35 years	11.00%	12.00%
36-40 years	12.00%	9.00%
41-45 years	9.00%	6.00%
46-50 years	7.00%	5.00%
51-55 years	7.00%	8.00%
56-60 years	8.00%	8.00%
Mortality	A67/70 Ult tables	A67/70 Ult tables
Retirement age	60 years	60 years
Weighted average future expected working life	7.98	9.0 years

Due to the lack of long term high quality bonds available in the Sri Lankan market, discount rate is determined by examining short and medium term government and corporate bonds. For the purpose of this valuation, the Company has considered discount rate of 12.3%. A rate of discount of 18% has been used at the previous valuation.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

An actuarial valuation of the gratuity of the Company was carried out as at 31 March 2024 by Smiles Global (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method".

27.3 The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2024.

Increase/ (Decrease) in Salary Scale	Increase/ (Decrease) in Discount Rate	Increase/(Decrease) in PV of DBO	
		2024 LKR	2023 LKR
	(-1%)	29,152,299	20,916,960
	1%	(33,064,308)	(18,629,130)
(-1%)		(35,792,371)	(21,207,853)
1%		32,028,494	23,545,833

NOTES TO THE FINANCIAL STATEMENTS

27.4 Distribution of Employee Benefit Obligation over Future Working Lifetime

Year ended 31 March 2024	2024 LKR	2023 LKR
Less than or equal 1 year	36,097,470	38,940,922
Over 1 year and less than or equal 5 years	18,021,141	10,163,960
Over 5 year and less than or equal 10 years	441,814,560	156,633,611
Over 10 years	-	160,212,119
	495,933,171	365,950,612

ACCOUNTING POLICY

The Company measures the present value of the defined retirement benefits of gratuity which is a defined benefit plan using the projected unit credit actuarial valuation method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2024, carried out by Smiles Global (Pvt) Limited, a firm of professional actuaries.

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983. the liability for payment to an employee arises only after the completion of 5 years of continued service

Funding Arrangements

The Gratuity liability is not externally funded.

Defined Contribution Plan

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12% and 3% of salaries and other entitled allowances of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

28. DEFERRED TAXATION

28.1 Deferred Tax Assets, Liabilities and Income Tax relates to the following;

Company / Group	Statement of Financial Position		Statement of Profit or Loss			Statement of Other Comprehensive Income		
	2024	2023	2024	2023		2024	2023	
	LKR	LKR	LKR	LKR		LKR	LKR	
					Due to rate revision (Note)	Due to change in temporary differences		
Deferred Tax Liabilities								
Capital Allowances for tax purposes	287,022,631	278,908,359	8,114,272	25,670,836	150,554,178	-	-	
Revaluation of Building	105,609,413	105,609,413	-	21,121,883	-	-	-	
Investment Property	272,104,304	158,284,304	113,820,000	97,954,870	11,351,999	-	-	
Profit from associates	32,480,293	9,871,545	(42,160,011)	(525,648)	12,499,786	-	-	
Lease Rental Receivable	19,802,675	61,962,686	22,608,748	42,457,773	(150,326,178)	-	-	
	717,019,316	614,636,307	102,383,009	186,679,714	24,079,787	-	-	
Deferred Tax Assets								
Post Employment Benefit Obligations	(148,781,084)	(109,785,184)	(15,343,826)	(20,065,489)	(15,941,490)	(23,652,074)	6,483,750	
Temporary difference on provisions	(1,629,612,534)	(1,648,124,709)	18,512,174	(249,489,417)	(400,677,625)	-	-	
Right of use assets	(12,519,160)	(19,942,046)	7,422,886	(6,507,962)	12,597,765	-	-	
	(1,790,912,779)	(1,777,851,938)	10,591,234	(276,062,868)	(404,021,350)	(23,652,074)	6,483,750	
Deferred income tax charge/(reversal)								
Statement of Profit or Loss			112,974,243	(89,383,154)	(379,941,563)			
Statement of Other Comprehensive Income						(23,652,074)	6,483,750	
Net Deferred Tax Asset	(1,073,893,463)	(1,163,215,631)						

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

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

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are off set if legally enforceable right exists to set off current tax assets against current income tax liabilities and Deferred tax relates to the same taxable entity and the same taxation authority.

29. STATED CAPITAL

29.1 Issued and Fully Paid-Ordinary shares

Year ended 31 March 2024	Company /Group		Company /Group	
	2024		2023	
	No. of Shares	LKR	No. of Shares	LKR
At the beginning of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315
At the end of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315

29.2 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.

30. RETAINED EARNINGS	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
As at 01 April	13,655,576,606	12,619,872,455	13,677,691,251	12,619,872,455
Profit for the Year	4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Other Comprehensive Income net of tax	(55,188,173)	15,128,750	(55,188,173)	15,128,750
Dividend Paid (Note 45)	(318,074,365)	(636,148,730)	(318,074,365)	(636,148,730)
Provision for Surcharge Tax	-	(812,922,983)	-	(812,922,983)
Transfers to Statutory Reserve Fund (Note 31)	(209,695,856)	(129,981,427)	(217,794,223)	(130,813,532)
As at 31 March	17,266,535,340	13,655,576,606	17,442,518,949	13,671,386,604

31. RESERVES

Company	2024				
	Revaluation Reserve	General Reserve	Statutory Reserve	FVOCI Reserve	Total Reserve
	LKR	(Note 31.1) LKR	(Note 31.2) LKR	LKR	LKR
As at 01 April 2023	358,508,001	58,751,125	4,145,538,799	(10,000,001)	4,552,797,926
Transfers to/(from) during the year	-	-	209,695,856	-	209,695,856
As at 31 March 2024	358,508,001	58,751,125	4,355,234,656	(10,000,001)	4,762,493,783
	2023				
	Revaluation Reserve	General Reserve	Statutory Reserve	FVOCI Reserve	Total Reserve
	LKR	(Note 31.1) LKR	(Note 31.2) LKR	LKR	LKR
As at 01 April 2022	358,508,001	58,751,125	4,015,557,372	(10,000,001)	4,422,816,499
Transfers to/(from) during the year	-	-	129,981,427	-	129,981,427
As at 31 March 2023	358,508,000	58,751,125	4,145,538,798	(10,000,001)	4,552,797,926
Group	2024				
	Revaluation Reserve	General Reserve	Statutory Reserve	FVOCI Reserve	Total Reserve
	LKR	(Note 31.1) LKR	(Note 31.2) LKR	LKR	LKR
As at 01 April 2023	358,508,001	58,751,124	4,146,370,903	(10,000,001)	4,553,630,030
Other Comprehensive Income for the year net of tax	-	-	-	-	-
Transfers to/(from) during the year	-	-	217,794,223	-	217,794,223
As at 31 March 2024	358,508,001	58,751,123	4,364,165,125	(10,000,001)	4,771,424,253
	2023				
	Revaluation Reserve	General Reserve	Statutory Reserve	FVOCI Reserve	Total Reserve
	LKR	(Note 31.1) LKR	LKR	LKR	LKR
As at 01 April 2022	358,508,001	58,751,125	4,015,557,372	(10,000,001)	4,422,816,499
Other Comprehensive Income for the year net of tax	-	-	-	-	-
Transfers to/(from) during the year	-	-	130,813,532	-	130,813,532
As at 31 March 2023	358,508,001	58,751,124	4,146,370,903	(10,000,001)	4,553,630,031

31.1 General reserve represents amounts set aside by the Board of Directors from time to time which is available for general application at the discretion of the Board. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31.2 Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

32. GROSS INCOME	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Interest income (Note 32.1)	27,239,198,771	25,054,737,863	27,251,350,690	25,054,773,922
Fee and Commission Income (Note 33)	2,462,253,647	2,920,130,715	2,689,956,893	2,968,408,988
Net income from Real estate sales (Note 34)	-	1,539,165	-	1,539,165
Net gain/(loss) from trading (Note 35)	(3,084,237)	27,603,125	(3,084,237)	27,603,125
Other operating income (Note 36)	980,679,993	907,417,770	980,697,232	907,417,770
Change in fair value of Investment property	376,173,812	37,840,000	376,173,812	37,840,000
	31,055,221,987	28,949,268,637	31,295,094,391	28,997,582,970

32.1 Interest Income	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Reverse repurchase agreements	101,902,811	102,299,644	102,621,399	102,299,644
Placement with Banks and other Financial Institutions	598,020,280	553,740,273	608,661,898	553,740,273
Loans and Advances	8,188,095,675	6,741,709,730	8,188,095,675	6,741,709,730
Lease rentals receivable & Stock out on hire	16,778,020,591	16,241,243,111	16,778,020,591	16,241,243,111
Financial assets - fair value through profit or loss	1,573,159,414	1,415,745,105	1,573,951,128	1,415,781,165
Total Interest Income	27,239,198,771	25,054,737,863	27,251,350,690	25,054,773,922

32.2 Interest Expenses	Company / Group	
	2024	2023
	LKR	LKR
Due to Banks	3,206,303,049	4,059,625,542
Due to Customers	11,067,769,600	9,761,687,235
Debt instruments issued	115,883,100	115,883,100
Interest Expense on Lease Liabilities	41,221,178	10,891,171
Total Interest Expenses	14,431,176,928	13,948,087,048

33. FEE AND COMMISSION INCOME/EXPENSE

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Fee and Commission Income				
Credit Related Fees and Commissions	3,358,018	238,049,574	231,061,265	286,327,847
Service Charges	2,458,895,628	2,682,081,141	2,458,895,628	2,682,081,141
Total Fee and Commission Income	2,462,253,647	2,920,130,715	2,689,956,893	2,968,408,988

