SENKADAGALA FINANCE PLC

UNLOCKING POTENTIAL EMBRACING GROWTH

Annual Report

2023/24

Unlocking potential, embracing growth

We look beyond the present and aim for the untapped potential of the future. Through innovation and collaboration, we unlock new possibilities, propelling us towards unprecedented progress. With an unwavering focus on strategic planning, we embrace change and forge ahead towards sustainable growth.

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About this Report

Senkadagala Finance PLC is pleased to present to its stakeholders, the fifty-fifth Annual Report of the Company for the financial year 2023/24.

This is the eighth Integrated Annual Report of Senkadagala Finance PLC since its adoption of the International Framework for Integrated Reporting for the first time in the financial year 2016/17. The Report presents the Company's performance during a financial year when the country continued to face economic uncertainty, with businesses and consumers facing extreme adversity in the path to recovery from unprecedented political, economic and social turmoil of the year before. The Report encapsulates the manner in which Senkadagala Finance PLC steadfastly faced and overcame such challenges. Leveraging its financial resources, industry expertise, and recalibrating its strategy to prevailing market realities, the Company navigated hostile conditions through principled governance, focused intent, teamwork, and exceptional performance.

The Report details the Company's robust relationships with the customer base, extensive geographical presence in Sri Lanka, and our initiatives to advance the business in a market with varied regional challenges and opportunities. It also outlines our approach to stakeholders, the value we place on our employees, and our commitment to ethically fulfilling our corporate responsibilities to the environment and society.

Boundaries to the Report

The focal points of the Report are the operations of Senkadagala Finance PLC, its subsidiaries – Senkadagala Insurance Brokers (Pvt) Ltd., and Senfin Asset Management (Pvt) Ltd., as well as its associate – Senfin Securities Limited. All business operations of Senkadagala Finance PLC are carried out by these Companies, based and operating in Sri Lanka.

Framework of Reporting

This Report has been prepared in accordance with the International Integrated Reporting Framework. We have drawn on the concepts and principles mentioned in the following guidelines in preparation of this Report:

- International Integrated Reporting <IR> Framework, IFRS Foundation. https://www.ifrs.org/
- Global Reporting Initiative (GRI) Standards. https://www.globalreporting.org/standards
- The Smart Integrated Reporting Methodology™ www.smart.lk

Integrity of the Report

The Board of Directors assumes full responsibility for the integrity of this Report, which aligns with the Company's financial reporting cycle covering the 12-month period from 1 April 2023 to 31 March 2024. This Report has been prepared in alignment with GRI standards, and complies with the disclosures, regulations, and standards applicable to a licensed finance company operating in Sri Lanka.

Further Information

We welcome your comments and address queries on this Report, and invite you to direct them to:

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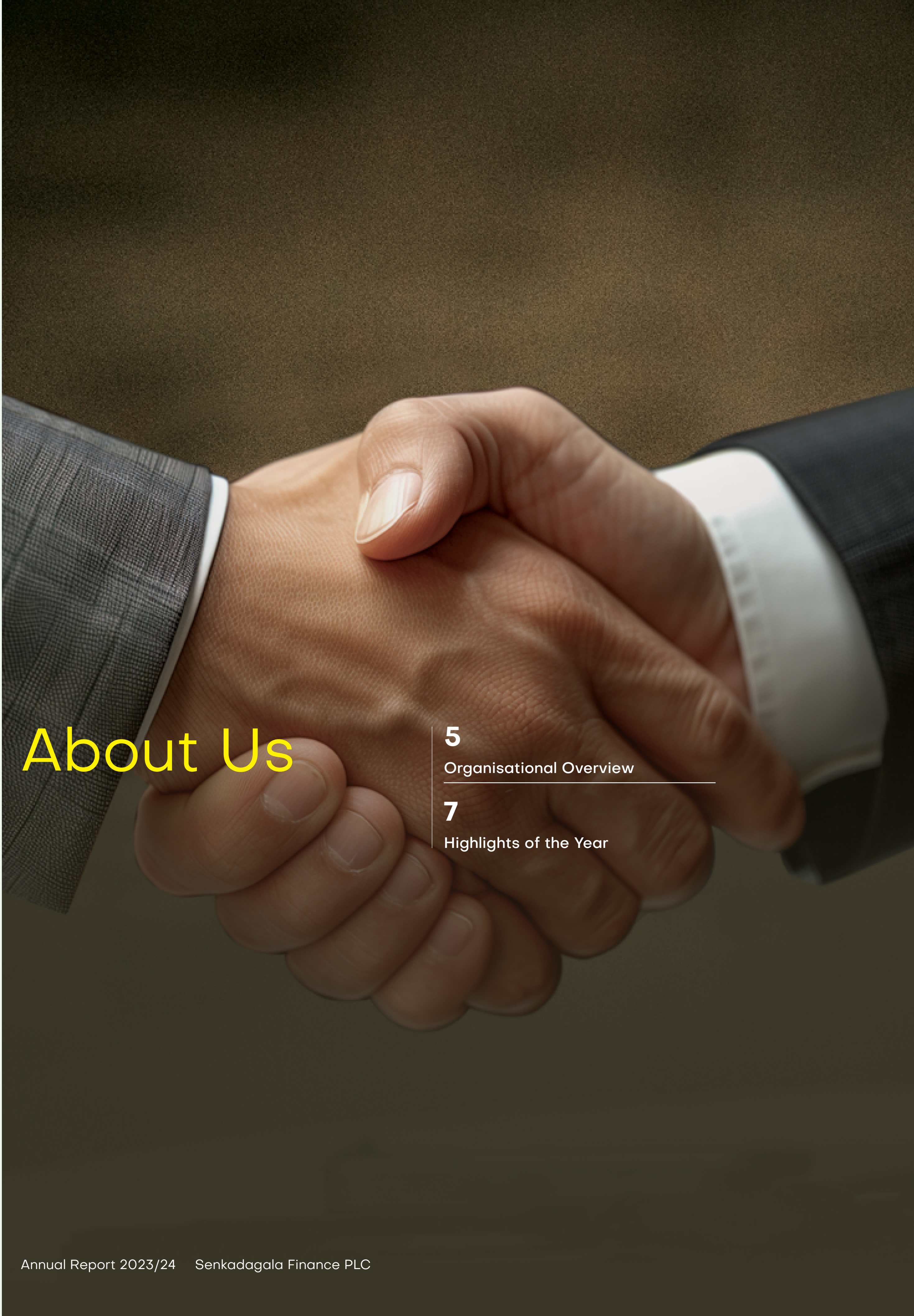


About Us

Organisational Overview

With an unwavering focus on customer-centricity and operational efficiency, Senkadagala Finance PLC offers a suite of personalised financing products that meet present and emergent customer needs. The Company is guided by ethical principles, along with a sense of social and environmental responsibility, in carrying out its operations, keeping sustainable growth at the forefront.

Vision

Our vision is to be a leading financial institution in Sri Lanka that delivers high quality services and achieves excellence in all spheres of activity while being socially conscious, at all times.

Mission

To provide a wide range of diversified financial services and to acquire a portfolio of loanable funds that yields an adequate return to our shareholders, whilst safeguarding the interests of our depositors and other stakeholders.

About the Company

Established in Kandy in 1968, Senkadagala Finance has grown steadily over the years, emerging as one of Sri Lanka's most recognised and largest licensed financial institutions. Its reputation as a well-established and ethically managed entity has fostered strong customer and investor confidence.

The Company has significantly expanded its reach across Sri Lanka, operating a vast network of 110 branches located in all nine provinces, with plans for further expansion in the upcoming year. The Company offers a diverse range of products and services, including finance leasing, lending, acceptance of fixed and savings deposits, pawn brokering, and foreign currency exchange with gold loans and margin trading products being added to the gamut of financial services offered by the Company during the year. Additionally, asset management, stock brokering and insurance brokering services are provided at the Group level.

In March 2011, Senkadagala Finance was listed on the Diri Savi Board of the Colombo Stock Exchange. Fitch Ratings Lanka Ltd. revised the National Long Term Rating of the Company to BBB (lka) with a stable outlook with effect from October 2023, noting the weakened asset quality driven by the heightened risks the Company faces due to volatile economic and financial market conditions.

The Company's management team, comprising industry veterans, capable and committed staff, high liquidity levels, and capital ratios exceeding regulatory requirements have enabled it to remain resilient. Despite the challenging economic conditions, Senkadagala Finance is well-positioned to navigate the current volatile market landscape.

With its strong ethical foundation and sustainable practices, Senkadagala Finance continues to attract and maintain customer and investor trust, solidifying its status as a leading financial institution in Sri Lanka. The Company's commitment to growth and expansion ensures that it remains a key player in the financial sector.

Our Group Partners

Senkadagala Insurance Brokers (Pvt) Ltd. launched its insurance brokering services in April 2012, and has since experienced steady and healthy growth. Senfin Asset Management (Pvt) Ltd., a licensed asset managing company joined the Group in March 2020, recorded a notable performance during the year with asset under management reaching LKR 9.9 Bn. by the year-end. Senkadagala Finance maintains full ownership of both subsidiaries.

In January 2023, the Company acquired a 35% stake in Senfin Securities Ltd., a licensed stock brokering company, further diversifying its financial services to include equity and debt securities brokering. Senfin Securities with a strong focus on sound investment advisory, risk management and quality research is positioned to expand its clientele through advent of technology and social media platforms.

Together with its subsidiaries and associate, Senkadagala Finance is on a mission to create a comprehensive "one-stop shop" of financial products and services to its customers, with personal and corporate financing solutions, securities trading, asset management, and financial advisory services, all offered at highly competitive terms on a group level.

By leveraging its diverse portfolio and strategic partnerships, Senkadagala Finance continues to enhance its service offerings, ensuring that customers receive a holistic and integrated approach to their financial needs.

Highlights of the Year

	Company			Group		
	2024	2023	Change %	2024	2023	Change %
Financial Results of the Year (LKR Mn.)						
Total income	8,244	6,908	19.34	8,524	7,023	21.36
Interest income	7,362	6,493	13.38	7,365	6,496	13.37
Net interest income	3,646	2,614	39.52	3,660	2,628	39.26
Profit before taxes on financial services	2,055	754	172.68	2,274	824	175.99
Profit before income tax	1,577	526	199.72	1,796	596	201.11
Profit for the year	1,196	445	168.80	1,364	478	185.40
Dividends paid	56	121	(53.72)	56	121	(53.72)
Earnings retained during the year	1,041	389	167.63	1,209	422	186.53
Financial Position (LKR Mn.)						
Loans and advances	24,476	24,316	0.66	24,476	24,316	0.66
Total assets	36,560	35,719	2.35	36,721	35,386	3.77
Deposit base	13,839	10,263	34.84	13,777	10,177	35.38
Borrowings	10,209	14,464	(29.42)	10,209	14,464	(29.42)
Debentures	1,769	1,769	0.00	1,769	1,769	0.00
Shareholders' funds	9,078	7,976	13.82	9,251	7,981	15.91
Operational Results of the Year (LKR Mn.)						
New advances disbursed	18,718	15,575	20.18	18,718	15,575	20.18
Net flow of deposits	3,576	(561)	737.72	3,600	(606)	694.32
Borrowings obtained	4,829	3,735	29.29	4,829	3,735	29.29
Capital expenditure incurred	352	39	805.71	353	39	806.87
Information per Ordinary Share (LKR)						
Market price per share	398.75	300.50	32.70	N/A	N/A	–
Earnings per share	13.87	5.16	168.80	15.81	5.54	185.40
Dividends per share	1.80	0.65	176.92	N/A	N/A	–
Net assets per share	105.22	92.44	13.82	107.22	92.50	15.91

Highlights of the Year

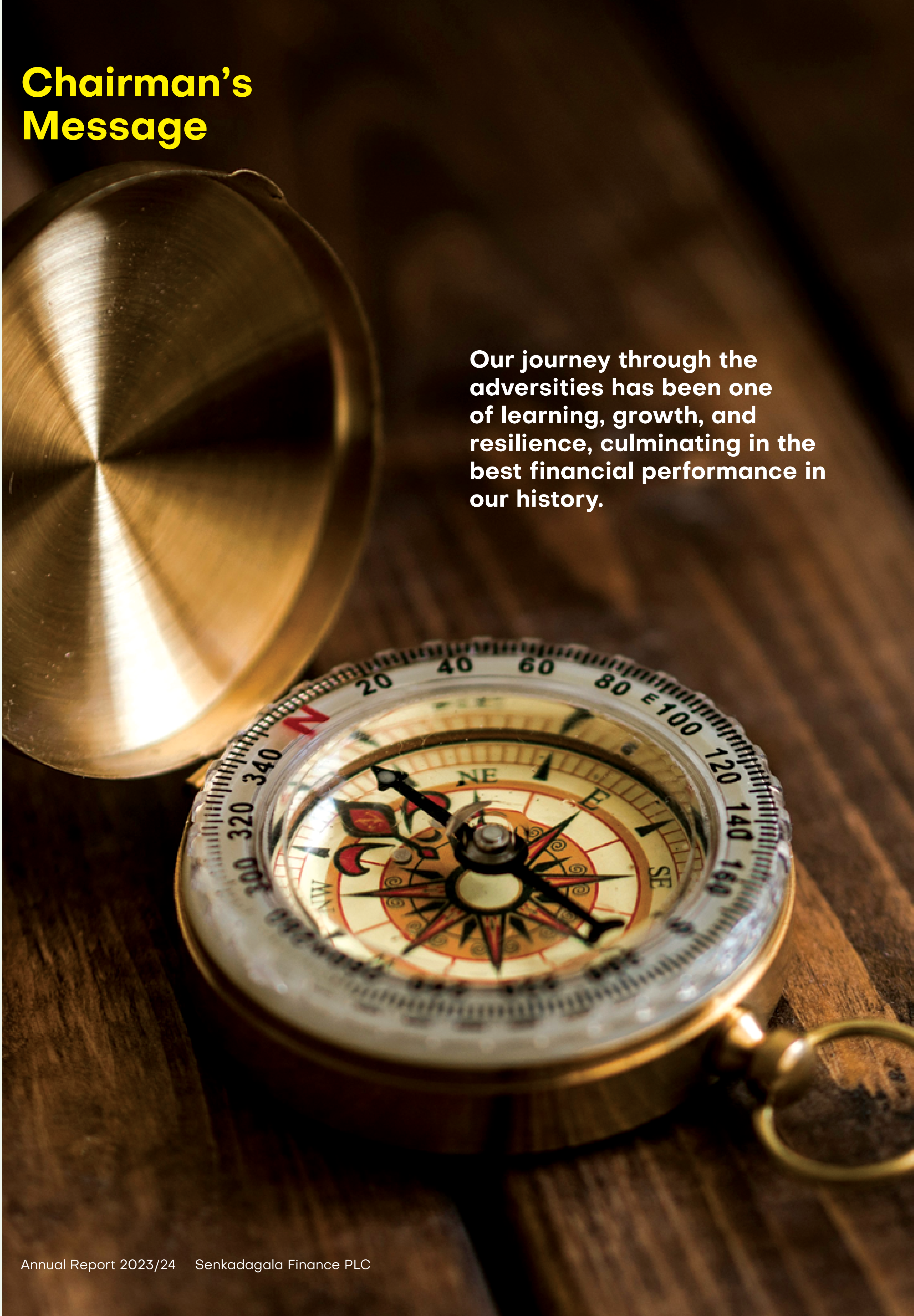
	Company			Group		
	2024	2023	Change %	2024	2023	Change %
Key Performance Indicators						
Return on average total assets (%)	3.31	1.19	2.12	3.78	1.29	2.49
Return on average shareholders' funds (%)	14.03	5.70	8.33	15.83	6.13	9.70
Net interest margin (%)	11.86	7.64	4.22	11.88	7.68	4.20
Cost to income ratio (%)	50.00	66.23	(16.24)	48.38	65.37	(16.99)
Impaired (Stage 3) Loans (%)	13.00	14.63	(1.63)	13.00	14.63	(1.63)
Interest cost to interest earned ratio (%)	50.47	59.75	(9.28)	50.31	59.55	(9.24)
Interest cover (times)	1.42	1.14	25.44	1.48	1.15	28.64
Equity to assets ratio (%)	24.83	22.33	2.50	25.19	22.55	2.64
Debt to equity ratio (times)	1.32	2.04	(35.17)	1.29	2.03	(36.34)
Price earnings ratio (times)	28.76	58.26	(50.64)	N/A	N/A	–
Dividends yield (%)	0.45	0.22	0.24	N/A	N/A	–
Statutory Regulated Ratios						
Core capital ratio (%) – Minimum statutory requirement – 8.5%	24.47	25.12	(0.65)	N/A	N/A	–
Total capital ratio (%) – Minimum statutory requirement – 12.5%	25.56	28.19	(2.64)	N/A	N/A	–

	Branches	Staff Strength	Customers Served
2024	**110**	**896**	**90,140**
2023	100	819	86,887
Change	10%	9.40%	3.74%

Credit Rating	2024	2023
Fitch Ratings Lanka Limited	**BBB (lka)** **Stable outlook**	BBB+ (lka) RWN

Leadership Reviews

Chairman's Message



Our journey through the adversities has been one of learning, growth, and resilience, culminating in the best financial performance in our history.

As Chairman of the Board of Directors, it is my privilege to present the Annual Report for Senkadagala Finance PLC for the financial year ended 31 March 2024. The past year has been a testament to Sri Lanka's remarkable resilience and adaptability in the face of unprecedented challenges. Despite the lingering effects of the Easter Sunday attacks, the Covid-19 pandemic, and an enduring economic crisis, Senkadagala Finance navigated the tumultuous times with remarkable strength and adaptability. The uncertain and volatile economic conditions have required us to take precautionary measures, often at the expense of short-term profitability. However, these measures are necessary to safeguard our long-term stability and growth. Our journey through these adversities has been one of learning, growth, and resilience, culminating in the best financial performance in our history.

In 2023, Senkadagala Finance celebrated 55 years of successful operations. We expanded our reach by opening 10 new branches, bringing the total to 110. We achieved a significant milestone with a profit after tax of LKR 1,196 Mn., the highest in our history.

Revamping Operational Processes for Growth

Our strategic response to these challenges has been multifaceted. We prioritised maintaining our asset quality above the industry average, which has been crucial for our stability and growth. The gradual return to normalcy in the operating environment, coupled with a resurgence in credit demand, has enabled us to reverse the negative growth in our loan book. One of the key areas of focus has been revamping our customer evaluation processes. We undertook comprehensive enhancements to automate the evaluation of borrowing customers at the point of onboarding to make it efficient and rigorous. This initiative has standardised our data collection and evaluation processes and made it objective, ensuring that we maintain high levels of accuracy. Automation has not only improved the speed of our operations but also enhanced our ability to make informed and timely credit decisions.

Our robust recovery systems have been instrumental in closely monitoring collection trends and proactively initiating recovery actions as needed. This proactive approach has been crucial in mitigating potential risks and ensuring the stability of our asset quality. Further, our Management has consistently prioritised prudent provisioning and maintaining capital adequacy at levels comfortably above the minimum regulatory requirements. This strategic focus has allowed us to withstand various economic cycles and maintain our financial stability, even in the face of volatile economic conditions.

The effectiveness of these measures is evident in the improvement of our Stage 3 ratio, which decreased from 14.66% at the beginning of the year to 13.00% by March 2024. This achievement is particularly noteworthy given the implementation of stricter default recognition criteria, changing from 120 days past due (dpd) to 90 dpd since 1 April 2023 as stipulated by the regulator. Despite these challenges, our commitment to sound management practices has positioned us well to weather future economic adversities.

Advancing Through Technology

Technological advancement has long been a cornerstone of Senkadagala Finance's strategy. Our commitment to adopting state-of-the-art systems and procedures has been a key driver of our success. Historically, we have been pioneers in introducing innovative technologies to enhance our operations and customer service. For instance, in 2013, we were among the first companies to provide chip-and-pin driven VISA debit cards. More recently, in 2021, we introduced Goldscope scanning machines to assess pawning articles, setting a new standard for accuracy and efficiency in the industry.

In May 2022, we successfully integrated our systems with the Credit Information Bureau (CRIB), automating data retrieval for our credit evaluation process. This integration has streamlined our operations, improved data accuracy, and significantly reduced processing times. Moreover, our real-time connections with insurance companies have enabled us to obtain turnaround quotes for insurance premiums on leasing contracts, offering our customers cost-effective insurance options. These electronic data interchanges have not only enhanced our productivity but also improved the overall customer experience.

To ensure data security and customer confidentiality, we have invested in the latest system security technologies. Our Management remains committed to continuous technological advancements, recognising their critical role in driving business and operational efficiency. As we look to the future, we will continue to prioritise the adoption of cutting-edge technologies to maintain our competitive edge and deliver superior services to our customers.

Diversifying and Strengthening Offerings

In response to the high demand for pawning services witnessed in the previous financial year and the inherent risks associated with lending against gold, we launched our Gold Loan product in October 2023. This strategic initiative, coupled with strengthened risk control measures, allows us to offer more secure and risk-averse lending options. Our investment in advanced technologies, such as Goldscope scanning machines, has further mitigated risks associated with gold-based lending products.

Furthermore, our investment in a 35% stake in Senfin Securities Limited during the previous financial year has expanded our product portfolio and opened new avenues for potential product lines. In the year under review, we introduced Margin Trading loans, adding equity-backed loans to our product offerings. This diversification strategy brings us closer to becoming a comprehensive financial service provider, capable of meeting a wide range of customer needs.

Commitment to Sustainability

Sustainability is integral to our operational philosophy. We are dedicated to minimising our environmental impact and promoting sustainable practices among our customers. Our affiliation with foreign investors such as IFC, FMO, and Incofin binds us to uphold stringent environmental, social and governance (ESG) principles.

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About this Report

We are committed to minimising adverse impacts on the society and the environment through our business practices and interactions with customers. Continuous monitoring and engagement have enabled us to promote sustainable business practices among our clients. We have also implemented initiatives to reduce our own environmental footprint, such as minimising paper usage and equipping own properties with solar panels to increase our renewable energy generation.

Strengthening Risk Management and Governance

Effective risk management and strong corporate governance are integral to our efforts in creating value and sustainable growth. Our risk-conscious management practices have enabled us to navigate the complexities of the past few years successfully. The Integrated Risk Management Committee (IRMC) and the Audit Committee play pivotal roles in overseeing risk management and corporate governance. Periodic meetings facilitate constructive discussions on emerging risks and ensure an inclusive, holistic approach to risk management. We have consistently maintained capital ratios higher than the industry average and well above regulatory requirements. During the financial year, we increased our core capital by LKR 1 Bn., from LKR 7.7 Bn. to LKR 8.7 Bn., maintaining a capital adequacy ratio of 24.47% as of 31 March 2024.

We have implemented a comprehensive risk assessment system for Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) purposes. This system, fully integrated with our operational processes, enables us to effectively assess customers based on tightened regulatory requirements. Our commitment to robust internal controls, the Code of Business Conduct and ethics for Directors, Senior Management and employees and sourcing globally renowned expertise ensures that we maintain a robust risk management framework.

We aim to ensure rapid growth in business activities to achieve greater market share and higher profitability while mitigating associated risks. We have implemented necessary controls and processes to achieve these objectives and plan to further enhance our corporate governance and risk governance frameworks.

Adapting to Market Dynamics

The economic environment remains volatile, and we anticipate ongoing challenges related to interest rates, consumer spending, and international funding. However, we are confident in our ability to adapt and thrive. The sovereign default and the resulting downgrade of the country's credit rating have made it challenging to secure cost-effective funding from international sources. Despite these obstacles, our risk-based pricing strategies and robust capital base provide a strong foundation for navigating these uncertainties.

As the NBFI sector consolidates, we anticipate a reduction in direct competitors but also recognise the growing interest from banks in the finance leasing sector. Nevertheless, our niche market strategy and enhanced risk-based pricing have positioned us to compete effectively across various segments.

We also acknowledge the changing demographics and the challenges of recruiting skilled employees due to substantial emigration. This factor has been a key consideration in our business strategy formulation. We are committed to fostering a supportive work environment that attracts and retains talent, ensuring the sustainability of our operations.

Enhanced Shareholder Returns

Our excellent financial performance during the year has allowed us to declare a dividend of LKR 1.80 per share, totaling LKR 155 Mn., to be distributed to shareholders upon receiving the required approvals. We have maintained a pay-out ratio of 12.98%, consistent with the previous year's 12.60%. Our return on equity has increased significantly to 14.03% from 5.70% in the previous year, reflecting our strong financial health and commitment to delivering value to our shareholders.

Acknowledgements

This year, we bid farewell to Mr Ravi Dias, who retired as Chairman after nine years of distinguished service. His invaluable guidance and contributions have been instrumental in shaping our Company's success. We also honour Dr Asoka Balasuriya for his 39 years of dedicated service as an Executive Director. Their leadership and vision have left an indelible mark on Senkadagala Finance.

We are pleased to welcome Mr Arjuna Herath, a Chartered Accountant with extensive experience in finance and auditing, who joined our Board as an Independent Non-Executive Director. His expertise will be a tremendous asset to our Company as we continue to navigate the complexities of the financial services industry.

I would like to express my sincere thanks to our MD/CEO, Mr L Balasuriya, our Additional CEO, Mr S D Bandaranayake, and the entire Board of Directors for their strategic guidance and unwavering support. Our Senior Management and the entire staff have done an outstanding job, delivering exceptional results during a challenging year.

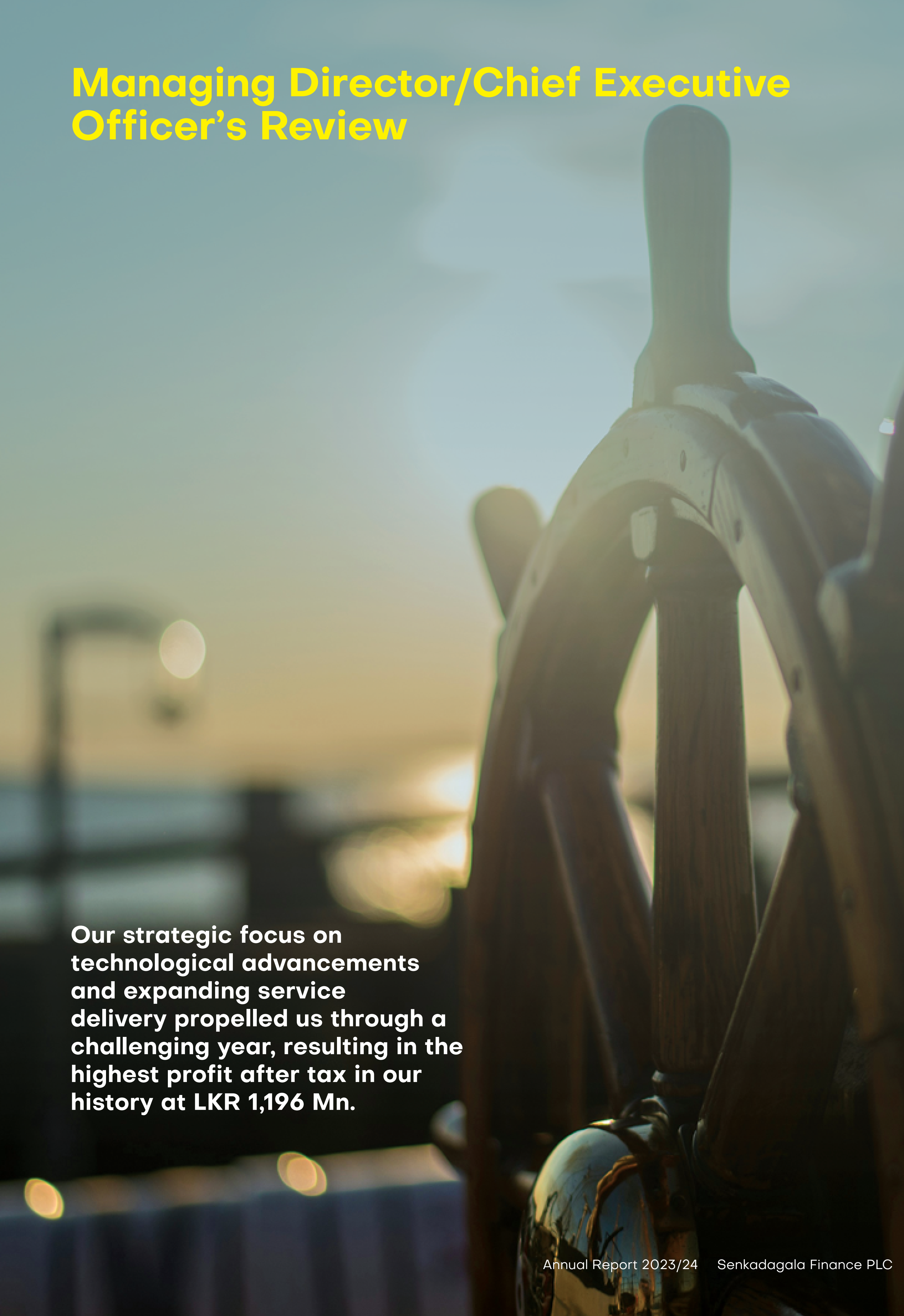
We also acknowledge the guidance and support provided by the Non-Bank Financial Institutions Department of the Central Bank of Sri Lanka. Our success would not be possible without the trust and loyalty of our investors, depositors, and customers. Thank you for your continued confidence in Senkadagala Finance.

Looking ahead, we remain optimistic about the prospects for economic recovery and are dedicated to further expanding our reach and enhancing our service offerings. Our strategic focus will remain on technological advancement, robust risk management, strengthening governance, and sustainable practices, ensuring we deliver ongoing value to our stakeholders. We are well-prepared to adapt to changing market conditions and seize opportunities for expansion and diversification. With a commitment to achieving rapid business growth, increasing market share, and enhancing profitability, we have established the necessary controls and processes. Together, we will continue to build on our legacy of excellence and navigate the path to a prosperous future.

Raja Senanayake
Chairman

1 July 2024

Managing Director/Chief Executive Officer's Review



Our strategic focus on technological advancements and expanding service delivery propelled us through a challenging year, resulting in the highest profit after tax in our history at LKR 1,196 Mn.

The financial year 2023/24 was a period of significant challenge and transformation for Senkadagala Finance PLC. Despite encountering a range of operational and economic hurdles as a result, our commitment to resilience and adaptability enabled us to navigate these challenges effectively.

Navigating Economic Volatility and Market Dynamics

The past financial year was marked by significant economic volatility and market dynamics, posing several challenges for Senkadagala Finance. Sharp fluctuations in market interest rates created complexities in managing our financial products and services. Prolonged restrictions on vehicle imports added to these challenges, limiting the availability of new vehicles and dampening customer demand. This scarcity led to inflated prices and heightened competition for registered vehicles. To navigate these challenges, we adjusted our lending strategies to better support our customers, including offering more flexible loan options for older vehicles. This approach allowed us to effectively meet market needs and maintain our competitive position. Additionally, we diversified our loan portfolio and expanded our product offerings to less affected sectors, allowing us to mitigate the impact of these restrictions and capitalise on emerging opportunities.

Stabilising Operations amid Economic Recovery

In the latter half of the financial year, we observed a gradual stabilisation of the economic environment. Key indicators like interest rates and inflation began to normalise, creating a more predictable operational landscape. However, certain sectors, particularly construction, continued to struggle due to issues like impaired working capital from delayed government payments and rising raw material costs. Conversely, the tourism sector rebounded robustly in the last quarter, significantly enhancing our asset quality and lending volumes as businesses and individuals regained financial stability. Throughout these turbulent times, we maintained high liquidity levels, a strategy crucial for managing our financial stability. This prudent approach, which we have adhered to since the onset of the COVID-19 pandemic, enabled us to support our customers and sustain our operations despite the economic uncertainty.

Addressing Workforce Challenges Amidst Economic Uncertainty

The past year was marked by a noticeable trend of skilled staff migration, impacting various industries, including ours. Retaining and attracting talent in such a climate became a priority for us. To address this, Senkadagala Finance launched targeted training programmes designed to upskill our existing employees, making them more versatile and capable of meeting evolving business needs. Additionally, we implemented strategic initiatives to attract new talent, offering competitive compensation packages and fostering a supportive work environment.

Our commitment to employee development is evident in the comprehensive training programmes we have rolled out. These programmes cover a broad spectrum of skills, from technical and operational training to leadership and customer service excellence. By investing in our workforce, we not only enhance our operational capabilities but also strengthen our culture of continuous improvement and professional growth.

Enhancing Operational Efficiency and Cost Management

At Senkadagala Finance, we have long recognised the importance of leveraging technology to drive operational efficiency. Over the past year, we have made significant strides in this area, implementing state-of-the-art systems and procedures that have become critical to our success. Our focus on technological advancement has enabled us to streamline our operations, improve data accuracy, and enhance productivity.

One of our key initiatives was the integration of our systems with those of our stakeholders, including banks, the Credit Information Bureau (CRIB), and insurance companies. These electronic data interchanges have facilitated seamless data sharing, reduced processing times, and improved overall efficiency. Furthermore, our investment in the latest security technologies has strengthened our system security, protecting our data and operations from potential threats.

We have also made significant progress in cost management. Despite the opening of 10 new branches and rising utility costs, we achieved a notable reduction in our cost-to-income ratio from 66% in March 2023 to 50% in March 2024. This improvement was driven by a significant increase in income and effective cost control measures. Our ability to optimise our cost structure while expanding our operations underscores our commitment to operational excellence and financial prudence.

Maintaining Liquidity through the Crisis

The financial challenges posed by the COVID-19 pandemic and the entailed economic crisis required a proactive and strategic approach to liquidity management. Senkadagala Finance has historically maintained liquid assets well above the regulatory requirements, a practice that we intensified during the pandemic to buffer against operational shocks.

Our diversified funding sources and strong relationships with local and international lenders have been instrumental in maintaining our liquidity levels. By accessing a variety of funding lines, we have been able to support our operations and meet our financial obligations, even during periods of economic stress. Our balanced funding mix between customer deposits, borrowings, and equity has further strengthened our liquidity position.

During the height of the pandemic, we successfully managed a high volume of loans under moratorium, maintaining high recovery rates after the moratorium periods ended. While some defaults occurred, particularly in sectors experiencing prolonged effects of the crisis, our stringent customer screening processes for post-pandemic loans have helped mitigate these risks. By focusing on maintaining high asset quality and managing potential defaults, we have ensured the stability and sustainability of our loan portfolio.

Enhancing Customer Satisfaction and Expanding Service Delivery

Our commitment to customer satisfaction is reflected in our efforts to expand and enhance our service delivery channels. Over the past year, we opened 10 new branches across the country, bringing our total branch count to 110 as of March 2024. This expansion has enabled us to reach more customers and provide them with convenient access to our financial services.

In addition to expanding our physical presence, we have invested in enhancing our digital channels. We have developed robust systems that allow customers to make payments and manage their accounts online, providing them with greater convenience and flexibility. Our ongoing development of a new mobile application will further facilitate remote customer interactions and transactions, enhancing the overall customer experience.

As we look to the future, we plan to continue expanding our footprint by opening 15 new branches in the upcoming financial year. This expansion will focus on regions outside the Western Province, allowing us to serve a broader customer base and tap into new market opportunities.

Balancing Customer Support with Managing Non-Performing Loans

At the onset of the pandemic, Senkadagala Finance had a significant portion of its loan portfolio under moratorium. As the economy began to recover and restrictions eased, many of our customers resumed their regular financial commitments. However, we recognised that some customers continued to face financial difficulties due to the ongoing economic crisis.

To support these customers, we have provided targeted concessions based on their individual financial capacity and business needs. These concessions have allowed customers to manage their loan repayments while overcoming the challenges they face. By carefully evaluating each customer's financial situation and offering customised support, we have been able to balance providing necessary assistance with managing the potential rise in Non-Performing Loans (NPLs).

Our approach to managing NPLs is guided by our commitment to maintaining high asset quality and ensuring the long-term sustainability of our portfolio. By offering tailored support and closely monitoring our loan performance, we have been able to minimise the impact of NPLs on our financial stability.

Boosting Employee Productivity and Engagement

At Senkadagala Finance, we believe that our employees are our greatest asset. Over the past year, we have implemented several initiatives to enhance employee productivity and engagement. Our comprehensive training programmes cover a wide range of topics, from operational aspects and industry developments to system knowledge and customer handling.

In addition to training, we have introduced productivity-based performance evaluation mechanisms that include incentives for exceptional performance. These mechanisms are designed to motivate employees to excel in their roles and contribute to the Company's success. Regular motivation sessions and opportunities for professional development further support our employees' growth and engagement.

Performance of New Products and Services

In October 2023, we launched gold loan product with shorter maturities compared to our existing pawning business. This strategic move is aimed at minimising our exposure to fluctuations in gold prices, a key risk factor in the gold loan market. To manage this new portfolio effectively, we have strengthened our underlying policies and controls and established a dedicated internal audit and risk management team.

Additionally, in December 2023, we introduced a margin trading loan product, leveraging our stake in Senfin Securities. This diversification into equity-backed lending is part of our strategy to reduce reliance on vehicle-backed lending and expand our range of financial services. Our management team, with extensive industry expertise, is well-positioned to grow the margin trading business and provide our customers with comprehensive financial solutions.