34. NET INCOME FROM REAL ESTATE SALES

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Proceeds from Real Estate sales	-	7,528,661	-	7,528,661
Cost of sales	-	(5,989,496)	-	(5,989,496)
	-	1,539,165	-	1,539,165

35. NET GAIN/(LOSS) FROM TRADING

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Financial assets recognised through profit or loss - measured at fair value	(3,084,237)	27,603,125	(3,084,237)	27,603,125
	(3,084,237)	27,603,125	(3,084,237)	27,603,125

36. OTHER OPERATING INCOME

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Sundry Income from Real estate	840,486	1,254,236	840,486	1,254,236
Bad debt recoveries	967,906,761	802,660,185	967,906,761	802,660,185
Rent income	32,324,262	28,412,734	32,324,262	28,412,734
Dividend Income	385,042	77,497	385,042	77,497
Other sundry income	(19,396,157)	89,021,957	(19,378,918)	89,021,957
Gain from disposal of investment property	(1,380,400)	(14,008,840)	(1,380,400)	(14,008,840)
Total Other Operating Income	980,679,993	907,417,770	980,697,232	907,417,770

NOTES TO THE FINANCIAL STATEMENTS

37. IMPAIRMENT CHARGES OF FINANCIAL ASSETS

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Loans and Receivables	27,568,783	178,687,286	27,568,783	178,687,286
Lease rentals receivable & Stock out on hire	861,822,972	3,235,870,980	861,822,972	3,235,870,980
Other Financial Assets	(4,085,062)	-	(4,085,062)	8,577,200
	885,306,694	3,414,558,266	885,306,694	3,423,135,466

38. PERSONNEL EXPENSES

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Salaries and bonus	2,365,056,907	2,340,546,295	2,370,096,907	2,341,046,295
Contribution to Defined Contribution Plan				
Contribution to EPF	223,814,362	208,865,555	224,419,162	208,925,555
Contribution to ETF	55,950,291	52,216,389	56,101,491	52,231,389
Contribution to defined benefit plan (Note 28.1)	121,820,742	94,051,825	121,820,742	94,051,825
Travelling & Subsistence	1,317,686,539	831,498,481	1,318,936,539	831,498,481
Other allowances & staff related expenses	44,630,688	41,131,597	44,658,188	41,131,597
	4,128,959,528	3,568,310,142	4,136,033,028	3,568,885,142

39. OTHER OPERATING EXPENSES

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Directors' Fees and Expense	13,956,197	16,323,920	13,956,197	16,323,920
Auditors' remuneration - Audit & audit related works	6,600,000	6,000,000	6,775,000	6,100,000
- Non-audit	3,835,000	1,440,000	3,835,000	1,440,000
Professional Expenses	115,490,237	224,350,729	117,504,228	224,556,679
Office Administration and Establishment Expenses	2,509,402,928	2,161,214,535	2,509,851,953	2,173,739,135
Advertising and Business Promotion Expenses	254,652,011	250,579,590	255,137,312	250,579,590
	2,903,936,373	2,659,908,774	2,907,059,690	2,672,739,324

40. TAX ON FINANCIAL SERVICES

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Value added tax	1,633,801,712	1,143,299,356	1,633,801,712	1,143,299,356
Social Security Contribution Levy	226,916,904	77,764,893	226,916,904	77,764,893
	1,860,718,616	1,221,064,249	1,860,718,616	1,221,064,249

ACCOUNTING POLICY

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.

As per the Value Added Tax (Amendment) Act No.13 of 2022, the VAT rate has been increased from 15% to 18% on supply of financial services on financial institutions with effect from 1 January 2022 (2021-15%).

Social Security Contribution Levy (SSCL) on Financial Services

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter III A of the Value Added Tax Act No. 14 of 2002.

41. SHARE OF PROFIT / (LOSS) OF ASSOCIATE	Company / Group	
	2024	2023
	LKR	LKR
Share of Profit/Loss of associates before income tax (net of tax)	183,630,138	41,665,956
Share of Profit/Loss of associates net of income tax (net of tax)	183,630,138	41,665,956

42. INCOME TAX

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

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Current Income Tax				
Income Tax for the year	2,288,029,267	1,729,563,700	2,355,641,014	1,739,253,179
Dividend Tax	57,756	11,625	57,756	11,625
Tax on Capital Gains	-	-	-	-
Deferred Tax				
Deferred Taxation Charge/(Reversal) (Note 28)				
- Due to rate revision (Note 28)	112,974,243	(89,383,155)	112,974,243	(89,383,155)
- Due to change in temporary differences (Note 28)	-	(379,941,563)	-	(379,941,563)
	2,401,061,265	1,260,250,607	2,468,673,012	1,269,940,086
Statement of Other Comprehensive Income				
Deferred tax related to other comprehensive income (Note 28)	(23,652,074)	6,483,750	(23,652,074)	6,483,750
Income tax charged directly Statement of Other Comprehensive Income	(23,652,074)	6,483,750	(23,652,074)	6,483,750

NOTES TO THE FINANCIAL STATEMENTS

42.2 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 2024 and 2023 is as follows:

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Accounting profit before tax	6,594,978,393	3,859,879,148	6,824,557,470	3,886,210,728
Non deductible Expenses and Capital portion of lease rentals	3,255,290,189	5,489,592,443	3,243,010,895	5,504,088,770
Exempt Income	(526,438,847)	(140,502,724)	(518,366,140)	(140,502,724)
Allowable Expenses including depreciation allowances on leased hold assets	(1,733,703,300)	(2,903,991,888)	(1,733,703,300)	(2,900,776,711)
Total profit from businesses (leasing and non- leasing)	7,590,126,435	6,304,976,979	7,815,498,925	6,349,020,063
Profit /(Loss) on leasing business	36,637,787	100,814,504	36,637,787	100,814,504
Total Statutory Income	7,626,764,222	6,405,791,483	7,852,136,712	6,449,834,566
Taxable Income	7,626,764,222	6,405,791,483	7,852,136,712	6,449,834,566
Income Tax Expense	2,288,029,267	1,729,563,700	2,355,641,014	1,739,253,179
Effective tax rate	36.41%	44.81%	34.52%	44.75%

Current income tax assets and liabilities consists of amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity and not in the Statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

43. EARNINGS PER ORDINARY SHARE

43.1 BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
For the year ended 31 March				
Amounts Used as the Numerators:				
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365	318,074,365
Basic Earnings per ordinary share (Rs.)	13.19	8.17	13.69	8.23

43.2 DILUTED EARNINGS PER ORDINARY SHARE

Diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares in to ordinary shares.

Number of Ordinary Shares Used as Denominators for Diluted Earnings per share

	Company		Group	
	2024	2023	2024	2023
	LKR	LKR	LKR	LKR
Amounts Used as the Numerators:				
Profit attributable to Ordinary Shareholders	4,193,917,128	2,599,628,541	4,355,884,457	2,616,270,643
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365	318,074,365
Diluted Earnings per ordinary share (Rs.)	13.19	8.17	13.69	8.23

44. DIVIDEND PAID	Company	
	2024	2023
	LKR	LKR
44.1 Declared and Paid During the Year		
Dividends on Ordinary Shares:		
Final Dividend for 2021/22 Rs.2/- per share.	-	636,148,730
Final Dividend for 2022/23 Rs.1/- per share.	318,074,365	-
	318,074,365	636,148,730

ACCOUNTING POLICY

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted when they are declared.

NOTES TO THE FINANCIAL STATEMENTS

For management purposes, the Group is organised into seven operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

45.2 2023

	Finance Lease		Hire Purchase		Microfinance and SME Loans		Gold loan		Term Loan		Revolving Loans		Investments		Unallocated		Total		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	
Interest income	6,970,103,632	9,769,697,176	1,158,499,209	3,711,538,947	706,334,849	104,301,976	2,071,785,021	562,477,052	25,054,737,863										
Fee Based Income	812,365,861	1,138,658,602	135,023,130	432,580,015	82,323,355	12,156,400	241,466,628	65,556,723	2,920,130,715										
Net income from Real estate sales															1,539,165				1,539,165
Net gain from trading																			27,603,125
Other operating income	252,439,117	353,833,150	41,957,843	134,422,336	25,581,620	3,777,548	75,034,692	20,371,463	907,417,770										
Change in fair value of Investment property																			
Total Revenue	8,034,908,610	11,262,188,928	1,335,480,182	4,278,541,299	814,239,825	120,235,924	2,415,889,466	687,784,403	28,949,268,637										
Segmental Result Before depreciation and amortisation	1,487,814,893	2,085,406,720	247,289,347	792,252,628	150,771,863	136,169,871	447,347,506	127,356,256	4,640,637,350										(321,225,721)
Depreciation and Amortisation																			
Segments Results																			5,039,277,442
VAT on Financial Services																			(1,143,299,356)
Social Security Contribution Levy																			(77,764,893)
Share of loss of associates																			41,665,956
Profit before Taxation																			3,859,879,148
Income Tax Expenses																			(1,260,250,607)
Net profit for the Year																			2,599,628,541
Segment Asset	27,816,194,588	27,332,086,377	3,020,923,957	12,200,533,577	1,368,428,397	171,750,603	16,368,260,142	13,876,262,783	102,154,440,424										
Total Assets																			102,154,440,424
Segment Liabilities	22,272,526,430	21,884,899,254	2,418,864,610	9,769,010,843	1,095,705,509	137,521,321	13,106,124,400	11,110,773,208	81,795,425,576										
Total Liabilities																			81,795,425,576

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Companies' other components, whose operating results are reviewed regularly by the Senior 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 eight operating segments based on products and services, as follows:

- Finance Lease
- Hire purchase
- Microfinance & SME loans
- Gold loan
- Term loans
- Revolving loan
- Investments
- Unallocated

Income taxes are managed on a Company basis and are not allocated to operating segments. Interest income is reported net, as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the company's total revenue in 2024 or 2023.

46. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

46.1	As at 31 March 2024	At Fair Value		At Amortised Cost	
		Fair value through profit or Loss	Fair value through Other Comprehensive Income	Financial assets measured at amortised cost	Total
		LKR	LKR	LKR	LKR
Assets					
	Cash and Bank Balances	-	-	2,162,917,318	2,162,917,318
	Reverse repurchase agreements	-	-	541,345,511	541,345,511
	Placements with banks	-	-	3,648,330,912	3,648,330,912
	Financial assets recognised through profit or loss - measured at fair value	6,883,129,751	-	-	6,883,129,751
	Financial assets at amortised cost				
	Loans and Receivables	-	-	23,959,319,517	23,959,319,517
	Lease rentals receivable & Stock out on hire	-	-	57,478,508,628	57,478,508,628
	Debt & other instruments	-	-	-	-
	Financial assets at fair value through other comprehensive income	-	56,554,019	-	56,554,019
	Other financial assets	-	-	170,892,035	170,892,035
	Total Financial Assets	6,883,129,751	56,554,019	87,961,313,920	94,900,997,690

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2024	At Amortised Cost	
	Other Financial Liabilities	Total
	LKR	LKR
Liabilities		
Due to Banks	12,606,977,873	12,606,977,873
Due to Customers	62,121,240,398	62,121,240,398
Debt Instruments Issued and Other borrowed funds	1,295,844,686	1,295,844,686
Other Financial Liabilities	1,486,660,789	1,486,660,789
Total Financial Liabilities	77,510,723,746	77,510,723,746

46.2 As at 31 March 2023	At Fair Value		At Amortised Cost	
	Fair value through profit or Loss	Fair value through Other Comprehensive Income	Financial assets measured at amortised cost	Total
	LKR	LKR	LKR	LKR
Assets				
Cash and Bank Balances	-	-	2,437,142,080	2,437,142,080
Reverse repurchase agreements	-	-	860,000,000	860,000,000
Placements with banks	-	-	2,666,945,164	2,666,945,164
Financial assets recognised through profit or loss - measured at fair value	8,437,229,910	-	-	8,437,229,910
Financial assets at amortised cost	-	-	-	-
Loans and Receivables	-	-	21,028,377,642	21,028,377,642
Lease rentals receivable & Stock out on hire	-	-	55,142,285,509	55,142,285,509
Debt & other instruments	-	-	-	-
Financial assets at fair value through other comprehensive income	-	2,554,019	-	2,554,019
Other financial assets	-	-	170,759,082	170,759,082
Total Financial Assets	8,437,229,910	2,554,019	82,305,509,476	90,745,293,405

As at 31 March 2023	At Amortised Cost	
	Other Financial Liabilities	Total
	LKR	LKR
Liabilities		
Due to Banks	16,259,699,210	16,259,699,210
Due to Customers	59,243,650,511	59,243,650,511
Debt Instruments Issued and Other borrowed funds	1,295,844,686	1,295,844,686
Other Financial Liabilities	984,158,637	984,158,637
Total Financial Liabilities	77,783,353,044	77,783,353,044

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial assets recognised through profit or loss - measured at fair value

Financial assets recognised through profit or loss are valued using a valuation technique and consists of government debt securities, investments in unit trust and listed equity securities.

The Company values the government securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, daily unit traded prices, broker statements and market data published by Central Bank of Sri Lanka.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, primarily consist of equity securities which are valued using valuation techniques or pricing models. These assets are valued using models that use both observable and unobservable data. Quoted equities are valued using quoted market prices in the active market as at the reporting date.

47.1 Determination of Fair Value and Fair Value Hierarchy

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.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31 March 2024	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Financial assets - Recognised through profit or loss				
Government of Sri Lanka Treasury Bills	6,882,854,302	-	-	6,882,854,302
Quoted equities	275,449	-	-	275,449
Investments in Unit Trusts	-	-	-	-
Financial assets - fair value through other comprehensive income				
Unquoted equities	-	-	56,554,019	56,554,019
Total Financial Assets	6,883,129,751	-	56,554,019	6,939,683,770
Non financial assets measured at fair value				
Freehold land	-	-	3,282,891,442	3,282,891,442
Building & Building integrals	-	-	2,514,809,805	2,514,809,805
Investment property	-	-	2,437,850,045	2,437,850,045
	-	-	8,235,551,292	8,235,551,292

NOTES TO THE FINANCIAL STATEMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31 March 2023	Level 1	Level 2	Level 3	Total
Financial Assets	LKR	LKR	LKR	LKR
Financial assets - Recognised through profit or loss				
Government of Sri Lanka Treasury Bills	8,433,839,633	-	-	8,433,839,633
Quoted equities	3,390,277	-	-	3,390,277
Investments in Unit Trusts	-	-	-	-
Financial assets - fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills	-	-	-	-
Unquoted equities	-	-	2,554,019	2,554,019
Total Financial Assets	8,437,229,910	-	2,554,019	8,439,783,929
Non financial assets measured at fair value				
Freehold land	-	-	3,320,656,242	3,320,656,242
Building & Building integrals	-	-	2,433,830,420	2,433,830,420
Investment property	-	-	1,220,344,185	1,220,344,185
	-	-	6,974,830,847	6,974,830,847

There were no financial liabilities recorded at fair value as at 31 March 2024 and 31 March 2023.

47.2 Movements in level 3 financial instruments measured at fair value

	2024	2023
Equity Securities	LKR	LKR
As at 1 April	6,291,861	6,291,861
As at 31 March	6,291,861	6,291,861

47.3 Movements in level 3 Non financial assets measured at fair value

	Free hold Land	Building & building integrals	Investment Property
	LKR	LKR	LKR
Balance as at 1 April 2022	2,727,896,485	1,501,607,756	1,493,885,665
Disposals	-	-	(63,499,700)
Acquired during the year	592,759,757	944,492,486	344,877,978
Fair Value Recognised During the year	-	-	37,840,000
Disposals/Transfers	-	-	(592,759,757)
Depreciation	-	(12,269,822)	-
Balance as at 31 March 2023	3,320,656,242	2,433,830,420	1,220,344,186
Disposals	-	-	(7,640,400)

	Free hold Land LKR	Building & building integrals LKR	Investment Property LKR
Acquired during the year	380,735,200	127,564,519	427,246,261
Fair Value Recognised During the year	418,500,000	3,226,188	376,173,812
Disposals/Transfers	-	-	421,726,187
Depreciation	-	(43,358,946)	-
Balance as at 31 March 2024	4,119,891,442	2,521,262,182	2,437,850,046

47.4 Estimated Fair Value of financial assets and liabilities carried at other than fair value

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

	2024		2023	
	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets				
Cash and Bank Balances	2,162,917,318	2,162,917,318	2,437,142,080	2,437,142,080
Reverse Repurchase Agreements	541,345,511	541,345,511	860,000,000	860,000,000
Placement with Banks	3,648,330,913	3,648,330,913	2,666,945,165	2,666,945,165
Loans and Receivables	23,959,319,517	24,690,081,030	21,028,377,642	21,706,229,655
Lease rentals receivable & Stock out on hire	57,478,508,628	58,989,175,169	55,142,285,509	53,879,685,192
Other financial assets	170,892,035	170,892,035	170,759,082	170,759,082
Total Financial Assets	87,961,313,920	90,202,741,975	82,305,509,477	81,720,761,172
Financial Liabilities				
Due to Banks	12,606,977,873	12,551,130,390	16,259,699,210	16,756,751,654
Due to Customers	62,121,240,398	65,763,285,460	59,243,650,511	61,157,499,782
Debt Instruments Issued	1,295,844,686	1,277,078,757	1,295,844,686	767,879,200
Other Financial Liabilities	1,486,660,789	1,486,660,789	984,158,637	984,158,637
Total Financial Liabilities	77,510,723,745	81,078,155,396	77,783,353,044	79,666,289,274

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits, certificate of deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

NOTES TO THE FINANCIAL STATEMENTS

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Interest rates based on Treasury Bond rates with similar tenors have been used to arrive at the fair value of debentures issued.

48. RISK MANAGEMENT

48.1 INTRODUCTION

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring. 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 primarily exposed to credit risk, interest rate risk, operational risk and liquidity risk the management of which is explained below.

48.1.1 Risk Management structure

The Board of Directors is responsible for establishing the overall risk management framework within the Company. The Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the board has been established with delegated risk management responsibilities. The BIRMC plays a vital role in establishing best practices in relation to risk policies and practices within the Company.

The activities of the Company's risk management system take place at three broad levels of hierarchy, as follows:

Strategic Level

Overall financial risks are monitored at the BIRMC level, and the decisions made by the BIRMC are communicated to the Board of Directors. The Board ratifies the risk policies and directions issued to the management by the BIRMC.

Management Level:

Development and implementation of underlying procedures, processes and controls are carried out at the Management Level. Assuring the compliance with laid down policies, procedures and controls and reviewing the outcomes of operations, and measuring and analysing risk related information is also performed at this level.

-Operational Level:

The individuals accountable for the risk exposures relating to his or her responsibilities are required to comply with approved policies, procedures and controls.

48.1.2 Risk measurement and reporting system

A risk management process has been developed and is continuously reviewed by the BIRMC together with the operational management. The Company has established two risk sub committees, namely Credit Committee and Information Technology sub-committee to review operational risks related to each area. In addition the Assets and Liabilities Committee (ALCO) reviews market and liquidity risks. The effectiveness of these committees is assessed by the BIRMC.