These new product launches reflect our commitment to diversifying our loan portfolio, mitigating risks, and meeting the evolving needs of our customers. By expanding our product offerings and enhancing our risk management practices, we are positioned to capitalise on new growth opportunities and drive our business forward.

Outlook for the Coming Year

As we look ahead to the upcoming financial year, Senkadagala Finance is focused on several key operational goals. Our primary objectives include expanding our leasing business by growing our portfolio and extending our reach through the opening of 15 new branches nationwide. We also aim to grow our overall loan book while maintaining healthy capital adequacy levels.

These objectives will be achieved through strategic branch expansion, proactive portfolio management, and a continued focus on operational efficiency. We are confident that our strategic initiatives will drive our growth and ensure the long-term sustainability of our business.

The successful completion of the country's debt restructuring plan is expected to have a profound impact on the economic landscape. The ongoing sovereign default has constrained our ability to explore new opportunities, but the restructuring process presents a path forward, enabling us to navigate these challenges and chart a more promising course. Additionally, the upcoming elections are likely to be a crucial factor in shaping the country's trajectory in the coming financial year.

Acknowledgements

As I reflect on the financial year 2023/24, I extend my sincere gratitude to everyone who has been pivotal to the success and growth of Senkadagala Finance PLC.

Firstly, a heartfelt thanks to Mr Ravi Dias, our outgoing Chairman. His nine years of leadership and strategic vision have been invaluable in guiding the Company through numerous challenges and establishing a robust foundation for our future.

I also express my deep appreciation to Dr Asoka Balasuriya, who retired after 39 years of dedicated service. His extensive knowledge and commitment have been instrumental in shaping our strategies and driving our success.

To our Board of Directors, thank you for your unwavering support and strategic guidance. Your collective wisdom has been crucial in navigating this challenging year and emerging stronger.

I extend my gratitude to our Senior Management team, for their exceptional leadership and operational expertise. Your dedication has been vital in steering the Company forward.

To our dedicated employees, thank you for your hard work and resilience. Your ability to adapt and deliver exceptional service has been the cornerstone of our success.

Finally, to our stakeholders, including customers, investors, and partners, your trust and loyalty have been instrumental in our journey. As we move forward, I am confident that with the continued support of all our stakeholders, Senkadagala Finance will continue to thrive and achieve new heights.

L Balasuriya
Managing Director/Chief Executive Officer
1 July 2024

Business Model

Our Business Model

From Stakeholders

Inputs

Financial Capital

- LKR 9,078 Mn. in shareholders' funds
- LKR 10,209 Mn. borrowings from other investors
- Property, plant and equipment
- Financial covenants

Institutional Capital

- Institutionalised knowledge
- Internally developed tailor-made IT system
- Corporate governance framework
- System of internal control
- Social and Environmental Management System
- Customer data and insights
- Best practices
- Business collaborations and alliances
- Remote access facilities to ensure business continuity

Operating Environment

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Activities

Governance Framework

- CBSL directions and guidelines
- CSE Listing Rules
- Compliance mindset
- Code of Best Practice of CA Sri Lanka
- Governance policies and procedures of the Company

Risk Management Framework

- Regulatory directions and guidelines
- Risk policy
- Emerging risks
- Diversification
- Credit risk management policy

Range of Products and Services

- Leasing and lending products
- Deposit products
- Fee-based services
- Foreign currency operations
- Insurance brokering
- Asset management
- Stock brokering

Excellent Service Standards

- Customer centric service
- Dedicated relationship managers
- Personalised service
- 896 passionate employees

Business

Financial Intermediation

Support

Business

To Stakeholders

Outputs

Shareholders and Other Investors

- Lending and investment portfolio
- Deposit base
- Sustainable growth
- Return on investment

Institutional Capital

- Enhanced productivity
- Optimum risk-return trade-off
- Improved credit evaluation system
- Benchmarked service standards
- New products developed
- Assurances and confirmations

Outcomes

Shareholders and Other Investors

- Dividends, interest, and capital gains
- Rights issues
- Higher price to book value
- Stability
- A loyal investor base with a long-term view

Institutional Capital

- Brand value and brand equity
- Unblemished track record
- Competitive advantage
- Asset quality
- Fitch Ratings Lanka Limited BBB (lka), stable outlook
- Innovation
- Full spectrum of financial products offered

Customer Capital

- LKR 13,839 Mn. in customer deposits
- Findings from customer satisfaction survey

Employee Capital

- 896 employees with a cumulative service of 5,798 years
- Competencies
- Findings from employee satisfaction survey and exit interviews
- 4,182 training hours for the year

Social and Environmental Capital

- Land, water, energy, and paper

Mission

Units

Maturity Transformation

Services

Network of Delivery Channels

- 110 branches
- Service centres were converted into branches
- Re-launched online portal
- Mobile App
- Relationship managers

Streamlined Internal Processes

- Robust core IT system
- Faster approvals
- Sound internal controls
- Prudent policies and procedures

Capital Management

- CBSL directions and guidelines
- Dividend policy
- Risk-weighted assets
- Prudent business expansion

Funding and Liquidity Management

- CBSL directions and guidelines
- Internal funding and liquidity targets
- Current and perceived interest rates
- Asset and liability management
- Contingency funding arrangements
- Funding mix optimisation
- Standby credit/funding lines

Domain

Customer Capital

- Interest income for depositors
- Funding for borrowing customers
- Financial advice
- Value added services

Employee Capital

- Remuneration
- Training and development
- Career prospects
- Creativity and innovativeness

Social and Environmental Capital

- Taxes and levies to the Government
- CSR activities

Customer Capital

- Safety and security for deposits
- Realised growth opportunities
- Unparalleled convenience
- A satisfied and growing customer base

Employee Capital

- Career development
- Job satisfaction
- High employee retention
- Occupational health and safety
- Work life balance

Social and Environmental Capital

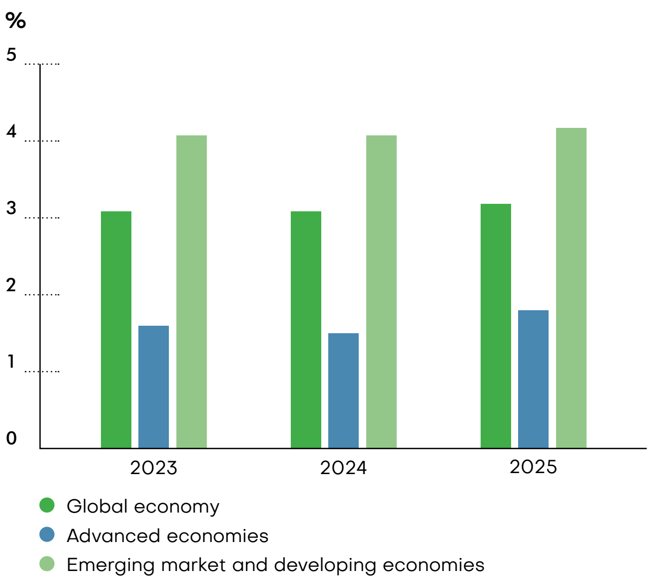
- Responsible financing
- Financial inclusion
- Facilitating economic growth and community development
- “Social Licence” to operate

Operating Environment

"Operating environment" refers to the external and internal factors that influence an organisation's performance and strategy. This includes economic conditions, regulatory frameworks, market trends, technological advancements, competitive landscape, and socio-political factors. Understanding the operating environment helps stakeholders assess the challenges and opportunities the organisation faces, in addition to guiding strategic decisions and future planning.

The Global Economy

World economic growth projections



Source: IMF – World Economic Outlook, April 2024

The International Monetary Fund's (IMF) baseline forecast in April 2024 predicts that the global economy will maintain a growth rate of 3.2% in 2024 and 2025, matching the pace of 2023. Advanced economies are expected to improve growth from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025. In emerging markets and developing economies, growth will decrease from 4.3% in 2023 to 4.2% in both 2024 and 2025.

Global inflation is anticipated to decline steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025 while core inflation is expected to decrease at a more gradual pace.

The Organisation for Economic Co-operation and Development (OECD) in its latest Economic Outlook shares a similar view that the global economy will grow at a modest pace. The Outlook forecasts steady global GDP growth of 3.1% in 2024, maintaining the same rate as in 2023, with a slight increase to 3.2% projected for 2025.

The fallout from the Ukrainian and Palestinian wars appear to be contained for the time-being.

Taking the American stock market as a reliable predictor of economic sentiment in the West, forbes.com in its March 2024 update opines that, "The S&P 500 generated an impressive 26.29% total return in 2023, rebounding from an 18.11% setback in 2022. Heading into 2024, investors are optimistic that the same macroeconomic tailwinds that fuelled the stock market's 2023 rally will propel the S&P 500 to new all-time highs in 2024".

On the technological front, the OECD AI Policy Observatory is optimistic that, "Of the many declared benefits of Artificial Intelligence (AI), one of the most enduring is that it will boost economic growth. This is not unreasonable. Innovation – new ideas – is a primary driver of economic growth…" "It has even been claimed that artificial intelligence can trigger an economic growth explosion, defined as economic growth of 30% p.a.". That waits to be seen.

Judicious application of AI and emergent technologies could be a game-changer for Sri Lanka, if timely action is taken to ensure its adoption across selected sectors.

The Sri Lankan Economy

Sri Lanka's GDP experienced a contraction in 2023, but signs of recovery are emerging, according to the Asian Development Bank (ADB). Growth which picked up in the latter half of 2023 is projected to continue throughout 2024 and 2025. Inflation, which peaked in 2022, dropped to single digits last year, and is forecasted to remain below 10% in 2024 and 2025. It is crucial that the reforms needed to tackle the economic downturn are not delayed by the upcoming electoral cycle. Sri Lanka must prioritise addressing widespread poverty to ensure that growth is inclusive, and benefits all segments of society.

The World Bank goes on to say that the Sri Lankan economy contracted by 2.3% in 2023, despite growth in the third and fourth quarters (1.6 and 4.5%, respectively) following six quarters of contraction. Inflation remained low after declining to single-digit levels in July 2023, aided by currency appreciation and improved supply. However, headline inflation rose to 5.9% in February 2024. Labour force participation decreased from 49.8% to 48.8% between 2022 and the third quarter of 2023, particularly in urban areas. Food insecurity increased in the second half of 2023, affecting 24% of households.

"By March 2024, Sri Lanka's Gross Official Reserves surged to USD 5.0 Bn., propelled by significant domestic market foreign exchange acquisitions, with a net intervention totalling USD 715 Mn. for the month. The Sri Lankan currency which depreciated to an all time high of LKR 372 against the USD in May 2022, has now appreciated to around LKR 300 to the USD. This is an appreciation of 19.93%" according to Government sources as quoted by publicfinance.lk. The rupee appreciation has been much higher since the worst days of the previous year.

Foreign Currency Inflows

International partners

The IMF states, "Upon completion of the Executive Board review, Sri Lanka would have access to SDR 254 Mn. (about USD 337 Mn.), bringing the total IMF financial support disbursed under the arrangement to SDR 762 Mn. (about USD 1 Bn.)". This is part of the Extended Fund Facility (EFF) approved by the IMF Executive Board for a total amount of SDR 2.3 Bn. (about USD 3 Bn.) on 20 March 2023.

Export earnings

Sri Lanka's total exports for 2023 were USD 14.49 Bn., a minor decline of 0.39% compared to 2022, based on data from the Export Development Board (EDB). The estimated value of services exports in 2023 increased by 63.1% compared to 2022.

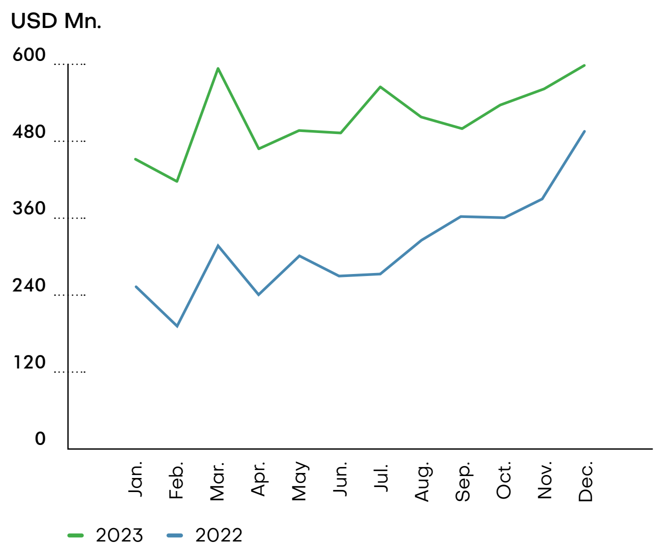
Tourism

Sri Lanka's tourism revenue for 2023 was USD 2.1 Bn. It surpassed USD 1 Bn. (USD 1,025.9 Mn.) in the first three months ended 31 March 2024, reflecting a 103% growth compared to the same period in 2023. Additionally, the country recorded 635,784 tourist arrivals in the first quarter of 2024, marking an 89% increase from 2023.

The current National Policy Framework of Sri Lanka, with its ongoing integrated five-year Global Communication Campaign, expects 6 million tourist arrivals and foreign exchange earnings of USD 10 Bn. by 2025.

Inward remittances

Workers' remittances – Inflows



Source: EconomyNext.com

Sri Lanka's remittances through official channels increased by 57% to USD 5.97 Bn. in 2023, up from USD 3.8 Bn. the previous year. This growth was supported by an improved exchange rate following better monetary policy. Last year's remittances marked the highest annual inflows since 2019. Monthly remittances have been above USD 475 Mn. from May 2023.

Reforms and restructuring

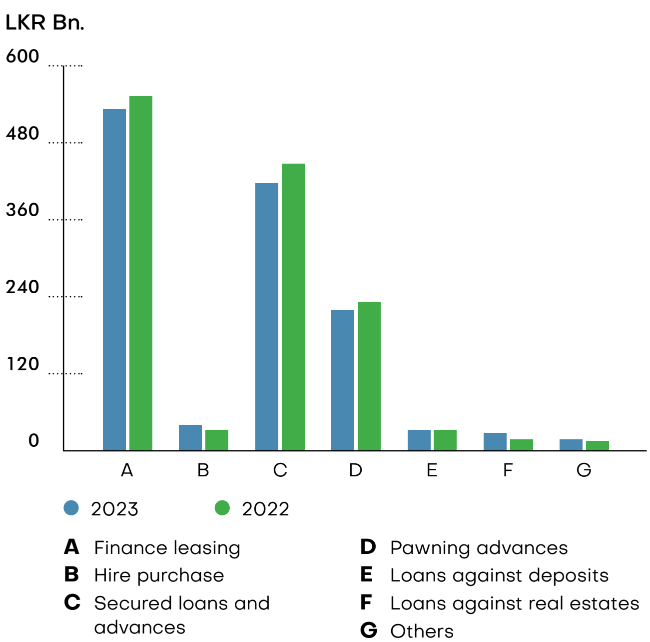
About 80 state-owned enterprises (SOE) are to be subjected to a restructuring process, while some of the enterprises will be granted a grace period to be revived, and a final decision about the restructuring process taken thereafter.

With losses amounting to LKR 744.6 Bn. in 2022, which accounts for a substantial per capita cost of LKR 141,809 per household, projections indicate that covering SOE losses for 2024 will be unfeasible, despite an increase in tax revenue. The lack of transparency in financial reporting among SOEs continues to fuel concerns about corruption.

LFC Sector

Based on CBSL's Annual Economic review, the LFCs sector remained resilient with adequate capital and liquidity buffers throughout the year, despite the challenges stemming from adverse economic conditions. The sector recorded growth in terms of assets, deposit base, and profitability. However, the asset quality of the LFCs sector deteriorated as indicated by the elevated Gross Stage 3 Loans Ratio of 17.8% at end 2023 compared to 17.4% at end 2022. Stage 3 Loans classification where LFCs were required to adopt 120 days past the due date for classification of Stage 3 loans was tightened to 90 days effective from 1 April 2023.

Total loans and advances (gross) productwise for 2022 and 2023

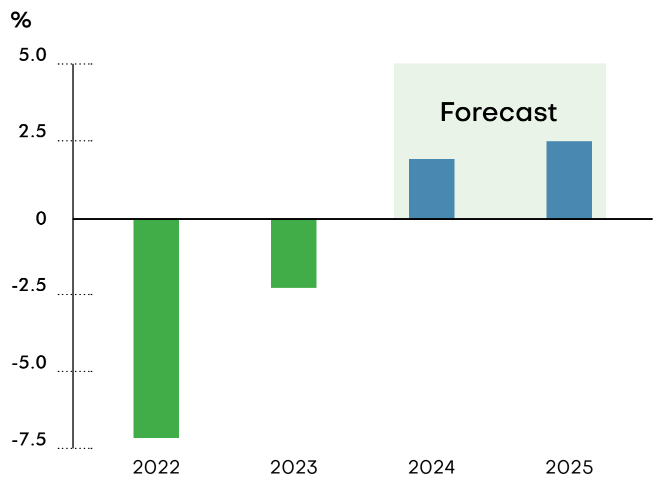


Source: CBSL, Annual Economic Review 2023

Future prospects

The Asian Development Bank's (ADB) flagship economic publication, the Asian Development Outlook (ADO) April 2024, forecasts that Sri Lanka's economy will achieve moderate growth of 1.9% in 2024 and 2.5% in 2025, following two consecutive years of contraction.

Sri Lanka GDP growth forecast



Source: Asian Development Outlook, April 2024

Foreign exchange reserves are being steadily increased, and the exchange rate has appreciated. Tourist arrivals and remittance inflows are showing a commendable recovery, while supply conditions have improved. The ADB's growth forecast depends on the continuation of reforms and improved consumer and business sentiment. Timely completion of external debt restructuring will also bolster Sri Lanka's debt sustainability efforts.

The Central Bank of Sri Lanka (CBSL) anticipates a 3% economic growth this year, driven by eased monetary policies and low inflation. After positive performance in the latter half of 2023, following six quarters of contraction, sustained recovery is expected, according to the CBSL's Annual Economic Review 2023. Contributing factors include a rebound in tourism and its spillover effects on other related industries, expected growth of the industry sector fuelled by the lifting of import restrictions, declining credit costs, and favourable agricultural yields witnessed in the recently concluded 2023/24 Maha season. Notwithstanding the renewed sense of macroeconomic stability, policy certainty and continuity will remain vital to the growth trajectory of the economy during 2024, amid expected elections. External demand for domestic services, particularly through tourism, is expected to remain elevated and some renewed demand for exports may emerge if ongoing initiatives to strengthen exports materialise amid the improved growth prospects of Sri Lanka's key trading partners in the medium term.

The economy's positive growth trajectory in the near and medium term continues to hinge on Sri Lanka's continuation of the IMF-EFF programme, timely completion of debt restructuring, and the Government's commitment to forge ahead with the structural reform agenda.

Stakeholder Engagement

During the tenure of five-and-a-half-decades in the finance industry, we have established a distinguished track record of exemplary performance. This can be ascribed to the enduring strength of the partnerships we have forged with a diverse array of stakeholders over the years. The resilience of these connections has been tested and proven during the recent past, in an environment of unprecedented political and economic turmoil. This challenging state of affairs underscores the inherent robustness and value of our stakeholder relationships, which have been instrumental to our continued success.

Stakeholder engagement is crucial for the long-term success of an organisation, as it fosters trust, transparency, and collaboration between itself and its stakeholders. By actively engaging and communicating with key stakeholders such as investors, customers, employees, suppliers, regulators, and the community, organisations can gather valuable insights, align priorities, and build confidence. This engagement helps them make informed decisions, mitigate risks, and ensure sustainable growth that benefits all stakeholders. Effective stakeholder engagement is a strategic imperative for organisations that wish to navigate complex business environments and maintain a competitive edge.

Matrix given below identifies multiple stakeholders, and explains the various methods by which we carry out the critical aspect of stakeholder engagement.

Identified Stakeholder Segments

Stakeholders	Impact of the Stakeholders	Influence of Stakeholders on SFPLC	Influence of SFPLC on the Stakeholders
Shareholders and other investors	With their capital, funding and other inputs, this segment remains key for profitability and sustainable growth. The Company disseminates relevant information to them periodically, relating to performance and governance.	High	High
Customers	Customers are critically important to the Company's business, as it is to them that the Company provides its financial intermediation and facilities. The retention, growth, and service-oriented management of customers is important for the long-term profitability of the Company.	High	High
Employees	Employees, with their relentless drive and commitment, propel the Business into the future, and grow along with the Company.	High	High

Stakeholder Engagement

Stakeholders	Impact of the Stakeholders	Influence of Stakeholders on SFPLC	Influence of SFPLC on the Stakeholders
Suppliers and business partners	Our business partners remain integral to our growth, and provide invaluable inputs for our development. They range from motor vehicle dealers to suppliers of office equipment and stationery.	High	High
Government and regulatory authorities	As an NBFI holding public deposits, in addition to being a company listed on the Colombo Stock Exchange, we are committed to our compliance requirements, which are non-negotiable.	High	Medium
Society and environment	The environmentally friendly policies of the Company, as well as its dedication to serving the community, give it the 'social license' to function in the community as a responsible corporate citizen.	Medium	Low

Stakeholder Engagement Activity

Stakeholder	Engagement Activity	Frequency	Topic of accountability	Method of implementing and communication of accountability
Shareholders and other investors	Annual General Meeting (AGM)	Annually	Financial performance, governance, transparency, and other disclosures.	The Company's 54th AGM was conducted virtually on 15 August 2023. In addition to reinforcing the close relationship with investors, the AGM facilitates fruitful and open dialogue between the Company and its investors.
	Annual Reports	Annually	Financial performance, governance, transparency, and other disclosures.	Disclosures presented within the Annual Report are of an in-depth and comprehensive nature.
	Extra Ordinary General Meetings (EGM)	As required	Governance, transparency and other disclosures.	There were no EGMs held during the year under review.
	Interim financial statements and investor presentations	Quarterly	Financial performance and investor communications.	Interim financials provided to shareholders and other investors of the Company contain timely and relevant information.
	Press Conference and Releases	As required	Information related to business expansion, strategy and any other topic of relevance.	Via Press Conferences.
	Communications made to the Colombo Stock Exchange	As required	Matters pertaining to Investor relations, financial information, transparency, regulatory requirements and corporate governance.	Written Communications were provided through the CSE as and when required.
	One-to-one Discussions	As required	Financial inclusion, corporate governance, risk management or any other topic relevant to shareholders/investors.	Face-to-face discussions.
	Corporate Website	Continuous	Sustainable growth of the Company, relevant data and information.	Regular updates to the web portal.

Stakeholder	Engagement Activity	Frequency	Topic of accountability	Method of implementing and communication of accountability
Customers	Touch-points	Continuous	Financial Inclusion.	SFPLC provides its wide array of services through a personalised, as well as through various technological platforms, to its customer base.
	Town storming, leaflet campaigns, banners, street promotions	As required	Creating awareness for new on-boarding, financial inclusion, affordability of services, new products and services, and convenience.	A leaflet campaign was carried out prior to opening pawning/gold loan windows in existing branches.
	Relationship Managers	As required	Service quality, customer satisfaction, information security, and mutually beneficial relationships.	Relationship Managers offer a personalised service to the customer, on a proactive or need-based approach.
	Media Advertisements	As required	Scope and affordability of products and services, strength of the Company, and ease of approachability.	Advertisements in the Print and Digital media.
	Corporate Website	Continuous	Information related to offered products and services and sustainable growth of the Company.	Regularly updated on the Web portal.
	Customer Workshops	As required	Financial Education and Literacy.	Face-to-face, interactive workshops.
Employees	Executive Meetings	Monthly	Performance management and business developments.	Continuous interactive dialogue is maintained, which forms the foundation for discussions on all matters pertaining to business development and areas of potential concern.
	Managers' Conference	As required	Performance, reward management, business developments, and other risk-related issues.	Interactive and engaged discussions take place on performance evaluation and strategic business development initiatives.
	Regional Review Meetings	Quarterly	Local business developments and regional performance.	Data received from the Management Information System is analysed and discussed for future growth.
	Memoranda	As required	Inclusion/information dissemination.	Written.
	Emails	As required	Recruitment, retention and attrition, announcements, and other information.	Technological portal.
	Training programmes	As required	Value driven corporate culture, skill upgrading, knowledge sharing.	Physical and digital platforms 4,182 hours of training was recorded in 2023/24.
	Special events for staff engagement	As required	Diversity, inclusion, career progression, team building.	Differently structured to suit each event.

Stakeholder Engagement

Stakeholder	Engagement Activity	Frequency	Topic of accountability	Method of implementing and communication of accountability
	Open-door policy	Continuous	Career progression, accountability, grievances, concerns.	Direct engagement, and an updated Whistleblower policy of the Company.
	Operational guidelines	Continuous	Business know-how.	Available as manuals, policies physically and through the online document retrieval system and communicated through training programmes.
	Code of conduct	Continuous	Best practices and business value creation.	Provided by the HR department.
	Performance evaluation	Continuous	Performance management.	Appropriate conversations.
Suppliers and business partners	Supplier Relationship Management	As required	Contractual performance and ongoing business development.	Promotions done centrally and locally by regions/branches as appropriate.
	On-site visits and meetings	As required	Responsible sourcing and future business opportunities.	Physically visiting the premises of the suppliers.
Government and regulatory authorities	On-site and off-site surveillance	As required	Compliance with all regulatory requirements.	SFPLC ensures compliance with all regulatory requirements and disclosures are made on time.
	Directives and Circulars	Continuous	Corporate Governance, business expansion and growth.	A Compliance policy is in place to ensure that all such directives are adhered to and updated, as and when necessary.
	Meetings and Consultations	As required	To ensure regulatory compliance.	Physical meetings with regulatory bodies.
	Press releases	Semi annual	Financial performance, Business trends and KPIs.	Press articles.
	Periodic returns	As required	Financial performance.	Submitted in the required format on the date required.
Society and environment	Branch Network	Continuous	Responsible financial ethics and business conduct.	Financial inclusion of the unbanked and under-banked populace.
	Press releases, conferences, and media briefings	As required	Community investment.	Media, face-to-face meetings.
	Informal briefings and communications	As required	Financial inclusion.	Leaflet campaigns, town storming, promotional campaigns.
	Public Events	As required	Recruitment.	
	Call Centre and Information Centre	Continuous	Information relating to products and environmental impact.	Societal grievances and complaints are directed to the relevant officer for immediate remedial action.
	Corporate Website	Continuous	Environmental accountability.	Regularly updated with developments within the Company.

During the coming financial year, we plan to continue with our efforts in maintaining and nurturing our existing relationships while seeking out and building new associations, for a stronger and sustainable future-facing business.

Materiality

Determining materiality is essential for focusing on significant issues that impact value creation and addressing stakeholder concerns at Senkadagala Finance PLC. It enhances communication, supports strategic decision-making, and aids in risk management. By prioritising material issues, we are able to ensure that our reports are relevant and comply with regulatory requirements, ultimately fostering transparency, building trust, and enhancing long-term performance and sustainability.

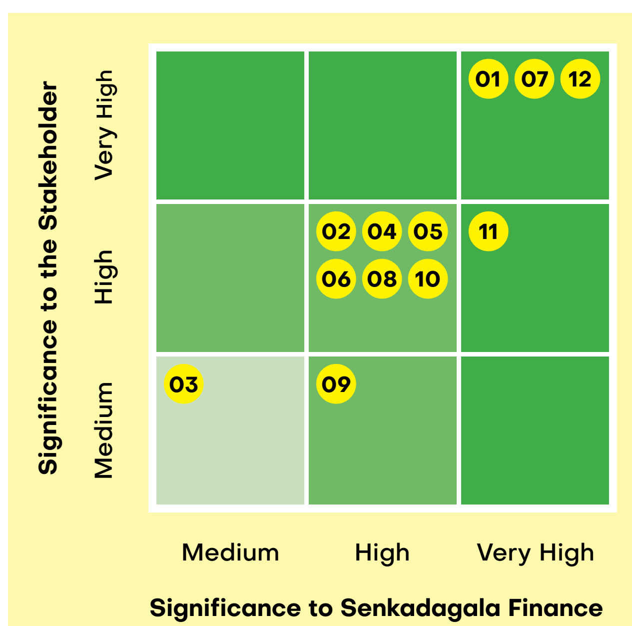
Materiality refers to identifying and prioritising information that is crucial for understanding an organisation's ability to create value over the short, medium, and long term. This concept involves recognising the environmental, social, and governance (ESG) issues that significantly impact the organisation's strategy, performance, and future prospects, as well as the concerns and expectations of its stakeholders.

Senkadagala Finance PLC uses materiality to focus on the most significant factors impacting its value creation and stakeholder interests. By engaging with stakeholders, the Company identifies and prioritises Environmental, Social, and Governance (ESG) issues that are crucial to its operations and long-term success. This materiality assessment ensures that the Company's integrated reporting addresses key concerns, enhances transparency, supports strategic decision-making, and aligns with regulatory requirements, ultimately fostering sustainable growth and stakeholder trust.

By concentrating on material issues, the Company aims to offer a comprehensive and relevant view of the organisation's performance and strategy, there by supporting better decision-making by stakeholders.

Materiality Matrix

A materiality matrix is a tool used by organisations to identify and prioritise the most significant Environmental, Social, and Governance (ESG) issues that impact both the Company and its stakeholders. This matrix helps in determining what information is material, meaning essential for inclusion in the Company's integrated report. The twelve aspects mapped in the matrix as material to the Company together with the relevant GRI standard are given overleaf.



Annexes
Financial Reports
Governance
Our Story in 2023/24
Business Model
Leadership Reviews
About Us
About this Report

Identified Material Aspects

Aspect	Indication	Significance	
		To SFPLC	To Stakeholders
Economy			
1. Economic performance	GRI 201	V	V
Environmental			
2. Energy	GRI 302	H	H
3. Water and Effluents; Waste	GRI 303 GRI 306	M	M
4. Compliance	GRI 2-27	H	H
Social			
Labour practices and decent work			
5. Employment	GRI 401	H	H
6. Occupational health and safety	GRI 403	H	H
7. Training and education	GRI 404	V	V
8. Labour practices/grievance mechanisms	GRI 2-26 GRI 405 GRI 406	H	H
Society			
9. Local communities	GRI 413	H	M
10. Anti-corruption	GRI 205	H	H
Product responsibility			
11. Product and service labelling	GRI 417	V	H
12. Customer privacy	GRI 418	V	V

V Very High H High M Medium

Management Approach

When delivering and deriving value from stakeholders, Senkadagala Finance PLC bases materiality decisions on shared values that foster ethically sustainable operations. Therefore, the Company's strategic objectives and transparent dealings with stakeholders are of paramount importance. KPIs are used to monitor material aspects to ensure alignment with corporate goals, while Key Responsible Personnel (KRPs) must always act transparently and ethically, not just for regulatory compliance, but as an embedded value of our long-standing and reputable Company.

Policies and protocols are established to oversee business operations, aiming to mitigate risks. Trigger event reporting allows for continual evaluation and reassessment when needed. Senior Management is mandated to embody Company values and risk indicators, promptly escalating any trigger event to Key Responsible Personnel (KRPs) for appropriate action. Clear procedures guide employees in responsible conduct, with department heads ensuring alignment with the Company's strategic goals. Senior Managers conduct ongoing environmental assessments and address grievances as part of their duties.

The Company's disclosures occur in a timely manner and align with regulatory requirements, with transparency promoted throughout its operations.

Our Internal Auditors, Messrs Ernst & Young Advisory Services, assist us in effective internal control evaluations. The annual external audit process ensures the materiality of the Company's financial performance.

Fitch Ratings Lanka Limited revised the National Long Term Rating of the Company to BBB (lka) with a stable outlook with effect from 16 October 2023, citing the weakened asset quality driven by the heightened risks the Company faces due to volatile economic and financial market conditions prevailed in the country.

Our Story in 2023/24

Financial Capital

Despite the challenging economic conditions, Senkadagala Finance delivered strong performance during the year, achieving its highest-ever post-tax profits in Company history. Total assets, customer deposits, and total equity also experienced growth, reflecting the entity's prudent financial management and sustainable growth strategy.

"Financial Capital" refers to the funds or capital that a company has available for lending, investment, and other activities of the entity. It encompass the management of financial resources including the monitoring, controlling, protecting, and reporting on the Company's financial resources. This capital is critical for an entity, as well management of which will maximise the returns to key stakeholders, such as shareholders, investors and lenders of the entity.

An Overview of the Year

With the deepest economic downturn in its post-independence history behind, the Sri Lankan economy witnessed a gradual revival with major policy adjustments and structural reforms which posed continued challenges to the financial sector of the country.

Sri Lankan rupee witnessed a strengthening in 2023 and early 2024, driven by the improved foreign exchange inflows received from tourism and other services exports as well as workers' remittances and subdued import demand. Foreign exchange reserves of the country improved, with net purchases of foreign exchange inflows by the Central Bank of Sri Lanka and receipts from the multilateral agencies. Along with the implementation of reforms in Government revenue collection, showed signs of correction of the deficit of the overall government budget and the external current account in 2023. Accordingly, the Sri Lankan economy recorded an expansion in the second half of 2023 bringing an end to the longest streak of economic contraction of six consecutive quarters.

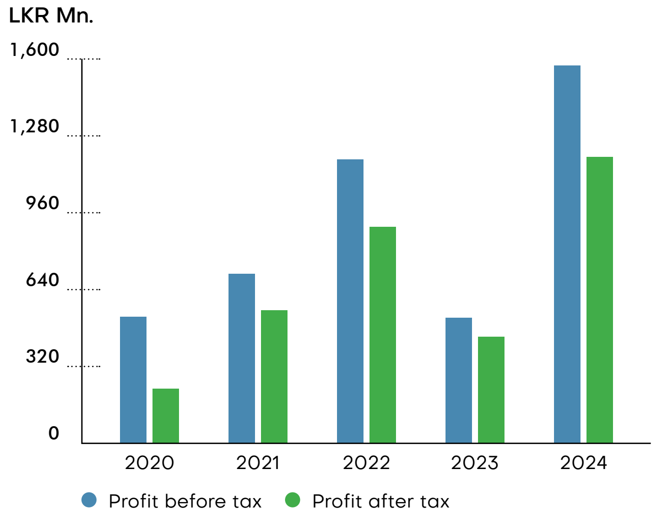
Easing of monetary policy and reduction of risk premia attached to yields on government securities following the finalisation of the Domestic Debt Optimisation (DDO) reduced the market interest rates since mid-2023. This resulted in a notable decrease in market lending rates exerting pressure in maintaining net margins of the Company. Inflation was contained at single-digit levels by end 2023 since reaching highest levels in recorded history, in 2022. Optimistic market sentiments together with declining trend of market rates helped to ignite market credit demand towards third quarter of the year. With enhanced credit evaluation systems in place, Senkadagala Finance was well positioned to unlock the market potential to generate sustainable returns to its stakeholders.

Despite the reducing lending rates excreting pressure on net margins, with meticulous funding management, Senkadagala Finance managed to improve the net interest margin from 7.64% in March 2023 to 11.86% by March 2024. The Company recorded a growth in gross income to reach LKR 8,244 Mn., a noteworthy 19.34% growth over the year. Despite the increase of LKR 299.9 Mn. in the income tax expenses for the year, the profit after tax increased to LKR 1,196 Mn., recording the highest ever post-tax profits of the Company. Total assets of the Company grew by 2.35% compared to the shrinkage of 8.41% of the previous year, driven by the 12.92% growth of finance leases portfolio. The deposits base of the Company recorded a growth of LKR 3,576 Mn., a 34.84% notable year-on-year growth, demonstrating the confidence the customers have placed on the Company.

Summary of financials for the year

Financial results	2024 LKR '000	2023 LKR '000
Total assets	36,560,254	35,719,281
Loans and advances	24,476,181	24,315,724
Customer deposits	13,839,120	10,263,254
Total equity	9,077,945	7,975,535
Gross income	8,243,556	6,907,543

Profit before and after tax



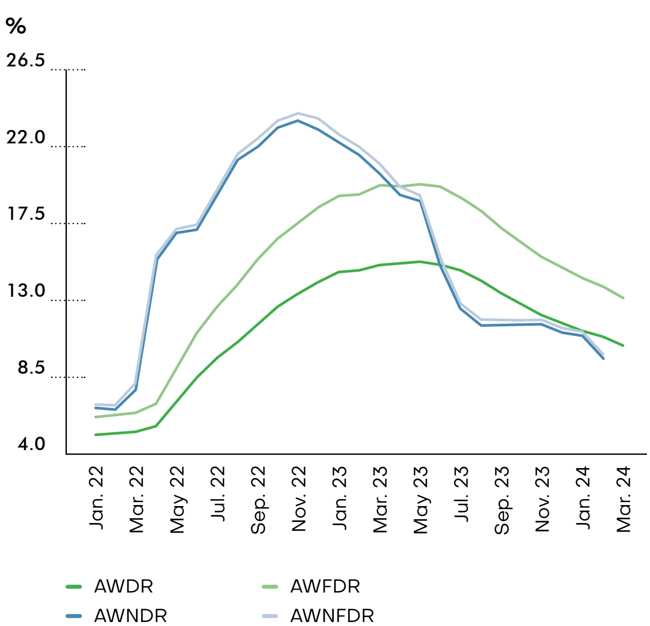
Financial Performance in Detail

Net interest income

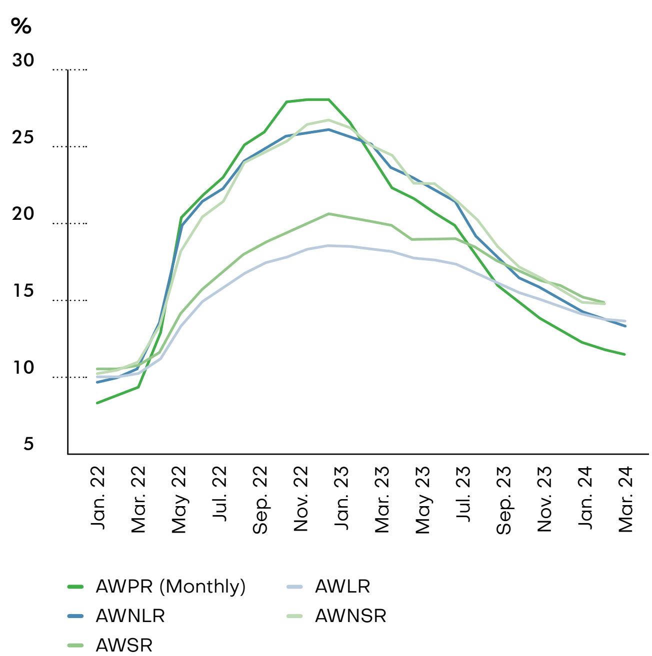
Along with the conclusion of the domestic debt optimisation and the accommodative monetary policy stance adopted by the Central Bank of Sri Lanka, the overnight liquidity levels in the domestic money market gradually improved in 2023 from the steep deficit levels experienced in the previous year. This coupled with the reduction of risk premia attached to yields on government securities resulted in an overall downward adjustment in the market interest rates over the year. Owing to meticulous funding arrangements by the Management, the weighted average cost of funding of the Company followed the declining trend of market interest rates enabling the Company to maximise the net interest returns. However, the slower phase of repricing of term deposits, hampered the overall decrease of interest expenses of the Company, recording a year-on-year drop of 4.22% only, reaching LKR 3,715 Mn. by March 2024.

Movement of selected market interest rates

Deposit Rates



Lending Rates



Source: CBSL Annual Economic Review 2023

Interest expense on bank and other borrowings showed year-on-year decreases of 27.3% and 44.7% respectively, driven by the downward trend of market interest rates and by the lucrative funding arrangements secured by the Company that has allowed the repricing of bank and other borrowings pursuing the market trend closely. As noted above, the interest expenses on customer deposits increased by 39.4% to reach LKR 1,957 Mn. This increase was recorded in line with the 34.8% growth experienced in the deposit book over the year. Interest on subordinated debentures remained stable owing to the fixed rated nature of the instrument in issue.

Despite the decrease in market interest rates, interest income for the year recorded a growth of LKR 869 Mn. to reach LKR 7,362 Mn. Key contributor, interest income from finance leases experienced a growth of 30.6% to reach LKR 4,991 Mn. in the year under review. This was achieved by boosting the lending volumes, closely following the declining market rate trends to offer creditworthy customers attractive rates.

The Company continued to maintain significantly high liquidity positions throughout the year to buffer against potential market volatility. Despite lucrative investment opportunities being explored to maintain returns on excess funding, interest income from investments in fixed deposits and repurchase agreements recorded a decrease of 51.3% and 69.4% respectively, due to the declining trend of market interest rates, negating the growth of interest income recorded during the year, to some extent. Another noteworthy development in the year under review was the introduction of the new loan products – gold loans and margin trading, yielding interest income of LKR 28.9 Mn. and LKR 9.8 Mn. respectively during the year.

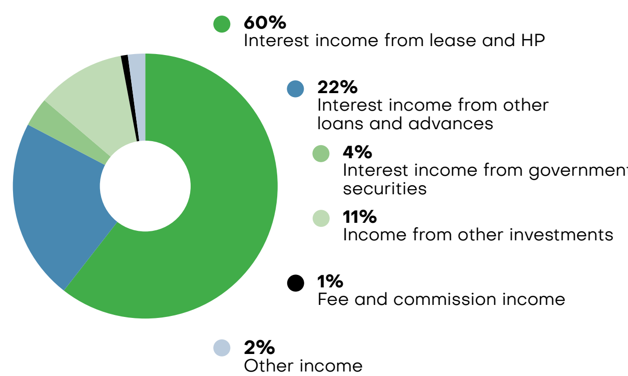
The Company's net interest income surged to LKR 3,646 Mn. from LKR 2,614 Mn. the previous year, marking a significant 39.5% year-on-year increase, driven by strengthened loan growth and favourable repricing of funding lines.

Income

The fund-based income remained the key contributor to total income with a contribution of 89.3% to gross income for the year. A growth of LKR 868.9 Mn. was recorded through this income source. Pursuant to the management deciding to hold excess liquid funds invested in money market unit trusts as opposed to deposits and REPOs to maximise the returns, net gain from financial instruments designated at fair value through profit or loss recorded a notable income of LKR 516 Mn., a growth of LKR 437.6 Mn. compared to the LKR 78 Mn. recorded the previous year. Net income from trading followed the trend reaching LKR 122 Mn., a notable year-on-year growth of 129.3%, driven mainly by realised returns on unit trust investments of LKR 119 Mn.

Fee based income and commission experienced a growth of 70.5% over the year to reach LKR 70 Mn. owing to the growth of new business during the year. However, the Group recorded a fee and commission income of LKR 281 Mn., with a year-on-year growth of 26.6% as the primary source of income for the subsidiary companies, namely Senkadagala Insurance Brokers and Senfin Asset Management consists of commission income. Other operating income for the year declined by 28.1% mainly due to recording a translation loss of LKR 31.7 Mn. on foreign currency deposits held. The loss occurred as a result of the appreciation of the Sri Lankan Rupee recorded towards the end of the financial year.

Sources of income

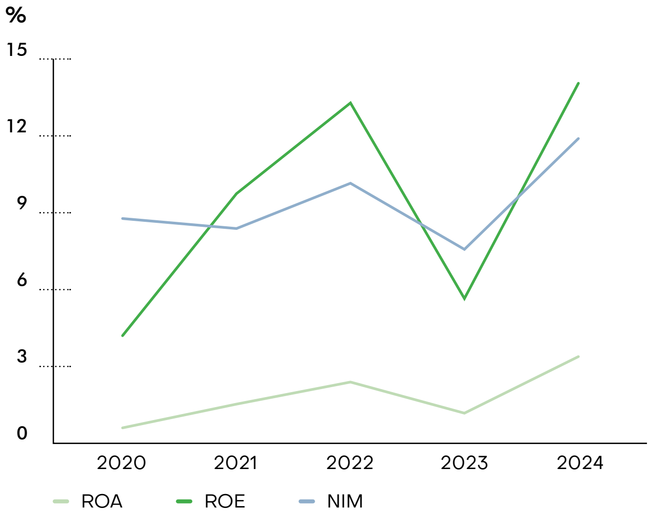


Profitability

The Company made a record-breaking profit before tax of LKR 1,577 Mn. as opposed to LKR 526 Mn. of the year before, a year-on-year growth of 199.7% driven mainly by the increase in net interest margins as detailed above. Profit after taxes too recorded a similar growth to reach LKR 1,196 Mn., an increase of 168.8% from LKR 445 Mn. of the previous year, recording the highest profits of the Company of its 55 year history.

In terms of profitability indicators, Return on Assets (ROA) increased to 3.31% from 1.19% of last year while Return on Equity (ROE) soared to 14.03% from 5.70% of the previous year, owing to the increased profitability and operational efficiency of the Company. Net Interest Margin (NIM) increased to 11.86% compared to 7.64% of the previous year denoting the improvement in net interest income achieved during the year.

Profitability indicators of the Company



The consolidated profits for the Group also depicted similar trends. The Group's post-tax profit was LKR 1,364 Mn., an increase of 185.4% from the previous year. Pre-tax profit was LKR 1,796 Mn., with a notable year-on-year increase of 201%. The contribution from the subsidiaries helped to improve the fee-based income streams of the Group creating synergistic values to its stakeholders.

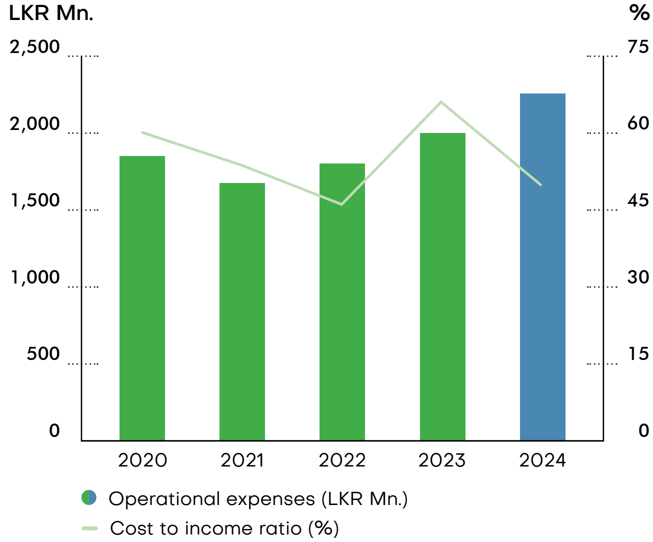
The associate company, Senfin Securities Limited made a contribution of LKR 48 Mn. to the profits for the year to elevate the profits of the Company for the year under review.

Operational efficiency

The management continued its efforts to improve operational efficiencies in the hope of controlling the operational expenses of the Company, in the backdrop of rising utility expenses and the expansion of the branch network. The staff cadre increased with the addition of 10 new branches to the network, increase in salaries and wages to staff along with the performance-based incentives paid for the year, the personnel expenses increased by 16.5% year-on-year to LKR 968 Mn. Depreciation and amortisation expenses continued on the decreasing trajectory from the last year to reach LKR 325 Mn., a year-on-year drop of 12.5%. Other operating expenses increased by 17.9% to LKR 916 Mn. over the year, driven mainly by the increase in utility expenses in line with the increase in tariffs.

With the relatively slow phase of increase in operational expenses compared to the augmented net income recorded for the year, the cost to income ratio of the Company improved to 50.0% compared to 66.23% recorded in the previous year.

Operational efficiency



Taxation

In line with the tax reforms brought about to widen the tax base while increasing the applicable rates as a measure to alleviate the balance of payment deficit of the country, the Company was subject to increase in tax charges for the period under review.

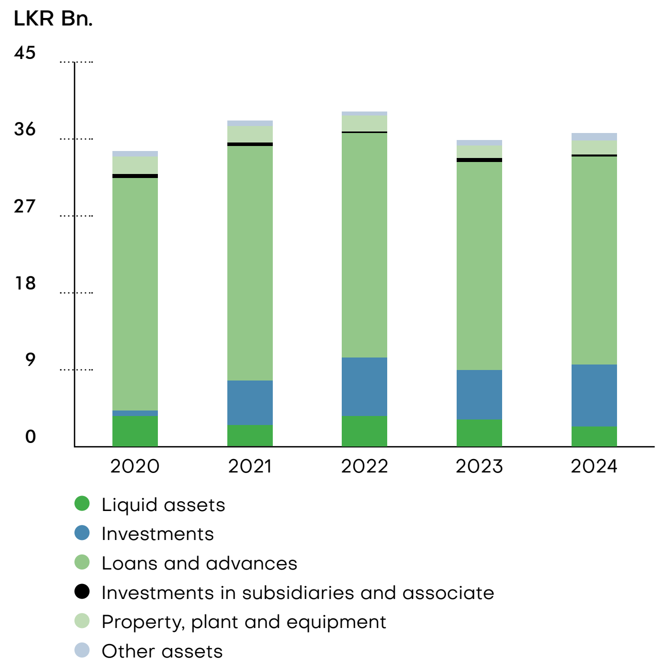
The value added tax on financial services increased from 15% to 18% with effect from January 2022, increasing the tax obligations on the Company. The tax charge on value addition increased by 104.86% to reach LKR 526 Mn. during the year owing to the increase in the income generated by the Company. Social security contribution levy on financial services, introduced during the previous financial year at a rate of 2.5% on the value addition, increased by LKR 43.5 Mn. to reach LKR 60 Mn. for the year.

The 199.7% increase in pre-tax profits resulted in an increase of corporate income tax charge for the year to LKR 479 Mn. compared to LKR 343 Mn. of the previous year. However, this tax charge was negated by a deferred tax reversal of LKR 113 Mn., resulting from a change in the tax base on loan loss allowances and the related increase in temporary differences.

Assets

Total assets of the Company increased to LKR 36,560 Mn. as at 31 March 2024 compared to LKR 35,719 Mn. a year ago, a year-on-year increase of 2.35%, driven primarily by the growth of the finance lease portfolio by 12.92%. However, other loans and receivables experienced a decrease of 51.61%, as a result of the settlement of majority of pawning advances provided during the height of economic crisis. Owing to the management decision to invest excess liquid funds in money market unit trusts as opposed to investing with commercial bank deposits, the financial assets held at fair value through profit or loss (FVTPL) recorded an increase of LKR 3,997 Mn. to reach LKR 4,483 Mn. while the investments in deposits with licensed financial institutions recorded a year-on-year decrease of 48.72% to reach LKR 2,622 Mn. Investments in financial assets measured at fair value through other comprehensive income (FVOCI) recorded a decrease to reach LKR 161 Mn. due to the fair value fluctuations of underlying equity investments. Investments in other financial instruments at amortised cost recorded a decrease during the year to reach LKR 1,200 Mn., a year-on-year decrease of 28.38%. The Company concluded the winding-up process of the Newest Capital Limited during the financial year under review, resulting in a drop of investment in subsidiaries to reach LKR 51.7 Mn. from LKR 328.3 Mn. recorded the previous year. The net movements of these negated the growth recorded in the finance leasing portfolio, resulting in only a marginal growth in the total asset base of the Company.

Total assets



With the onset of the pandemic and economic volatility, the requirement to maintain higher cash reserves became paramount. However, the uncharacteristic interest rates, changes in tax regulations and fluctuations in returns made the conventional liquid assets relatively unattractive. Accordingly, the Company invested excess liquidity in aforementioned financial assets. Consequently, liquid assets witnessed a year-on-year decrease of 29.62% to LKR 2,119 Mn., while the investments witnessed an increase of LKR 1,490 Mn., a 20.49% growth.

Loans and advances

Loan type	2024 LKR '000	2023 LKR '000	Change %
Finance leases and hire purchase	22,240,443	19,695,389	12.92
Commercial loans and personal loans	601,056	890,735	(32.52)
Pawning and gold loans	564,361	2,596,820	(78.27)
Margin trading	560,748	–	100.00
Other advances	509,573	1,132,780	(55.02)
Total	24,476,181	24,315,724	0.66

The total loans and advances marginally increased by 0.66% over the year to LKR 24,476 Mn. against LKR 24,316 Mn. of the previous year driven mainly by the slowdown of pawning business. Despite the subdued importation of unregistered vehicles, the finance leasing business picked-up driven by the heightened credit demand in light of the reduction of market interest rates. The enhanced customer screening developed by the Company coupled with availability of excess liquidity enabled the Company to provide customer loans at competitive rates capitalising on the market trends.

During the year, LKR 18.7 Bn. was granted in new business as opposed to LKR 15.6 Bn. of the previous year. The average LTV of new finance leases were 60.26%, as the Company primarily financed registered vehicles.

The commercial and personal loans continued to record a decrease of 32.52% during the year to reach LKR 601 Mn. by March 2024. During the year, the Company introduced Gold Loan product, a shorter tenured gold backed lending product better equipped to mitigate the higher risks entailed with gold backed lending. Accordingly, the Pawning portfolio recorded a decrease of 95.98% to reach LKR 104 Mn., driven mainly by the settlement of extraordinary volumes of new pawning given during the height of the economic crisis coupled with routing the new business through Gold Loans. Margin Trading product was also introduced during the financial year, with the expectation of diversifying the lending products of the Company and reducing the reliance on vehicle backed financing. Launched in December 2023, the Margin Trading portfolio grew to LKR 561 Mn. by the end of the financial year signaling high potential.

Asset quality

The management accords the highest importance to maintaining high asset quality as a critical success factor in the finance business; it is regarded a key aspect in achieving sustainable business growth. With the deferred adoption of the Finance Business Act Direction No. 01 of 2020, Classification and Measurement of Credit Facilities, LFCs are required to classify credit facilities as NPL based on days past due (dpd) period and/or potential risk, effective from 1 April 2022. Effective from 1 April 2023, the regulations further strengthened requiring the LFCs to classify loans and advances with principal and/or interest past due for more than 90 days from the due date as NPL, as opposed to 120 days considered during the financial year 2022/23. As such, to align the reporting parameters, the Company adopted the same definition of default and credit impaired assets for its financial reporting purposes effective from 1 April 2023.

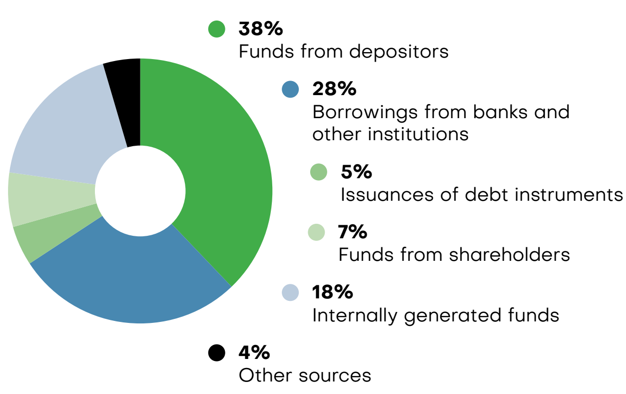
Dismal economic conditions prevailed coupled with the day 1 effect of changing the default definition continued to deteriorate the asset quality of the Company in the first half of the year. However, by the end of the year with rigorous recovery action the Company managed to maintain its gross Stage 3 loan ratio, which is gross non-performing assets (Stage 3 loans) as a percentage of total advances, at 13.00% compared to 90 dpd adjusted 16.72% of the previous year. However, with systematic recognition of impairments, the net Stage 3 loan ratio decreased to 6.62% compared to 90 dpd adjusted ratio of 9.64% of the year before, demonstrating the prudent provisioning adopted by the Company. By March 2024, the Company has provided LKR 2,811 Mn. compared to LKR 2,947 Mn. of the previous year, improving the Stage 3 provision cover ratio to 49.13% from 45.92% recorded to the previous year, despite the tightening of the default classification criteria.

Liabilities

The total liabilities of the Company was recorded at LKR 27,482 Mn. at the end of the year under review compared to LKR 27,744 Mn., with a marginal drop of 0.94%. Bank borrowings recorded a decrease of 5.19% to LKR 6,510 Mn. while other borrowings recorded a notable decrease of 51.31% to reach LKR 3,699 Mn. by the year end, driven by the settlement of asset securitisation loans.

With the conclusion of the winding-up process of Newest Capital Limited, the amounts due to related company was set-off against the investment, resulting in the settlement of the LKR 282 Mn. liability recorded in March 2023.

Sources of funding



Deposits from customers

Throughout the previous financial year, before the finalisation of the domestic debt optimisation, the NBFI industry experienced a surge in deposit withdrawals due to government securities offering exceptionally high rates. In such a backdrop, Senkadagala Finance managed to preserve its deposit base with minimal impact. As policy rates adjusted and the financial industry's risk-return dynamics normalised, Senkadagala Finance experienced an influx of new customer deposits, resulting in an increase of 34.84% of its deposit base. Fixed deposits, constituting 94.76% of the total, drove the majority of this growth (35.99%), reaching LKR 13,115 Mn. compared to LKR 9,644 Mn. of the previous year. Savings deposits also grew by 17.01%, contributing an additional LKR 725 Mn., compared to LKR 619 Mn. of the previous year.

Savings deposit customers are provided with many value-added services, facilities equivalent to those of a bank deposit while offering a higher rate of return to the customers.

Deposit base

Shareholders' funds and capital position

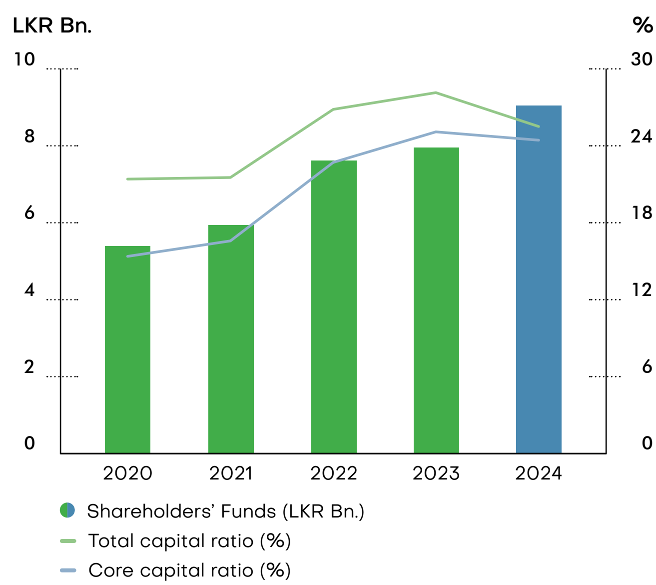
Total shareholders' funds recorded a notable growth of 13.82% over the financial year to reach LKR 9,078 Mn. compared to LKR 7,976 Mn. of the previous year driven mainly by the internally generated capital.

In compliance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred LKR 60 Mn. out of profits for the year to the Statutory Reserve Fund, resulting in a growth of the Fund by 11.3% to reach LKR 591 Mn. by the end of the financial year.

Retained earnings recorded a growth of 21.87% to reach LKR 6,112 Mn. with the addition of the profits generated during the year. Fair value reserve recorded a negative balance of LKR 50 Mn. due to the sale and the fair value loss on equity investment held at FVOCI, compared to LKR 4.5 Mn. recorded the previous year.

The Company recorded a core capital ratio of 24.47% and a total capital ratio of 25.56% in March 2024, well in excess of the regulatory requirements of the Direction (Capital Adequacy Requirements) No. 03 of 2018. The augmented capital positions maintained helped the Company to weather the economic turbulence of the preceding year while placing it well to accommodate the envisaged growth in business volumes in the ensuing years. Further details of the capital position of the Company are given in the Shareholders and Investor Capital on page 62 of the report.

Shareholders' funds and capital ratios



Cash flows and liquidity

Senkadagala Finance strives to maintain a balanced mix of funding from its key funding sources, namely customer deposits, borrowings and shareholder funds. However, driven by the influx of customer deposits during the year under review net operating cashflows increased to LKR 7,703 Mn. compared to LKR 4,216 Mn. generated in the previous year.

The Company used LKR 3,481 Mn. cashflows in investing activities during the year, primarily investing in FVTPL instruments. Capital expenditure incurred during the year increased to LKR 346 Mn. compared to the LKR 31 Mn. of previous year, driven by the reigniting of the branch expansion process.

Securitised borrowings of LKR 4,829 Mn. were obtained during the year while settlements amounted to LKR 8,683 Mn., as the net inflows from operations helped to finance the working capital of the entity. This contributed to a net cash outflow of LKR 4,053 Mn. in financing activities compared to the LKR 3,862 Mn. used in the previous year.

The Company maintained higher levels of liquid assets throughout the year to weather any potential impacts of adverse economic conditions, which has helped to safeguard the Company during severe market liquidity shortages witnessed in the past.

Group performance

Senkadagala Finance Group performance reflects a trend parallel to that of the Company over the year. The post-tax profit increased by 185.4% to LKR 1,364 Mn. during the year, compared to LKR 478 Mn. of the previous year. The total assets of the Group recorded a growth of 3.77% to LKR 36,721 Mn. similar to that of the Company.

Senkadagala Insurance Brokers recorded a post-tax profit of LKR 114 Mn., with a marginal increase of 0.77% from the previous year. Owing to growth in applicable tax regulation and increase in tax charges resulting in a post-tax profit of LKR 80 Mn.

Senfin Asset Management (Pvt) Ltd. generated a pre-tax profit of LKR 64 Mn. as opposed to LKR 34 Mn. recorded in the previous year, an increase of 91.44%. Total Assets Under Management (AUM) by Senfin Asset Management grew by over 91.7% to reach LKR 9.9 Bn. during the year under review, primarily driven by Senfin Money Market Fund.

A summary of financials of the subsidiaries and the associate for the year is given below.

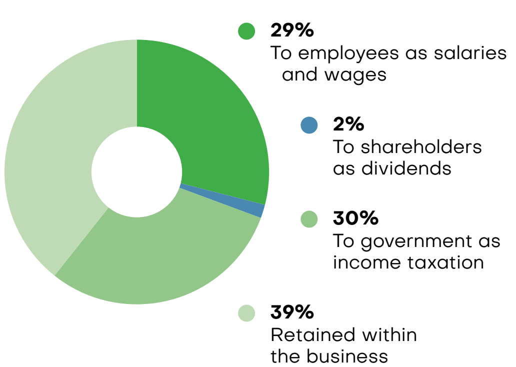
Financial results	Senkadagala Insurance Brokers (Pvt) Ltd. LKR '000	Senfin Asset Management (Pvt) Ltd. LKR '000	Senfin Securities Limited LKR '000
Gross income	126,106	120,827	135,220
Profit before tax	114,440	64,186	26,239
Profit after tax	79,744	57,003	47,280
Total assets	113,193	188,023	573,618
Total equity	48,620	175,706	468,367

Value addition and distribution

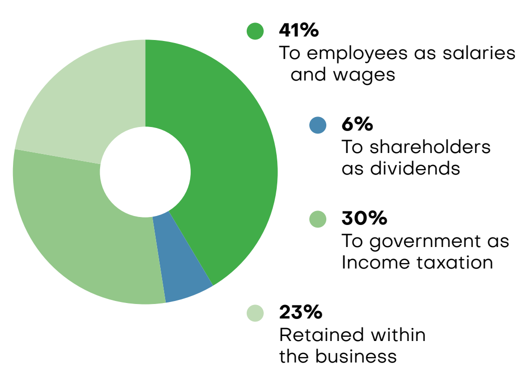
The value addition and distribution computation provides an understanding of the financial benefits each stakeholder group received due to business activities of the Company. Investors, shareholders, employees, and the government are considered as key stakeholders for the purpose of this computation.

	2024 LKR '000	Share %	2023 LKR '000	Share %	Change %
Value added					
Gross Income	8,243,556		6,907,543		19
Contribution from associate	47,188		28,190		67
Less					
Cost of borrowings	(3,715,482)		(3,879,381)		(4)
Payments towards support services	(970,966)		(803,256)		21
Provisions for Loan losses	(208,630)		(268,689)		(22)
	3,395,666		1,984,407		71
Distribution of value addition					
To employees					
as salaries and wages	719,717	21	683,993	34	5
as other benefits	264,865	8	138,381	7	91
To shareholders as dividends	56,082	2	120,792	6	(54)
To government					
as income taxation	494,258	15	343,609	17	44
as taxes on financial services	525,555	15	256,537	13	105
Retained within the business					
as depreciation for replenishment of assets	325,278	10	371,643	19	(12)
as deferred taxation	(118,172)	(3)	(259,832)	(13)	(55)
as reserves	1,128,082	32	329,284	17	243
	3,395,666		1,984,407		71

Distribution of value addition 2024



Distribution of value addition 2023



Institutional Capital

Institutional Capital plays a vital role in ensuring effective decision-making, operational efficiency, and compliance, fostering organisational resilience and long-term sustainability at Senkadagala Finance PLC. It builds trust and strengthens stakeholder relationships, enhancing the Organisation's reputation and ability to adapt to challenges, thereby securing its future success.

"Institutional Capital" refers to the collective value derived from an organisation's systems, processes, policies, culture, and corporate governance structures. It comprises the "intangible assets" such as the frameworks and practices that support decision-making, operational efficiency, compliance, and risk management, ultimately enhancing organisational resilience, reputation, and long-term sustainability. This capital is crucial for building trust and maintaining stakeholder relationships.

Resilience in Facing Adversity

Senkadagala Finance PLC has built organisation-wide resilience during its 55 years of operational experience by enhancing its institutional capital through robust governance frameworks, transparent financial practices, and a strong ethical culture. By implementing rigorous risk management systems, continuous staff training, and adherence to regulatory standards, the Company ensures operational efficiency and compliance. These measures foster trust and loyalty among stakeholders, enabling the Company to adapt to market changes and sustain long-term growth.

Having robust systems, processes, policies, culture, and corporate governance structures is of crucial importance at Senkadagala Finance PLC. These elements ensure operational efficiency, regulatory compliance, and effective risk management, which are critical for financial stability and resilience. A strong corporate culture and governance framework build trust with stakeholders, including customers, investors, and regulators, fostering ethical behaviour and accountability. This reduces the risk of misconduct and enhances the Company's reputation. Collectively, these factors support sustainable growth, adaptability to market changes, and long-term success, ensuring that the Company can navigate challenges and continue to thrive.

ICT Taking Centre Stage

Having integrated IT-related advancements into its operations from the outset, the ICT (information and communication technology) framework at Senkadagala Finance has continuously evolved, incorporating the latest technological innovations. Today, the Company boasts a state-of-the-art ICT system tailored to meet its specific operational and reporting requirements. Recognising the competitive advantage conferred by robust ICT infrastructure, the Company remains committed to ongoing investment in this area.

Evolution of ICT infrastructure

Initially, the Company's ICT infrastructure was based on a simple PC-based network system. Over the years, it has evolved into a sophisticated, highly reliable, and stable multi-user client-server architecture, thanks to ongoing technological advancements. The current system supports core operations as well as both front-office and back-office functions. It enables the efficient acquisition of customer information and a broad range of data, aiding reporting and strategic decision-making. Automation of basic business functions minimises user interaction and reduces non-value-adding expenses.

ICT support for business functions

The ICT system at Senkadagala Finance supports various departments, including Finance, which benefits from automated payment processing, receipting, repossession management, and general ledger maintenance. Crucially, the system also generates Management Information Systems (MIS) reports to meet both internal and external reporting needs. ICT facilitates timely access to necessary information, enabling effective decision-making and execution of business functions aligned with organisational goals. The Company has established a well-structured ICT framework that supports high service standards and provides a competitive edge.

Increased reliance on ICT

As Senkadagala Finance has increasingly integrated ICT into its operations, the reliance on these systems has grown significantly. This reliance necessitates a heightened awareness of ICT-associated risks. The Company proactively reviews and updates its ICT policies and practices to ensure they effectively mitigate potential risks that could disrupt business operations.

Risk management and security

To protect data and information, Senkadagala Finance continuously implements adequate system security measures. Various risk management techniques are employed to address ICT-related risks in daily operations. These efforts ensure the security and stability of the Company's ICT infrastructure, enabling seamless business continuity.

Robust Policy, Framework and Security Measures

The Company's robust policy and procedural framework encompasses comprehensive guidelines, standardised processes, and clear protocols for decision-making. It also ensures that its ICT development and maintenance adhere to strict standards, providing maximum security for customer data. Comprehensive ICT-related policies are included in the Company's procedure manual to ensure integration with the operations. The Company's Business Continuity Plan and Information System Security Policy work together to achieve two key objectives of minimising potential business disruptions, and safeguarding the security of the Company's database. State-of-the-art system security measures are in place to ensure data and network security.

Improved Database Management

Last year, Senkadagala Finance decided to make a major upgrade to the database system, transitioning to the latest available version. This significant investment was made with the goal of achieving several key improvements:

- **Enhanced Efficiency and Speed:** The new database platform offers enhanced overall system performance, resulting in faster transaction processing times and a more responsive experience for our users.
- **Strengthened Data Security:** By upgrading to the cutting-edge version, we have access to the most advanced security features. This helps protect sensitive customer information and reduces our vulnerability to potential cyberthreats, while also bolstering our compliance with data privacy regulations.
- **Long-Term Cost Reductions:** The increased operational efficiency and decreased maintenance requirements of the new database system are expected to generate substantial cost savings for the Organisation in the years ahead.
- **Improved Service Reliability**: The upgraded database infrastructure provides greater uptime and availability, ensuring our customers can consistently access our services without disruptions.
- **Ongoing Technical Support:** With the updated version, we now benefit from extended vendor support, including regular updates and the ability to leverage the latest technological innovations. This allows us to keep our systems at the forefront of the industry.

Positive and Progressive Corporate Culture

A professional and ethical corporate culture fosters trust, accountability, and integrity within the Organisation. It enhances the Organisation's reputation, attracts and retains talent, ensures compliance with regulations, and mitigates risks. This culture promotes sustainable success by aligning employee behaviour with Organisational values and stakeholder expectations.

Towards this end, the Company has adopted a professional approach to its work and operations which permeates across the entire Organisation. It encourages all internal and external stakeholders to act diligently and ethically in their day-to-day work and interactions. The establishment of an optimal work environment and infrastructure throughout the branch network has created a sense of structure, order, and clear expectations. This combination of professionalism and open communication has enabled the Company to create synergistic value, together with higher employee engagement and productivity.

Bringing out the Best in People

Talent management is of critical importance in the finance industry, as it ensures that the right skills and expertise are available to navigate complex financial landscapes. It enhances productivity, drives innovation, and mitigates risks by having competent professionals. Additionally, effective talent management fosters regulatory compliance and maintains high ethical standards, ultimately contributing to the Company's stability, growth, and competitive edge in a dynamic market.

Recognising and promoting individual talents is a key feature of the organisational culture of Senkadagala Finance. This has enabled us to encourage career developments and progression to skilled staff members within the Organisation. It also creates an available pipeline of talent to fill new positions as and when they occur. Majority of managers to our new branches have been appointed through internal promotions. This assures staff members of a well-defined career path through which they could progress to higher positions. Since such internally promoted staff members are already equipped with the technical knowledge, systems and procedures, customer handling techniques and know-how of business processes at Senkadagala Finance, they can take up their new positions with relative ease.

Empowering through Teamwork and Training

Teamwork fosters collaboration, acceptance of diverse perspectives, effective problem-solving, enhanced productivity, and innovation. Likewise, regular and focused training equips employees with essential skills, knowledge, and competencies, ensuring that they stay updated with industry standards and best practices. Together, they create a cohesive, skilled workforce capable of achieving collective goals, adapting to changes, and maintaining a competitive edge in the market.

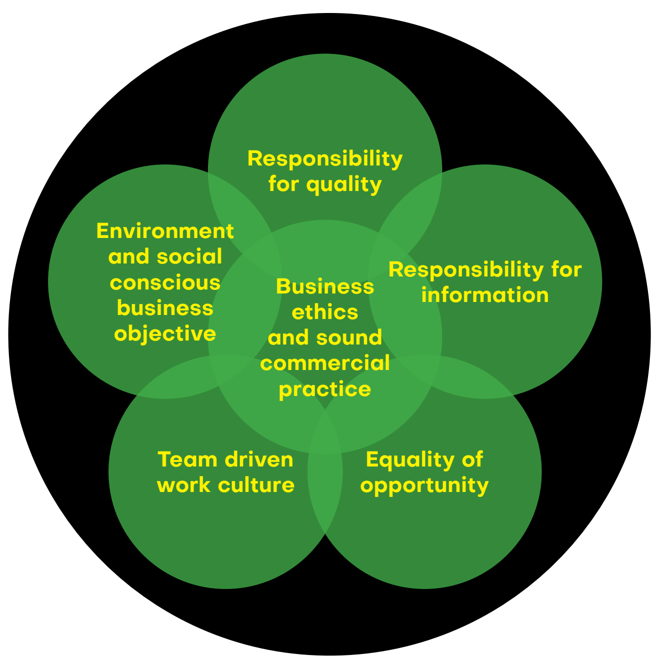
With this in mind, Senkadagala Finance fosters a collaborative, team-driven culture and working processes throughout the Organisation. Branches are staffed with an optimal number of employees who are encouraged to become proficient in all aspects of their operations, promoting a self-initiated learning culture. Continuous training and development opportunities are provided, with a strong emphasis on training on-the-job. New recruits receive technical knowledge, system and procedural training, and customer handling techniques from experienced employees while working.

Team performance is evaluated when awarding annual bonuses, fostering a performance-driven culture and healthy competition among branches. Line managers and other employees are encouraged to remain vigilant about risks in daily operations, enabling the identification and effective management of potential risks at their source and addressed immediately. This process is supported by an open communication culture.

Optimising Relationships with Customers

Customer Relationship Management (CRM) at Senkadagala Finance focuses on customer-centricity, enhancing customer satisfaction, and building loyalty. By leveraging advanced CRM systems, the Company personalises interactions, ensuring that customers receive tailored financial solutions. The CRM strategy includes efficient handling of customer inquiries, timely follow-ups, and proactive communication about new products and services. Market and data analysis plays a crucial role in understanding customer behaviour, enabling Senkadagala Finance to anticipate needs and improve service delivery. The Company also values feedback, using it to refine its offerings and customer support processes. This customer-centric approach fosters long-term relationships, driving both customer retention and business growth.