The risk sub committees comprise of selected members of the operational management, middle management and operational staff of each relevant department. These sub committees meet on a regular basis and are responsible for identifying and analysing risks. The identified risks are taken up for discussion at risk subcommittee meetings and the minutes of the subcommittee meetings are circulated among the members of the BIRMC. The decisions and directives of the BIRMC are communicated to the operational management through the sub committees for operationalization of such decisions and directives.

48.2 Credit Risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfil agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Impairment Assessment

The methodology of the impairment assessment is explained in Note 5.5.5 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

Mitigation:

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

Microfinance Loans & Abhiwurdhi SME Loans

As is the practice in the industry both in Sri Lanka and Internationally, Microfinance loans are granted without obtaining any security from the borrower. Abhiwurdhi Loans are granted mainly to Microfinance customers who have obtained Microfinance loans in the past and settled them satisfactorily. As these accommodations are not covered by collateral they could lead to substantial credit risks to the Company. Credit risks associated with Microfinance and Abhiwurdhi portfolios are controlled by the following measures:

- Limiting individual's first Microfinance loan to less than Rs. 40,000 and these are granted as Group-loans where loans granted to each member of the Group is guaranteed by the other members of the Group. Loans are granted after careful evaluation of the purpose for which they are taken and the repayment capacity,
- Microfinance Loans in higher amounts and Abhiwurdhi SME Loans are granted based on past credit performance of applicants and with careful evaluation of the purpose for which they are taken and the repayment capacity,
- Weekly and fortnightly collection system which closely monitors each loan granted,
- Careful monitoring of various ratios such as Portfolio-at-Risk (PAR)

Gold Loans

The Company also has a substantial portfolio of loans and advances granted under pawn brokering and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. Where the articles are not so redeemed, the difference between the realizable value of the article held and the total of the capital, interest and other charges due would result in a loss to the Company. In order to manage this risk the Company has adopted the following practices:

- Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article,
- Close follow up of the payment of capital and interest due on loans and advances granted,
- Structuring of the loans and advances granted in a manner that recovery action is possible

NOTES TO THE FINANCIAL STATEMENTS

48.2.1 Assessment of Expected Credit Losses

(a) Analysis of the total impairment for expected credit losses is as follows,

Company / Group

As at 31 March 2024 - LKR	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	237,676,447	175,603,031	856,974,429	1,270,253,907
Lease Rentals Receivable & Stocks out on hire	11.1	2,399,053,545	1,442,210,787	3,250,032,794	7,091,297,125
Other Financial assets	14.1	94,715,240	-	-	94,715,240
		2,731,445,231	1,617,813,818	4,107,007,223	8,456,266,272
As at 31 March 2023 - LKR	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	141,679,313	271,553,818	854,575,674	1,267,808,805
Lease Rentals Receivable & Stocks out on hire	11.1	491,078,123	2,589,586,829	4,101,775,928	7,182,440,880
Other Financial assets	14.1	94,715,240	-	-	94,715,240
		727,472,676	2,861,140,647	4,956,351,602	8,544,964,925

Please refer Note 10.1 and 11.1 for the movement of expected credit loss of the Loans & Receivables and Lease rentals receivables & Stock out on hire respectively.

(b) Sensitivity analysis of impairment allowance for Loans and advances and Lease rentals receivables.

Change Criteria	Change Factor	Sensitivity Effect on impairment allowance increase	
		2024 LKR	2023 LKR
Probability of Default	Increase by 5%	315,252,722	100,737,717
Loss Given Default	Increase by 5%	346,590,058	362,059,331
Realisation of Cash Flows - Individually Significant Loans	Delayed by 1 year	8,019,160	10,307,481
Economic Factor Adjustment	Increase worst case scenario probability by 5%	10,527,455	22,229,552

48.2.2 Analysis of maximum exposure to credit risk and collateral

The following table shows the maximum exposure to credit risk by class of financial asset.

Company	As at 31 March 2024		As at 31 March 2023	
	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	LKR	LKR	LKR	LKR
Assets				
Cash and Bank Balances	2,162,917,318	2,162,917,318	2,437,142,080	2,437,142,080
Reverse Repurchase Agreements	541,345,511	-	860,000,000	-
Placements with Banks	3,648,330,913	3,648,330,913	2,666,945,165	2,666,945,165
Financial assets recognised through profit or loss - measured at fair value	6,883,129,751	6,883,129,751	8,437,229,910	8,437,229,910
Financial assets at amortised cost				
Loans and Receivables	25,229,573,423	4,603,450,456	22,296,186,446	4,244,503,643
Lease rentals receivable & Stock out on hire	64,569,805,753	32,280,020	62,324,726,389	376,958,744
Debt & other instruments	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	56,554,019	56,554,019	2,554,019	2,554,019
Other financial assets	170,892,035	170,892,035	170,759,082	170,759,082
Total Financial Assets	103,262,548,723	17,557,554,511	99,195,543,090	18,336,092,641

48.2.2.1 Collateral held and other credit enhancement

As at 31st March	Percentage of exposure that is subject to collateral requirements		Types of Collateral Held
	2024	2023	
	%	%	
Type of credit exposure	%	%	
Hire Purchase Receivables	100	100	Vehicles
Finance Lease Receivables	100	100	Vehicles
Loans and Advances- Auto Loans	100	100	Vehicles
Loans and Advances- Micro Finance	100	100	Guarantors
Loans and Advances- RBL	100	100	Guarantors
Loans and Advances- Gold Loans	100	100	Pawning Articles
Loans and Advances- Loans against Deposits	100	100	Lien Deposits
Loans and Advances- Personal Loans	100	100	Guarantors
Loans to Employees	100	100	Vehicles and Guarantors
Placement with Banks	100	100	Cash
Financial Assets at Amortised Cost-Debt and Other Financial Instruments	100	100	Marketable Securities

NOTES TO THE FINANCIAL STATEMENTS

48.3 Liquidity Risk & Funding Management

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of instalments on bank and other borrowings.

Mitigation:

Special attention is focused on the liquidity of the Company as it provides critical defense against this and several other risks such as reputational, compliance, and financial risks. An Asset Liability Management policy has been developed and integrated in to risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly monitors liquidity position and maintain an adequate buffer of liquid assets. company also maintains access to diverse funding sources to meet unforeseen liquidity requirements. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management. With the continuation of the COVID 19 disruptions this year, the company introduced more rigour to the processes already in place to manage its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its risk management measures under review to readily respond to changing circumstances. The company is comfortable with its existing buffer of liquid assets. The actions taken will help to maintain existing liquidity position while mitigating any disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

48.3.1 The Finance Companies (Liquid Assets) Direction No. 01 of 2009 requires Company to maintain minimum liquid assets as follows;

- 10% of the outstanding value of time deposits received by the company and accrued interest payable at close of business on such day; and
- 15% of the outstanding value of savings deposits accepted by the company and accrued interest payable at close of business on such day; and
- 10% of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the company and borrowings which are secured by the mortgage of any assets of the company.

48.3.2 Analysis Of Financial Assets And Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	2,162,917,318	-	-	-	-	2,162,917,318
Reverse repurchase agreements	-	541,345,511	-	-	-	541,345,511
Placement with Banks	-	2,736,687,334	-	-	-	2,736,687,334
Financial assets recognised through profit or loss - measured at fair value	275,449	7,001,208,407	-	-	-	7,001,483,856
Loans and Advances	3,121,407,392	11,358,402,310	9,914,429,539	2,704,909,798	35,032,220	27,134,181,259
Lease rentals receivable & Stock out on hire	9,512,849,468	11,242,839,055	32,190,700,199	37,577,451,833	4,261,490	90,528,102,045
Financial assets at fair value through other comprehensive income	-	-	-	-	56,554,019	56,554,019
Other financial assets	-	170,892,035	-	-	-	170,892,035
Total Financial Assets	14,797,449,627	33,051,374,651	42,105,129,738	40,282,361,631	95,847,729	130,332,163,376

Company	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Liabilities						
Due to Banks	43,739,511	3,512,754,981	5,091,139,441	3,247,448,201	-	11,895,082,134
Due to Customers	1,758,359,370	19,818,445,749	18,309,992,048	16,521,525,695	-	56,408,322,861
Debt Instruments Issued and Other borrowed funds	-	-	115,883,100	1,519,356,200	-	1,635,239,300
Other Financial Liabilities	-	1,486,660,789	-	-	-	1,486,660,789
Total Financial Liabilities	1,802,098,881	24,817,861,519	23,517,014,589	21,288,330,095	-	71,425,305,084
Total Net Financial Assets/ (Liabilities)	12,995,350,746	8,233,513,132	18,588,115,150	18,994,031,536	95,847,729	58,906,858,292

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023.