Strategic Approach to Risk Mitigation



Senkadagala Finance PLC (SFPLC) employs comprehensive, multi-pronged strategies to address various risks associated with being a financial services organisation, focusing on the following key areas:

Responsibility for quality

SFPLC maintains stringent quality control measures to ensure high standards in its financial services. Regular audits and assessments are conducted to identify potential risks and areas for improvement. Staff are trained extensively to adhere to these quality standards, ensuring consistency and reliability in service delivery.

Responsibility for information

Information security is a top priority for SFPLC. The Company has robust cybersecurity measures, including advanced encryption, secure data storage, and regular security audits. Policies and procedures are in place to protect sensitive information from breaches and unauthorised access, thereby managing risks related to data integrity and confidentiality.

Care for the environment

The Company is committed to environmental sustainability and social responsibility. SFPLC implements eco-friendly practices, such as reducing paper usage through digital processes and ensuring efficient energy consumption in its branches. These efforts help mitigate environmental risks and align the Organisation with global sustainability standards.

Business ethics and sound commercial practices

SFPLC upholds high ethical standards and sound commercial practices. The Company has a Code of Conduct that all employees must follow, ensuring transparency, integrity, and fairness in all business dealings. Regular training on ethical practices helps prevent fraud and misconduct, protecting the Company's reputation and ensuring compliance with legal and regulatory requirements.

Working environment

The Company fosters a safe and healthy working environment. Risk assessments are regularly conducted to identify and mitigate potential workplace hazards. Health and safety protocols are strictly enforced, and employees are provided with training to handle emergencies and maintain a safe work environment. This proactive approach reduces occupational risks and enhances employee well-being.

Equality of opportunities

SFPLC is dedicated to promoting equality and diversity within the Organisation. Policies are in place to ensure fair treatment and equal opportunities for all employees, regardless of gender, race, or background. The Company regularly reviews its practices to identify and eliminate any form of discrimination, fostering an inclusive workplace culture. This commitment reduces the risk of issues related to discrimination, and enhances employee morale and productivity.

Supply Chain and Procurement Policy

Despite having a minimal need for suppliers of materials, Senkadagala Finance maintains an effective supply chain management system in place. This ensures efficient resource allocation, cost optimisation, and operational resilience. Managing supplier relationships and inventory control enables the Company to minimise disruptions, improve customer service, and maintain a competitive edge.

With the expansion of the branch network, procurement and supply chain management have gained relative importance. The Company regularly procures stationery, day-to-day consumables, and maintenance-related equipment and services through a structured supply chain.

Procurement and supplier relationships

The Administrative Department manages sourcing in line with the Company's purchasing policies and procedures. SFPLC maintains a diverse pool of suppliers to meet various requirements, fostering close relationships with key suppliers to ensure high-quality goods and timely delivery. These relationships benefit both parties, guaranteeing continuous business for suppliers while providing the Company with reasonable pricing and quality service, along with timely delivery.

Lean procurement process

SFPLC has adopted a lean procurement process to minimise inventory holding. Due to the dispersed nature of its branches, only a small stock of stationery is kept at each branch. When inventory levels are low, branch staff place orders with the administrative office, which promptly orders from the suppliers. To facilitate quick delivery, SFPLC has partnered with a courier service, enabling prompt delivery of stationery and other equipment. This arrangement minimises the need for holding large stocks of consumables, thereby maximising value creation. Suppliers benefit from continuous business due to this efficient system.

Interior construction management

For new branch locations, SFPLC utilises a selected pool of interior construction companies. When a new branch is identified, the Administrative Department assigns a suitable company to undertake the construction. A representative from the Administrative Department closely supervises and coordinates the construction process, ensuring compliance with Company requirements and specifications. This practice of using a selected pool of interior constructors maintains uniformity throughout the branch network. The close ties with these entities ensure timely completion of projects and reasonable pricing, while the suppliers enjoy continuous business.

Trademarks and Brand Development

Senkadagala Finance, established in 1968, has a rich history of providing exceptional customer service and maintaining a strong brand reputation. The Company's logo, a four-leaf clover, symbolises its commitment to creating wealth, prosperity, and good fortune for its customers. It has consistently adhered to ethical business practices and technological advancements, fostering a corporate culture focused on customer satisfaction.

The Company's centralised oversight and state-of-the-art systems enable efficient distribution of controls and operations. Accountability is promoted at all levels, with credit officers responsible for loan appraisals and management, which helps maintain low non-performing loan (NPL) rates despite economic turbulence. Senkadagala Finance prioritises quality of service in acquiring and retaining a strong deposit base, eschewing price competition in favour of providing superior customer experience to build long-term, loyal relationships.

Evolution of Sub-brands

Leveraging its success as Non-Bank Financial Institution (NBFI), Senkadagala Finances set up its sub-brands, Senfin Asset Management and Senfin Securities. These sub-brands were created to diversify and specialise in different financial services, thereby offering the Company a larger market presence and service offerings.

Senfin Asset Management (SFAM)

Licensed by the Securities and Exchange Commission of Sri Lanka to operate and manage unit trusts and discretionary portfolios, SFAM became a wholly-owned subsidiary of Senkadagala Finance PLC on 4 March 2020. SFAM's Assets Under Management grew by 91.7% year-on-year, reaching LKR 9.9 Bn. by financial year 2024, driven by the Senfin Money Market Fund, Senfin Dynamic Income Fund, and Senfin Growth Fund, which saw growth rates of 126.8%, 97.9%, and 51.5% respectively. The unit-holder base expanded by 71.7% during this period. SFAM also increased its Unit Trust offerings to nine funds with the launch of the Senfin Financial Services Fund and Senfin Consumer Staples Fund. SFAM achieved full GIPS compliance and was assigned BBB (lka) National Fund Credit Quality Rating by Fitch Ratings Lanka Limited in April 2024 for the Senfin Money Market Fund, becoming Sri Lanka's only Fitch Rated Money Market Fund in the market. The Senfin Money Market Fund won the Gold Award at the CFA Capital Market Awards 2023, for the second consecutive year following a Gold Award in 2022 and a Silver Award in 2021. SFAM also launched a Web 3.0 system for online registration and account creation via www.senfinassetmanagement.com.

(L to R) – Rahul Samarasinghe (Investment Analyst), Jeevan Sukumaran (Chief Executive Officer), Surath Perera (Chief Investment Officer), Monica Wanigasekera (Fund Manager), Ruvini Fernando (Chair, Panel of Judges), Nadika Ranasinghe, CFA (Director CFA Society Sri Lanka), and Nuwan Jayawardane, CFA (Director CFA Society Sri Lanka).

Senfin Securities Limited (SSL)

SSL, licensed stock broker by the Securities and Exchange Commission of Sri Lanka, aims to foster an environment that maximises employee potential, aligns with its purpose, and empowers its team to help clients achieve their investment goals. SSL assesses diversity through various factors including ethnicity, age, work experience, and gender to ensure balanced employee representation.

In the past year, SSL offered 10 internships to national university undergraduates, providing valuable capital market insights. Additionally, SSL signed a Memorandum of Understanding (MoU) with the University of Sri Jayewardenepura, complementing an existing MoU with the University of Kelaniya.

To broaden its reach, SSL decided to establish a branch network, opening its first branch in Kelaniya in December 2023. Committed to regulatory excellence, SSL introduced mobile call recording for Investment Advisors, adhering to Colombo Stock Exchange's Trading Participant Rules, and enhanced its fixed-line recording system.

SSL also advanced its risk management approach by creating a standalone enterprise risk management division, implementing procedures beyond regulatory requirements to identify, monitor, and manage risks effectively. SSL opened 464 new accounts during the year, doubling the 232 accounts opened in 2022/23.

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Customer Capital

Customer-centricity is embraced by everyone at all levels across Senkadagala Finance PLC, and is deeply ingrained in our culture. We are fully focused on creating customer satisfaction, and building enduring relationships based on trust. Understanding the current and latent needs of customers, we tailor financial solutions to precisely meet their requirements. Listening to feedback and carrying out in-depth studies of the market situation drives continuous innovation, ensuring that our offerings remain relevant to customers' requirements.

"Customer capital" refers to the value derived from an organisation's relationships with its customers. This includes customer loyalty, satisfaction, and engagement, as well as the brand reputation and market positioning that arise from these relationships. Strong customer capital contributes to sustainable financial performance by driving repeat business, positive word-of-mouth, and long-term revenue streams. It is a critical intangible asset that reflects the quality and strength of customer interactions and experiences.

Robust Partnership with Customers

Senkadagala Finance PLC has fostered robust customer relationships through a dedicated focus on understanding and fulfilling client needs. By prioritising exceptional service and reliability, we've earned the trust and loyalty of our customers. Regular feedback mechanisms ensure we continuously adapt and improve our financial solutions to meet evolving demands. Our transparent communication and personalised approach resonate with clients, fostering mutual respect and understanding. Through these efforts, we've built enduring relationships built on trust, integrity, and a commitment to delivering value, solidifying Senkadagala Finance PLC as a preferred and dependable financial partner in Sri Lanka.

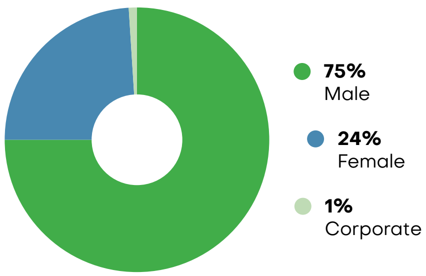
Innovative Strategies for Expanding

Senkadagala Finance PLC is expanding its customer base through targeted marketing initiatives and strategic partnerships. By leveraging market research and data analytics, we identify and reach potential customers effectively. Our diverse range of financial products and services caters to various demographics, broadening our appeal. Additionally, we prioritise customer experience, ensuring seamless onboarding processes and continuous support. Collaborations with businesses and institutions extend our reach and introduce our offerings to new audiences. Through these concerted efforts, we are steadily growing our customer base, establishing Senkadagala Finance PLC as a trusted choice for financial solutions in Sri Lanka.

Inclusive and Empowering Individuals

Our customer base stands at 75% male, 24% female, and 1% corporate clients, highlighting our overwhelming focus on empowering individual financial growth while addressing corporate needs as well.

Gender-wise analysis of total customers

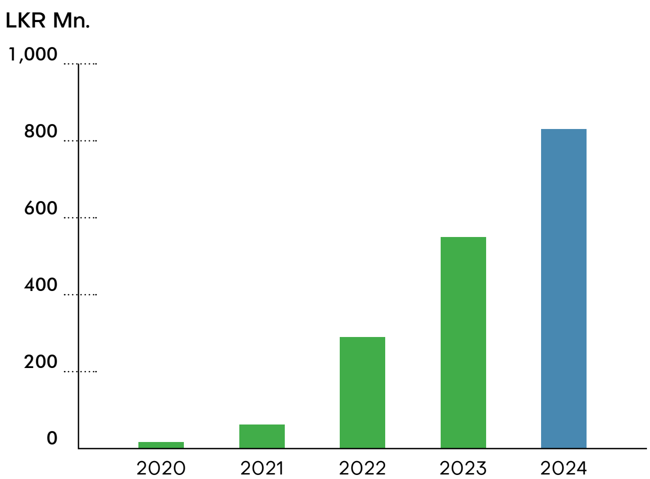


Extending our Digital Frontiers

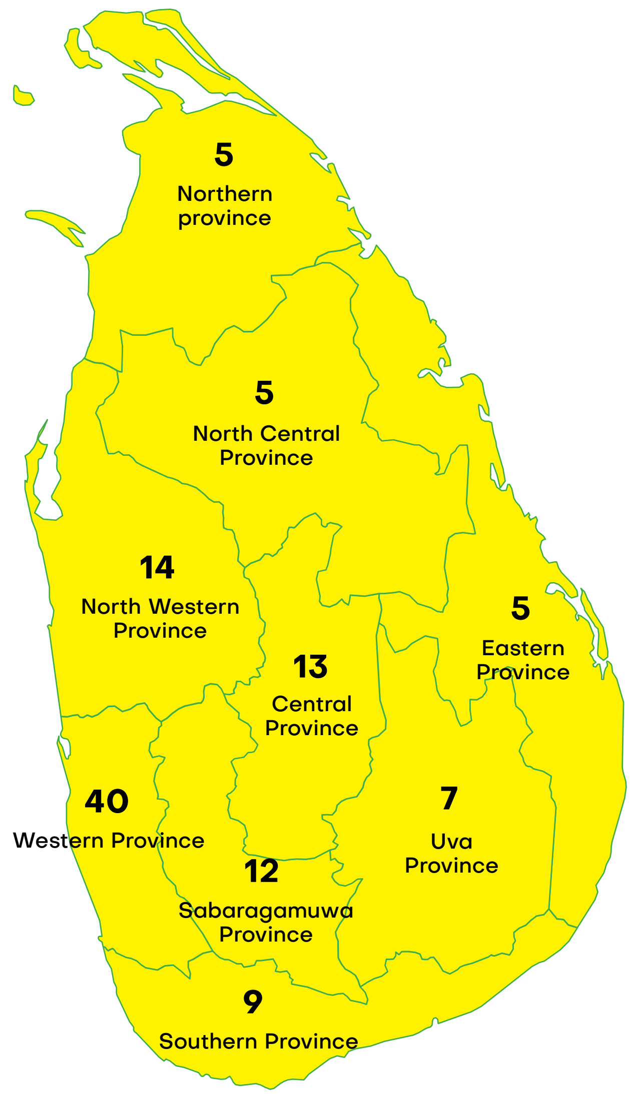
To improve our service offerings, we have obtained the Internet Payment Gateway (IPG) facility from NDB Bank, strengthening the IPG portal of the Company website while offering a seamless service to our customers. Moreover, rental payments or fixed deposit funds can be deposited into any of our seven bank accounts at Commercial Bank, Sampath Bank, HNB, BOC, People's Bank, Seylan Bank, and NDB. We have also introduced the Ezcash payment method for rental payments, providing an additional convenient option for our customers.

The Company emphasises and encourages POS machines and digital transactions, enhancing payment efficiency and convenience. Over the years, continuous improvements have led to faster transaction processing, increased reliability, and better user experience. This focus has driven growth, customer satisfaction, and improved market perception in digital payments.

Digital and POS transactions



Reaching out Island-wide



Senkadagala Finance is rapidly expanding its branch network to enhance customer accessibility and service delivery across Sri Lanka. This strategic growth aims to provide a wide range of financial services to a larger customer base, supporting economic development and increasing market presence in urban and rural areas alike.

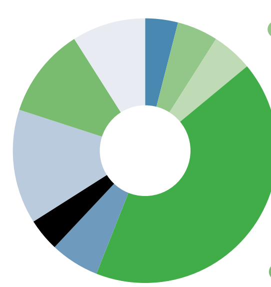
Aligned with our growth strategy, we have expanded our branch network by inaugurating 10 new branches across the island, bringing the total to 110. Furthermore, we plan to open 15 additional branches during 2024/25 to further improve our service deliver.

Geographical analysis of total customers

The following tables and pie-charts indicate the breakdown of our customers at the district and provincial levels.

District-wise distribution of customer base	Number of customers	Distribution %
Gampaha	11,023	12
Colombo	22,759	25
Kurunegala	6,185	7
Kandy	8,512	9
Ratnapura	5,015	6
Nuwara Eliya	1,269	1
Kalutara	4,161	5
Kegalle	4,887	5
Badulla	3,103	3
Matale	2,719	3
Ampara	1,365	2
Monaragala	1,651	2
Polonnaruwa	1,858	2
Anuradhapura	2,296	3
Hambantota	1,401	2
Matara	1,891	2
Puttalam	2,397	3
Jaffna	1,940	2
Kilinochchi	535	1
Galle	2,216	2
Batticaloa	1,274	1
Trincomalee	931	1
Vavuniya	736	1
Mannar	5	0
Mullaitivu	11	0
	90,140	100

Province-wise distribution of customer base



Breakdown of Customers by Product Type

The following table indicates our customer breakdown by product type under the broad categories of lending and deposit products.

	Lending					Deposit	
	Leasing/Commercial loans/Personal loans	Pawning	Gold loan	FD Loan	Margin trading	Savings	Fixed deposits
Number of customers	34,432	1,276	2,207	221	66	49,316	2,622

Growing Portfolio of Products and Services

We continued to offer a portfolio of products and services consisting of leasing, lending, gold backed loans, acceptance of deposits as the primary products and foreign currency exchange as a supplementary product at the Company level; at Group level in addition, we also offer unit trusts, asset management, and insurance brokering.

With the investment in Senfin Securities, the Group has now moved into stock brokering services through a licensed stock broker under the Group. This helped in expanding the product portfolio offered by the Group to provide a gamut of financial services.

During the year, the Company launched the margin trading product, offering customers the opportunity to maximise their investment potential by trading securities with borrowed funds. These products are designed to meet the evolving financial needs of our customers and reinforce our commitment to offering innovative and comprehensive solutions in the financial products market.

Deposit portfolio

The Company's diverse deposit portfolio, comprising savings and fixed deposits provides a stable source of funding, enables flexibility in asset-liability management, and allows the offer of competitive interest rates to customers. This deposit base strengthens the Company's overall financial resilience and supports its lending operations. The deposit portfolio accounts for 58% of customers.

Loan portfolio

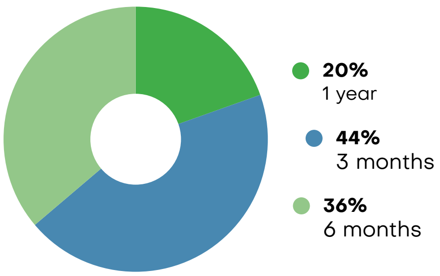
Leasing, hire-purchase, and other loan options are vital financing solutions which provide accessibility, flexibility, and opportunities for customers to obtain necessary assets and resources without significant upfront costs. By offering diverse lending products, the Company can better serve a wider range of customer needs and requirements.

As a company with a nationwide presence, we are in tune with the needs of the people. We are proud to have played a role in alleviating some of the hardships faced by the public by offering low-interest loans to customers with a good credit history. Our lending customers account for 38% of the customer base.

Gold backed loans

Gold backed loans are usually obtained to satisfy and immediate financial needs, then repaid once adequate funds are available. Taking this in to consideration as well as maintaining better control of the Company's risk exposure, the gold loans were introduced during the year, complementing the pawning product. The gold loans with lower maturity cycles will help customers to better march their funding requirements without committing to one year contracts. Based on our internal statistics, male and female customers engage in gold loan and pawning activities at the same level. These products are accessed by 4% of our customers.

Gold backed loans by tenure



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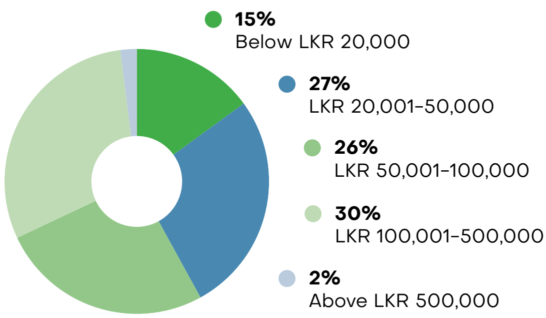
The Goldscope scanners continue to support the Company's gold loan efforts, enabling the detection of counterfeit items while avoiding damage to authentic gold items pledged by customers. Gold Loans provide customers with a convenient and secure way to access funds by leveraging their gold assets.

Gold backed loans by loan size



Recovery and NPLs

Effective recovery strategies and proactive NPL monitoring are essential to maintain asset quality, protect profitability, and uphold the Company's reputation. By addressing NPLs in a timely and prudent manner, the Company is able to minimise losses, maintain investor confidence, and reinvest resources into productive lending activities that drive sustainable growth. Senkadagala Finance has managed to maintain a healthy NPL ratio over the years.

Customer Complaints and Actions Taken

The Company has established a comprehensive customer complaint and suggestion system across all branches and service centres. Recognising the importance of addressing customer concerns, we appointed two Senior Officers to streamline the complaint handling process, ensuring efficiency and effectiveness. Complaints are meticulously reviewed, with senior authorities addressing more severe issues. This structured approach enables us to manage complaints effectively, including those routed through the Central Bank of Sri Lanka (CBSL).

Marketing Communications or Special Promotions

Marketing communications are vital for building trust and credibility, which are essential in a sector where reliability is paramount. Effective communication educates customers about our financial products and services while differentiates our products in a competitive market. Through targeted campaigns, especially using social media and digital marketing, we are able to reach precisely targeted audiences, enhancing customer engagement and retention. This drives customer acquisition, loyalty, and growth, ensuring long-term success for our Company.

During this financial year, we conducted several targeted advertising campaigns to promote our pawning and gold loan services, ensuring compliance with all regulatory protocols. These campaigns were executed at the branch level, complementing our leasing and deposit marketing efforts. This strategic approach enabled us to effectively reach and engage our target audience efficiently, aligning with our marketing goal to avoid overwhelming customers with excessive advertising material.

Employee Capital

The dedicated staff of Senkadagala Finance PLC have been the driving force behind its remarkable growth since incorporation in 1968. Through their unwavering loyalty, specialised expertise, and adaptability, they have played a pivotal role in expanding the Company's operations, and diversifying its product offerings. They embody the Company's core values of integrity, innovation, and customer-centricity in building its strong reputation, and fostering long-term relationships with customers.

"Employee capital" encompasses the competencies, capabilities, and experiences of employees that drive the Organisation's strategic objectives. This capital includes the alignment of employees' skills with the Company's needs, their motivation and engagement, as well as their ability to innovate and adapt to changes. Employee capital also covers the recruitment, retention, and development of staff, fostering a culture that supports high performance and ethical behaviour.

Ensuring Professionalism

Senkadagala Finance PLC places strong emphasis on professionalism among its employees. The Company has established a comprehensive code of conduct that outlines clear guidelines and expectations for employee behaviour such as ethical decision-making, conflict of interest management, confidentiality, and professional etiquette. The Company reinforces these standards through the provision of regular training and development programmes for its staff. The Company also has robust performance management systems in place to evaluate and recognise professionals who demonstrate exemplary ability and conduct.

A Framework for Success

Senkadagala Finance follows a policy of investing in employee development in order to cultivate a skilled workforce, enhancing adaptability to industry changes and technological advancements. Moreover, it fosters a positive work environment, boosting morale and fostering loyalty, thus reducing turnover rates. In addition to strengthening the overall resilience and longevity of our Company, investing in employee capital fuels innovation and productivity, enabling us to maintain a competitive edge in a dynamic marketplace.

Recruiting the Best

Top priority is given to the employee recruitment process to ensure that we have candidates who have the right qualifications, aptitude for the role, as well as being able to fit into the culture of our Organisation. In our commitment to fostering a fair and inclusive workplace, we meticulously ensure that our recruitment process is devoid of bias or discrimination in any form such as race, religion, caste, age, gender, appearance, or disability.

The recruitment process begins with advertising the vacancy on online platforms, website, newspapers, and social media. Within a week of receiving applications, applicants are shortlisted, and interviews are scheduled. Initial interviews are conducted by Human Resources or Recruitment Officers. Final interviews for Senior Manager positions involve the CEO and relevant managers while Deputy CEO or Chief Operation Officer conducts interviews for other positions. The interview panel evaluates candidates using an Interview Evaluation Form formulated to identify suitable candidates based on proficiency and interpersonal skills required for the specific job functions. Once selected, HR verifies credentials and certificates, and issues an Offer Letter, followed by a Letter of Appointment within the first month of employment. Additional tasks such as issuing passwords and completing relevant forms are promptly handled, and reference checks are conducted. New employees undergo an induction programme during their first month.

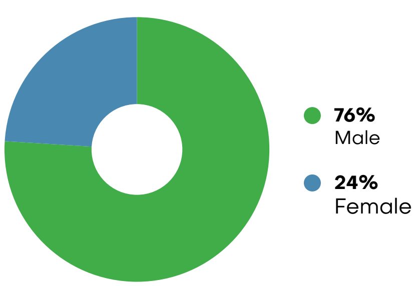
Commitment to Diversity

Senkadagala Finance ensures diversity, equity and inclusivity (DEI) among its staff by implementing inclusive hiring practices, promoting equal opportunity employment, and fostering a workplace culture that values different perspectives and backgrounds. The Company actively recruits from various demographics, encourages employee resource groups, and provides diversity training. These initiatives create a supportive environment that enhances collaboration, innovation, and overall organisational success.

Employees by Gender

The balance of female staff is on a par with industry norms, as the industry's higher focus on field work, which is better suited for male staff. Positions within offices have a higher female representation.

Employees by gender

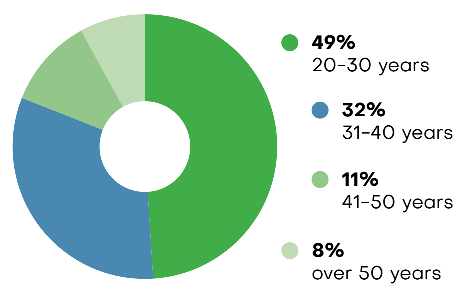


Employees by Age and Length of Service

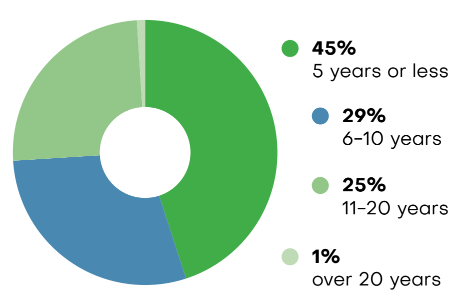
Having an ideal balance of staff at different age groups helps us plan out our workload, in addition to promotions and succession planning. A well-balanced mix of diverse age groups and varying tenures ensures effective service delivery at both frontline and strategic levels.

Analysing the length of service of staff over past eight years, reflecting the reducing percentage of staff with length of service below 5 years and the increasing percentage of staff with 6 to 10 and 11 to 20 years of service is testament to the higher retention rate of senior staff members and the success of the employee capital management policies of the Company.

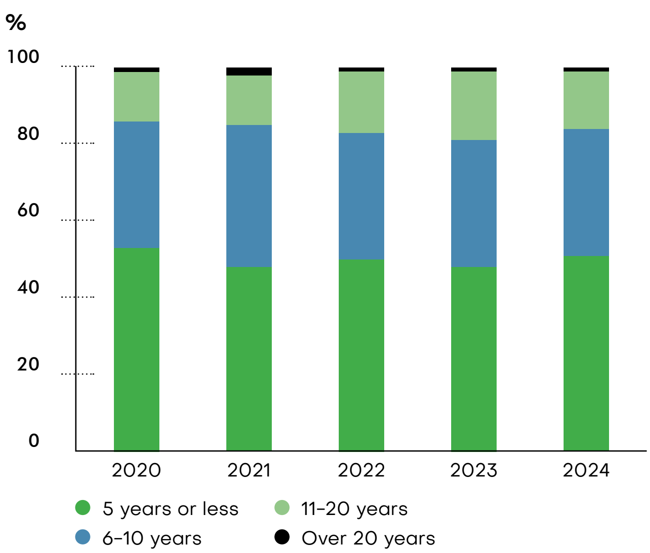
Employees by age



Employees by length of service



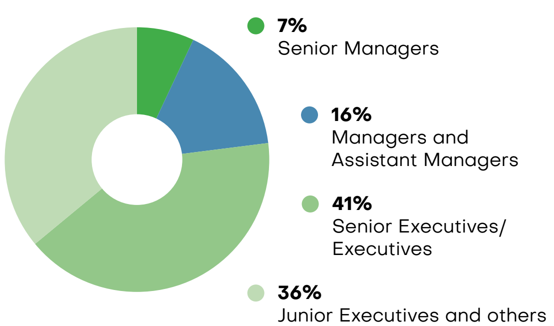
Percentage of employees by length of service



Staff Members by Grade

The relatively high percentage of senior and junior executives provides us with a steady pipeline for promotions, which is carried out on a fair and equitable basis. At Senkadagala Finance, staff layering prioritises the customer interface, where the majority of our workforce is stationed. Senior Managers set the business tone and drive profitability and sustainability, while other levels focus on executing the processes to achieve these goals.

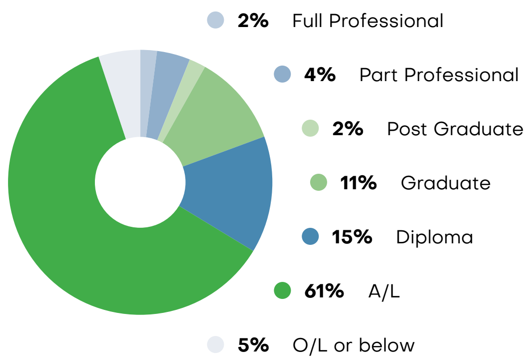
Employees by grade



Staff Composition by Qualifications

The Company directs considerable effort towards helping staff acquire higher qualifications, which will help them mover into a higher grade. Our qualified team provides professional service, utilising a forward-thinking approach and demonstrating adaptability to the uncertainties faced during the year under review. We are pleased that many of our team members are qualified in diverse disciplines, contributing their knowledge and expertise to the business.

Employees by qualifications



Medical Benefits

The health and wellbeing of employees are prioritised at all times. Employee-welfare and access to proper medical care is ensured through the provision of hospitalisation expenses, which can be claimed as outlined in the "Hospital and Surgical" insurance policy, ensuring coverage for medical treatments and related costs. Additionally, all Company staff are covered under Personal Life Cover, with payment limits determined by their length of service with the Company.

This comprehensive insurance coverage ensures that employees receive financial protection for both hospitalisation and accidents, tailored to their roles within the Company. The "Hospitalisation and Surgical" insurance policy provides a clear framework for claiming expenses related to hospital stays and medical procedures, while the Personal Life Cover offers some financial compensation to the loved ones of an employee in the unfortunate event of death, with the level of coverage varying based on the employee's length of service within the Organisation.

Parental Leave

We believe in supporting our employees during significant life events, such as the birth of a child, by providing parental leave. Encompassing both maternity and paternity leave, it is crucial for the well-being of employees and their families. Parental leave allows new parents to prioritise their child's needs, promote bonding, and maintain a work-life balance.

- Maternity Leave: According to current labour regulations, female employees are entitled to fully paid leave up to 84 working days for childbirths. This policy ensures that new mothers have the necessary time to recover from childbirth and bond with their newborns, without the added financial burden of taking unpaid leave.

- Paternity Leave: The Company grants 30 days leave at a stretch which cannot be broken into individual days. It is given with full pay to all permanent staff members who have completed five (5) years of continuous service. This paternity leave policy recognises the important role fathers play in the early stages of a child's life and provides them with the opportunity to be actively involved in the child's care and development.

Work-life Balance

Maintaining a healthy work-life balance is crucial for employee well-being and productivity. By prioritising a balance between professional responsibilities and personal needs, our employees are able to reduce stress, improve mental health, and foster a greater sense of fulfilment. Work-life balance also provides them with opportunities for personal development such as professional studies, pursuing their goals in fitness, or other areas of interest. This, in turn, leads to higher engagement, loyalty, and overall organisational success.

While conducting recruitment, the Company aims to provide opportunities for employees to work in locations at close proximity to their residence, offering flexible working hours and fostering a friendly, hazard-free working environment. Additionally, the Company's leave system allows employees to avail their previous year's annual leave before March 31 of the following year, and offers sick leave up to 14 days, demonstrating commitment to employee well-being and work-life balance.

Performance Evaluation

Performance evaluation is essential for identifying employees' strengths and areas for improvement, aligning individual goals with organisational objectives, and fostering professional growth. It provides structured feedback, aids in career development, and enhances productivity. We conduct regular evaluations to help in recognising and rewarding high performers, addressing underperformance, and making informed decisions about promotions and training needs, ultimately contributing to the overall success and competitiveness of the Organisation.

Systems are in place to provide ongoing evaluations of Sales and Marketing staff. Performance can be measured individually, by branch, and by region, displaying executive points and status in real-time sales portfolios. A monthly incentive payment scheme was introduced during the year, to promote new business growth and incentivise high performing employees. Performance is evaluated not only on volume of business but also considering the quality of portfolio, profitability, and productivity to ensure fair assessment and alignment with the corporate objectives.

Occupational Health and Safety

Occupational health and safety of staff members is prioritised in our Company at all times. It ensures their physical and mental well-being, reduces the risk of accidents and injuries, in addition to fostering a productive and positive work environment. A number of protocols and processes are in place to ensure occupational health and safety, which also contributes towards improving employee morale while demonstrating our commitment to their well-being. These measures include:

Security

The Company has implemented several control measures to ensure the security of all personnel and property. These include hiring security officers, installing CCTV cameras, setting up security alarms, introducing biometric access controls, and providing safes and lockers.

Health and Safety

The Company is dedicated to ensuring a hazard-free working environment. Every staff member must diligently work to maintain this standard. Staff members are required to adhere to the following rules and regulations:

- Cooperate fully with the "Life and Fire Safety" officer for fire and disaster evacuation purposes.
- Take responsibility for your own health and safety, as well as that of others, while at work.
- Notify your supervisor, Manager, Assistant Manager Administration, or HR Department of any discomfort at your workstation that could lead to an injury.
- Inform your supervisor, Manager, Assistant Manager Administration, or HR Department of any damage to firefighting equipment or blockages of fire exits.
- Keep your workspace tidy and free from packages and other bulky materials. Ensure there is no danger of tripping over telephone and electric wires.
- Stay updated with the contact numbers of service providers that may be useful in an emergency.

Fire Protection

The Company prioritises fire protection in both prevention and emergency response to safeguard lives and valuable assets. Therefore, it will always comply with the rules, regulations, and requirements set by local authorities when establishing a new branch or department.

- Design and arrange buildings and premises according to fire safety measures (emergency exits, symbols, etc.).
- Provide the necessary fire equipment and fire extinguishers and arrange for their periodic testing.
- Conduct training and awareness programmes for staff related to fire protection.
- Train a selected staff member and appoint them as the "Life and Fire Safety in Charge" for each department and branch.
- Educate staff about emergency response activities such as fire evacuation, fire protection, and safety measures.

Employee Grievance Handling

Employee grievance handling is crucial for maintaining a healthy and productive work environment. It provides a structured process for addressing employee concerns, fostering open communication, and resolving conflicts in a fair and constructive manner. It helps maintain morale, enhance trust in management, and reduce conflict, ultimately leading to increased productivity and employee retention.

The Company is committed to listening to employees and providing opportunities for communication with top management. Employees should feel safe to express their concerns. The work culture will foster trust, enabling successful two-way communication. A system is being developed to assess employee grievances and take remedial action. These instances will be documented to aid future decision-making.

Employee grievances are of significant concern to the Company. Management and all officers proactively identify and swiftly resolve grievances at their source. Grievances are reported to the immediate officer before escalating to higher management, unless the higher officer is the cause.

Procedure

The grievance resolution process within the Company entails several steps to ensure timely and effective redressal.

- Initially, any employee with a grievance should communicate it to their immediate officer. If the officer fails to address the concern adequately, the employee may escalate it to the line manager. Should the manager also not take sufficient action, the grievance can then be brought to the attention of the Head of HR.
- If the grievance remains unresolved at this stage, the employee has the option to escalate it further. They may convey the grievance to the Deputy CEO. Should the Deputy CEO fail to take appropriate action, the grievance can then be escalated to the Additional CEO or the Managing Director/CEO.
- Efforts should be made to resolve the grievance at each level within three working days or to escalate it to the next higher level. Ideally, the grievance handling process at each stage should be completed within five working days, with a maximum timeframe of 10 working days for resolution. This ensures a prompt and efficient resolution of employee grievances.

The Company's whistle-blowing policy establishes a formal process for employees to report any suspected unethical, illegal, or fraudulent activities within the Organisation. It provides a secure and confidential channel for employees to voice their concerns without fear of retaliation or adverse consequences. This policy aims to promote transparency, accountability, and a culture of integrity by empowering employees to be the Company's first line of defence against misconduct. The policy outlines the procedures for investigation, protection of the whistle-blower, and appropriate corrective actions.

Employee Incentive Scheme

Employee incentive schemes are crucial for motivating and retaining top talent. By aligning individual goals with organisational objectives, these schemes foster a sense of ownership and commitment among employees. Well-designed incentive programmes in our Company boost productivity, job satisfaction, and employee retention, ultimately contributing to the overall success and competitiveness of the Organisation.

The Company has implemented an incentive scheme targeting its sales staff. This reward mechanism is designed to recognise and incentivise exceptional performance. Beyond just financial rewards, this initiative is also expected to improve the work-life balance of employees. The scheme allows sales staff to choose their own level of time and effort commitment in earning the incentive, providing them with greater flexibility and control over their work-life integration.

Training and Development of Staff

Training and development of staff is crucial for enhancing employees' skills, boosting productivity, and fostering innovation. It ensures that employees stay updated with industry trends and best practices, leading to improved job performance and customer satisfaction. It also helps to increase employee engagement and retention, creating a motivated and competent workforce.

Senkadagala Finance has established a robust training infrastructure, including both in-house and external training sessions, to ensure its employees are well-equipped to deliver excellent customer service, implement operational improvements, and contribute to the Company's growth in an ever-changing financial landscape.

Summary training schedule 2023/24

Area of training	Staff participated	Training hours
AML/CFT and other regulatory training	Compliance and Managerial staff	123
System and operations	Operations Executives and Senior Executives	1,892
Induction programs	Newly joined employees	2,146
Sustainability Reporting	Compliance and finance	14
Financial intelligence unit	Compliance	8
Total		4,182

Social and Environmental Capital

Senkadagala Finance PLC has a long and storied history of over 55 years in the financial services industry. The Company has consistently upheld its responsibility and accountability towards preserving the social and environmental wealth of the country, as well as its broader ecosystem. While the Company's primary focus is on conducting a sustainable business, its efforts are equally geared towards encompassing this wider responsibility in the social and environmental domains.

"Social Capital" refers to the value created by an organisation's relationships and networks within the community and society. It encompasses trust, mutual understanding, shared values, and cooperation among stakeholders. Social capital influences a company's reputation, stakeholder engagement, and long-term sustainability, reflecting how well it integrates social considerations into its business strategy and operations for holistic value creation.

In its day-to-day operations and the running of its business, Senkadagala Finance knows that its activities affect the environment around it, be it natural or social. This tasks us with a responsibility – a responsibility to minimise adverse impacts and deliver value, in multiple forms, not simply to our shareholders and customers, but to the wider network of stakeholders on whom our success depends.

Helping Hand Towards the Marginalised

Our sense of responsibility begins with our core business itself. Since its inception over five decades ago, Senkadagala Finance has, through its financing facilities, contributed towards the betterment of the lives of its customers. In general, finance companies offer financial products and services to the unbanked or underbanked segments in society, helping these demographics with financial inclusion and empowerment. Specifically, Senkadagala Finance tries to focus on providing financial solutions to entrepreneurs and small and medium enterprises – a segment that comprises the majority of the country's economic activity.

Environmental Capital

The Company continually endeavours to ensure effective environmental and social management practices in all its activities and services. The Environmental and Social Management System, ESMS, has been put in place by the Company in order to integrate environmental and social risk management into its business process. The main objectives of the ESMS is to screen lending against a specific Exclusion List that defines the types of projects that would be detrimental to the environmental preservation and society at large to ensure the Company's lending and projects financed satisfy the prerequisites of FDI impact lenders. The policy also sees that activities remain in line with the applicable national environmental legislative requirements and relevant international best practices. The Company helps assist clients in identifying, mitigating, and managing environmental and social risks. It also serves to monitor, supervise, and assist in the effective implementation of the ESMS. Transparency is key, with the Company working to ensure that this is achieved with ESMS and procedures surrounding it.

Focus Points

Special focus is placed by the Company on ensuring that relevant local, national as well as international best practices on environmental and social protection are integrated by the customer prior to or soon after its financing and in its implementation.

The Company also takes great care in making certain that it is consistent with its own environmental and social standards as well as other applicable requirements, and all activities are reviewed against those said requirements while integrating environmental and social risk management into its internal risk management analysis. Senkadagala Finance, in its role as a financial intermediary, understands that it can have a significant role as an influencer, and encourages and assists clients and other domestic business partners to be more environmentally and socially responsible.

In April of 2014, when the ESMS policy was put into action, the Company included an addendum to its loan agreement, communicating the Company policy on environment and social risk management to its customers and emphasising the necessity to conduct their business activities in line with it.

Green Initiatives

Senkadagala Finance has put into operation several green initiatives aimed at making the Company a leaner, cleaner, more environmentally-friendly business.

An Online Document Retrieval System is in place at Senkadagala Finance through which we have significantly reduced the requirement to reproduce physical copies of documents. Furthermore, by using this system for the loan approval process, the amount of time taken to approve a loan facility has been reduced, improving the productivity of the Company.

The process of replicating system generated documents for record keeping was terminated, to avoid storage and binding cost of said duplicates, as the staff is able to re-print any previous record from the online system when required. This decision has been highly effective in substantially reducing printing and stationary costs. The Company has also digitised its staff claim approval process, further helping to cut down paper consumption at branch level.

The re-use of such consumables as paper is actively promoted by the Management. The administrative department stresses the necessity to recycle envelopes for internal courier purposes. This move has helped not only to cut down on costs but also to promote similar environmental-friendly trends among staff.

Cutting Down on Energy

Though procurement and installation costs have slightly increased due to this, it has helped reduce the overall energy consumption of the entity, thereby creating a financial saving as well. The Management also replaced outdated air conditioning units with Inverter Air Conditioners, helping preserve energy further.

It is also proposed that all new own properties under construction have solar electrical systems installed, further cutting down on energy consumption. The staff has also been informed and educated on simple energy-saving tasks, such as turning off lights that are not being used and unplugging unused appliances.

All these initiatives have enabled the Company to contain its electricity consumption at reasonable level compared to previous year despite the increasing volume of business and operations.

Spending on Utilities

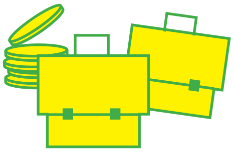
	2024	2023	Variance (%)
Electricity expenses (LKR)	98,700,740	51,917,202	90.11
Number of units	1,622,536	1,495,376	8.50
Water expenses (LKR)	2,433,852	1,674,907	45.31
Number of units	10,159	12,117	(16.16)

Challenges Faced

To address the challenge of rising printing and paper costs and to advance our sustainability initiatives, we have introduced an online portal for document approvals. This new platform facilitates efficient and seamless approvals and bill payments for various transactions. By transitioning to a digital system, we not only reduce operational costs but also significantly minimise our environmental footprint, reinforcing our commitment to sustainable business practices.

Sustainability presents a unique challenge for the finance industry, especially given our focus on lending for vehicle purchases, which inherently contributes to fossil fuel consumption and environmental degradation. Despite this, we are dedicated to achieving our sustainability goals and mitigating the industry's impact. We are actively exploring and promoting eco-friendly financing options and implementing green practices across our operations. Through these efforts, we aim to balance our business objectives with our commitment to environmental stewardship.

Shareholder and Investor Capital



Since its listing as a Public Limited Company on the *"Diri Savi"* Board of the Colombo Stock Exchange in 2011, Senkadagala Finance PLC has established itself as a respected institution that has earned the long-term trust and confidence of its shareholders and investors. Belying its modest beginnings, Senkadagala Finance has emerged as a significant player in Sri Lanka's finance industry. This growth and transformation are a testament to the value-driven foundation upon which the Company continues to build its business operations across the island.

"Shareholder Capital" refers to the financial resources provided by the shareholders, representing their equity investment in the Company. It encompasses funds raised through issuing shares and retained earnings. Shareholder capital is crucial for funding operations, driving growth, and enhancing value creation. Integrated reporting highlights how efficiently and effectively the Company uses this capital to achieve sustainable financial performance and deliver long-term returns to shareholders.

Shareholder Information

Twenty Largest Shareholders

As at 31 March	2024		2023	
	Number of shares	% of holding	Number of shares	% of holding
E W Balasuriya & Co. (Pvt) Limited	44,781,393	51.90	44,781,393	51.90
Hallsville Trading Group Inc.	7,088,562	8.22	7,088,562	8.22
Dr (Mrs) G Madan Mohan	5,926,720	6.87	5,926,720	6.87
Mr R Balasuriya	5,926,719	6.87	5,926,719	6.87
Late Dr M Balasuriya	4,172,046	4.84	4,172,046	4.84
Dr A Balasuriya and Mr D Balasuriya	2,963,360	3.43	2,963,360	3.43
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,963,360	3.43
Dr A Balasuriya and Mr S Balasuriya	2,963,358	3.43	2,963,358	3.43
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,963,358	3.43

As at 31 March	2024		2023	
	Number of shares	% of holding	Number of shares	% of holding
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,735,089	2.01
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,735,088	2.01
Ms L Fernando and Ms A L Fernando	1,735,088	2.01	1,735,088	2.01
Mr D K C R Fernando	721,444	0.84	721,444	0.84
Mrs C Fernando	185,237	0.21	185,237	0.21
Estate of the late Mr D G K Hewamallika	172,888	0.20	172,888	0.20
Mr I M Thaha	–	–	144,073	0.17
Mr S V W B K Sirimalwatta	144,073	0.17	–	–
Mr M M Ariyaratne	37,677	0.04	37,680	0.04
Mr P P K Ikiriwatte	16,977	0.02	16,977	0.02
Mr J K Jayatileke	16,963	0.02	16,963	0.02
Mrs S Thaha	14,408	0.02	14,408	0.02
Total	86,263,808	99.97	86,263,811	99.97

Directors' Shareholding

As at 31 March	2024		2023	
	Number of shares	% of holding	Number of shares	% of holding
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,963,360	3.43
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,963,358	3.43
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,735,089	2.01
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,735,088	2.01
Ms L Fernando and Mr A L Fernando	1,735,088	2.01	1,735,088	2.01
Mr L Balasuriya – The Trustee of the Capitalisation Issue	16	0.00	16	0.00
Dr A Balasuriya and Mr D Balasuriya (Retired with effect from 16 August 2023)	2,963,360	3.43	2,963,360	3.43
Dr A Balasuriya and Mr S Balasuriya (Retired with effect from 16 August 2023)	2,963,358	3.43	2,963,358	3.43
Mr W M R S Dias (Retired with effect from 15 August 2023)	–	0.00	–	0.00
Mr R Senanayake	–	0.00	–	0.00
Mr S D Bandaranayake	–	0.00	–	0.00
Mr N Vasantha Kumar	–	0.00	–	0.00
Dr (Ms) R A Perera	–	0.00	–	0.00
Mr A Herath (Appointed with effect from 12 October 2023)	–	0.00	–	0.00

Distribution of Shareholders

As at 31 March	2024			2023		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
1 – 1,000	194	9,657	0.01	173	8,426	0.01
1,001 – 10,000	4	6,369	0.01	5	7,597	0.01
10,001 – 100,000	4	86,025	0.10	4	86,028	0.10
100,001 – 1,000,000	4	1,223,642	1.42	4	1,223,642	1.42
1,000,001 – 10,000,000	11	40,172,748	46.56	11	40,172,748	46.56
Over 10,000,000 shares	1	44,781,393	51.90	1	44,781,393	51.90
	218	86,279,834	100.00	198	86,279,834	100.00

Residential and Non-residential Shareholders

As at 31 March	2024			2023		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
Resident shareholders	217	79,191,272	91.78	197	79,191,272	91.78
Non-resident shareholders	1	7,088,562	8.22	1	7,088,562	8.22
	218	86,279,834	100.00	198	86,279,834	100.00

Institutional and Individual Shareholders

As at 31 March	2024			2023		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
Institutions	12	51,874,617	60.12	11	51,874,379	60.12
Individuals	206	34,405,217	39.88	187	34,405,455	39.88
	218	86,279,834	100.00	198	86,279,834	100.00

Ratios and Performance Indicators

As at 31 March	2024	2023	2022	2021	2020
Earnings per share (LKR)	13.87	5.16	10.97	7.20	3.14
Dividends per share (LKR)	1.80	0.65	1.40	1.16	–
Net assets per share (LKR)	105.22	92.44	88.62	82.23	74.65
Price earnings ratio (times)	28.76	58.24	49.34	12.77	29.30
Price to book value ratio (times)	3.79	3.25	6.11	1.12	1.23
Dividends yield (%)	0.45	0.22	0.26	1.26	–

Market Price and Trade Information

As at 31 March	2024	2023
Market Prices		
Highest price (LKR)	585.00	475.00
Lowest price (LKR)	300.00	251.00
Last traded price (LKR)	398.75	300.50
Last traded date	27 March 2024	29 March 2023
Number of trades	575	359
Number of shares traded	5,011	3,614
Value of shares traded (LKR)	2,052,333	1,347,804

Information on Public Holding and Market Capitalisation

As at 31 March	2024	2023	Minimum requirement
Public holding (%)	21.42	21.42	7.50
Number of public shareholders	206	186	200
The float adjusted market capitalisation (LKR)	7,369,354,752	5,553,582,703	1,000,000,000

The float adjusted market capitalisation of the Company falls under Option 1 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange. The securities of the Company have been transferred out of the Second Board of the Colombo Stock Exchange (CSE) with effect from 13 October 2023, pursuant to the increase of number of public shareholders to 204 and Complying with the minimum public holding requirement of the afore mentioned rule.

Dividend Policy

When determining dividend payouts, Senkadagala Finance considers several key factors, including earnings after tax, capital ratios, liquidity position, industry practices, and the capital requirements for future growth strategies. Additionally, the current economic condition and its effects on business continuity, profitability, liquidity and capital positions were considered when deciding the final dividend proposed for the financial year 2023/24.

Details of dividends paid/proposed to shareholders during the year are as follows:

For the year ended 31 March	2024			2023		
	Amount	DPS	Paid date	Amount	DPS	Paid date
Final dividend proposed (LKR)	155,303,702	1.80	Subject to AGM approval	56,081,892	0.65	22 August 2023
Total dividends proposed for the year (LKR)	155,303,702			56,081,892		
Earnings for the year (LKR)	1,196,286,467			445,051,362		
Dividends pay-out ratio (%)	12.98			12.60		
Earnings retention ratio (%)	87.02			87.40		

Information on Listed Debentures

Listed debentures are a reliable source of funding for corporates. It also allows the investors to reap benefits of favourable market movements and realise the gains. The Company has a subordinated listed debenture in issue as at 31 March 2024. Salient features of the debentures are given below.

Debenture	August 2019/24
Instrument	Subordinated, Unsecured, Redeemable, Rated
Listing	Main Board of the Colombo Stock Exchange
Redemption	Redeemable
Number of debentures	17,500,000
Issue price (LKR)	100.00
Tenure	5 years
Date of issue	August 2019
Date of maturity	August 2024
Interest rate (%)	Fixed coupon of 12.875 p.a.
Frequency of interest	Semi-annually
Effective annual yield (%)	13.29
Interest of comparable government securities (%)	12.25
Credit rating by Fitch Ratings Lanka Limited	BB+ (lka), stable outlook
Total value (LKR)	1,750,000,000
Market information	
Highest traded value (LKR)	99.46
Lowest traded value (LKR)	99.46
Last traded value (LKR) (As at 22 February 2024)	99.46
Current yield (%)	12.95
Yield to maturity (%)	13.47

There were no redemption of listed debenture during the financial year under review.

The subordinated debt of the Company is rated two notches below its National Long-Term Rating and was revised from BBB- (lka) to BB+ (lka) with a stable outlook with effect from 16 October 2023.

The subordinated debenture issue in August 2019 was primarily objected to strengthen the capital structure of the Company. Proceeds from the Debenture issue in August 2019 were, primarily utilised to finance leasing and other lending of the Company. Details of utilisation of funding is given below.

Objective number	Objective as per prospectus	Amount allocated as per prospectus LKR Mn.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in LKR Mn. (A)	% of total proceeds	Amount utilised in LKR Mn. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including whether the funds are invested
1.	Strengthen the capital structure	1,750	31 August 2019	1,750	100	1,750	100	Not applicable
2.	Expansion of the lending portfolio	1,750	Within 12 months from the date of allotment	1,750	100	1,750	100	Not applicable

Other Financial Information

As at 31 March	2024	2023	2022	2021	2020
Debt to equity ratio (Times)	1.32	2.04	2.47	3.14	2.96
Interest cover (Times)	1.42	1.14	1.49	1.22	1.14

Capital Adequacy Ratio

Adequate capital is the cornerstone that supports the resilience of financial institutions in adverse economic conditions and this was put to the litmus test during the turbulent economic conditions of recent past.

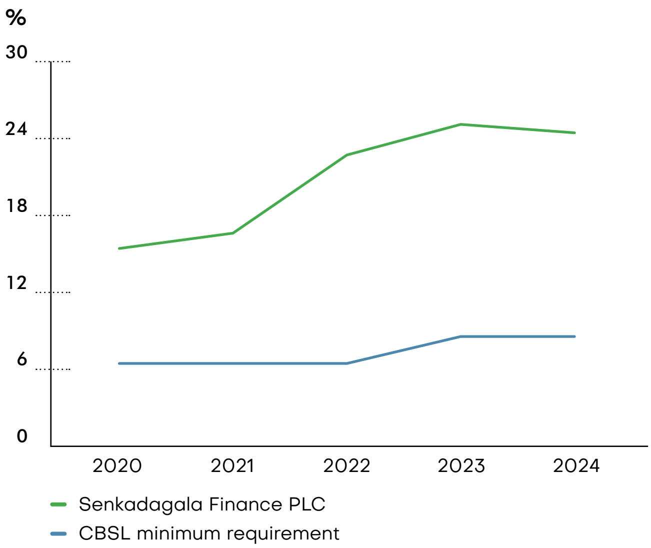
The CBSL has issued a number of directives, to govern the capital positions of NBFIs.

- Finance Companies (Capital Funds) Direction No. 01 of 2003 – specifies that every finance company shall maintain capital funds which at all time be more than 10% of its total deposit liabilities. It also requires NBFIs to maintain a Statutory Reserve Fund constituting a fraction of its net profits for the year, based on the ratio of capital funds to total deposit liabilities.
- Finance Companies (Capital Adequacy Requirement) Direction No. 03 of 2018 – requires that LFCs maintain core capital at a level not less than 8.5% of its risk weighted assets, with the total capital constituting not less than 12.5% of its risk weighted assets with effect from July 2022. For LFCs with an asset base of LKR 100 Bn. and above the limits are set at 10% and 14% respectively. Detailed computation of the capital ratios of the Company are provided in Note 53.8 on page 277 of the Financial Statements.
- Finance Companies (Minimum Core Capital) Direction No. 02 of 2017 – requires the LFCs to maintain an unimpaired core capital not less than LKR 2.5 Bn. from 1 January 2021.

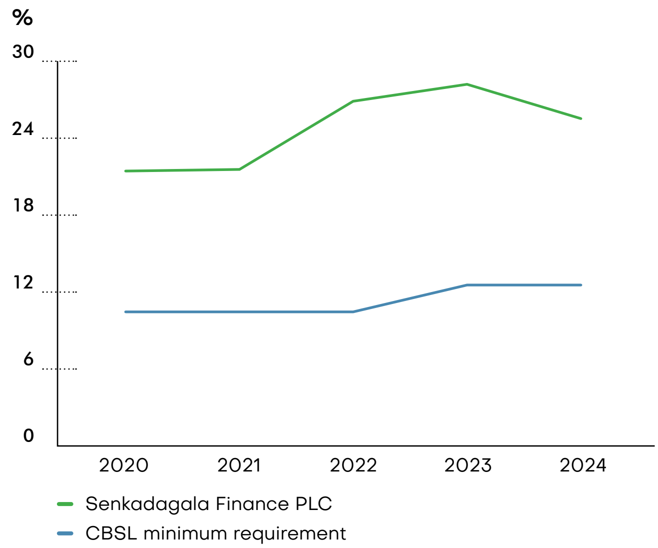
Surpassing the Regulatory Requirement

We are pleased to record that Senkadagala Finance continued to surpass the regulatory requirement of the core capital ratio of 8.50% achieving a 24.47% and the total capital ratio requirement of 12.50% achieving a 25.56% in the year under review.

Core capital ratio



Total capital ratio



Our Active Commitment

Our commitment to the shareholders is reflected in the way we operate our business. These include maintaining a strong financial performance, good governance, transparency and disclosure, devising strategies and plans for business expansion while managing risks, investing in sustainable growth and managing NPLs and impairment charges effectively.

Senkadagala Finance is committed to ensuring that it functions within or above the regulatory mandated capital adequacy ratios and other statutory reserve funds. Understanding the importance of healthy capital positions, Senkadagala Finance continues to surpass the regulatory capital requirements. As at 31 March 2024, the Company recorded a core capital ratio of 24.47% and a total capital ratio of 25.56%. The Company maintains a Statutory Reserve Fund, amounting LKR 591 Mn. as at 31 March 2024. LKR 60 Mn. out of profits for the year was transferred to the said fund. The Company retained LKR 1,128 Mn. out of profits to support future growth and to strengthen the capital base of the Company.

Governance

Board of Directors' Profiles

Mr Raja Senanayake

Chairman

Date of appointment to the Board
1 April 2017

Date of appointment as Chairman
15 August 2023

Skills and expertise
Holder of FCA, BCom (Special) (USJ), PG Dip (BMgt), Mr Senanayake completed his Articles at Messrs Ernst & Young, qualifying as a Chartered Accountant. He counts over 34 years of experience in banking, finance, and accounting fields.

Other appointments
Mr Senanayake, who has been serving as an Independent Non-Executive Director since September 2020, was appointed as the Deputy Chairman of Commercial Bank of Ceylon PLC in April 2024 and as the Chairman of CBC Tech Solutions Ltd. (a fully-owned subsidiary of Commercial Bank) in May 2024. He is a Director of Virtual Capital Technologies (Pvt) Ltd., a software development company that specialises in enterprise solutions in the real estate, retail and telecom spaces catering to the New Zealand and the Australian markets.

He is a management team member at Smart Media, The Annual Report Company, where his expertise and capabilities in financial reporting and analysis are put to good use, in producing award winning and world-class Annual Reports.

Previous appointments
His financial acumen was fashioned and chiselled for over thirteen years at the Commercial Bank where he became the Assistant General Manager (Finance & Planning) prior to resigning to join the Nations Trust Bank PLC, as its Chief Financial Officer. Mr Senanayake served as a Non-Independent Non-Executive Director of CBC Finance Ltd. (formerly Serendib Finance Ltd.), a fully owned subsidiary of Commercial Bank of Ceylon PLC.

Mr Lakshman Balasuriya

Managing Director/
Chief Executive Officer

Date of appointment
7 July 1981

Skills and expertise
Mr Balasuriya holds a Bachelor of Science Degree (London) and a Master of Science (Lancaster) while counting over forty years of experience in Finance, hotel management and in a variety of other commercial ventures.

Other appointments
He is also a Director on the Boards of E W Balasuriya & Co. (Pvt) Ltd., Senkadagala Hotels (Pvt) Ltd., Thompsons Beach Hotels Ltd., Senkadagala Insurance Brokers (Pvt) Ltd., Venture Tea (Pvt) Ltd., Venture Retail (Pvt) Ltd., EWB Equities (Pvt) Ltd., and Kosgolla Estate (Pvt) Ltd.

Previous appointments
He served as a Director of Senfin Asset Management (Pvt) Ltd., for a period of time.

Ms Lakshmi Fernando

NON-INDEPENDENT,
NON-EXECUTIVE DIRECTOR

Date of appointment
24 February 1996

Skills and expertise
Ms Fernando holds a BSc (Hons) and possesses over twenty-five years of experience in the fields of finance and hotel management.

Other appointments
In addition she is a Director on the Boards of Thompsons Beach Hotels Ltd., Senkadagala Hotels Ltd., Senkadagala Insurance Brokers (Pvt) Ltd., E W Balasuriya & Co (Pvt) Ltd., EWB Equities (Pvt) Ltd., and Kosgolla Estate (Pvt) Ltd.

Mr Sanath Divale Bandaranayake

Executive Director/ Additional Ceo

Date of appointment
1 January 2014

Skills and expertise
Mr Bandaranayake, a Science Graduate of the University of Sri Lanka is an experienced Banker who retired from the Commercial Bank of Ceylon PLC after thirty-six years of service. Serving the bank in a variety of roles, he was a core member of the team that contributed to the bank's success that it enjoys even today.

Other appointments
He currently serves as a Director on the Boards of Senkadagala Insurance Brokers (Pvt) Ltd., Lakdhanavi Ltd., Senfin Asset Management (Pvt) Ltd., Senfin Securities Limited, Sobadhanavi Limited, Venture Tea (Pvt) Ltd., and Kyros Commodity Trading (Pvt) Ltd.

Previous appointments
Mr Bandaranayake served as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager, and Deputy General Manager (Operations) while at Commercial Bank of Ceylon PLC. He played a pivotal role in the teams that introduced futuristic technology to banking operations that distinguished Commercial Bank from its competitors and won many local and international accolade. Holiday banking and supermarket banking were introduced during his tenure at the bank.

He also served as Director at LankaClear, Director of Commex Sri Lanka S R L (subsidiary of Commercial Bank based in Italy) and ONEzero Company Ltd., (subsidiary of Commercial Bank engaged in the business of Information Technology).

Mr Namasivayam Vasantha Kumar

Independent Non-Executive Director

Date of appointment
1 July 2019

Skills and expertise
Mr Vasantha Kumar holds a Master of Business Administration and Diploma in Professional Treasury Management and possesses over 37 years of experience in financial markets behaviour and treasury operations.

Other appointments
In addition to his current role with the Company, he holds the positions of Independent Non-Executive Director of Ceylinco Insurance PLC, Independent Non-Executive Director of DFCC Bank PLC, Executive Director of Asset Trust Management (Pvt) Ltd., Director of Wealth Lanka Management (Pvt) Ltd. and Director of Safe Capital (Pvt) Ltd.

Previous appointments
Mr Vasantha Kumar had served as the CEO/General Manager of People's Bank. He also served as President of the Association of Primary Dealers and Sri Lanka Forex Association and as Head of Treasury of ANZ Grindlays Bank, Colombo.

Dr Roshan Anne Perera

Independent
Non-Executive Director

Date of appointment
22 September 2020

Skills and expertise
Dr Perera is qualified in a variety of disciplines from world renowned Universities. Obtaining her Master of Economics and a Bachelor of Arts in Economics from the University of Colombo, she went on to obtain a PhD in Economics from the University of Melbourne, Australia. She also undertook a mid career Master in Public Administration as an Edward S Mason Fellow at the John F Kennedy School of Government at Harvard University USA.

She is a public policy specialist with over twenty five years of experience in formulating and implementing monetary and fiscal policy. She also has expertise in regulating and supervising financial institutions and formulating approaches to managing and mitigating risks.

Other appointments
Dr Perera presently works as an independent consultant to multilateral agencies both in Sri Lanka and abroad and she serves on several corporate and non corporate Boards.

Previous appointments
She was a Director at the Central Bank of Sri Lanka, the regulatory body to the Banking and Non Bank Financial Institutions and also served on many Boards including the Institute of Policy Studies and the Sri Lanka Institute of Directors.

Mr Arjuna Herath

Independent
Non-Executive Director

Date of appointment
12 October 2023

Skills and expertise
Mr Herath is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and is a Chartered Global Management Accountant with a Bachelor of Science degree from the University of Colombo, an MBA from the University of Strathclyde in the United Kingdom and a Master of Arts in Financial Economics from the University of Colombo.

He is a distinguished Senior Chartered Accountant and is a Past President of The Institute of Chartered Accountants of Sri Lanka. He was actively involved in the international fora in the field of accounting. He is a Past President of the South Asian Federation of Accountants and was a Board member of the Confederation of Asia Pacific Accountants and was also the Chair of the Professional Accountancy Organisation Development Committee of the IFAC.

Other appointments
He currently serves as a member of the Board of Directors of the Colombo Stock Exchange and several other companies.

Previous appointments
Mr Herath retired from Ernst & Young (EY), Chartered Accountants recently as a Senior Partner and Consulting Leader for Sri Lanka and the Maldives. In his career preceding Ernst & Young, he was Marketing Development Manager at Ceylon Tobacco Company and Director Corporate Finance at Merchant Bank of Sri Lanka. He served as a Board member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and as a Commissioner of the Securities and Exchange Commission of Sri Lanka. He also served as a member of the Company Law Advisory Commission.

Corporate Governance

Senkadagala Finance PLC's corporate governance framework is built upon collaboration, independence, ethical conduct, and a focused approach, fostering effective governance across the Organisation. Central to this framework is the Board's commitment to a robust governance philosophy. This section outlines the Company's business practices, demonstrating how we adeptly seize opportunities and navigate the complexities of an evolving business landscape. We maintain a balanced interplay between stakeholder rights and responsibilities, underscoring our dedication to transparency, accountability, and sustainable growth. Our approach ensures alignment with both internal objectives and external expectations.

At Senkadagala Finance PLC, corporate governance is paramount. It embodies the system through which the Company is directed, managed, and controlled, upholding the highest standards of transparency and accountability. From its inception, Senkadagala Finance PLC has emphasised adherence to sound corporate governance principles and practices. Our unwavering commitment to these principles ensures that our operations are conducted effectively, transparently, and with integrity across all branches and departments. The Board unequivocally declares that Senkadagala Finance PLC has maintained full compliance with all relevant laws and regulations throughout the financial year, demonstrating our dedication to ethical conduct and legal integrity.

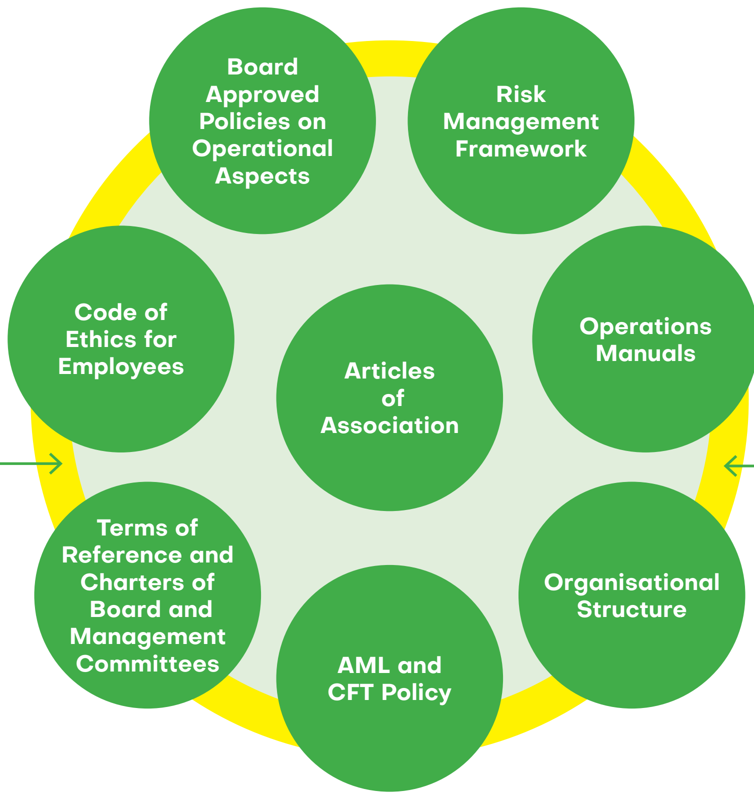
The governance of our financial institution centres on safeguarding the interests of all stakeholders, including shareholders, customers, employees, suppliers, regulators, depositors, and the general public. The Board affirms its commitment to fair treatment for all stakeholders, with a particular emphasis on depositors. The Board of Directors, supported by the Management Committee, assumes overall responsibility for governing the Company. They exercise leadership and oversight to ensure transparent, sound, and prudent business practices. By establishing policies, procedures, and practices, the Board promotes seamless operations while allocating necessary resources to achieve corporate objectives.

Our Company excels in financial reporting, enhancing transparency, which is crucial for sound corporate governance. Regular reviews of the governance framework ensure its relevance and effectiveness, identifying areas for improvement and addressing any gaps. This continuous improvement promotes value creation for all stakeholders and facilitates growth.

The Governance Environment of the Company

The corporate governance structure of the Company has been carefully crafted, incorporating best practices, regulatory mandates, and industry standards. Moreover, it has undergone recent enhancements to meet the evolving demands imposed by regulators.

- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- Directions and Guidelines issued for LFCs and SLCs by CBSL
- Continuing Listing Requirements of the CSE
- Companies Act No. 07 of 2007
- Inland Revenue Act No. 24 of 2017 and amendments thereon
- EPF Act. No. 15 of 1958
- ETF Act No. 46 of 1980
- Code of Best Practice on Corporate Governance 2023 – issued by CA Sri Lanka



- Code of Best Practice on Related Party Transactions issued by SEC and CSE
- Financial and other Covenants
- Gratuity Act No. 12 of 1983
- Termination of Employment Act No. 45 of 1971
- CRIB Act No. 18 of 1990
- Financial Transactions Reporting Act No. 06 of 2006
- Prevention of Money Laundering Act No. 5 of 2006
- Convention on the Suppression of Terrorist Financing Act No. 25 of 2005
- Shop and Office Employees Act No. 19 of 1954

Corporate Governance Structure of the Company

Shareholders

Appoint ↓ | ↑ Reports to

Main Board

Chairman	Independent Non-Executive Directors (including the Chairman) – 4	Non-Independent, Non-Executive Directors – 1	Executive Directors – 2
Governance of the Board	Overall conduct of the business and implementing strategy		

Appoint ↓ | ↑ Reports to

Board Committees

Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Related Party Transactions Committee
Key Objective	**Key Objective**	**Key Objective**	**Key Objective**
Effective governance of financial reporting, internal control and risk management systems, review of significant accounting judgements, assumptions and estimates, management of the relationship with and appointment of the External Auditor, monitoring and reviewing of effectiveness of the internal audit function	Development and implementation of policy on risk management including corporate compliance, review, assess and monitor all the risks faced by the Company and compliance with policies, procedures, and other regulatory requirements	Development and implementation of the Company's remuneration framework and policies for Directors and the Management including all incentives, bonuses, and retirement benefits	To have guidelines for identification of related parties and the proper conduct, documentation and disclosure of all related party transactions of the Company
Four Independent Non-Executive Directors with accounting and auditing background	One Independent Non-Executive Director and two Executive Directors with the Senior Management attending by invitation	Three Independent Non-Executive Directors	Three Independent Non-Executive Directors and one Executive Director

Executive Management Committee

Managing Director/Chief Executive Officer	Additional Chief Executive Officer	Chief Financial Officer	Chief Risk Officer	Compliance Officer	Corporate Management

Key Objective Implementation of strategy and actions in respect of financial planning and performance: day-to-day management of operations

Codes Complied by the Company

Senkadagala Finance PLC

Finance Companies Direction No. 05 of 2021 on Corporate Governance for Licensed Finance Companies in Sri Lanka	The Continuing Listing requirements on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)	Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Finance Companies Direction No. 05 of 2021 on Corporate Governance for Licensed Finance Companies in Sri Lanka.

The Direction comprises of sixteen fundamental principles, they are;

1. Board's Overall Responsibilities
2. Governance Framework
3. Composition of the Board
4. Assessment of Fitness and Propriety Criteria
5. Appointment and Resignation of Directors and Senior Management
6. The Chairperson and the CEO
7. Meetings of the Board
8. Company Secretary
9. Delegation of Functions by the Board
10. Board Subcommittees
11. Internal Controls
12. Related Party Transactions
13. Group Governance
14. Corporate Culture
15. Conflicts of Interest
16. Disclosures

The established structures in place and the conformance to the requirements are tabulated below under each fundamental principle:

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
1. Board's overall responsibilities			
1.1	The Board shall assume overall responsibility and accountability for the operations of the finance company	Complied	The Board assumes overall responsibility and accountability for the operations, by setting up the strategic direction, governance framework, establishing corporate culture, and ensuring compliance with regulatory requirements.
1.2	Business strategy and governance frameworks	Complied	The Board approves the business strategy with measurable goals for next three years, and oversees the implementation, annual review and update of the overall business strategy. The governance framework of the Company is effectively established and tailored to its size, complexity, business strategy, and regulatory requirements. The Board periodically assesses the effectiveness of this framework. While the governance framework is not separately documented, it is diligently practiced and has proven to be effective in maintaining the Company's standards and compliance. The Board appoints the Chairperson and the Chief Executive Officer (CEO) and defines their roles and responsibilities.
1.3	Corporate culture and values	Complied	The Board ensures that there is a sound corporate culture within the Company, which reinforces ethical, prudent and professional behaviour. The Board plays the leading role in establishing the Company's corporate culture and values, which includes developing a code of conduct and managing conflicts of interest. The Board promotes sustainable finance by including appropriate Environmental, Social and Governance (ESG) considerations in the business strategy. The Board approves the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors. This is with the view of projecting a balanced view of the Company performance, position, and prospects for the public and regulators.
1.4	Risk appetite, risk management and internal controls	Partially Complied	The Board establishes and reviews the Risk Appetite Statement (RAS) in alignment with the approved business strategy and governance framework. While there is no separately documented RAS, its best practices are actively followed and regularly reviewed to ensure it meets the Company's strategic and operational objectives. The Board enacts the implementation of appropriate systems and controls to identify, mitigate, and manage risks prudently. The Board adopts and reviews the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically. The Board approves and oversees the business continuity and disaster recovery plan of the Company, to ensure stability, financial strength, and preserve critical operations and services if unforeseen circumstances impact the operations.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
1.5	Board commitment and competency	Complied	All members of the Board devote sufficient time to deal with matters relating to affairs of the Company. All members of the Board possess the necessary qualifications, adequate skills, knowledge, and experience to be a Board member. The Board regularly reviews and agrees to the training and development needs of all the members. The Board adopts a scheme of self-assessment to be undertaken by each Director annually on individual performance, of the Board as a whole and of the committees; and maintain records of such assessments. The Board can obtain external independent professional advice as and when required, to discharge duties to the Company effectively.
1.6	Oversight of Senior Management	Complied	The Board identifies and designates the Senior Management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management. The Board defines the areas of authority and key responsibilities for the Senior Management. The Board ensures that the Senior Management possesses the necessary qualifications, skills, experience, and knowledge to achieve the established strategic objectives. The Board ensures that there is an appropriate oversight of the affairs of the Company by the Senior Management. The Board ensures that the Company has an appropriate succession plan for Senior Management. The Board meets regularly with the Senior Management to review policies, establish lines of communication, and monitor progress towards the strategic objectives.
1.7	Adherence to the existing legal framework	Complied	The Board ensures that the Company does not act in a manner that is detrimental to the interests of and obligations to stakeholders including depositors, and shareholders. The Board adheres to the applicable regulatory environments and ensures compliance with relevant laws, regulations, directions, and ethical standards. The Board acts with due care and prudence, and with integrity, and is aware of potential civil and criminal liabilities that may arise from any failure to discharge their duties diligently.