Company 2023 March	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and Bank Balances	2,437,142,080	-	-	-	-	2,437,142,080
Reverse repurchase agreements	-	861,063,031	-	-	-	861,063,031
Placement with Banks	11,655	2,395,925,642	376,636,587	-	-	2,772,573,884
Financial assets recognised through profit or loss - measured at fair value	3,390,277	8,086,178,109	635,673,944	-	-	8,725,242,330
Financial assets at amortised cost						-
Loans and Advances	5,541,197,532	9,622,760,054	5,874,810,644	2,936,861,995	54,163,866	24,029,794,092
Lease rentals receivable & Stock out on hire	9,411,543,212	10,680,842,260	28,731,368,253	39,998,921,809	14,798,477	88,837,474,011
Financial assets at fair value through other comprehensive income	-	-	-	-	2,554,019	2,554,019
Other financial assets		170,759,082				170,759,082
Total Financial Assets	17,393,284,753	31,817,528,179	35,618,489,428	42,935,783,803	71,516,362	127,836,602,528

	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Liabilities						
Due to Banks	323,870,724	3,884,393,680	9,204,429,909	7,485,700,974	-	20,898,395,287
Due to Customers	1,562,422,226	26,661,836,089	24,096,161,884	28,459,059,044	-	80,779,479,243
Debt Instruments Issued and Other borrowed funds	-	-	115,883,100	1,519,356,200	-	1,635,239,300
Other Financial Liabilities	-	984,158,637	-	-	-	984,158,637
Total Financial Liabilities	1,886,292,950	31,530,388,406	33,416,474,893	37,464,116,218	-	104,297,272,467
Total Net Financial Assets/ (Liabilities)	15,506,991,803	287,139,773	2,202,014,535	5,471,667,585	71,516,362	23,539,330,061

NOTES TO THE FINANCIAL STATEMENTS

48.3.3 Contractual Maturities Of Financial Commitments

The table below shows the contractual expiry by maturity of the customers' undrawn loan commitments. These are included in the time band containing the earliest date such can be drawn down by the Customers.

Company / Group

As at 31 March 2024	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR

Commitments

Commitment for unutilised facilities	133,340,195	-	-	-	-	133,340,195
Financial guarantee contracts	900,000	45,250,000	253,150,000	-	-	299,300,000
Total Commitments	134,240,195	45,250,000	253,150,000	-	-	432,640,195

Company

As at 31 March 2023	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR

Commitments

Commitment for unutilised facilities	126,527,866	-	-	-	-	126,527,866
Financial guarantee contracts	4,500,000	69,100,000	152,456,000	129,200,000	-	355,256,000
Total Commitments	131,027,866	69,100,000	152,456,000	129,200,000	-	481,783,866

48.4 Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign exchange rates, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation:

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

48.4.1 Equity price risk

Equity price risk is the risk that the fair value of equities decreasing as a result of changes in the level of equity indices and individual stocks. The market value of the Company's equity portfolio as of 31 March 2024 is LKR 275,449/- (2023 - LKR 3,390,277/-).

The table below shows the impact on the profit or loss due to a reasonably possible change in the price of the Company's investment in trading securities with all other variables held constant:

	Impact on profit/loss	
	Company	
	2024	2023
	LKR	LKR
+10%	27,545	339,028
-10%	(27,545)	(339,028)

48.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

48.4.3 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 profit or loss statements and equity, arising from interest bearing loans and borrowings.

Financial Instrument	Increase/ (Decrease) in basis points	Company / Group			
		Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2024	2023	2024	2023
		LKR Mn	LKR Mn	LKR Mn	LKR Mn
Long Term Loans linked to AWPLR*	+500/ (-500)	(349.73)/349.73	(412.38)/412.38	(349.73)/349.73	(412.38)/412.38

NOTES TO THE FINANCIAL STATEMENTS

48.4.4 Interest Rate Risk Exposure On 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 amounts and categorized by the earlier of contractual reprising or maturity dates.

Company	Up to 03		03-12		01-05		Over 05		Non interest		Total as at	
	Months	LKR	Months	LKR	Years	LKR	Years	LKR	bearing	LKR	31 March 2024	LKR
Assets												
Cash and Bank Balances	1,505,639,807		-	-	-	-	-	-	657,277,512		2,162,917,319	
Reverse repurchase agreements	541,345,511		-	-	-	-	-	-	-		541,345,511	
Placement with Banks	3,521,122,728	127,208,184									3,648,330,912	
Financial assets recognised through profit or loss - measured at fair value	6,882,854,302								275,449		6,883,129,751	
Loans and receivables	12,743,288,262	9,079,820,752	2,058,240,985		28,450,822				49,518,697		23,959,319,517	
Lease rentals receivable & Stock out on hire	9,409,149,492	20,037,109,637	28,028,500,905		3,748,593				-		57,478,508,628	
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	56,554,019		56,554,019	
Other financial assets	-	-	-	-	-	-	-	-	170,892,035		170,892,035	
Total Financial Assets	34,603,400,101	29,244,138,574	30,086,741,890		32,199,415				934,517,712		94,900,997,692	
Financial Liabilities												
Due to banks	3,986,860,204	5,326,938,086	3,293,179,585		-				-		12,606,977,875	
Due to Customers	31,768,514,531	5,944,019,584	16,218,873,664		9,794,335,209				-		63,725,742,988	
Debt Instruments Issued and Other borrowed funds	-	-	1,295,844,686		-				-		1,295,844,686	
Other Financial Liabilities	-	-	-		-				1,486,660,789		1,486,660,789	
Total Financial Liabilities	35,755,374,735	11,270,957,670	20,807,897,935		9,794,335,209				1,486,660,789		79,115,226,338	
Interest Sensitivity Gap	(1,151,974,634)	17,973,180,904	9,278,843,955		(9,762,135,794)				(552,143,077)		15,785,771,354	

Company

As at 31 March 2023

	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31 March 2023 LKR
Assets						
Cash and Bank Balances	2,053,636,355	-	-	-	383,505,725	2,437,142,081
Reverse repurchase agreements	860,000,000	-	-	-	-	860,000,000
Placement with Banks	2,226,844,579	440,100,586	-	-	-	2,666,945,164
Financial Investments measured at amortised cost	7,798,165,689	635,673,944	3,390,728,921	44,097,019	3,390,277	8,437,229,910
Loans and receivables	13,442,897,671	5,104,193,486	2,390,728,921	44,097,019	46,460,545	21,028,377,641
Lease rentals receivable & Stock out on hire	8,716,081,380	17,292,568,679	29,120,672,083	12,963,369	-	55,142,285,509
Financial Investments - Available for Sale	-	-	-	-	2,554,019	2,554,019
Other financial assets	-	-	-	-	170,759,082	170,759,082
Total Financial Assets	35,097,625,674	23,472,536,695	31,511,401,003	57,060,387	606,669,648	90,745,293,406
Financial Liabilities						
Due to banks	3,095,133,624	6,641,735,161	6,522,830,424	-	-	16,259,699,208
Due to Customers	6,069,474,868	36,193,162,304	17,026,102,391	-	-	59,288,739,563
Debt Instruments Issued and Other borrowed funds	-	-	1,295,844,686	-	-	1,295,844,686
Other Financial Liabilities	-	-	-	-	984,158,637	984,158,637
Total Financial Liabilities	9,164,608,491	42,834,897,464	24,844,777,501	-	984,158,637	77,828,442,093
Interest Sensitivity Gap	25,933,017,183	(19,362,360,770)	6,666,623,503	57,060,387	(377,488,991)	12,916,851,313

NOTES TO THE FINANCIAL STATEMENTS

CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

Company	2024				2023			
	With in 12 Months	After 12 Months	Total as at 31 March 2024	With in 12 Months	After 12 Months	Total as at 31 March 2023		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	
Assets								
Cash and Bank Balances	2,162,917,318	-	2,162,917,318	2,437,142,080	-	2,437,142,080		
Reverse Repurchase Agreements	541,345,511	-	541,345,511	860,000,000	-	860,000,000		
Placement with Banks	3,648,330,913	-	3,648,330,913	2,666,945,165	-	2,666,945,165		
Financial assets recognised through profit or loss - measured at fair value	6,882,854,302	275,449	6,883,129,751	8,433,839,633	3,390,277	8,437,229,910		
Loans and Receivables	21,872,627,711	2,086,691,806	23,959,319,517	18,593,551,702	2,434,825,939	21,028,377,641		
Lease rentals receivable & Stock out on hire	29,446,259,129	28,032,249,499	57,478,508,628	26,008,650,058	29,133,635,451	55,142,285,509		
Financial assets at fair value through other comprehensive income	-	56,554,019	56,554,019	-	2,554,019	2,554,019		
Other financial assets	7,366,648	163,525,388	170,892,035	7,418,071	163,341,012	170,759,083		
Inventories	-	68,776,384	68,776,384	-	215,979,349	215,979,349		
Other assets	-	738,354,624	738,354,624	-	714,279,365	714,279,365		
Investments in Subsidiaries	-	15,000,000	15,000,000	-	15,000,000	15,000,000		
Investments in associates	-	525,936,491	525,936,491	-	342,306,353	342,306,353		
Investment property	-	2,437,850,045	2,437,850,045	-	1,220,344,185	1,220,344,185		
Property, plant and equipment	-	6,922,680,160	6,922,680,160	-	6,460,091,383	6,460,091,383		
Intangible assets & goodwill	-	828,262,603	828,262,603	-	894,398,277	894,398,277		
Right of use assets	43,122,805	432,959,693	476,082,498	83,497,167	300,035,308	383,532,475		
Deferred tax assets	-	1,073,893,464	1,073,893,464	-	1,163,215,632	1,163,215,632		
Total Assets	64,604,824,336	43,383,009,625	107,987,833,959	59,091,043,876	43,063,396,550	102,154,440,427		
Liabilities								
Due to Banks	9,313,798,290	3,293,179,582	12,606,977,873	9,736,868,784	6,522,830,426	16,259,699,210		
Due to Customers	37,712,534,115	24,408,706,283	62,121,240,398	42,262,637,172	16,981,013,339	59,243,650,511		
Debt instruments issued	-	1,295,844,686	1,295,844,686	-	1,295,844,686	1,295,844,686		
Other Financial Liabilities	1,486,660,789	-	1,486,660,789	984,158,637	-	984,158,637		
Other liabilities	3,002,568,570	175,839,940	3,178,408,510	2,190,152,877	175,839,940	2,365,992,817		
Post employment benefit obligations	-	495,936,946	495,936,946	-	365,950,612	365,950,612		
Current tax liabilities	2,623,095,320	-	2,623,095,320	1,280,129,104	-	1,280,129,104		
Total liabilities	54,138,657,084	29,669,507,437	83,808,164,521	56,453,946,575	25,341,479,003	81,795,425,578		

50. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities outstanding as at the reporting date.