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CBSL rule	Corporate governance principle	Compliance status	Level of compliance
2. Governance framework			
2.1	Board shall develop and implement a governance framework	Complied	The Board implements the governance framework within the Company, which encompasses the requirements specified in the Direction.
3. Composition of the Board			
3.1	The Board's composition shall ensure a balance of skills and experience	Complied	The Board's composition includes members with the necessary skills and experience as required and appropriate for the requirements of the size, complexity, risk profile, and strategic goals of the Company.
3.2	Number of Directors on the Board	Complied	There were seven Directors on the Board as at the end of the financial year.
3.3	Total period of service of a Director	Complied	Please refer page 103 for the period of service for each Director.
3.4	Exception for the nine year rule for Non-Executive Directors	Not applicable	There were no such situations that arose during the financial year.
3.5	Executive Directors	Complied	One Executive Director had been reappointed on 31 October 2023 as a Non-Executive Non-Independent Director to be compliant with this section. Please refer pages 103 and 65 to 67 for the composition of the Board and the designations of the Board members.
3.6	Non-Executive Directors	Complied	Please refer pages 103 and 65 to 67 for the composition of the Board and the designations of the Board members.
3.7	Independent Directors	Complied	There were four Independent Directors on the Board as at the end of the financial year. Please refer pages 103 and 65 to 67 for the composition of the Board and the designations of the Board members.
3.8	Alternate Directors	Not applicable	No such situation arose during the financial year.
3.9	Cooling-off periods	Not applicable	No such situation arose during the financial year.
3.10	Common Directorships	Complied	Please refer the Board of Directors' Profiles section from pages 65 to 67 for information on other Directorships held by the members of the Board.
3.11	A Director shall not hold office as a Director or any other equivalent position in more than 20 organisations	Complied	None of the Directors of the Company hold Director positions in more than 20 organisations. Please refer the Board of Directors' Profiles section from pages 65 to 67 for information on other directorships held by the Board members.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4. Assessment of Fitness and Propriety Criteria			
4.1	No person shall act as a Director unless that person is a fit and proper person in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021	Complied	Approval has been granted by CBSL for all the existing Directors as at the year end.
4.2	A person over the age of 70 years shall not serve as a Director	Complied	Mr S D Bandaranayake who reached the age of 71 years in September 2023 continues to function as an Executive Director of the Company on receiving approval of the Monetary Board of the Central Bank of Sri Lanka in line with the provisions of the Direction No. 05 of 2021. Mr L Balasuriya will reach the age of 70 in December 2024, and the Company is planning to appeal to the Monetary Board for approval for him to remain as a Director. Please refer page 103 for the composition of the Board and the age of the Board members.
4.3	A person who attains age of 70 can continue as a Director with regulatory approval	Complied	
5. Appointment and resignation of Directors and Senior Management			
5.1	Appointments and resignations of Key Responsible Persons (KRP) to take place in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021	Complied	Appointments, resignations, or removals of Key Responsible Persons (KRP) are carried out according to the specifications of the Direction.
6. The Chairperson and the CEO			
6.1	There shall be a clear division of responsibilities between the Chairperson and the CEO	Complied	The roles of Chairperson to the Board and CEO are segregated and are not performed by the same person.
6.2	The Chairperson shall be an Independent Director	Complied	The former Chairperson to the Board, Mr W M R S Dias was an Independent Non-Executive Director and retired w.e.f. 15 August 2023 and Mr R Senanayake, an Independent Non-Executive Director was appointed as the Chairman w.e.f. 15 August 2023. The composition and the designations of the Board members together with a brief profile is provided on pages 65 to 67 of this Report.
6.3	In case where the Chairperson is not independent	Not applicable	The Chairman of Senkadagala Finance PLC, Mr R Senanayake is an Independent Non-Executive Director.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
6.4	Responsibilities of the Chairperson	Complied	The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner. The Company Secretary prepares the agenda for Board meetings under the direct supervision of the Chairman. The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the date of the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. The Chairman ensures full and active contribution of all members of the Board including executive and non-executive members, and maintains the balance of power between the two parties. The Chairman does not engage in activities involving the direct supervision of Senior Management on operational activities. Chairman takes the lead in implementing decisions and directions by the regulators. Chairman ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. Chairman carries out an annual assessment on the performance and the contribution of the Board and the CEO, during the past 12 months.
6.5	Responsibilities of the CEO	Complied	CEO implements business and risk strategies in order to achieve the established strategic objectives. CEO establishes a management structure that promotes accountability and transparency throughout the operations and preserves the effectiveness and independence of control functions. He promotes a sound corporate culture within the Company, while reinforcing ethical, prudent and professional behaviour. CEO ensures the implementation of proper compliance culture and being accountable for accurate submission of information to the regulator where applicable. Works to strengthen the regulatory and supervisory compliance framework. He addresses the supervisory concerns and any situations of non-compliance with regulatory requirements or internal policies, in a timely and appropriate manner. CEO devotes the whole of his professional time to the service of Senkadagala Finance PLC, and only carries on any other business in the capacity of a Non-Executive Director.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
7. Meetings of the Board			
7.1	The Board shall meet at least twelve times a financial year	Complied	Twelve meetings have been held in the financial year. Please refer page 104 for the Board meetings and their attendance details.
7.2	Inclusion of proposals by all Directors in the agenda	Complied	All Directors are able to submit proposals for discussion on matters pertaining to promotion of business and the risk management of the Company.
7.3	Notice of meetings	Complied	Directors are given adequate time and a minimum notice period for all Board meetings.
7.4	Directors shall devote sufficient time to prepare and attend Board meetings	Complied	All Directors contribute actively to matters arising at Board meetings and actively contribute by providing views and suggestions.
7.5	Meetings should constitute of 1/4th of the quorum as Independent Directors	Complied	All meetings have always had more than the minimum requirement of Independent Directors present. Please refer page 104 for the Board meetings and their attendance details.
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, at least twice a year	Partially complied	The Chairman can meet with Non-Executive Directors without the presence of Executive Directors if necessary twice a year when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.
7.7	A Director shall abstain from voting on any Board resolution where that Director has a conflict of interest	Complied	No such situation arose during the financial year. In any such situations, the Direction will be followed.
7.8	Attendance of Directors	Complied	All Directors have attended the Board meetings as stipulated by the Direction. Please refer page 104 for the Board meetings and their attendance details.
7.9	Scheduled Board meetings and ad hoc Board meetings	Complied	Most Directors physically participate in the Board meetings while some Directors join through electronic means when they are unable to be physically present.
8. Company Secretary			
8.1	Company Secretary	Complied	The Company Secretary has been appointed by the Board to handle secretarial services and other functions specified by the statutes and the Direction.
8.2	Access to the Company Secretary	Complied	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. New Company Secretary appointment was Approved by the CBSL on 14 June 2024.
8.3	Agenda for Board meetings	Complied	The Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, the Board Secretary obtains the Chairman's approval for the Notice of Meeting and the agenda.
8.4	Minutes of Board meetings maintained for six years	Complied	Board meeting minutes are maintained for six years.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
8.5	Maintaining minutes in an orderly manner	Complied	Duly recorded minutes of the Board meetings are available with the Corporate Secretary and those can be accessed by any Director at any point in time.
8.6	Minutes recorded in sufficient detail	Complied	Minutes of all Board meetings are duly recorded in sufficient details and retained by the Corporate Secretary under the direct supervision of the Chairman.
8.7	The minutes shall be inspected by any Director.	Complied	Duly recorded minutes of the Board meetings are available with the Corporate Secretary and those can be accessed by any Director at any point in time.
9. Delegation of functions by the Board			
9.1	The Board shall approve a delegation of authority	Complied	The delegation of authority is established.
9.2	Absence of any of the Subcommittee	Not applicable	Subcommittees as stipulated in the Direction are established.
9.3	Senior Management level Subcommittee	Not applicable	All subcommittees are at Board level, with Senior Management participation based on invitation.
9.4	Extent of delegation	Complied	The Board ensures that delegation of authority at various levels does not hinder or reduce its ability as a whole to discharge its functions.
9.5	Review the delegation processes	Complied	The delegation of authority process is reviewed by the Board as and when necessary.
10. Board appointed committees			
10.1	Board committees	Complied	There are five Board appointed subcommittees which report directly to the Board, namely; the Audit Committee, the Integrated Risk Management Committee (IRMC), the Remuneration Committee, the Related Party Transactions Review Committee, and the Nomination and Governance Committee. Minutes are kept for each of the above committees under the supervision of the Chairman of each committee. A report on the performance, duties and functions of each committee (except for the Nomination Committee as it was established in July 2024) has been made available in this Annual Report.
10.2	The Audit Committee	Complied	Mr R Senanayake, a Fellow Member of CA Sri Lanka and an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee. Chairmanship will change to another suitable Independent Director by October 2024, to be compliant with Listing Rules of CSE. Other members of the Committee are also Independent Non-Executive Directors and possess multifaceted experience related to the finance industry. The details of the Audit Committee are set out in the Audit Committee Report on page 105.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
10.3	The Integrated Risk Management Committee	Complied	IRMC consisted of one Independent Non-Executive Director, two Executive Directors including the CEO, and Key Management Personnel as at year end. However, IRMC has undergone changes to be compliant with this Direction. Only Independent Directors are members of the IRMC, with CEO and CRO attending based on invitation. All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodical meetings. The details of the Integrated Risk Management Committee are given on page 106 of this Annual Report.
10.4	Nominations and Governance Committee	Complied	The Committee consists of Independent Directors and CEO joins based on invitation. The Committee ensures the fitness and propriety of Directors and Senior Management to perform their functions. The Committee ensures that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders. The Committee is in charge of establishing procedures and guidelines for the continuation of Directors. The Nomination and Governance Committee was set-up on 1 July 2024 in line with the requirements of the Finance Business Act Directions No. 05 of 2021, Corporate Governance.
10.5	Human Resource and Remuneration Committee	Complied	The Committee is Chaired by a Non-Executive Director and consists of three Independent Non-Executive Directors with the Chairperson. The Committee decides the salaries, allowances, and other financial payments relating to Executive Directors and Senior Management, and allowances structure for Non-Executive Directors. The remuneration structure is in line with the business strategy, objectives, values, long-term interests of the Company, while preventing conflicts of interest and incentives to take excessive risk. The details of the Human Resource and Remuneration Committee are given on page 107 of this Annual Report.
11. Internal Controls			
11.1	Adopt well-established internal control system	Complied	An internal control system which includes the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures exist in order to mitigate operational risks.
11.2	Features of an internal control system	Complied	The internal control system promotes effective and efficient operation, provides reliable financial information, safeguards assets, minimises the operating risk of losses from irregularities/frauds/errors, ensures effective risk management, and ensures compliance with relevant laws/regulations/directions/internal policies.
11.3	All employees shall be given the responsibility for internal controls	Complied	All employees are given responsibility for internal controls respectively.

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CBSL rule	Corporate governance principle	Compliance status	Level of compliance
12. Related party transactions			
12.1	Board shall establish policies and procedures for related party transactions	Complied	The Related Party Transactions Policy has been established following the requirements specified in the Direction and encompassing the internal procedure of handling related party transactions.
12.2	Avoiding conflict of interest in related party transactions	Complied	The Board has taken steps to avoid conflict of interest due to related party transactions as well as favourable treatments to related parties. Particulars relating to related party transactions have been disclosed in the Notes to the Financial Statements.
12.3	Engaging in transactions with a related party to grant "more favourable treatment"	Complied	The Company has not entered into any transaction in a manner that would grant the related party "more favourable treatment" than the treatment given for transactions with an unrelated customer. The details of the Related Party Transactions Review Committee are given on page 108 of this Annual Report.
13. Group governance			
13.1	Responsibilities of the FC as a holding company	Complied	Group governance framework establishes the roles and responsibilities for the oversight and implementation of group-wide policies. While the governance framework is not separately documented, all members of the group diligently practice good governance, and it has proven to be effective in maintaining the Group's standards and compliance. Differences in the operating environments are properly understood and reflected in the Group governance framework. Reporting arrangements are in place to understand and manage material risks and developments, which may affect the Company and its subsidiaries. The Board assesses whether the internal control framework of the Group adequately addresses risks in the Group, and any risks arising from intra-group transactions. The Board ensures that there are adequate resources to effectively monitor compliance of the Company and the subsidiaries. The Group structure does not undermine the Company's ability to exercise effective oversight. The Board's review and approval is required for the creation of new legal entities under its management. The Board has defined processes for identifying and managing all material group-wide risks through adequate and effective policies and control.
13.2	Responsibilities as a subsidiary	Not applicable	Senkadagala Finance PLC is not a subsidiary of another financial institution.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
14. Corporate culture			
14.1	Adopt a code of conduct	Complied	Senkadagala Finance PLC has incorporated in its HR Code as well as in other manuals of operations the areas relevant to the Code of Conduct as stipulated in the Direction, such as; appropriate conduct and addressing issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of Company assets, and fair treatment of customers. While the HR policy is currently being finalised, these principles are already embedded in our practices to ensure adherence to high standards of conduct.
14.2	Maintain records of breaches of Code of Conduct	Complied	In any such situations, the records will be maintained.
14.3	Establish a whistle-blowing policy	Complied	Whistle-blowing policy and procedure has been established and the documentation is available for all staff to access.
15. Conflicts of interest			
15.1 (a)	Directors shall abstain from voting on any Board resolution with a conflict of interest	Complied	No such situation arose during the financial year. In any such situations, the Direction will be followed.
15.1 (b)	Board shall establish policies and procedures for conflicts of interest	Complied	The Related Party Transactions Policy includes considerations on Conflicts of Interest, and has been established following the requirements specified in the Direction and encompassing the processes of handling Conflicts of Interest.
16. Disclosures			
16.1 (a)	Financial reporting as per regulatory requirements and applicable accounting standards	Complied	The relevant Financial Statements are published in conformity with regulatory requirements and applicable accounting standards.
16.1 (b)	Publishing financial reports in Sinhala, Tamil, and English newspapers	Complied	The Financial Statements are published in all three languages in the newspapers.
16.1	Disclosures in the Annual Report	Complied	i. 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 is given on page 121. A statement of responsibility of the Board for the preparation and presentation of Financial Statements is given on page 120. ii. Names and other information of Directors and Committees are provided on pages 65 to 67 and 104. iii. The Board of Directors conducts a comprehensive evaluation of the performance of the Board subcommittees through self-appraisal and collective effort. These assessments are based on predetermined criteria derived from the Terms of Reference (TORs) responsibilities assigned to each Board subcommittee, predetermined goals and objectives as per the organisation strategy, and the corporate governance framework. The outcomes of the evaluation serve as a constructive basis for deliberations on necessary enhancements to be made to the Board subcommittees.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
			iv. Fees and remuneration paid by the Company to the Directors in aggregate is given on pages 121 of this report and Note 11 of the Financial Statements. A statement on remuneration policy is included in the report by the Remuneration Committee. v. Nature of relationships between Directors is included in the Related Party Transactions Review Committee Report. 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 core capital, and the aggregate values of the transactions with the Senior Management are given on Note 47 of the Financial Statements. vi. The details of the Chairperson and members of the Board committees are given on pages 65 to 67 and attendance at such meetings are given on page 104. vii. The Group structure is given on page 142. The Group governance is established to ensure transparency, accountability, and ethical conduct across all levels of Organisation including subsidiaries and associates where applicable. The Board has implemented a comprehensive system of clear reporting arrangements, including roles and responsibilities, effective risk management protocols, and a strong internal control framework. This framework promotes adherence to legal and regulatory requirements, as well as adherence to our own policies and standards by all relevant subsidiaries and associates; while ensuring that they are compliant with the regulatory and policy requirements that are applicable only to them. viii. Board's declarations relevant to this section are given throughout the Report, where applicable. ix. Statement of Internal Control by the Board is given on page 127. This statement has been certified by Messrs KPMG, External Auditor of the Company. There were no non-compliances to prudential requirements, regulations, laws, and internal controls. There were no regulatory and supervisory concerns on lapses in the Finance Company's risk management, non-compliance with the Act, and Rules and Directions that have been communicated by the Director of NBFI and directed by the Monetary Board to be disclosed to the public. x. The External Auditor of the Company has submitted a factual finding report on the corporate governance status and its compliance with Directions issued by the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. xi. The Chairperson certifies the Code of Business Conduct and ethics for Directors, Senior Management, and employees through his statement on page 12. xii. Management Report is given on pages 5 to 118. xiii. The policy and methodology for communication with shareholders and the contact details are provided on page 123.

Listing Rules issued by Colombo Stock Exchange (CSE) on Corporate Governance

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance under the Section 09 of the Listing Rules of the Colombo Stock Exchange:

Principle	Compliance and implementation	Status	Comments
9.1 Applicability of Corporate Governance Rules			
	The Company has complied with CSE Listing Rule 9 by verifying its adherence of Corporate Governance Rules Refer Annual Report of the Board of Directors	Complied	Several areas that are applicable from 1 October 2024 will be implemented before the deadline.
9.2 Policies (Effective from 1 October 2024)			
9.2.1	The Company is in the process of implementing the policies below, which is to be disclosed on the Company website along with the information regarding their existence and implementation details: (a) Policy on the matters relating to the Board of Directors (b) Policy on Board Committees (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 Whistleblowing (l) Policy on Anti-Bribery and Corruption	Partially complied	-
9.2.2	The Company has fully complied with the internal Code of Business Conduct and ethics and no waivers are granted	Complied	-
9.2.3 – 9.2.4	The policies that are in place have been disclosed on the Company website and changes are highlighted therein as well. All policies are accessible to shareholders upon a written request or through the website.	Complied	-
9.3 Board Committees			
9.3.1 – 9.3.2	The Company maintains all Board subcommittees out of the mandatory committees required by CSE Listing Rules: (a) Nomination and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transaction Review Committee	Complied	Nomination and Governance Committee was set up on 1 July 2024

Principle	Compliance and implementation	Status	Comments
9.3.3 (Effective from 1 October 2024)	The Chairperson of the Board of Directors is not the Chairperson of the Board Committees referred to in Rule 9.3.1 above	Complied	Composition changes are in progress to be compliant by the effective date.
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	The Company maintains information required and the required information has been provided to the Exchange and/or the SEC upon request.	Complied	–
9.4.2	The Company has established a policy to effectively communicate with shareholders and investors, which is outlined in both the annual report and on the website. Additionally, a designated contact person is provided for communication purposes. The Policy ensures that all Directors are informed of any significant concerns or issues raised by shareholders. Furthermore, these concerns are transparently addressed in the Annual Report and on the website. The details of the 54th AGM, virtually held are disclosed in Annual Report. Refer Notice of Meeting for details of 55th AGM	Complied	–
9.5 Policy on matters relating to the Board of Directors			
9.5.1	The Company had adopted policies along with information regarding the Board composition, the roles of the Chairperson and CEO as well as other requirements	Complied	–
9.5.2	The Company is compliant with the requirements of the policy referred to in Rule 9.5.1 above	Complied	–
9.6 Chairperson and CEO			
9.6.1–9.6.4	The roles of Chairperson and CEO/MD are occupied by two separate individuals; hence the Company has not designated a Senior Independent Director (SID)	Complied	–
9.7 Fitness of Directors and CEOs			
9.7.1–9.7.2	Every member of the Director Board is a fit and proper person to act as Director/CEO/MD as specified in the Fit and Proper Assessment Criteria set out in Rule 9.7.3	Complied	Additionally, more stringent fitness and propriety assessments are carried out annually by the Central Bank of Sri Lanka.
9.7.3–9.7.5	The Rule 9.7.3 will be effective from 1st April 2024. Therefore, the annual declaration will be disclosed in the 2024/25 Annual Report	Not applicable	–

Principle	Compliance and implementation	Status	Comments
9.8 Board Composition			
9.8.1–9.8.2 (Effective from 1 October 2024)	The Board consist of 7 seven (7) Directors and three (3) are independent. Hence 1/3 of the total number of Directors is independent as required.	Complied	Early adopted
9.8.3–9.8.4	The criteria for determining independence have been disclosed.	Complied	Details of Independent Directors can be referred to on pages 104 and 65 to 67
9.8.5	Directors have annually submitted the formal declaration of independence. The Board has reviewed these annual declarations and other available information to verify adherence to the criteria for assessing independence.	Complied	Refer particulars on Independence of each Director based on their Declarations of Independence on pages 103 and 104
9.9 Alternate Directors			
	The Company was not required to appoint an Alternate Director during the period	Not applicable	Early adopted if the situation arises.
9.10 Disclosures relating to Directors			
9.10.1	The maximum number of Directorships that can be held is 20, to be in line with the Central Bank Directions	Complied	No Director holds more than 20 Directorships.
9.10.2	An announcement to the Market is carried out when a new Director is appointed to the Board	Complied	Mr A Herath joined as a new Independent Director during the financial year; an announcement was made to the market in this regard.
9.10.3	Change of composition of the Board committees will be immediately disclosed to the market through an announcement	Complied	–
9.10.4	All the information required to Rule No. 9.10.4 has been disclosed	Complied	Details of Directors can be referred to on pages 65 to 67
9.11 Nomination and Governance Committee (Effective from 1 October 2024)			
9.11.1–9.11.3	The Company has established the Nomination and Governance Committee referred to in Rule 9.11	Complied	Nominations and Governance Committee was established in July 2024
9.11.4	Committee consists of three Independent Directors and the Chair is also Independent	Complied	–
9.11.5	Functions of the Committee are carried out as defined in the rules. Committee is overall responsible for appointment of Directors and corporate governance.	Complied	–

Principle	Compliance and implementation	Status	Comments
9.11.6	Disclosures Since the rule is applicable with effect from 1 October 2024, there is no report from the Nominations Committee in this Annual Report.	Not Applicable	-
9.12 Remuneration Committee			
9.12.1-9.12.5	The Company's Remuneration Committee maintains 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 their own remuneration. The Committee operates under a set of written Terms of Reference that clearly outline its scope, authority, duties and requirements for meeting quorum.	Complied	-
9.12.6 (Effective from 1 October 2024)	The Remuneration Committee comprises three Independent Non-Executive Directors.	Complied	Since the Board Chairman cannot be Chairman of subcommittees as per the Listing Rule 9.3.3, Chairman of Remuneration Committee will be changed.
9.12.7	The Committee recommends and assesses the relevance of the remuneration payable to the Executive Directors of the Company.	Complied	-
9.12.8	Relevant disclosures are made in the Report of the Remuneration committee	Complied	Remuneration Committee Report can be referred to on page 107.
9.13 Audit Committee			
9.13.1	The Company has established a separate Board subcommittee for Risk Management as Integrated Risk Management Committee. The Integrated Risk Management Committee Report has been provided.	Not applicable	-
9.13.2	The Committee operates under a set of written Terms of Reference that clearly outline its scope, authority, duties.	Complied	-
9.13.3 (Effective from 1 October 2024)	The Audit Committee comprises four (4) Independent Non-Executive Directors and during the year the Committee met four (4) times with the participation of the CEO and CFO. An independent Director serves as the Chairperson.	Complied	Since the Board Chairman cannot be Chairman of subcommittees as per the Listing Rule 9.3.3, Chairman of Audit Committee will be changed. Refer to attendance of Committees on page 104.

Principle	Compliance and implementation	Status	Comments
9.13.4–9.13.5 (Effective from 1 October 2024)	Functions of the Committee and required disclosures are disclosed in the Report of the Audit Committee	Complied	Refer to the Audit Committee Report on page 105.
9.14 Related Party Transactions Review Committee			
9.14.1	The Related Party Transactions Review Committee conforms to the requirements set out in Rule 9.14 of these Rules.	Complied	-
9.14.2	The Committee comprises three (3) Independent Non-Executive Directors. An Independent Director serves as the Chairperson of the Committee.	Complied	Since the Board Chairman cannot be Chairman of subcommittees as per the Listing Rule 9.3.3, Chairman of Related Party Transactions Review Committee will be changed.
9.14.3	The Company has set up a Related Party Transactions Review Committee to oversee such transactions with the aim of safeguarding shareholders' interests and preventing abuse by Directors, CEOs or substantial shareholders. The Committee operates under a set of written terms of reference and Related Party Transaction Policy that clearly outline its scope, authority and duties.	Complied	Refer the Related party Transaction Review Committee Report on page 108.
9.14.4	The Committee convenes quarterly, ensuring thorough documentation of meeting minutes for the Board of Directors. Committee members have access to adequate expertise to evaluate proposed transactions, seeking professional advice when necessary. Approval from the Board of Directors is required for reviewed transactions as mandated by Rule 9.14.4. Directors with personal interests in such matters must abstain from participation and voting during relevant Board meetings.	Complied	Refer page 104 for attendance of the Committee meetings
9.14.5–9.14.6	The Related Party Transactions Review Committee reviews all related party transactions, while also considering any material changes to previously reviewed transaction under Rule 9.14.5. They assess transaction details and Director independence and may establish guidelines for ongoing transactions and conduct annual compliance reviews.	Complied	The Company had not entered with any related party transaction which is required to get the shareholder's approval during the financial year.

Principle	Compliance and implementation	Status	Comments
9.14.7	There were no non-recurrent related party transactions which exceeded the aggregate value of 10% of the equity or 5% of the total assets. There were no recurrent related party transactions which exceeded the aggregate value of the 10% of the gross revenue/income (or equivalent term in the Income Statement) during the year.	Complied	The Board confirms that the Company has disclosed transactions with related parties in terms of Sri Lanka Accounting Standard (LKAS 24) and has complied with all requirements as per the CSE Listing Rules.
9.14.8	There were no transactions in the aggregate value of the non-recurrent related party transactions exceeding 10% of the equity or 5% of the total assets of the Company as per the latest Audited Financial Statements.	Complied	Refer the Related party Transaction Review Committee Report on page 108.
9.14.9	No acquisitions or disposals of assets from/to related parties occurred during the year.	Complied	-
9.14.10	The Company has noted the definition given under exempted related party transactions when determining the related party transactions of the Company	Complied	-
9.15 Definitions – Not applicable			
9.16 Additional Disclosures			
	The BOD 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.	Complied	Please refer Directors' Statement on Internal Control
	The BOD have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so will be provided.	Complied	Please refer Directors' Statement on Internal Control
	The Board 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.	Complied	Please refer Directors' Statement on Internal Control
	The Board assures the 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.	Complied	No events to report

Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

The Company has voluntarily adopted the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. We have disclosed the status of compliance and how the Company complied with each requirement of the code, in this section

Section	Corporate governance principle	Adoption status	Level of adoption

A. Directors

A.1 The Board

Senkadagala Finance PLC is headed by an effective Board which directs, leads, and controls the Company.

Section	Corporate governance principle	Adoption status	Level of adoption
A.1.1	Board meetings	Adopted	There were 12 Board meetings during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 104.
A.1.2	Board responsibilities	Adopted	The Board of Directors of Senkadagala Finance PLC responsible for the following: • Formulating, implementing, and executing a sound business strategy. • Ensuring that the CEO and the Management Team possesses the skills, experience, and knowledge to devise the strategy. • Having a proper succession plan for the Key Management Personnel including the CEO. • Approving Budget and major capital expenditure • Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation • Securing integrity of information, designing effective internal controls, cybersecurity , ensuring business continuity and risk management are properly established. • The Company aligning the ICT roadmap in line with the business strategy of the Company and monitoring implementation process via the ICT dashboard. • Ensuring compliance with laws and regulations. • Considering all stakeholder interests in the corporate decision-making process. • Recognising sustainable business development in Company's strategy, decisions and other activities. • Company's values and standards are set with emphasis on adopting appropriate accounting policies. • The Board has met 12 times during the year to evaluate overall performance and financial performance throughout the year. The Board and its subcommittees have continuously reviewed and mentioned the progress of the business. • The Company issues and uploads the Quarterly Financial Statements and Annual Financial Statements together with the relevant disclosures on the CSE and Company Websites. • The Board is capable of providing the right direction and Board comprises members who have expertise in different areas.

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A.1.3	Independent professional advice	Adopted	Independent professional advice could be obtained by the Directors individually, or the Board collectively, as and when required at the Company's expense.
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. New Company Secretary has been appointed in compliance with the Corporate Governance Rules of CBSL. The appointment was confirmed by the CBSL on 14 June 2024.
A.1.5	Independent judgement of Directors	Adopted	The Directors bring independent judgement and scrutiny on decisions taken by the Board on issues of strategy, performance, resources, and standard of its business conduct.
A.1.6	Directors' dedication of adequate time and efforts	Adopted	The Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications, if required. They also follow up on actions taken for issues discussed at the meetings. Refer: Board and Committee meeting attendance on page 104. Refer: Directors' Statement on Internal Control on page 127.
A.1.7	1/3rd of Directors should be able to call for resolutions	Adopted	One third of the Directors of the Board can call for a resolution for the Board whenever they feel it is necessary.
A.1.8	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on the financial services industry is also available by way of presentations to the Board and participating in programmes organised by CBSL, etc.

A.2 Chairman and Chief Executive Officer

At Senkadagala Finance PLC, the Chairman is responsible for conducting the business of the Board while the MD/CEO of the Company is responsible for conducting the business of the Company.

A.2.1	Combining the posts of Chairman and CEO	Not applicable	The roles of the Chairman and the MD/CEO have been separated to ensure that no individual has unfettered powers of decision-making. The Company has no intention of combining the two roles in the foreseeable future.

A.3 The Chairman's role

The Chairman of the Company is responsible for the effective conduct of the Board to preserve the order and good corporate governance.

A.3.1	The role of the Chairman	Adopted	The Chairman who is an Independent Non-Executive Director ensures effective discharge of Board functions through: Having monthly Board meetings with adequate notice preserving the agenda prepared by the Company Secretary under his close supervision. Ensuring effective participation of both Executive and Non-Executive Directors in the decision-making process while maintaining the balance of power among them. Encouraging effective contribution of all the Directors' respective capabilities towards the benefit of the Company. Obtaining views of all Directors for issues under consideration. Ensuring that the Board is in complete control of the Company's affairs and alert to its obligations to shareholders while maintaining proper communication with all the stakeholders.

Section	Corporate governance principle	Adoption status	Level of adoption

A.4 Financial acumen

The Board of the Company consists of members with sufficient financial acumen and knowledge to offer guidance on matters of finance.

The Board includes fellow members of both local and international professional accounting bodies. (The details of qualifications of Directors are given on pages 65 to 67). These Directors have sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

A.5 Board balance

The Board of the Company consists of 4 Independent Non-Executive Directors, two Executive Directors and one Non-Independent Non-Executive Director as at the end of the year.

Section	Corporate governance principle	Adoption status	Level of adoption
A.5.1	Ratio of Executive and Non-Executive Directors	Adopted	A ratio of Non-Executive Directors in excess of the requirement ensures that the Board decisions are taken impartially. The roles of the Chairman and the MD/CEO are not vested in one person, and the Chairman is an Independent Non-Executive Director.
A.5.2	Independent Directors	Adopted	Four of the Non-Executive Directors are Independent within the requirements of the Code.
A.5.3	Mode of independence	Adopted	All Independent Directors are independent of management and free of business relationships so that they could exercise their unfettered and independent judgement over decisions without any material interference.
A.5.4	Declaration of independence	Adopted	All Independent Non-Executive Directors submit their annual declarations as to their independence against the specified criteria.
A.5.5	Determination of independence of the Directors by the Board	Adopted	The Board determines that the submission of declaration by the Independent Directors as to their independence is a fair representation and continues to evaluate it annually. There are no situations where a Director is determined to be independent notwithstanding any factors which indicate the contrary.
A.5.6	Alternate Director	Not applicable	The requirement for appointing an Alternate Director has not arisen during the year.
A.5.7 and A.5.8	Senior Independent Director	Not applicable	Such a situation has not arisen as roles of Chairman and MD/CEO have been clearly separated.
A.5.9	Meetings with Non-Executive Directors only	Adopted	The Chairman meets with Non-Executive Directors without the presence of Executive Directors twice a year, when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.
A.5.10	Recording of concerns in Board minutes	Adopted	Board minutes are recorded in detail including concerns raised and their subsequent solutions. If any matters taken up for discussion could not be resolved through unanimity at Board meetings, it is recorded in the minutes as well. There have been no concerns about the matters of the Company which could not be resolved unanimously during the financial year.

Section	Corporate governance principle	Adoption status	Level of adoption
A.6 Supply of information			
The Company has provided appropriate and timely information to the Board enabling it to discharge its duties effectively.			
A.6.1	Information to the Board by Management	Adopted	The Management provides appropriate and timely information to the Board and the Board calls for further information where necessary. The Chairman ensures that all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.
A.6.2	Notice of Board meetings	Adopted	The Board papers including minutes of the immediately preceding meeting and the agenda are sent to the Directors, a minimum seven days before the respective Board meeting. This would give adequate time for Directors to study the related matters and get ready for effective discussions at Board meetings.
A.7 Appointments to the Board			
There is a formal and transparent procedure on new appointments to the Board.			
A.7.1	Nomination and Governance Committee	Adopted	Nomination and Governance Committee is set up with four Independent Directors from 1 July 2024
A.7.2	Assessment of Board composition	Adopted	The Nomination Committee will annually assess the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Findings of the assessment of the Board are considered for new Board appointments and re-election of Directors.
A.7.3	Succession plan	Adopted	A Board approved succession plan is in place including the CEO and other KRPs. This will be reviewed by the Nomination Committee on an annual basis to determine the training and development requirements for those identified for succession.
A.7.4	Disclosure of details of new Directors to shareholders	Adopted	When appointing a new Director to the Board, a brief profile of the Director, experience and skills, other directorships, status of independence, etc., are disclosed not only to the shareholders but also to the general public as per the requirements under CSE Listing Rules.
A.7.5	Report of the Nomination Committee	Adopted	A report from the Nomination Committee will be included in subsequent Annual Reports.
A.7.6	Terms of Reference	Adopted	Nomination Committee's TOR include the guidance from the Code of Best Practices.
A.8 Re-election			
All Directors are required to be re-elected annually, in order to submit the annual Fitness and Propriety declarations to CBSL.			
A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy, and follow the annual re-election process.
A.8.2	Election of Directors	Adopted	Appointment and reappointment of all Directors including the Chairman of the Board is subject to election by shareholders.
A.8.3	Resignation of Directors	Adopted	If a Director is resigning before their appointed term has ended, they will provide a written communication to the Board with their reasons for resignation.

Section	Corporate governance principle	Adoption status	Level of adoption

A.9 Appraisal of Board performance

The Board performance is evaluated annually in order to ensure satisfactory discharge of its responsibilities.

A.9.1 and A.9.2	Appraisal of Board performance and annual self-evaluation of Board performance and its committees	Adopted	A formal Board performance evaluation process has been implemented and it is carried out annually. A checklist has been introduced for this purpose and it is filed with minutes of the Board meetings by the Secretary.
A.9.3	Mode of Board performance appraisal	Adopted	The Board performance evaluation is being carried out as detailed in the above Sections A.9.1 and A.9.2.
A.9.4	Disclosure in the Annual Report	Adopted	The Board adopts a scheme of self-assessment to be undertaken by each Director annually on individual performance, of the Board as a whole and of the committees; and maintain records of such assessments.

A.10 Disclosure of information in respect of Directors

Details of Directors are made available for the shareholders through the Annual Report and publications in the CSE.

A.10.1	Disclosure of details of Directors in the Annual Report	Adopted	The name, qualifications, and the brief profiles including the nature of expertise of all the Directors have been set out on pages 65 to 67 in this Report. Please refer the table given on page 104 for Directorship status, Board meeting, and other Committee meeting attendance by the Directors of the Company.

A.11 Appraisal of Chief Executive Officer (CEO)

Performance of CEO is assessed annually to see whether the Company has achieved the objectives set by the Board.

A.11.1	Financial and non-financial targets for the CEO	Adopted	At the commencement of the financial year, reasonable financial and non-financial targets for the CEO are set by the Board in consultation with the CEO in line with short, medium, and long-term objectives of the Company.
A.11.2	Evaluation of the performance of the CEO	Adopted	The Board periodically assesses the performance of the CEO to ensure that the Company's short, medium, and long-term objectives are achieved against its targets set and approved by the Board.

B. Directors' remuneration

B.1 Remuneration procedure

The Company has a well-established, formal, and transparent procedure for developing an effective policy on executive remuneration and remuneration packages for individual Directors. No Director is involved in deciding their own remuneration.

B.2 Remuneration Committee

Level and makeup of remuneration of both Executive and Non-Executive Directors is sufficient to attract and retain the Directors needed to run the Company successfully.

B.2.1	Remuneration Committee	Adopted	A Human Resource and Remuneration Committee have been set up to make recommendations to the Board on the Company's remuneration framework. Details have been given on page 107, in the Report of the Remuneration Committee.

Section	Corporate governance principle	Adoption status	Level of adoption
B.2.2	Composition of the Remuneration Committee	Adopted	All the members of the Remuneration Committee are Independent Non-Executive Directors.
B.2.3	Consultation of the Chairman or the CEO and access to professional advice	Adopted	The Remuneration Committee consults the Chairman about its proposals where necessary. The CEO attends the Remuneration Committee meetings by invitation. External professional advice is obtained where necessary in determining the remuneration of the Directors and senior level staff members.
B.2.4	Remuneration of CEO and Senior Management	Adopted	Remuneration of CEO, Executive Directors, and Senior Management are appropriate to attract, retain and motivate persons of the quality required but is not more than necessary for this purpose.
B.2.5	Executive Directors' remuneration	Adopted	Executive directors' remuneration is designed to promote the short, medium and long-term performances of the Company.
B.2.6	Industry Standards	Adopted	Remuneration Committee decides where to position levels of remuneration of the Company, relative to other companies. Industry standards are taken into account alongside relative performance, but they are prioritized lower without evident improvements in performance.
B.2.7	Group Considerations	Adopted	The Remuneration Committee is sensitive to remuneration and employment conditions elsewhere in the Company or the Group of which it is a part, especially when determining annual salary increases.
B.2.8	Performance related remuneration	Adopted	The remuneration of the CEO and Executive Directors are aligned with the company interests, and is transparent and rigorously applied with annual performance reviews.
B.2.9	Executive share options	Not applicable	No executive share option schemes exist, however the guideline will be adopted if initiating in the future.
B.2.10	Performance related remuneration scheme	Adopted	Provisions in the guideline are followed when designing schemes of performance related remuneration.
B.2.11-B.2.12	Early termination	Adopted	The Remuneration Committee considers early termination compensation in executive contracts, and explicitly includes these commitments, excluding cases of misconduct. And in cases where it is not explicitly defined, the Remuneration Committee will strive to avoid rewarding poor performance while fairly handling departures.
B.2.13 - B.2.14	Remuneration of the Non-Executive Directors	Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors. Non-Executive Directors' remuneration reflects their time and responsibilities, aligns with market practices, and excludes share options.
B.2.15	Disclosures in the Annual Report	Adopted	Details of the members and the Chairman of the Remuneration Committee have been given on page 107 of this Annual Report under the Report of the Remuneration Committee.
B.2.16	Terms of Reference	Adopted	TOR for Remuneration Committee includes the guidelines set out in the Code.

Section	Corporate governance principle	Adoption status	Level of adoption

B.3 Disclosure of remuneration

The Company has disclosed the remuneration policy and the details of remuneration of the Board as a whole in this Annual Report.

B.3.1	Disclosure of remuneration	Adopted	The Remuneration Committee's Report setting out the policy and scope of the Committee is given on page 107. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 11 to the Financial Statements on page 162.
B.3.2	Disclosure of Senior Management remuneration	Adopted	The remuneration paid to the Senior Management is disclosed in aggregate in Note 47.3 to the Financial Statements on page 237.

C. Relations with shareholders

C.1 Constructive use of the Annual General Meeting and conduct of General Meetings

The Board uses the Annual General Meeting to communicate with shareholders and encourages their participation.

C.1.1	Notice of AGM	Adopted	Notice of the AGM is given as per the requirements of the Companies Act No. 07 of 2007.
C.1.2	Separate resolutions for separate issues and Use of proxy votes	Adopted	A separate resolution is proposed for the adoption of Financial Statements. Shareholders are given the opportunity to vote separately for each substantially separate issue by having separate resolutions, if any. The Company has adopted a methodology to count all proxy votes and to indicate the level of proxies lodged on each resolution, if any.
C.1.3	Counting of votes and publishing of information	Partially adopted	All valid proxy appointments are properly recorded and counted. Resolutions and other relevant AGM information are published in the CSE website through the notice of AGM and the approved resolutions, further subsequent Annual Report will also include AGM information as necessary.
C.1.4	Availability of Board subcommittees Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all subcommittees namely, the Audit Committee, the Remuneration Committee, the Integrated Risk Management Committee, Nomination and Governance Committee, and the Related Party Transactions Review Committee are present at the AGM.
C.1.5	Procedure of voting at General Meetings	Adopted	Notice and the summary of the procedures governing voting at the Meeting including any other business to be transacted at the Meeting are circulated to the shareholders along with the Annual Report.

C.2 Communication with shareholders

The Board has implemented effective communication methodologies with shareholders.

C.2.1	Channel to reach all shareholders of the Company	Adopted	The Annual Report and the AGM form the primary channels of communication. Shareholders are given the Annual Report with adequate time to raise any issues at the AGM based on the information published therein. Moreover interim reports, stock exchange announcements, newspaper publications, etc. also form part of the communication procedure. These are usually available in the respective websites.
C.2.2	Policy and methodology for communication with shareholders	Adopted	The Company has adopted an open communication policy with its stakeholders by making available timely, relevant, and accurate information with fair disclosures. The Communication Policy can be referred to on page 123.

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C.2.3	Disclosure of implementation of the above policy and methodology	Adopted	Implementation is carried out through the methodology mentioned under C.2.1. The Communication Policy has further details of implementation and can be referred to on page 123.
C.2.4	Contact person for communication	Adopted	Please refer to the Communication Policy on page 123 for contact details.
C.2.5	Inform Directors of issues and concerns of shareholders	Adopted	The Directors can be directly contacted by the shareholders to convey their issues and concerns; the Company practices an open communication policy.
C.2.6	Contact by the shareholders	Adopted	The Company Secretary receives all the correspondence and communicates it to the Board or relevant individual Director at the earliest possible time. In the Secretary's absence, the shareholders can directly contact any relevant Director to raise their concerns.
C.2.7	The process for responding to shareholders' matters	Adopted	The Board or individual Director/s will respond to shareholders' matters through the Corporate Secretary.

C.3 Major and material transactions

Directors disclose all major and material transactions to shareholders.

C.3.1	Major transactions	Adopted	Approval of majority shareholders will be sought prior to entering any major transaction, as defined in this Code. A process has been implemented to capture and disclose any materiel transactions either through its Audited Financial Statements or in interim publications or by making an announcement to the Colombo Stock Exchange. No such transactions occurred during the period under review.
C.3.2	Companies Act	Adopted	Requirements in the Companies Act are followed in any situation of similar nature.
C.3.3	Disclosures	Adopted	The Company complies with the disclosure requirements and shareholder approval as per relevant regulatory guidelines.

D. Accountability and audit

D.1 Financial and business reporting (The Annual Report)

The Board presents a balanced and understandable assessment of the Company's financial position, performance, and prospects within the Annual Report.

D.1.1 and D.1.2	The Board's responsibility for statutory and regulatory reporting	Adopted	Interim and Annual Financial Statements, other price sensitive public reports, reports to regulators, and reports required as per statutory requirements have been presented as per the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, other Regulatory Authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange, and the Department of Inland Revenue. They also follow the applicable accounting standards and practices as per the situation.

Section	Corporate governance principle	Adoption status	Level of adoption
D.1.3	The Board's responsibility to obtain relevant declarations from CEO and CFO on the Financial Statements and Internal Controls	Adopted	"The Annual Report of the Board of Directors" given on pages 120 to 126 describes the compliance with the requirements of this section.
D.1.4	Declarations in the Directors' Report	Adopted	The Directors have made all their declarations in the "Annual Report of the Board of Directors" given on pages 120 to 126.
D.1.5	Statement of Directors' and Auditors responsibility for Financial Statements and Statement on Internal Controls	Adopted	The Statement of "Directors' Responsibility for Financial Reporting" is given on page 120 of Annual Report. The Auditor's reporting responsibility is given in their Report on the Financial Statements on pages 128 to 133. The Directors' Statement on Internal Control is given on page 127 and the Auditor's certification on the Directors' Statement on Internal Control is given on page 127.
D.1.6	Management Discussion and Analysis in the Annual Report	Adopted	Pages 5 to 118 of this Annual Report contain the Management Discussion and Analysis.
D.1.7	Requirement for calling for an EGM if the net assets fall below 50% of the shareholders' funds	Not applicable	Such a situation did not arise during the year. However, should the situation arise, an EGM will be called for and shareholders will be notified.
D.1.8	Disclosure of related party transactions in the Annual Report	Adopted	The Board ensures that the related party transactions are properly captured into the system of accounts, keeping proper records on them and making necessary disclosures in the Financial Statements accordingly. Refer to the Related Party Transactions Review Committee Report on page 108.

D.2 Risk management and internal control

The Board has implemented a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.

D.2.1 (D.2.1.1-D.2.1.8)	The annual review of risks and the effectiveness of the internal control system	Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls. Further, it has to be monitored for its effectiveness on a continuous basis. The Integrated Risk Management Committee has been set up by the Board in order to look after the risk aspects of the Company and report any concerns to the Board. Integrated Risk Management Committee Report is given on page 106. The Directors' Statement on Internal Control is given on page 127.
D.2.2 & D.2.2.1	Process for internal controls	Adopted	The Directors' Statement on Internal Control is given on page 127, it describes the compliance to the requirement of this section.

Section	Corporate governance principle	Adoption status	Level of adoption
D.2.2.2	Internal audit function	Partially adopted	The Company's internal audit function is assisted by Messrs Ernst & Young Advisory Services (Pvt) Ltd. to whom particularly branch audits have been outsourced. Currently the internal audit function, special assignments, and investigations are coordinated by the Chief Risk Officer, until a separate internal audit function is set up by the Board Audit Committee.
D.2.2.3	Review of process and effectiveness of risk management and internal controls	Adopted	Internal audit carries out regular reviews on the internal controls and reports to the Audit Committee. The Audit Committee once satisfied reports to the Board on the effectiveness of the internal control systems and based on that the Board issues the "Directors' Statement on Internal Control" Report which is given on page 127. The External Auditor reviews this statement independently and certifies it.
D.2.2.4	Responsibilities of Directors in maintaining a sound internal control system	Adopted	The contents of the Code have been considered in the "Directors' Statement on Internal Control" on page 127.

D.3 Audit Committee

The Board has established formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal control principles, and maintaining an appropriate relationship with the Company's Auditors.

Section	Corporate governance principle	Adoption status	Level of adoption
D.3.1	The composition of the Audit Committee	Adopted	The Audit Committee is comprised four Independent Non-Executive Directors including its Chairman during the financial year. The Audit Committee Report is given on page 105 on this Annual Report.
D.3.2	Terms of Reference of the Audit Committee dealing with its authority and duties	Adopted	The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors. The Committee has formulated a policy for the engagement of the External Auditor for non-audit services with the approval of the Board. The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls, risk management and functions relating to internal and external audit. The Audit Committee operates under the guidelines set forth in its charter, which serves as its official Terms of Reference. This charter outlines the scope, responsibilities, and procedures of the Audit Committee, ensuring clarity and direction in fulfilling its oversight role holding the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and makes recommendations to the Board of Directors on matters regarding the Internal and the External Auditors including their independence, performance, terms of engagement and remuneration.
D.3.3	Disclosures of the Audit Committee	Adopted	The names of the members of the Audit Committee are given in the Audit Committee Report on page 105. The Audit Committee has undertaken an annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process and is satisfied as disclosed in the Audit Committee Report on page 105.

Section	Corporate governance principle	Adoption status	Level of adoption

D.4 Risk Committee

The Board has established a procedure for risk management including how the risk culture, risk appetite, risk identification and classification, rating and management of risks take place.

Section	Corporate governance principle	Adoption status	Level of adoption
D.4.1	Composition of the Risk Committee	Partially adopted	The Risk Committee is undergoing changes as at reporting date, to be compliant with the CBSL regulations in terms of composition. This section will be fully adopted when the changes are implemented.
D.4.2	Terms of Reference of the Risk Committee dealing with its authority and duties	Adopted	TOR compliant with the Code is fully adopted with the establishment of the BIRMC.
D.4.3	Number of meetings	Adopted	Committee meets every quarter. Refer to Committee attendance on page 104.
D.4.4	External advice	Adopted	Committee has the authority to seek external professional advice if required in connection with the performance of its duties
D.4.5	Disclosures	Adopted	The Risk Committee Report is given on page 106 on this Annual Report.

D.5 Related Party Transactions Review Committee

The Board has established a procedure to ensure that the Company does not engage in transactions with related parties with the view of granting more favourable treatment than that accorded to third parties in the normal course of business.

Section	Corporate governance principle	Adoption status	Level of adoption
D.5.1	Definitions of "Related Party" and "Related Party Transactions"	Adopted	LKAS 24 definitions have been adopted in formulating the policy on related party transactions of the Company.
D.5.2	Composition of the Related Party Transactions Review Committee	Partially adopted	The Related Party Transactions Review Committee comprised three Independent Non-Executive Directors and an Executive Director. The Chairman of the Committee is an Independent Non-Executive Director. The Committee is currently undergoing compositional changes and this section will be fully adopted when the changes are implemented. The Related Party Transactions Review Committee Report is given on page 108 of this Annual Report.
D.5.3	Terms of Reference of the Related Party Transactions Review Committee dealing with its authority and duties	Adopted	The Company has a Board-approved Related Party Transactions Terms of Reference in place which addresses requirements under this section. The Related Party Transactions Review Committee Report is given on page 108 of this Annual Report.

D.6 Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for Directors and Key Management Personnel.

Section	Corporate governance principle	Adoption status	Level of adoption
D.6.1	Code of Business Conduct and Ethics	Adopted	Senkadagala Finance has incorporated in its HR Code as well as in other manuals of operations, areas such as addressing of conflicts of interest, conditions in receiving gifts or any other benefits, accountability, confidentiality of information, record keeping, corporate opportunities, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour.

Section	Corporate governance principle	Adoption status	Level of adoption
D.6.2	Ensuring price sensitive information is promptly identified and reported	Adopted	The Company has a process to ensure timely disclosure of price sensitive information as per the CSE regulations.
D.6.3	Share purchase by Directors and Key Management Personnel	Adopted	The relevant disclosures have been made as per the requirement of this Code.
D.6.4	Procedure to deal with complaints	Adopted	A complaint handling mechanism in place overseen by two senior management personnel. The procedure is published on senfin.com website following CBSL guidelines.
D.6.5	Induction Training	Adopted	All employees go through induction training where HR informs them regarding the appropriate ways of business conduct.
D.6.6	Dissemination and exceptions	Adopted	All approved policies and documents are available to employees through the internal system. No exemptions were granted during the year that was contravening with the practices of the business conduct.
D.6.7	Affirmation of the Code of Conduct and Ethics	Adopted	The Chairman hereby confirms that he is not aware of any material violations of the appropriate ways of business and ethical conduct.

D.7 Corporate governance disclosures

The Company has disclosed the extent of adherence to principles and practices of good corporate governance.

D.7.1	Corporate Governance Report	Adopted	This report from pages 68 to 104 satisfies the requirement.

E. Institutional investors

E.1 Shareholder voting

Institutional shareholders have a responsibility to make considered use of their votes to ensure their voting intentions are translated into practice.

E.1.1	Communication with institutional shareholders	Adopted	Mainly the AGM is used for effective communication with institutional shareholders. The Chairman communicates the views and queries of the shareholders to the Board and the Senior Management.

E.2 Evaluation of governance disclosures

When evaluating the Company's corporate governance arrangements, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention particularly in the Board structure and composition.

F. Other investors

F.1 Investing/Divesting decision

The Company, by disclosing all required information that would be useful for individual shareholders, encourages them to carry out adequate analysis or seek independent advice on investing or divesting decisions.

F.2 Shareholder voting

The Company sends adequate notices to all shareholders encouraging them to participate at General Meetings and this allows them to be prepared to duly exercise their voting rights.

Section	Corporate governance principle	Adoption status	Level of adoption

G. Internet of things and cybersecurity

G.1-G.5 The Company ensures authorised access to all internal and external networks. CIO acts as the CISO of the Company.

H. Sustainability: ESG risk and opportunities

The Board considers in their general planning and decision-making; sustainability/ESG risk and opportunities in the Company's business model, operations, short and medium-term planning and in its long-term strategy to ensure that the Company remains resilient and able to deliver durable and sustainable value over the short, medium and long term in order to maintain the confidence and continued engagement of shareholders and all significant stakeholders.

Section	Corporate governance principle	Adoption status	Level of adoption
H.1.1	ESG planning	Adopted	ESG factors are considered in preparing the strategic plans and setting objectives for short, medium, and long-term periods.
H.2 and H.2.1	Stakeholder Engagement and ESG Consideration for Board and Key Management	Adopted	The Board and Key Management Personnel have continuously engaged with stakeholders to manage sustainability and ESG risks and opportunities, meeting heightened expectations. They have established processes to recognise significant stakeholders and engage them based on their interest and influence.
H.3 and H.3.1	Governance Framework Incorporating ESG factors	Adopted	The Company has established a governance framework that includes conformance, performance, and sustainability factors through environmental and social governance processes.
H.3.1.1	Integrated approach to ESG Practices	Partially adopted	The Organisation has adopted an integrated approach to environmental governance, considering economic, social, health, and environmental impacts.
H.3.1.2	Integrated Social Governance for Sustainable Growth and Corporate Responsibility	Partially adopted	The Organisation has adopted an integrated approach to social governance, engaging with community groups, customers, employees, suppliers, and other stakeholders to ensure sustainable growth. It has established processes for customer feedback, efficient service delivery, and product standards. Labour practices include policies on health and safety, career development, and industrial relations.
H.4 and H.4.1	Governance Structure for Sustaining Value and Managing ESG factors	Adopted	The Board has established a governance structure to support sustainability, managing risks, and measuring value creation using financial and non-financial metrics, recognising key resources and stakeholder influences.
H.4.2	Process to assess and manage ESG factors	Partially adopted	Processes are in place to ensure sustainability impacts through the Company's actions are recognised.
H.4.3	Financial and Non-Financial measures	Partially adopted	The Annual Report depicts financial and non-financial measures in respect of all material matters.
H.5 - H.5.4	ESG and Integrated reporting/disclosures	Partially adopted	The Annual Report includes detailed information on how relevant ESG risks and opportunities are managed and integrated into the business model, strategy, and governance, highlighting their financial impacts and relevance to investors.

Annexes
Financial Reports
Governance
Our Story in 2023/24
Business Model
Leadership Reviews
About Us
About this Report

Section	Corporate governance principle	Adoption status	Level of adoption

I. Special considerations for listed entities

I.1 Establishment and maintenance of policies

Maintained policies relating to governance and implementation of such policies are disclosed in the Annual Report.

Section	Corporate governance principle	Adoption status	Level of adoption
I.1.1	Essential policies	Partially adopted	Policies established include the requirements of the policies mentioned in the Code.
I.1.2	Exemptions/Waivers from the Code of Conduct	Not applicable	No exemptions or waivers are granted to any stakeholder from the established Code of Business Practices.
I.1.3	List of policies	Adopted	The list of policies approved and implemented in the Company is uploaded to the website.
I.1.4	Availability to shareholders	Adopted	Shareholders can request any policy from the Company Secretary and it will be supplied with due time.

I.2 Policy on matters relating to the Board of Directors

A formal policy governing matters relating to the Board of Directors is being established.

Section	Corporate governance principle	Adoption status	Level of adoption
I.2.1	Policy Governing the Board of Directors	Partially adopted	The Company practices good governance of the Board of Directors, ensuring balanced representation, diversity, performance appraisal, meeting frequency, compliance with Listing Rules, director attendance, trading requirements, and participation via audiovisual means. The same practices are being included in the policy governing the Board of Directors.
I.2.2	Confirmation of Governance	Adopted	The Board of Directors confirm the Company's compliance with the requirements under I.2.1 and state that there have been no non-compliances with any of the requirements to provide explanations for.

Changes to Board Composition

During the financial year, the Board underwent changes due to several regulatory applications. Below is a summary of the changes.

Name	Age (years)	Period of service (years)	Directorship status at the start of the year (1 April 2023)	Change during the year	Directorship status at the end of the year (31 March 2024)
Mr W M R S Dias	69	9	Chairman/Independent Non-Executive Director	Retired w.e.f. 15 August 2023 due to nine years of service	None (retired)
Mr L Balasuriya	69	42	Managing Director/ Chief Executive Officer	None. Will reach age 70 during the next financial year, appeal will be made to Monetary Board for extension.	Managing Director/ Chief Executive Officer
Dr A Balasuriya	70	40	Executive Director (Operations)	Retired w.e.f. 16 August 2023 due to attaining 70 years of age	None (retired)
Ms L Fernando	65	28	Executive Director (Human Resources)	Redesignated as Non-Executive/ Non-Independent Director w.e.f. 31 October 2023 due to corporate governance requirements	Non-Executive/Non-Independent Director
Mr S D Bandaranayake	71	10	Executive Director/ Additional Chief Executive Officer	None. Monetary Board approval has been obtained for continuing beyond 70 years of age, until September 2024.	Executive Director/ Additional Chief Executive Officer
Mr R Senanayake	62	7	Independent Non-Executive Director	Appointed as the Chairman w.e.f. 15 August 2023	Chairman/Independent Non-Executive Director
Mr N Vasantha Kumar	65	4	Independent Non-Executive Director	None	Independent Non-Executive Director
Dr (Ms) R A Perera	55	3	Independent Non-Executive Director	None	Independent Non-Executive Director
Mr A Herath	61	6 months	None	Appointed as Independent Director to the Board on 12 October 2023	Independent Non-Executive Director

To comply with the Finance Business Act Directions No. 05 of 2021 (Corporate Governance) from the subsequent financial year, one Executive Director over the age of 70 will retire, and a new Director will be appointed to meet the minimum composition requirements of the Direction.

Board and Committee Meetings – Attendance

Name	Directorship status	Board*	Audit Committee	Integrated Risk Management Committee**	Remuneration Committee	Related Party Transactions Review Committee
Number of meetings held		12	4	3	2	2
Mr W M R S Dias	Previous Chairman/ Independent Non-Executive Director	04/04	–	–	–	–
Mr L Balasuriya	Managing Director/Chief Executive Officer	11/12	–	00/03	–	–
Dr A Balasuriya	Previous Executive Director (Operations)	02/04	–	–	–	–
Ms L Fernando	Non-Executive/ Non-Independent Director	12/12	–	–	–	–
Mr S D Bandaranayake	Executive Director/ Additional Chief Executive Officer	11/12	–	03/03 (Chair)		02/02
Mr R Senanayake	Chairman/ Independent Non-Executive Director	12/12	04/04 (Chair)	–	02/02 (Chair)	02/02 (Chair)
Mr N Vasantha Kumar	Independent Non-Executive Director	12/12	04/04	03/03	02/02	02/02
Dr (Ms) R A Perera	Independent Non-Executive Director	12/12	03/04	–	01/01	02/02
Mr A Herath	Independent Non-Executive Director	05/06	02/02	–	01/01	–

* All Board meetings held during the year were held physically at the Company's Registered Office, with some Directors attending virtually (hybrid meetings).

** Key Responsible Persons attended the meetings on invitation.

In compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules on Corporate Governance, the Board established the Nomination and Governance Committee and the Board Information Security Committee on 1 July 2024. No meetings of said committees were held during the financial year.

Report of the Audit Committee

The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and makes recommendations to the Board of Directors on matters regarding the Internal and the External Auditors including their independence, performance, terms of engagement and remuneration.

Composition

The Audit Committee comprised the following Directors:

- Mr R Senanayake (FCA), BCom (Special) (USJ), PG Dip (BMgt) – Independent Non-Executive Director, Chairman of the Audit Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – Independent Non-Executive Director
- Mr A Herath – Independent Non-Executive Director

Mr L Balasuriya – Managing Director/CEO and Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer attend meetings of the Audit Committee by invitation.

(Brief profiles of the Directors are set out on pages 65 to 67 of this Annual Report).

Other Senior Managers of the Company also attend the Committee meetings whenever their presence is requested.

Chairman of the Audit Committee will be changed to another Independent Director during the 2024/25 financial year, in order to be compliant with the revised Corporate Governance Rules of CSE, which state that the Chairperson to the Board cannot be the Chairperson of the Audit Committee.

Policy and Scope

The Committee discharges its responsibilities through a series of meetings during the year. At these meetings, the Committee reviews the reports of Internal Auditors and External Auditors of the Company and interim and final Financial Statements of the Company ensuring their compliance with statutory and other requirements. The number of meetings and attendance by the Committee members at each of those meetings are given in the table on page 104 of this Annual Report.

The Committee has reviewed the independence, objectivity, and performance of the internal audit function and the adequacy of its resources. The findings of internal audits, their evaluation of Company's internal control systems and level of risks pertaining to those findings, effectiveness of implementation of audit recommendations were thoroughly reviewed and discussed at the meetings and accordingly, the Committee advised the Board on matters of high significance. The Company's internal audit function is assisted by outsourcing mainly its branch audits to Messrs Ernst & Young Advisory Services (Pvt) Ltd. Currently the internal audit function, special assignments, and investigations are coordinated by the Chief Risk Officer, until a separate Internal Audit function is set up by the Board Audit Committee.

The Audit Committee has undertaken the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. The Financial Statements of the year under review have been audited by Messrs KPMG, Chartered Accountants. Permitted non-audit related services were carried out in line with the Company's policy on obtaining non-audit services from External Auditors which was formulated in keeping with the regulatory requirements. The Audit Committee ensured that the provision of such limited services did not impair the independence and objectivity of External Auditors and that work was assigned in such manner as to prevent any conflict of interest. Also the Audit Committee had meetings with the External Auditors without the presence of Executive Directors as per the corporate governance requirements.

As per the corporate governance requirements of the Central Bank of Sri Lanka, the External Auditors shall be changed every 10 years. In order to comply with this rule the External Auditor for the financial year 2024/25 shall be changed from Messrs KPMG to another approved firm by the Central Bank. The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, be appointed as the External Auditor of the Company for the year ending 31 March 2025, subject to the approval of shareholders at the Annual General Meeting. The Audit Committee's selection and review of the External Auditors was based on capability, resource availability of the firm and their level of independence from the Company and its Board of Directors. Also this reappointment was considered and complied with the requirements of CBSL Corporate Governance Direction No. 05 of 2021 and the relevant guidelines issued for the Panel of External Auditors of Licensed Finance Companies. The fees payable to the Auditors for the financial year 2023/24 were recommended by the Audit Committee and approved by the Board.

R Senanayake
Chairman
Audit Committee

1 July 2024

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee was formed in order to assess the overall risk faced by the Company mainly credit, market, liquidity, operational, strategy, and other statutory and regulatory risks.

Composition

The Integrated Risk Management Committee comprised the following Directors:

- Mr S D Bandaranayake – Executive Director/ Additional CEO – Chairman of the Committee
- Mr L Balasuriya – Executive Director, CEO/ Managing Director
- Mr N Vasantha Kumar – Independent Non-Executive Director

(Brief profiles of the Directors are set out on pages 65 to 67 of this Annual Report).

Senior Management representatives who attend the meetings are:

- Mr P Ikiriwatte – DCEO
- Mr J Jayatileke – COO
- Mr T K Aturupana – CPO
- Mr K Rajapaksa – CFO
- Mr T Ranathunga – CRO
- Mr M Rathnaweera – CO
- Mr N Rasingolla – DCIO
- Mr R Dasanayake - DCOO
- Mr A D Hettiarachchi – GM – Valuations
- Mr P Walakadagamage – GM – Treasury
- Mr L Perera – GM – Foreign currency
- Mr S Mendis – GM – Recoveries
- Mr W Tissera – HRO

The Integrated Risk Management Committee will undergo changes in the 2024/25 year, to be compliant with the Corporate Governance rules of Central Bank of Sri Lanka and the CSE; The Board subcommittee (Board Integrated Risk Management Committee – BIRMC) will be established with only Independent and/or Non-Executive Directors, while the existing IRMC's Executive Directors and Senior Management will establish a Management Committee for Integrated Risk Management that reports to the BIRMC.

Policy and Scope

The Committee meets on a regular basis and minutes are maintained to ensure timely and adequate follow-up. Remedial actions are taken to address the areas of high significance. The policies and the scope of activities of the Committee are as follows:

- Assessing all risks, including credit, market, liquidity, operational, AML/CFT and strategic risk on a continuous basis using specific risk indicators through the Company's reporting systems.
- Ensuring the level of current risks of the Company is within the prudent levels acceptable to the Management based on the Company's risk appetite and the regulatory and supervisory requirements.
- Taking appropriate remedial actions to mitigate the effects of specific risks in case such risks are beyond the prudent and acceptable levels on the basis of the Company's policies, procedures and regulatory requirements.
- Review of the portfolio on a business line basis such as product, region, sector, etc. to evaluate trends.
- Review of the performance branch wise, district wise, and region wise in evaluating the branch expansion criteria.
- Reviewing any compliance related matters with applicable laws and regulations.

S D Bandaranayake
Chairman
Integrated Risk Management Committee
1 July 2024

Report of the Remuneration Committee

The Remuneration Committee has been set-up to determine the human resources and remuneration policies relating to Directors, the Managing Director/CEO and other Key Responsible Persons of the Company.

Composition

- Mr R Senanayake – Independent Non-Executive Director, Chairman of the Remuneration Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Mr A Herath – Independent Non-Executive Director

Mr L Balasuriya – Managing Director/CEO and Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer, attend meetings of the Remuneration Committee by invitation.

During the year, Mr A Herath was appointed as a member of the Remuneration Committee, replacing Dr (Ms) R A Perera, while maintaining the composition of the Committee unchanged.

Chairman of the Remuneration Committee will be changed to another Independent Director during the 2024/25 financial year, in order to be compliant with the revised Corporate Governance Rules of the CSE, which state that the Chairperson to the Board cannot be the Chairperson of the Remuneration Committee.

(Brief profiles of the members of the Committee are set out on pages 65 to 67 of this Annual Report).

Scope

The Company's remuneration standard aims to attract, motivate, and retain talent in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company's remuneration framework for the Managing Director/CEO and the Corporate Management team is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between short and long-term interests of the Company. The Committee reviews all significant human resource policies and initiatives, salary structures, and terms and conditions relating to staff at executive level. The Committee deliberates upon and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Managing Director, members of the Corporate Management team and senior staff.

Components of Remuneration

- Base salary: Determined by market benchmarks and individual performance, with adjustments made for cost of living increases.
- Performance-related Pay: Annual bonuses are based on achieving key financial targets and strategic goals.
- Benefits and perquisites: Additional benefits include health insurance, company vehicles, and other regulatory benefits such as EPF/ETF and Gratuity.

Statement on Remuneration Policy

The Committee is entrusted with the responsibility of overseeing the Company's reward strategy, ensuring that employees are duly compensated based on their performance, skills, experiences, and level of responsibility. This framework takes into account various factors contributed by employees and provides recognition when determining compensation levels for each staff category including the Board, KRPs, and other Senior Management. By incorporating these considerations, we strive to appropriately reward our employees for their valuable contributions.

The Committee has reviewed the remuneration standards during the financial year and confirm that they are in line with the regulatory requirements and industry standards on remuneration. Shareholder feedback is actively sought and incorporated into the Company's remuneration practices.

The Committee plans to review the long-term incentive schemes to ensure continued alignment with evolving business strategies and shareholder expectations.

This statement provides a concise overview of the Company's remuneration practices, ensuring transparency and alignment with shareholder interests.

Fees

All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on subcommittees.

Details of aggregate remuneration paid to Executive and Non-Executive Directors are given in Note 11 on page 162 of the Financial Statements.

The total remuneration paid for KRPs are given in Note 47.3 on page 237 of the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 104 of this Annual Report.

Access to Professional Advice

The Committee is authorised to seek external professional advice as and when it deems necessary.

R Senanayake
Chairman
Remuneration Committee

1 July 2024

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) has been set-up by the Board of Directors in order to strengthen the process of identifying, recording and reporting of related party transactions which in turn ensure strict compliance with the rules and regulations governing Related Party Transactions of listed entities and thus improve its transparency and independence.

Composition

- Mr R Senanayake – Independent Non-Executive Director, Chairman of the Related Party Transactions Review Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – Independent Non-Executive Director
- Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer

Mr K Rajapakshe – Chief Financial Officer (CFO) and Mr T Ranathunga – Chief Risk Officer (CRO) attend the meetings by invitation.

Chairman of the RPTRC will be changed to another Independent Director during the 2024/25 financial year, in order to be compliant with the revised Corporate Governance Rules of the CSE, which state that the Chairperson to the Board cannot be the Chairperson of the RPTRC.

The Committee will undergo further changes during the financial year 2024/25 and will consist of only Independent and/or Non-Executive Directors in order to be compliant with Corporate Governance Directions from the Central Bank of Sri Lanka.

Policy and Scope

With the approval of the Board, the Company has adopted a policy on related party transactions of the Company that gives necessary guidelines in recognising, recording and reporting of such transactions. It helps to determine whether related party transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company. Further, the policy ensures that no Director of the Company shall participate in any discussion of a proposed related party transaction for which they are a related party to, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee. Also it ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

Related Party Transactions During 2023/24

The Committee has reviewed the related party transactions during the financial year and has communicated the comments/observations to the Board of Directors. No significant related party transactions has taken place during the year, which requires specific approval of the Committee. Details of related party transactions of the Company during the above period are disclosed in Note 47 to the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 104 of this Annual Report.

Declaration

A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 121 of this Annual Report. Further, the Directors declare that all related party transactions with the Company have been disclosed and that Directors have abstained from voting on matters in which they were materially interested in.

R Senanayake
Chairman
Related Party Transactions Review Committee
1 July 2024

Risk Management

The adverse events of the past few years, including bombings, pandemics, political turmoil, and the continuing economic crisis have highlighted the importance of effective risk management and sound governance for the sustainability and resilience of a business. This assumes greater significance for financial institutions, as their business model is fundamentally centred on financial intermediation and maturity management. Effective risk management is of crucial importance to ensuring business continuity and sustainable returns.

In a financial services organisation, "Risk management" involves identifying, assessing, and prioritising financial risks. It includes implementing strategies to mitigate potential losses from market fluctuations, credit defaults, operational failures, and regulatory changes. Timely and effective risk management ensures the organisation's financial stability, protects assets, and maintains regulatory compliance, thereby enhancing stakeholder confidence and achieving long-term business objectives.

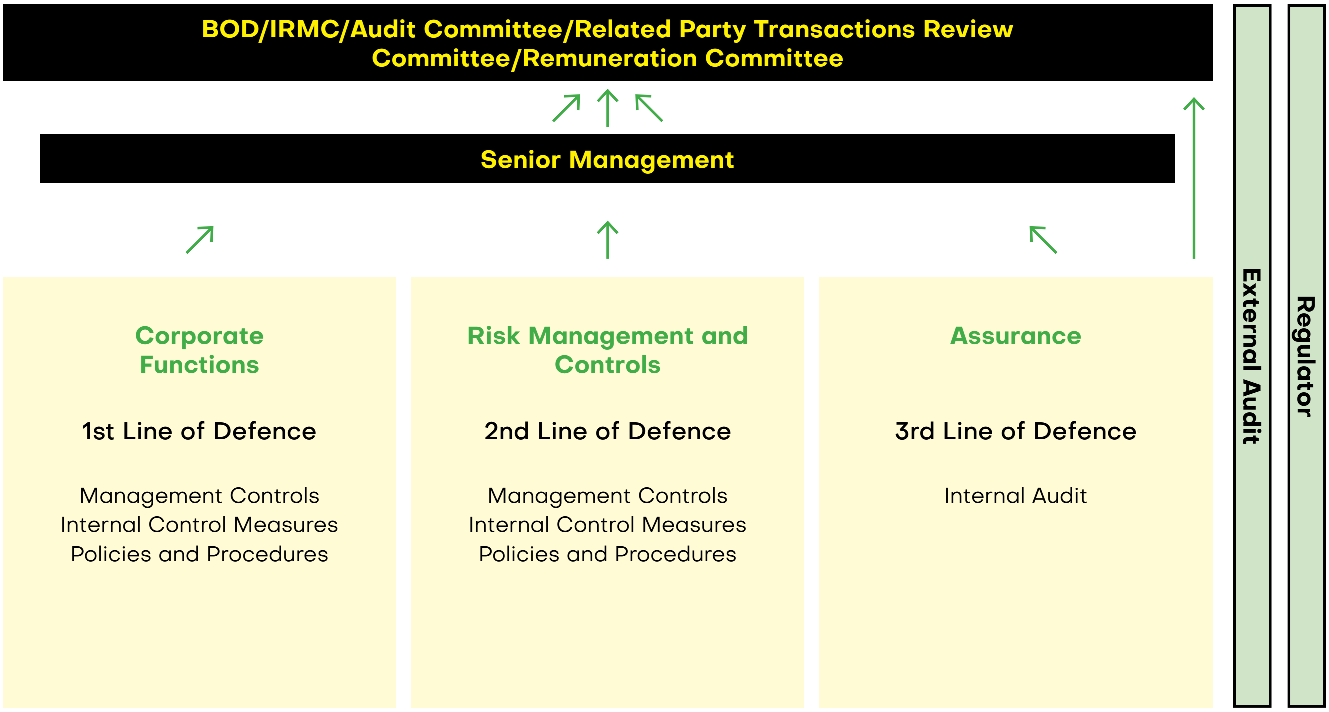
The constantly changing business landscape, including concerns on unsustainable external debt, sovereign ratings, technological advances, cybersecurity concerns and threats, tighter regulations and supervisory controls, volatile economic conditions, and increasingly sophisticated challenges from competitors continue to pose new hurdles to business institutions. Under such conditions, strategic decision-making has always been an inherently risks-laden task. Social developments such as demographic changes, shifts in customer perceptions and preferences, as well as fast-changing customer requirements aggravate these risks. The prevailing social and economic milieu is characterised by social and economic uncertainly, coupled with high interest rates and high inflation, resulting in considerably reduced purchasing power. The scarcity of skilled labour in light of the continuing brain-drain has compelled certain businesses to rethink their entire business model. This highlights the importance of having robust and dynamic risk management systems to tackle emerging risk factors

Risk Management Framework

A risk management framework is a structured approach for identifying, assessing, managing, and monitoring risks. It includes defining risk appetite, establishing policies and procedures, implementing control measures, and continuously reviewing and updating risk strategies to ensure alignment with organisational goals and regulatory requirements.