Legal Claims

The Company has 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. At year-end the Company had seven unresolved legal claims amounting to LKR 28,400,000/- (2023-LKR 28,400,000/-) against the Company.

Although there can be no assurance, the Company believes, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect of the results of operations, financial position of liquidity. Accordingly, no provision for any liabilities has been made in these Financial Statements.

50.1	Commitments	Company	
		2024	2023
		LKR	LKR
	Commitment for unutilised facilities	133,340,195	126,527,866
	Guarantees issued	299,300,000	355,256,000
	Total commitments and contingencies	432,640,195	481,783,866

51. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Company/Group	Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
			2024	2023	
			LKR	LKR	
	Lease Rentals Receivable & Stock out on Hire	Loans	14,073,182,506	14,410,483,679	Lease Rentals Receivable & Stock out on Hire
	Microfinance Loans / Gold Loans	Loans	6,210,527,001	13,681,155,090	Loans & Receivables
	Land & Building	Loans	846,150,000	631,494,513	Property, Plant and Equipment
	Balance held in foreign currency account	Loans	875,805,555	-	Cash & Bank Balances
	Placement with banks	Loans	841,327,010	515,483,046	Placement with banks
			22,846,992,071	29,238,616,329	

52. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of significant related party transactions which the company had during the year are as follows,

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per LKAS 24 - "Related Party Disclosures" under the supervision of Related Party Transactions Review Committee.

52.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company and "Key Management Personnel" has been defined to be the Board of Directors of the Company fall under such definition.

NOTES TO THE FINANCIAL STATEMENTS

52.1.1 Key Management Personnel Compensation	Company	
	2024	2023
	LKR	LKR
Short Term Employment Benefits	92,694,142	99,284,687
Post Employment Benefits	10,332,900	9,238,500
Directors Fees & Expenses	13,940,997	16,310,000
	116,968,039	124,833,187

52.1.2 Transactions, Arrangements and Agreements Involving KMPs, and their Close Members of Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

	Company	
	2024	2023
	LKR	LKR
Deposits held at the end of the year	76,857,149	64,509,977
Interest on Fixed Deposits	6,054,516	5,157,593
Dividend Paid	5,643	13,063,358

52.2 Transactions with related entities

52.2.1 Transactions with Ultimate Controlling Party

Amounts paid for being a member of the Key Management Personnel as included in 52.1 above.

52.2.2 Transactions with Ultimate Parent Entity

	Company	
	2024	2023
	LKR	LKR
BG Capital (Pvt) Ltd		
Investment in Fixed Deposit at Commercial Credit and Finance PLC	-	257,420,000

52.2.3 Transactions with Immediate Parent Entity

	Company	
	2024	2023
	LKR	LKR
BG Investments (Pvt) Ltd		
Dividends Paid (Gross)	159,832,175	318,460,192
Investment in Fixed Deposit at Commercial Credit and Finance PLC	-	300,292,236

52.2.4 Transactions with Significant Investor - Group Lease Holdings Pte Ltd

	Company	
	2024	2023
	LKR	LKR
Dividend Paid (Gross)	95,390,500	190,781,000

52.2.5 Transactions with Associates

	Company	
	2024	2023
	LKR	LKR
TVS Lanka (Pvt) Ltd Payment for lease contracts	-	2,458,187
Purchase of vehicles	-	356,868,750
Repair Charges	386,376	-
Sponsorship Payment	50,000	-

52.2.6 Transactions with other group entities

	Company	
	2024	2023
	LKR	LKR
(a) Creation Investments Lanka LLC		
Dividend Paid	-	55,127,028

During the financial year there were no Non Recurrent Related party transactions, in aggregate that exceeds 10% of the equity or 5% of the total assets and, Recurrent related party transactions, in aggregate that exceeds 10% of the gross revenue / Income that required further disclosures.

52.2.7 Transactions with Subsidiary - Commercial Credit Insurance Brokers (Pvt) Ltd

	Company	
	2024	2023
	LKR	LKR
Investment in Fixed Deposit at Commercial Credit and Finance PLC	142,388,368	-
Short term loan granted during the year	3,282,750	-

53. EVENTS AFTER THE REPORTING DATE

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

ACCOUNTING POLICY

All material events after the reporting date events have been considered where appropriate judgement or disclosures are made in respective notes to the Financial Statements.

54. CAPITAL

The Company maintains capital in order 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. As at the reporting date company has maintained the capital adequacy ratio as required by Central Bank of Sri Lanka.

**SUPPLEMENTARY
INFORMATION**

TEN YEAR SUMMARY

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Group	Group	Group	Group	Group	Group	Amalgamated	Company	Group	Group
	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000	LKR.'000
Operating Results										
Interest Income	11,471,859	16,418,292	19,927,371	21,724,832	22,125,266	20,835,015	16,086,956	18,365,076	25,054,774	27,251,351
Net Interest Income	7,255,332	10,212,068	11,930,703	11,951,694	12,465,523	10,912,143	9,035,088	11,948,942	11,106,687	12,820,174
Interest Expenses	4,216,528	6,206,224	7,996,668	9,773,137	9,659,743	9,922,873	7,051,868	6,416,135	13,948,087	14,431,177
Operating Expenses	3,850,499	5,114,541	5,756,181	5,901,096	6,959,003	6,466,977	5,463,040	5,858,222	6,562,850	7,468,881
Profit/(Loss) before Tax	2,635,103	3,027,203	4,234,076	3,869,285	3,562,858	2,185,069	3,192,394	6,391,345	3,886,211	6,824,557
Income Tax & VAT on Financial Services	813,580	1,196,160	1,948,894	2,338,224	2,103,227	1,159,955	1,670,018	3,271,998	2,491,004	4,329,392
Net Profit/(Loss)	2,193,562	2,322,228	3,116,513	2,542,058	2,635,586	2,006,616	2,334,756	4,520,313	2,616,271	4,355,884
Dividend Paid	143,037	318,074	477,112	318,078	238,556	318,074	-	795,186	636,149	318,074
ASSETS										
Cash & Bank Balance	2,513,573	1,155,204	1,947,457	1,746,911	2,340,080	1,208,462	2,239,713	2,632,255	2,455,287	2,174,888
Treasury Bills & Bonds	744,207	1,234,681	1,805,037	2,490,000	2,054,937	2,034,739	3,821,889	5,064,096	8,434,058	6,883,105
Placements with Banks & Other Finance Companies	1,070,748	1,300,959	1,518,067	2,014,315	3,513,125	3,826,996	4,487,754	1,811,884	2,666,945	3,790,360
Investment in Dealing Securities	227,040	306,710	201,357	132,066	60,257	39,202	39,740	23,419	3,390	275
Lease, Hire Purchase, Loans and Advances	48,130,085	60,967,186	71,680,227	74,030,750	70,082,305	71,066,766	68,567,137	73,993,334	76,170,663	81,437,852
Property, Plant and Equipment	1,212,183	1,421,201	1,574,347	1,812,095	3,131,139	3,126,825	3,457,055	4,826,749	6,460,091	6,922,896
Total Assets	59,026,607	72,494,365	85,721,370	90,119,003	89,142,633	89,862,177	91,129,873	93,630,228	102,193,112	108,222,553
LIABILITIES										
Deposits	43,231,212	50,381,350	54,637,126	55,858,727	53,936,319	48,948,642	47,989,537	48,077,988	59,243,651	62,121,240
Borrowings	5,071,069	5,709,210	11,271,748	11,250,383	14,374,366	18,946,897	22,302,676	18,733,076	16,147,547	12,563,238
Total Liabilities	53,056,876	64,480,168	75,025,477	77,215,198	76,316,667	75,366,000	75,733,517	74,436,899	81,817,455	83,857,970
SHARE HOLDERS' FUNDS										
Stated Capital	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640
Reserves	3,803,738	5,843,647	8,541,073	10,747,757	10,669,185	12,338,347	13,245,715	17,042,689	18,225,017	22,213,943
Total Share Holders' Funds	5,969,731	8,014,197	10,695,894	12,903,805	12,825,967	14,496,177	15,396,356	19,193,329	20,375,657	24,364,584
RATIOS										
Growth of Income (%)	65.93	43.12	21.37	9.02	1.84	-5.83	26.20	19.94	32.89	7.92
Growth of Net Profit (%)	17.65	5.87	34.20	-18.43	3.68	-23.86	16.35	93.61	-42.12	66.49
Interest Cover (times)	0.29	0.52	0.62	0.69	0.69	0.70	1.57	2.22	1.36	1.47
Net Assets Growth (%)	80.74	34.25	33.46	20.64	-0.60	13.02	6.21	24.66	6.16	19.58
Equity Assets Ratio (%)	10.11	11.05	12.48	14.32	14.39	16.13	16.89	20.50	19.94	22.51
Growth of Leases, Hire Purchases, Loans and Advances (%)	85.60	26.67	17.57	3.28	-5.33	1.40	-3.52	7.91	2.94	6.91
Return on Assets (%)	1.78	1.18	1.12	1.01	0.95	0.98	2.58	4.89	2.67	4.14
Return on Equity (%)	56.84	43.30	45.26	32.79	27.69	15.99	15.62	26.14	13.22	19.47
Total Assets to Share Holders' Funds (times)	9.89	9.05	8.01	6.98	6.95	6.20	5.92	4.88	5.02	4.44
Fixed Assets to Share Holders' Funds (times)	0.20	0.18	0.15	0.14	0.24	0.22	0.22	0.25	0.32	0.28
Net Asset per Share	18.76	25.20	33.63	40.57	40.32	45.57	48.40	60.34	64.01	76.60
Earning per Share	7.45	7.29	9.79	7.99	8.28	6.30	7.34	14.21	8.17	13.69
Dividend per Share	0.50	1.00	1.50	1.00	0.75	1.00	-	2.50	2.00	1.00

INVESTOR INFORMATION

1. Stock Exchange Listing

The Ordinary shares of the company listed on the clombo stock Exchange since 1 June 2011 and the stock exchange ticker symbol for commercial credit and finance PLC is " COCR ".

2. Share Holder Base

The Total Number of (Ordinary Voting) shareholders as at 31 March 2024 were 3,211 compared to 2,500 shareholders as at 31 March 2023.

3. Distribution Shareholders

Range of Shares	As at 31 March 2024			As at 31 March 2023		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholdings
1- 1000	1,768	486,226	0.15	1544	413,539	0.13
1,001-10,000	1005	4,008,029	1.26	743	2732170	0.86
10,001-100,000	377	11,924,825	3.75	186	5309193	1.67
100,001-1,000,000	45	15,202,574	4.78	14	3,695,925	1.16
1,000,001 & Over	16	286,452,711	90.06	13	305,923,538	96.18
Total	3,211	318,074,365	100.00	2500	318,074,365	100.00

4. Composition of Shareholders

Shareholders	As at 31 March 2024			As at 31 March 2023		
	No of Shareholders	No of Shares	% of Shareholdings	No.of Shareholders	No of Shares	% of Shareholdings
Resident	3,198	222,318,527	69.90	2,486	194,823,589	61.25
Non- Resident	13	95,755,838	30.10	14	123,250,776	38.75
Total	3,211	318,074,365	100.00	2,500	318,074,365	100.00
Individual	2,975	31,357,633	9.86	2,383	23,957,680	7.53
Institution	236	286,716,732	90.14	117	294,116,685	92.47
Total	3,211	318,074,365	100.00	2,500	318,074,365	100.00

5. Top Twenty Shareholders

Ordinary Voting Shares

No.	Name of the Shareholder	As at 31st March 2024	
		No. of Shares	%
1	B G INVESTMENTS (PVT) LIMITED	148,832,175	46.79%
2	GROUP LEASE HOLDINGS PTE LTD	95,390,500	29.99%
3	PEOPLE'S LEASING & FINANCE PLC /BG INVESTMENTS (PVT) LIMITED	11,000,000	3.46%
4	PEOPLE'S LEASING & FINANCE PLC /MS S N EGODAGE	5,093,438	1.60%
5	DR ERASHA FERNANDO	5,000,000	1.57%
6	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO 1	4,014,843	1.26%
7	PERERA & SONS BAKERS PVT LIMITED	2,100,000	0.66%
8	ASIA SECURITIES (PVT) LTD (TRADING ACCOUNT)	2,000,000	0.63%
9	SEYLAN BANK PLC/PHANTOM INVESTMENTS (PVT) LTD	2,000,000	0.63%
10	DFCC BANK PLC A/C NO. 02	1,974,975	0.62%
11	MRS HEWAGE HARSHANI JEEWANTHIKA HEWAGE	1,946,124	0.61%
12	MR THUSITHA KUMARA HEMACHANDRA	1,555,689	0.49%
13	COMMERCIAL BANK OF CEYLON PLC/W. JINADASA	1,500,000	0.47%
14	MR SAMAPATH MIHINDU HEMACHANDRA	1,406,967	0.44%
15	MRS HEMALI NISANSALA HEMACHANDRA	1,362,000	0.43%
16	MISS SACHINI NATHASHA EGODAGE	1,276,000	0.40%
17	MR AMARAKOON MUDIYANSELAGE WEERASINGHE	1,000,000	0.31%
18	PHOENIX VENTURES PVT LTD	1,000,000	0.31%
19	ROSEWOOD (PVT) LIMITED - ACCOUNT NO. 01	1,000,000	0.31%
20	SEYLAN BANK PLC/ ANDARADENIYA ESTATE (PVT) LTD	1,000,000	0.31%
	Sub Total	290,452,711	91.32%
	Other	27,621,654	8.68%
	Total	318,074,365	100%

Ordinary Voting Shares

No.	Name of the Shareholder	As at 31st March 2023	
		No. of Shares	%
1	B G INVESTMENTS (PVT) LIMITED	132,530,096	41.67%
2	GROUP LEASE HOLDINGS PTE LTD	95,390,500	29.99%
3	LANKA ORIX FINANCE PLC / B G INVESTMENTS (PVT) LTD	26,700,000	8.39%
4	CREATION INVESTMENTS SRI LANKA, LLC	20,347,220	6.40%
5	CREATION INVESTMENTS SL1 LLC	7,216,294	2.27%
6	PEOPLES LEASING & FINANCE PLC /MS.S.N.EGODAGE	5,093,438	1.60%
7	DR. E. FERNANDO	5,000,000	1.57%
8	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.1	4,014,843	1.26%
9	MRS. H.H.J. HEWAGE	1,946,124	0.61%
10	MR. S.M.HEMACHANDRA	1,755,670	0.55%
11	MR. T.K.HEMACHANDRA	1,555,689	0.49%
12	MRS. H.N.HEMACHANDRA	1,440,000	0.45%
13	MISS. S.N.EGODAGE	1,276,000	0.40%
14	MR. N.Y.HEMACHANDRA	1,055,585	0.33%

INVESTOR INFORMATION

No.	Name of the Shareholder	As at 31st March 2023	
		No.of Shares	%
15	MR. S.B.HEMACHANDRA	960,594	0.30%
16	MR. D.T.SEMAGE	717,764	0.23%
17	PEOPLES LEASING & FINANCE PLC/B G INVESTMENTS (PVT) LIMITED	602,079	0.19%
18	DFCC BANK PLC/P.S.R.CASIE CHITTY	429,808	0.14%
19	MR. P.L.S.ARIYANANDA	222,050	0.07%
20	HATTON NATIONAL BANK PLC/JUDE NISHANTHA WEERAKOON	210,526	0.07%
	Sub Total	308,464,280	96.98%
	Other	9,610,085	3.02%
	Total	318,074,365	100%

6. Director's Shareholding

Name	As at 31 March 2024		As at March 2023	
	No.of Shares	% of Holdings	No.of Shares	% of Holdings
Mr. R.S. Egodage	Nil	Nil	Nil	Nil
Mr. P.S.R.C. Chitty	429,808	0.14	429,808	0.14
Ms. G.R. Egodage	Nil	Nil	Nil	Nil
Mr. L.L.S Wickremasinghe	Nil	Nil	Nil	Nil
Ms.T.M.L.Paktsun	Nil	Nil	Nil	Nil
Ms. G.A.M. Edwards	Nil	Nil	Nil	Nil
Mr. G.B. Egodage	Nil	Nil	Nil	Nil
Mr. F.A.P.L. Solbani	Nil	Nil	N/A	N/A
Mr. W.D. Barnabas	Nil	Nil	N/A	N/A
Dr.(Ms.) J.P.Kuruppu (appointed on 01.08.2023)	Nil	Nil	N/A	N/A

7. Share Information

Name	As at March 2024	As at March 2023
Net Asset per Share (LKR)	76.02	64.0
Share Price		
Highest (LKR)	36.80	29.10
Lowest (LKR)	27.30	22.50
Last Trated (LKR)	35.30	26.00
Earnings		
Basic Earning per share (LKR)	13.19	8.17
Price Earning Ratio (Times)	2.68	3.18
Divident per share (LKR)	1.00	2.00
Divident Payout Ratio	0.08	0.24
Market Capitalization (LKR Bn)	11,228	8,270
Public Holding (%)	18.98	11.01
Float Adjusted Market Capitalization (LKR)	2,131,079,161	910,519,677

8. Debenture Information

Name	As at March 2024	As at March 2023
Debt/ Equity Ratio (Times)	3.14	3.77
Quick Asset Ratio (Times)	1.10	0.26
Interest Cover (Times)	1.57	1.36

Company issued LKR 1,287,590,000 rated, guaranteed, senior redeemable Debentures for 5 years in March 2021. These debentures were listed on the Colombo Stock Exchange.

Name	As at March 2024	As at March 2023
Yield as at Date of last Trade	Not Traded	Not Traded
The Market Prices during the year		
Highest Price (LKR)	Not Traded	Not Traded
Lowest Price (LKR)	Not Traded	Not Traded
Last Traded Price (LKR)	Not Traded	Not Traded
Credit Rating (Instrument)	AA Stable	AA Stable
Coupon Rate (%)	9.00	9.00
Interest rates of comparable Government Securities		
5 Year Treasury Bond Rate (%)	12.25	29.79
2 Year Treasury Bond Rate (%)	13.83	25.99

GLOSSARY

A

Accounting Policies

Principles, bases, conventions, rules and practices that are applied in recording transactions and in preparing and presenting Financial Statements.

Accrual Basis

Recognizing the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its expected useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Associate Company

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

C

CCFP

Commercial Credit and Finance PLC

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.

Collectively Assessed Impairment

Impairment assessment 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.

Commercial Paper

An unsecured, short-term debt instrument issued by a corporation, 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.

Consolidated Financial Statements

Financial statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or nonoccurrence of one or more uncertain future events.

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.

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 the entity, the supervision of executive actions and accountability to owners and others stakeholders.

Cost/Income Ratio

Operating expenses as a percentage of net income.

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.

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.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Dealing Securities

These are marketable securities acquired and held with the intention of resale over a short period of time.

Deferred Taxation

Sum set aside for 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 a tangible capital asset or fixed asset over its useful life.

Derecognition

Is the removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend per Share

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issues; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend Yield

Dividend earned per share as a percentage of its market value.

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 Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Method

Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial asset or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Tax Rate

Provision for taxation including deferred tax divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Equity Method

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 of the investor includes the investor's share of the profit or loss of the investee.

Equity

This consists of issued and fully paid up ordinary shares and reserves.

F**Fair Value**

The amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

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 Instrument

Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

G**Gearing**

Long-term borrowings divided by the total funds available for shareholders.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

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**Hedging**

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rates, commodity prices, etc).

Held-to-Maturity

Investments and debt securities that a Company has the ability and intent to hold until maturity.

Hire Purchase

A system by which a buyer pays for an asset in regular installments while enjoying the use of such asset. During the repayment period, ownership (title) of the asset does not pass to the buyer.

I**Impairment**

The value of an asset when the recoverable amount is less than its carrying amount.

Impaired Loans

Loans where the Company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowance for Loans and Receivables

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

Earnings before interest and taxes for the year divided by total interest expenses.

Interest in Suspense

Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin

Net interest income expressed as a percentage of average total assets.

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interest Spread

The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and borrowings.

Investment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities

Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

K**Key Management Personnel**

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.

GLOSSARY

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loss Given Default (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at a particular 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 Asset Value per Ordinary Share

Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interest Income

Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Net Interest Margin

Net interest income as a percentage of average interest earning assets.

Non-Controlling Interest

Portion of the profit or loss and net assets of a subsidiary attributable to equity interests

that are not owned, directly or indirectly through subsidiaries, by the parent.

Non-Performing Advances / Non-Performing Accommodations Loans and advances of which rentals are in arrears for six months or more.

NPA 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.

Price Earnings Ratio

Market price of a share divided by the earnings per share.

Provision

The amount of an expense that an entity elects to recognise now, before it has precise information about the exact amount of the expense.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreements

Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)

Profit after tax divided by total average assets.

Return on Equity

Profit after tax divided by total average equity.

Reverse Repurchase Agreements

The purchased of securities with the agreement to sell them at a specified price at a specified future date.

Risk Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

S

Segmental Analysis

Analysis of Financial Information by loan product.

Shareholders' Funds

This consists of issued and fully paid up ordinary shares and reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 01 of 2003.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company

Subsidiary Company

An entity, including an unincorporated entity such as a partnership, which is controlled by another entity, known as Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events are governed by their financial reality and not merely by its legal form.

T

Total Risk Weighted Capital

Supplementary capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

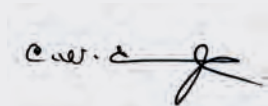
NOTICE OF MEETING

NOTICE is hereby given that the Forty first (41st) Annual General Meeting of Commercial Credit and Finance PLC (the "Company") will be held at Commercial Credit and Finance PLC, City Office, Third (3rd) Floor, Training Room, No. 165, Kinsey Road, Colombo 08 on 31st July 2024 at 09.30 a.m. and the business to be brought before the meeting will be as follows:

1. To receive and consider the audited financial statements for the year ended 31st March 2024 and the reports of the auditors and of the directors thereon.
2. To declare a final dividend of Rupees Four (Rs. 4/-) per share for the year ended 31st March 2024, as recommended by the directors.
3. Re-election of directors
 - i. To re-elect Mr. R.S.Egodage, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
 - ii. To re-elect Ms.G.R.Egodage, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
 - iii. To re-elect Ms. T.M.L.Paktsun, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
 - iv. To re-elect Mr.G.B.Egodage, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
4. To appoint M/s KPMG, Chartered Accountants, as auditors until the conclusion of the next annual general meeting of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2025 and to authorize the directors to determine their remuneration therefor.
5. To authorize the directors to determine contributions to charities.
6. Any Other Business

By Order of the Board

COMMERCIAL CREDIT AND FINANCE PLC



Chamila Edirisinghe (Ms.)
Company Secretary

09th July 2024

Colombo

FORM OF PROXY

I/We.....
Of
 being a shareholder/s of Commercial Credit and Finance PLC do hereby appoint
 Mr/Mrs/Ms.....
 (N.I.C.No.....)of.....failing him/her;

- Mr. G B EGODAGE whom failing,
- Mr. R S EGODAGE whom failing,
- Ms. G R EGODAGE whom failing,
- Mr. P S R C CHITTY, whom failing,
- Mr. L L S WICKREMASINGHE, whom failing,
- Ms. T M L PAKTSUN, whom failing,
- Ms. G A M EDWARDS, whom failing,
- Mr. W D BARNABAS whom failing,
- Mr. F A P L SOLBANI whom failing,
- Dr. (Ms) J P KURUPPU whom failing,

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Forty first (41st) Annual General Meeting of the Company to be held on 31st July 2024 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

	For	Against
1. To receive and consider the audited financial statements for the year ended 31st March 2024 and the reports of the auditors and of the directors thereon.	<input type="text"/>	<input type="text"/>
2. To declare a final dividend of Four Rupees (Rs. 4/-) per share for the year ended 31st March 2024, as recommended by the directors.	<input type="text"/>	<input type="text"/>
3. Re-election of directors		
i. To re-elect Mr. R.S.Egodage, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.	<input type="text"/>	<input type="text"/>
ii. To re-elect Ms.G.R.Egodage, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.	<input type="text"/>	<input type="text"/>
iii. To re-elect Ms. T.M.L.Paktsun, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.	<input type="text"/>	<input type="text"/>
iv. To re-elect Mr. G.B.Egodage, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.	<input type="text"/>	<input type="text"/>
4. To appoint M/s KPMG, Chartered Accountants, to be appointed as auditors until the conclusion of the next annual general meeting of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to authorize the directors to determine their remuneration therefor.	<input type="text"/>	<input type="text"/>
5. To authorize the directors to determine contributions to charities.	<input type="text"/>	<input type="text"/>

As witness by my/our hand on thisday ofTwo Thousand and Twenty Four

Signature of Shareholder

Shareholder's NIC No./ Co.Reg.No.

Notes:

- Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxyholder should vote, the Proxy holder shall vote as he thinks fit.
- A Proxy holder need not be a member of the Company
- Instructions as to completion appear on the reverse hereof
- If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the City Office of the Company at No.165, Kynsey Road, Colombo-08 not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return this page to,

Chief Financial Officer

Commercial Credit and Finance PLC No. 165, Kynsey Road,
Colombo 08,
Sri Lanka.
E-mail: janaka@ccll.lk

Name :

Permanent Mailing Address :

Contact Numbers :

E-mail :

Name of the Company :

(If Applicable)

Designation :

(If Applicable)

Company Address :

(If Applicable)

Comments/Queries :

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CORPORATE INFORMATION

COMPANY NAME

Commercial Credit and Finance PLC

LEGAL FORM

Incorporated as a Private Limited Liability Company Under the Companies Act No.17 of 1982 and converted To a Public Company on 16 December 1989 and re-register under the Companies Act No.07 of 2007 on 08 April 2008. A Registered Finance Company under the Finance Companies Act No.78 of 1988 and re-registered under the Finance Business Act No.42 of 2011. A Registered Finance Leasing establishment under the Finance Leasing Act No.56 of 2000 (as amended) The shares of the Company were listed Dirisavi Board of the Colombo Stock Exchange on 1 June 2011. The Stock Exchange code For the Company share is "COCR".

REGISTRATION NUMBER

PB 269 PQ

PLACE OF INCORPORATION

Kandy, Sri Lanka

CITY OFFICE

No.165, Kynsey Road, Colombo 08

TELEPHONE

+94 11 2 000 000/ +94 81 2 000 000

FAX

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EMAIL

ccl@ccl.lk

WEBSITE

www.ccl.lk

BOARD OF DIRECTORS OF THE COMPANY

Mr. G.B. Egodage

Non- Executive Director/ Chairman

Mr. L. L.S. Wickremasinghe

Independent Non-Executive Senior Director

Mr. R. S. Egodage

Executive Director (Chief Executive Officer)

Ms. G. R. Egodage

Executive Director

Mr. P.S.R. C. Chitty

Executive Director

Ms. T. M.L.Paktsun

Independent Non-Executive Director

Ms. G. A.M.Edwards

Independent Non-Executive Director

Mr. W. D. Barnabas

Independent Non-Executive Director

Mr. F. A. P.L. Solbani

Non-Executive Director

Dr.(Ms.) J.P.Kuruppu

Independent Non-Executive Director

COMPANY SECRETARY

Chamila Nilanthi Edirisinghe

COMPANY AUDITORS

Ernst & Young Chartered Accountants
Rotunda Towers, No.109,
Galle Road, Colombo 03

BANKERS OF THE COMPANY

Bank of Ceylon

Cargills Bank Limited

Commercial Bank of Ceylon PLC

DFCC Bank

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Pan Asia Banking Corporation PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

BOARD AUDIT COMMITTEE

Ms.T.M.L.Paktsun (Chairperson)

Mr.L.L.S.Wickremasinghe

Mr.G.B.Egodage

BOARD INTEREGRATED RISK ANAGEMENT COMMITTEE

Mr.L.L.S.Wickremasinghe (Chairperson)

Ms.T.M.L. Paktsun

Mr.G.B. Egodage

Ms. G. A.M. Edwards

Mr.W.Barnabas

BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE

Ms.T.M.L. Paktsun (Chairperson)

Mr.L.L.S. Wickremasinghe

Mr.G.B. Egodage

BOARD NOMINATION COMMITTEE

Mr.L.L.S. Wickremasinghe (Chairperson)

Ms.T.M.L. Paktsun

Mr.G.B.Egodage

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr.G.B.Egodage (Chairperson)

Ms.T.M.L.Paktsun

Ms. G. A.M.Edwards

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