Senkadagala Finance PLC has established a robust risk management framework to ensure that all risk exposures are proactively identified and meticulously managed. The framework allows line managers and specialists in functions such as internal controls, risk management, compliance and audit to assist the corporate management in forming a cohesive risk governance structure.

The three-tiered risk management structure adopted by the Company, has provided a simple but effective technique which has resulted in a well-defined and effective risk management process.

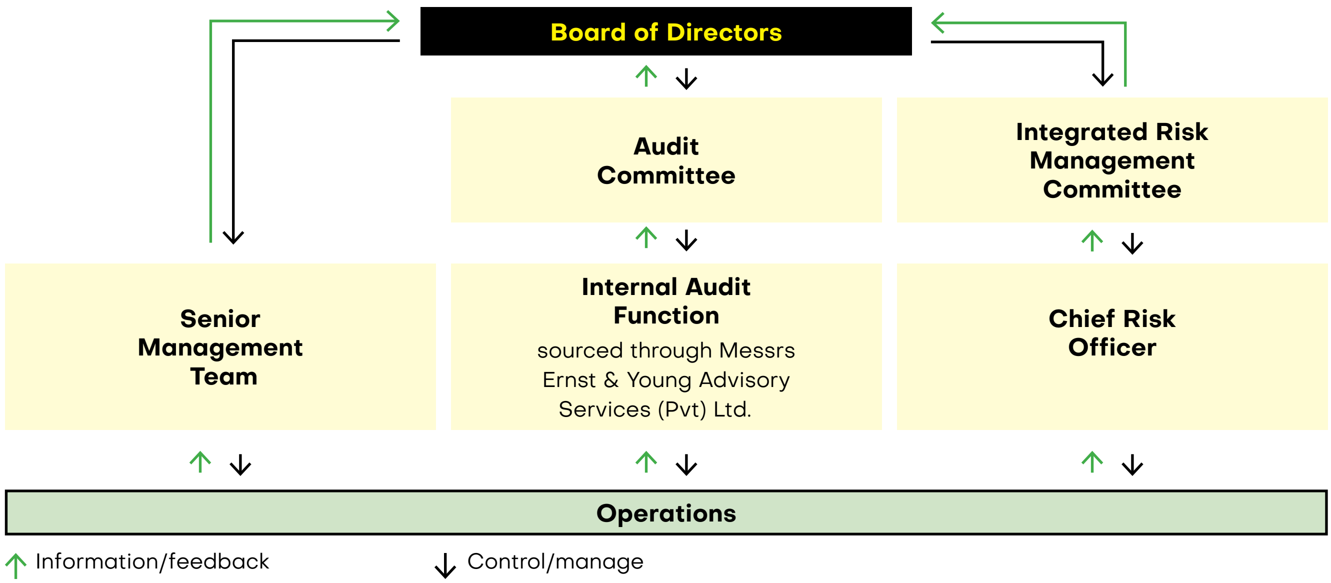


Risk Governance

Risk governance is the framework through which an organisation's risk management activities are directed and controlled. It involves establishing clear roles, responsibilities, and accountability for risk-related decisions. Effective risk governance ensures that risk management aligns with the organisation's strategic objectives, promotes transparency, and facilitates informed decision-making. It includes setting risk appetite, creating policies, overseeing risk assessment processes, and ensuring compliance with regulatory standards, ultimately safeguarding the organisation's integrity and sustainability.

The role of risk governance is primarily vested in the Board of Senkadagala Finance, as it is the authority that holds the ultimate responsibility for risk management. Within this holistic approach, the overall risk strategy is defined, and the corporate risk policies are set out by the Board, ensuring the alignment of the corporate strategy and the risk strategy in order to optimise the risk-return trade-off.

The Integrated Risk Management Committee (IRMC), a subcommittee of the Board, with the participation of the senior management team, assesses the effectiveness of the overall risk strategy of the Company in the context of changes in the operating environment., Having considered and weighed all relevant factors, this body recommends the most effective risk management policies and practices to safeguard stakeholder interests. The Board modifies the corporate risk appetite (the degree of risk the Company is willing to take), and determines the risk management controls and policies based on the agreed risk appetite, taking in to consideration the recommendations of the IRMC. The Board also ensures that the internal control systems are adequate and promotes alignment of the organisation culture with risk management framework.



Risk Objectives of Senkadagala Finance

- Identify, analyse, measure, and control potential risks that pose a threat to the profitability and continuing viability of the entity.
- Manage the financial position in order to strike a balance between assets and liabilities to optimise the value creation for the entity.
- Ensure that adequate controls are in place to curtail downside of risk, to be kept within the agreed upon risk appetite, while maximising returns to inculcate a risk-sensitive culture within the Organisation. This is done with the objective of acting proactively, responding quickly, and implementing effectively, to mitigate such risks.

Risk Management Controls, Policies, and Procedures

Risk management controls, policies, and procedures are frameworks designed to mitigate risks within an organisation. Controls are specific actions or mechanisms to manage identified risks. Policies are formal guidelines outlining the organisation's approach to risk management, setting the tone and expectations. Procedures are detailed, step-by-step instructions for implementing policies and controls, ensuring consistent and effective risk mitigation across the organisation. Together, they enhance operational stability and regulatory compliance.

The implementation of the risk management framework of controls, policies, and procedures has been streamlined to ensure its effectiveness.

Corporate risk objectives are communicated to the operational level staff by way of risk controls, policies and procedures, which are geared towards creating a risk-sensitive culture within the Organisation. Controls are streamlined and reviewed regularly to identify and counter day-to-day risks as well as long-term strategic risks. The responsibility of managing these risk criteria within tolerable limits is shared among the operating managers and the higher-level management.

By promoting a risk-sensitive culture, the Management encourages staff at all levels to be Aware of the types and magnitude of risks that could arise. When new risks are identified, they are assessed for the likelihood of occurrence, and the severity of impact. Control actions are decided based on these two factors. Risk tolerance levels are derived from the risk appetite of the entity and generally accepted industry norms.

Periodic reports are submitted to IRMC meetings assessing the risk indicators against the risk parameters and tolerance levels of the entity. Reasons for variances against the risk appetite are discussed, while evaluating suggestions to control such deviations. Summarised risk reports are also forwarded to the Board meetings for risk assessment and remedial actions.

Independent Assurance

Senkadagala Finance has an on-site continuous internal audit process, sourcing the services of Messrs Ernst & Young Advisory Services (Pvt) Ltd. as external consultants, who report directly to the Audit Committee and the Board of Directors. A monthly reporting cycle by the consultants communicates deviations from the standard operating procedures, misconducts and lapses in the internal control process, while identifying the severity of the impact. This adds another level of safety against risks arising from inadequate internal controls and overall risk management policies.

A specialised in-house audit team has been established in order to carry out audits for gold-backed loan products at branches. Resources are allocated to carry out frequent visits based on the degree of risk. Reports on findings are submitted to the Chief Risk Officer. Actions for audit findings are obtained from the unit heads. These are followed up with the sectional heads at Pawning/gold loan Divisions, to ensure timely implementation of the findings.

Continuous monitoring and follow-up action are carried out to ensure that remedial actions taken are properly implemented. In-depth independent review and assurance ensures the risk management framework of the Company is robust and dynamic.

Environmental Scanning

Environmental scanning involves systematically monitoring and analysing external factors that can impact an organisation. This process helps identify potential risks and opportunities by assessing political, economic, social, technological, legal, and environmental (PESTLE) trends. By understanding these external influences, organisations can reasonably anticipate changes, make informed decisions, and develop proactive strategies to mitigate emerging risks. Environmental scanning enhances resilience, supports strategic planning, and ensures that the organisation remains adaptive and competitive in a dynamic landscape.

Monitoring emerging macro and micro environmental developments plays a key role in meticulous risk management. Standard risk management approaches are well-honed at Senkadagala Finance to mitigate conventional risks. Despite such a forward-facing stance, the accelerated pace of change in recent times and deepened interconnectivity have added complexity to managing risk. Hence, robust environmental scanning is vital for the risk management process.

Key Developments during the Year

Continuation of restrictions on imports, high fuel prices, depreciated SL Rupee value and heightened regulatory controls have made the year under review one of exceptional challenges. The gradual decrease in the market interest rates from the second quarter of the year, together with modest inflation rates helped to ignite the demand for credit. However, the spillover effect of the economic crisis, affected the recovery of the asset quality in certain sectors. Repricing risk's effects on the interest margins and price-adjusted increases in operational costs, continued to pose a challenge for improving the profitability of entities within the industry.

Sectors such as tourism showed a welcome improvement after a hiatus of over five years, following the boom in tourist arrival during the last quarter of the year. Yet industries such as construction continued to struggle due to spill-over effects of the sovereign default, and the overall economic malaise impacting the entire country. This has also led to a massive decline in employment levels, impacting its income-generation capacity, which is vital for the financial services industry.

Increasing reliance on digital technologies driven by advances in AI technology has radically transformed societies. Simultaneously, cyber-threats are increasing in tandem with the development of technology.

Risk Types

Implications of key risk areas such as credit risk, liquidity risk, market risk, and operational risk are monitored on a regular basis. Following are the key risk types affecting the Company:

1. Market risk

a. Interest rate risk
b. Foreign exchange risk
c. Equity price risk
d. Commodity price risk

2. Credit risk

a. Default risk
b. Concentration risk

3. Operational risk

a. Internal controls
b. IT risk
c. Disaster and contingency
d. Regulatory and compliance
e. Strategic risk
f. Reputation risk

4. Liquidity risk

Credit risk

Credit risk is the possibility that borrowers or counterparties will fail to meet their obligations, leading to financial loss for the lender or financial institution. Forms of Credit Risk include:

- Default Risk: The risk that a borrower will not be able to make required payments.
- Concentration Risk: The risk of loss due to heavy exposure to a single borrower or group of related borrowers.

Financial institutions, by the very nature of their business, are highly susceptible to credit risk. Meticulous credit risk management is vital to optimally balance risks and return for such businesses.

Loans and advances, a major component of the assets of the Company are exposed to credit risk and this exposure amounted to LKR 24,476 Mn. as at 31 March 2024, the bulk of which was accounted for by finance leases. Hence, this risk is extremely important in the Company's risk profile and managing it is critical to the operations of the Company.

The Company has in place a robust credit risk management process with clear policies and procedures, segregation of approval limits, collateral valuation and handling process, social and environmental risk management policy, credit risk monitoring and independent assurance.

Summary of the credit risk monitoring and recovery procedure of Senkadagala Finance is as follows:

Marketing Staff

- Continuous relations with customers
- Periodic site visits
- Courtesy reminders via SMS
- Payment reminders via mail
- Phone calls
- Site visits by the Loan Officer, Branch Manager, Regional Manager

Recovery Department

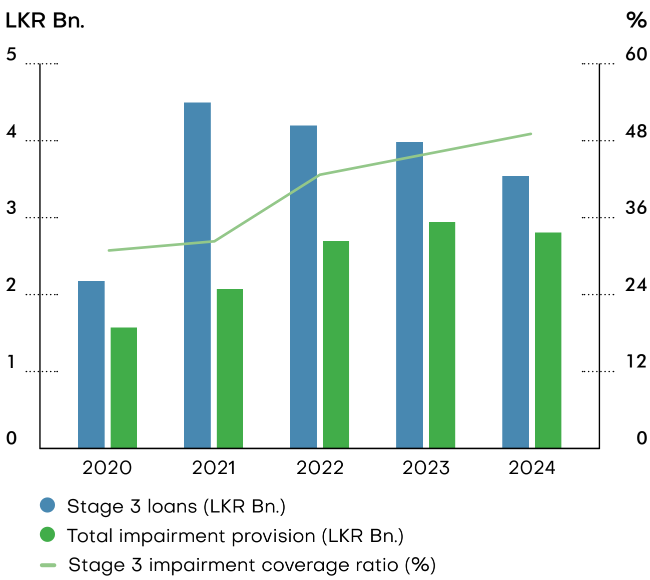
- Site visit by Recovery Officer
- Follow-up actions
- Restructure loan
- Voluntary handover
- Allow third party transfers to credit worthy customers

Legal Department

- Letter of Demand
- Repossession of vehicles
- Mediation Board to recover the dues
- Initiate legal action

Several initiatives were taken in the recent past to strengthen the credit evaluation process of the Company. Stringent recovery exercises were carried out during the year with set targets to improve the overall asset quality. One such key initiative was the system automation for the capture of the CRIB information. As a result, the Company is expected to achieve more rapid credit evaluation, while reducing human errors. This has also enabled the Company to streamline the pricing to align with the risk appetite of the Company in a systematic manner. By fine-tuning the system over the previous financial period, the Company has managed to record a notable improvement in the credit quality of contracts undertaken, using the new credit evaluation model.

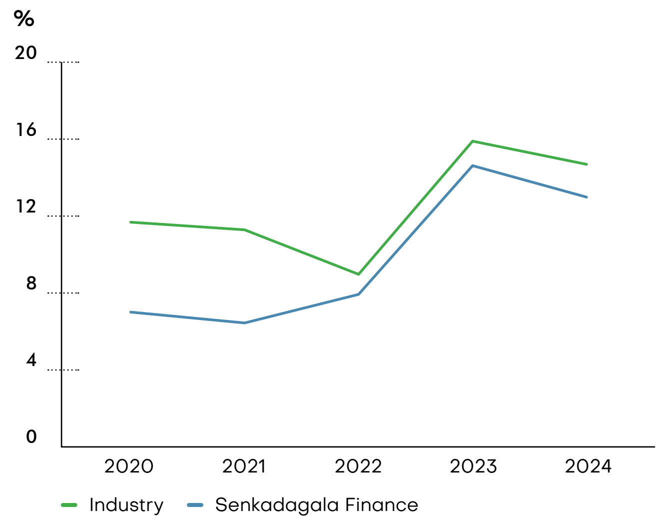
Non performing loans and provision cover



Concentration risk is managed by diversifying exposures to minimise risk. This takes the form of diversifying to industry sectors, products, geographical regions, collateral types, customer segments and individual entities. The Management has set parameters to each of the above criteria based on the risk appetite of the Company. Periodic statements are submitted to the IRMC and the Board evaluating the adherence to set limits. Tolerance limits are also evaluated periodically in line with the developments in the business environment.

During the year the Company launched two loan product types, gold loans and margin trading which are expected to further diversify the products offered by the Company. This is expected to marginally reduce the reliance on vehicle-backed lending of the Company.

Gross Stage 3 loan ratio



With the deferred application of the Finance Business Act Direction No. 1 of 2020, Classification and Measurement of Credit Facilities, with effect from 1 April 2022, the Company classified credit facilities as NPLs based on days past due period and/or potential risk. Accordingly, for the period ended 31 March 2023, the Company classified loans and advances with principal and/or interest past due for more than 120 days from the due date as NPL, as opposed to 180 days up to 31 March 2022. For financial period starting from 1 April 2023, the threshold was further tightened to 90 days from the due date, resulting in a further increase in the Stage 3 ratio in the first half of the year. However, with stringent credit control measures in place, the Company managed to improve the 90 day Stage 3 ratio to 13.00%, better than the Stage 3 ratio of 14.63% recorded in March 2023 and much lower than the 16.72%, recalculated on the 90 days past due basis for the same period.

The Company managed to maintain its Stage 3 ratios below the industry average of 14.7% for the same period.

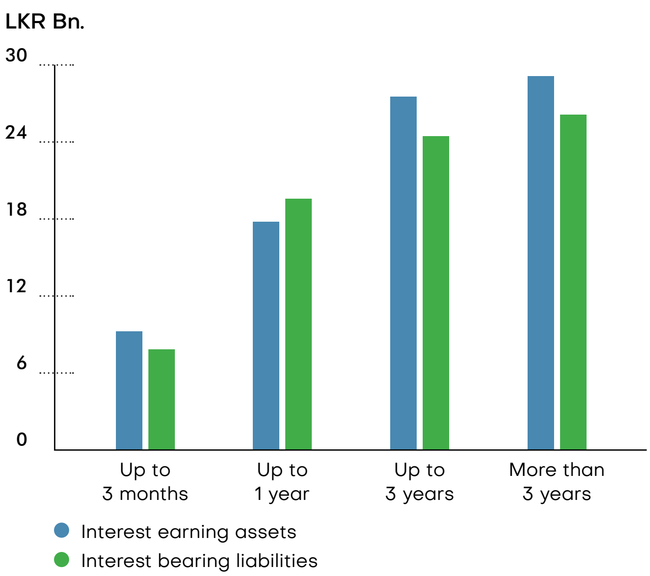
Market Risk

Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
Interest rate risk	Losses due to unfavourable movement of interest rates	Maintain an optimal net interest spread	• Meticulous asset and liability management • Setting risk tolerance levels • Continuous environmental scanning • Carrying out yield curve analysis • Periodical review of the interest rates offered • Explore alternate funding sources • Secure long-term fixed rated funding to take advantage of low market rates prevailing
		Strike a balance between floating and fixed rated borrowings	• Reprice assets and liabilities in accordance with market trends • Constant review of pricing of loans offered
		Maintain an optimal gearing ratio	• Identify and maintain the optimum mix of equity and borrowing • Maintain a lower Weighted Average Cost of Capital (WACC)
Equity price risk	Losses due to volatility of exchange traded equity and debt instruments	Maintain the equity related risk at a minimum level	• Maintain equity investments within the risk tolerance level • Set stop-loss limits to minimise losses • Marking-to-market of instruments periodically to identify the impact
		Maintain a diversified portfolio	• Invest in a variety of industries • Diversify the type of securities invested
Foreign exchange risk	Materialisation of losses due to adverse movements in the foreign currency exchange rates	Minimise transaction losses	• No overnight positions of foreign currency maintained • Continuously educate employees on counterfeit notes in circulation and other possible fraudulent activities • Identify future transaction losses from the predictability of the exchange rate movement
		Minimise translation losses	• Swap cash flows to minimise the exchange risk exposure • Hedge to lessen the effects of the foreign currency borrowings • Regularly review the effectiveness of the hedge
Commodity price risk	Adverse movements in commodity prices	Minimise exposure to commodities	• Minimal exposure to such risk due to nature of business • Closely monitoring fluctuations in market prices of gold and setting optimum LTV levels for pawning and gold loans

Market risk is the potential for financial loss due to adverse movements in market prices and rates affecting a financial institution's assets and liabilities. This risk can stem from fluctuations in interest rates, foreign exchange rates, equity prices, and commodity prices. Market risk is inherent in trading activities, investment portfolios, and even in the broader balance sheet of financial institutions. Probable losses vary with the extent of fluctuation of the underlying variable and the extent of exposures.

In managing interest rate risk, the Company focuses on controlling the potential impacts of repricing of interest-earning assets and interest-bearing liabilities, yield curve movements and basis risk (movements in a hedging situation not offsetting each other). Meticulous management of interest rate risk is vital for the Company, because the majority of its earnings are through interest income. The market interest rates have been experiencing significant volatility in the recent past, fuelled by regulatory action taken to stabilise the turbulent economic situation. Nevertheless, meticulous funding arrangements by the management, enabled the Company to improve the net interest margin at 11.86% compared to 7.64% of last year. The Company also managed to maintain a positive gap between cumulative interest-earning assets and interest-bearing liabilities at all maturity buckets.

Analysis of cumulative maturity gap



Liquidity Risk

Liquidity risk refers to the potential for a financial institution to be unable to meet its short-term obligations due to an inability to convert assets into cash quickly, and at a fair price. It arises when there is a disparity between the timing of cash inflows and outflows, or when there is insufficient market depth to accommodate large transactions without affecting prices adversely.

A very important consideration for the credibility and continuing viability of a financial organisation is that it should be able to honour its commitments as they fall due. Liquidity risk materialises when an institution fails to service such financial commitments in a timely manner. Impact of unforeseen or ill-planned liquidity risk is one of the common reasons for insolvency of financial institutions; even major players in the finance business have at times failed due to poor liquidity management. Therefore, prudent liquid assets management is key for a financial institution's success. Senkadagala Finance PLC continuously maintains a high level of liquidity in managing its working capital. This is one of the strengths that enabled us to steer through the crisis situation prevailed over the recent past.

The CBSL regulates and monitors the liquid asset management framework of NBFIs by way of Directions on Liquid Assets. In addition, the Company has defined tolerance levels set in conformance with the operational liquidity requirements and contingency funding arrangements in the event of unexpected deviations, lined up to make use of as needed. Senkadagala Finance has consistently adhered to CBSL regulations on liquid assets.

Following are the key liquidity ratios stipulated by the CBSL and the respective Company ratios;

Liquidity ratio	Regulatory requirement Percentage (%)	As at 31 March 2024 (%)	As at 31 March 2023 (%)
Government Securities to average deposit liabilities	7.50	10.11	15.81
Liquid assets to fixed deposits and CDs	10.00	16.16	31.22
Liquid assets to savings deposits	15.00	292.40	486.15
Liquid assets to unsecured senior borrowings	10.00	72.03	66.82

IRMC of the Company is responsible for monitoring liquidity risk. The Treasury Department with the CRO present Liquidity related information including forecasted cash flows and current and future funding requirements to the IRMC for their discussion and decisions as and when necessary.

Operational Risk

Operational risk refers to the potential for financial loss arising from inadequate or failed internal processes, people, systems, or external events. It encompasses risks related to fraud, errors, disruptions, and legal/regulatory compliance failures, impacting a financial institution's reputation, operational efficiency, and financial performance.

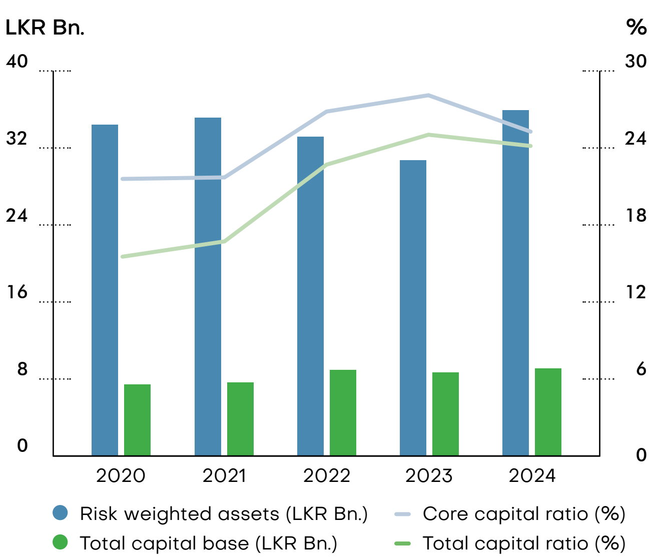
A robust internal control system as well as adequate levels of capital should be in place to mitigate and provide margins for potential losses caused by operational risks.

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
Internal controls	Losses due to lapses in internal controls	Eliminate internal fraud	• Robust internal control systems are in place • Accountability • IT backed controls are in place • Authority limits hardcoded to system controls • A strong risk culture set by the Board and Senior Management • Procedures for reviews and controls • Whistle-blowing policy • Fraud response plans • Complaint handling procedures
		Minimise external fraud	• Dynamic customer screening process • Upgraded information system security • Strong and timely response team • Internal audit • Fraud response plans
		Enhance employment practices and workplace safety	• Employee screening policies • Continuous training and development • Update systems, processes, and procedures • Value placement on ethical business conduct
		Develop execution, delivery and process management	• Comprehensive operations manuals • Ongoing education of the operational staff on changes to market conditions and business processes
Technology related risk	Risk associated with operations, involvement and adoption of information technology within the organisation	Minimise system downtime	• System development and upgrades • Well trained systems support team • Online system support
		Improve system and data security	• Update and upgrade information system security • State-of-the-art system security software • Ensure accuracy and reliability of management information systems • Continuous system development • Capable and experienced Technology Team
		Improve hardware functionality and eliminate breakdowns	• Regular maintenance and upkeep • Co-sourcing suppliers to ensure prompt restoration in system breakdowns
Disasters and contingencies	Loss due to unforeseen events	Minimise business disruption and system failures	• Disaster Recovery Site in place enabling continuous operations with minimal downtime • Business Continuity Plan and disaster management policies in place • Data backups and cloud servers
		Minimise losses due to damage to physical assets	• Comprehensive insurance covers • Regular staff training on workplace safety measures • Following best practices in disaster management at branches (placement of fire extinguishers)

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
Strategic risk	Losses arising due to strategic decisions	Systematic analysis of strategic decisions and meticulous implementation	• Environmental scanning • Regular reporting • Meeting at regular intervals to review the progress • Remedial measures for deviations • Independent perspective provided by Non-Executive Directors • External expert's advice
Regulatory and compliance risk	Losses that arise due to failure of complying with applicable rules, regulations, and codes of conduct	Comply with all regulatory restrictions and controls	• Incorporate regulatory limits and restrictions into internal controls • Fast tracked communication channels to IT and operational departments • Assign responsibility to functional managers • Compliance Register and frequent reports • Regular reports to the Board of Directors • External assurance sourcing Messrs Ernst & Young Advisory Services (Pvt) Ltd.
Reputational risk	Loss of earnings, profitability, capital, or brand image due to negative publicity	Adequate controls overall risk criteria	• Effective and honest communication • Proper internal controls • Regulatory compliance • Two way customer relations • Robust customer complaint handling • Customer care management ethics

The Company maintains adequate capital levels to safeguard against the possibility of operational risk. Detailed information on the capital position of the entity is available on pages 62 to 63 of this Report. In line with the Finance Business Act, Direction (Capital Adequacy Requirement) No. 03 of 2018, a capital charge for operational risk of LKR 4,458 Mn. was provided as at 31 March 2024.

Risk weighted assets and capital positions



Financial Reports

Annual Report of the Board of Directors of Senkadagala Finance PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group, for the year ended 31 March 2024 to the shareholders, which was approved by the Board of Directors on 18 June 2024.

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

Domicile and Legal Form

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 bearing Registration No. PB 238 PQ and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. Senkadagala Finance PLC is listed in the Diri Savi Board of the Colombo Stock Exchange with effect from 22 March 2011.

The registered office of the Company is situated at 2 Floor, 267, Galle Road, Colombo 03.

Vision and Mission

The Company's vision and mission are stated on page 5 of this report.

Principal Activities and Operations

The principal lines of business of the Company include providing financial accommodation in the form of finance leases, hire purchase, commercial loans, personal loans, pawning and corporate loans, with gold loans and margin trading advances being introduced as new products during the year. Additional lines of business include foreign exchange transactions, investment in money market instruments and the acceptance of public deposits in the form of term deposits and savings deposits.

The principal line of business of the subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd., is insurance brokering activities.

The principal line of business of subsidiary, Senfin Asset Management (Pvt) Ltd., a company licensed by the Securities and Exchange Commission of Sri Lanka, is managing Unit Trust Funds and discretionary portfolios.

Senfin Real Estate (Pvt) Ltd., a fully-owned subsidiary of Senfin Asset Management (Pvt) Ltd., was incorporated with the objective of investing, developing, operating and trading real estate assets. However, with the changes of economic conditions, the business proposition of Senfin Real Estate (Pvt) Ltd. is no longer viable. Hence, it is in the process of being stricken-off from the Registrar of Companies.

Senfin Securities Limited, a licensed stock broker with the Securities and Exchange Commission of Sri Lanka, is engaged in providing brokerage services for trading of equity and debt securities in the Colombo Stock Exchange. With only 35% holding, Senfin Securities Limited is an associate of Senkadagala Finance PLC.

There have been no changes in the principal activities of the Company or of the Group during the financial year other than the above disclosed.

Management and Financial Review of Business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 10 to 12), the Managing Director/CEO's Review (on pages 13 to 16) and Our Story in 2023/24 (on pages 29 to 63). These reports, together with the Audited Financial Statements, provide an overall assessment of the performance of the Company and the Group during the financial year.

Branch Expansion and Future Development

Senkadagala Finance PLC has 110 branches in operation Islandwide. 10 new fully-fledged branches were opened during the financial year. Preparations are underway to open 15 new branches in the coming financial year, further expanding the reach of the Company.

Directors' Responsibility for Financial Reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 134 to 278.

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

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company as at 31 March 2024 and the profit of the year then ended and has been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which was replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these Acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

Directors' Statement on Internal Controls Over Financial Reporting

The Directors of the Company are responsible for setting out the policy regarding internal control over financial reporting, a statement on the general control mechanisms adopted by the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 05 of 2021 is given on page 127 of this report.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting as referred to on page 127 of the said statement.

Auditor's Report

The Auditors of the Company, Messrs KPMG, Chartered Accountants performed the audit on the separate and the Consolidated Financial Statements for the year ended 31 March 2024. The Auditor's Report issued thereon is given on pages 128 to 133 of this Annual Report.

Accounting Notes

The accounting policies adopted in preparing and presenting of these Financial Statements are given on pages 142 to 278 of this Annual Report.

The Company and the Group prepared the Financial Statements for all periods up to and including the year ended 31 March 2024 in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka, which has converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

There were no significant changes to the accounting policies adopted by the Company and the Group during the year except for the changes set out in Note 2.10 (on page 146) of the Financial Statements.

Directors Interests

As required by the Section 192 (1) and (2) of the Companies Act, all Directors have made declarations of the interests with the Company. The share ownership of Directors is disclosed on page 125 of this report.

Remuneration and Other Benefits of Directors

Directors' remunerations in respect of the Company is LKR 35,764,070 (2023 – LKR 32,553,120) and for the Group LKR 37,414,070 (2023 – LKR 34,353,120) for the financial year under review.

Related Party Transactions

The Directors have disclosed the transactions that could be classified as related party transactions in terms of Sri Lanka Accounting Standard 24, "Related Party Disclosures", in the Financial Statements, and accordingly given in Note 47 on page 236 of this Annual Report.

The Directors confirm that the transactions carried out with the related parties during the year ended 31 March 2024 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and there were no related party transactions exceeding the threshold of 10% of equity or 5% of total assets as per the Audited Financial Statements of the Company during the year. All related party transactions have been reviewed by the Board Related Party Transactions Review Committee and observations of the Committee have been duly communicated to the Board.

Donations

A sum of LKR 470,000 (2023 – LKR 272,500) was paid out by way of donations during the financial year under review.

Income

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

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Interest income	7,361,849,965	6,492,904,281	7,364,892,058	6,496,364,447
Fee and commission income	69,834,519	40,958,579	281,323,821	222,225,045
Other income	811,871,347	373,679,931	877,676,015	304,890,666
Total	8,243,555,831	6,907,542,791	8,523,891,894	7,023,480,158

Further analysis of which is given in Notes 4, 5.1, 6.1 and 7 to 9 of the Financial Statements on pages 150 to 154 of this report.

Profit and Appropriations

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

For the year ended 31 March	2024 LKR	2023 LKR
Profit before income taxation	1,577,417,244	526,302,454
Income taxation paid	(381,130,777)	(81,251,092)
Profit for the period	1,196,286,467	445,051,362
Other comprehensive income/(loss) net of income tax	(12,122,130)	5,024,243
Transfer from fair Value reserve	28,875,000	–
Balance brought forward	5,015,183,577	4,710,899,740
Profit available for appropriation	6,228,222,914	5,160,975,345
Appropriated as follows,		
Transfers to statutory reserve fund	60,000,000	25,000,000
Dividends paid	56,081,892	120,791,768
Un-appropriated profit carried forward	6,112,141,022	5,015,183,577

Dividends

The dividend payout for the year was 12.98% (2023 – 12.60%). Details on dividend declarations, payments, and the dividend policy are available in shareholder and investor capital on page 60 of this Report.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 33 on pages 222 to 225 of this Report.

Reserves

The aggregate reserves of the Company as at 31 March 2024 amounted to LKR 9,078 Mn., the aggregate reserves as at 31 March 2023 were LKR 7,976 Mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 138 of this Report.

Capital Expenditure

The total capital expenditure for the year amounted to LKR 352.3 Mn. (2023 – LKR 38.9 Mn.).

Details of property, plant and equipment are available on pages 211 to 218 of this Report. Details relating to the depreciation charge for the year are also available on pages 162 to 163.

Market Value of Freehold Assets

The values of the freehold property and investment property of the Company have been obtained from the reports issued by an external independent property valuer Mr K M U Dissanayake dated 25 March 2023. The valuer has appropriately recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation has been carried out based on open market value of similar properties. These values have not been incorporated in the Financial Statements. Details of free hold property owned by the Company including extent, location and number of buildings are given in Note 29.2 and Note 30.9 of the Financial Statements on pages 209 and 217 to this Report.

Issue of Shares and Debentures

Stated capital

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

Details of the stated capital are given in Note 44 of the Financial Statements on page 234 of this report.

Debentures

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

Details of debentures in issue as at 31 March 2024 are given in detail in Note 38 of the Financial Statements on page 229 respectively. Further information on the listed debentures is given on page 61 of this Report.

Share Information

Information relating to earnings per share, dividends per share, net assets per share, market price per share and the distribution of shareholding is stated on page 59, under shareholder and investor capital section. The twenty largest shareholders as at 31 March 2024 together with an analysis of the shareholding are also stated therein.

Equitable Treatment to Shareholders

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

Communication with Shareholders

At Senkadagala Finance PLC, we place great importance on maintaining open and transparent communication with our valued shareholders. We believe that effective shareholder communication is essential for building trust, fostering meaningful relationships, and aligning our strategic goals with their interests. Our communication policy aims to ensure timely and relevant information dissemination while upholding regulatory compliance and best practices.

We engage in regular and proactive communication with our shareholders through various channels. These include annual general meetings, quarterly updates, and other investor relations platforms such as the corporate website. During these interactions, we provide comprehensive updates on our financial performance, strategic initiatives, market trends, and other material developments that may impact the Company.

Furthermore, we actively encourage two-way communication with shareholders, allowing them to raise questions, express concerns, and provide feedback. We strive to address their inquiries promptly and comprehensively, ensuring that their voices are heard and their perspectives are taken into account. Our Company Secretary serves as the primary point of contact for shareholder queries and assists in communicating the same to the Board and providing suitable and timely responses. All such written communications should be mailed to the Company Secretary as provided below;

Ms J A H V Ranasinghe
Senkadagala Finance PLC
2 Floor, 267, Galle Road, Colombo 03
Email : himasha@senfin.com

Consequent to receiving approval by the Central Bank of Sri Lanka in compliance with section 8 of the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), Ms J A H V Ranasinghe was appointed as the Company Secretary with effect from 14 June 2024 in place of Corporate Services (Pvt) Ltd.

Our commitment to effective shareholder communication extends beyond regulatory requirements. We are committed to maintaining a proactive, transparent, and consistent approach to ensure that shareholders are well-informed about the Company's performance, future prospects, and material developments. By fostering strong shareholder relationships through effective communication, we aim to create a shared understanding of our objectives, foster long-term loyalty, and maximise value for all stakeholders.

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Further details on engagement with the Shareholders of the Company are provided under Stakeholder Engagement section on page 23 of the Annual Report.

Directors

The Board of Directors of Senkadagala Finance PLC consists of Directors with financial and commercial experience. The Directors are subject to an annual assessment of their fitness and propriety to continue as Directors in terms of the Direction No. 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons) of the Finance Business Act.

A brief profile of the Directors with their qualifications and experience is detailed on pages 65 to 67 of this Report.

Following were the Directors of the Company during the year

- Mr W M R S Dias (Retired with effect from 15 August 2023 on completing nine years of service as an Independent Non-Executive Director)
- Mr L Balasuriya
- Dr A Balasuriya (Retired with effect from 16 August 2023 upon reaching the age of 70 years)
- Ms L Fernando
- Mr S D Bandaranayake
- Mr R Senanayake
- Mr N Vasantha Kumar
- Dr (Ms) R A Perera
- Mr A Herath (Appointed with effect from 12 October 2023)

Following were the Directors of the Subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. during the year

- Mr L Balasuriya
- Dr A Balasuriya
- Ms L Fernando
- Mr S D Bandaranayake

Following were the Directors of the Subsidiary, Senfin Asset Management (Pvt) Ltd. during the year

- Dr P Ramanujam
- Mr D R Abeysuriya (Deceased on 25 October 2023)
- Mr S Balasuriya
- Mr D T P Collure
- Mr S K Balasuriya
- Mr S D Bandaranayake

Following were the Directors of the Associate, Senfin Securities Limited during the year

- Mr D R Abeysuriya (Deceased on 25 October 2023)
- Mr S K Balasuriya
- Mr S D Bandaranayake
- Mr D Balasuriya (Appointed with effect from 7 June 2023)

Independence of Directors

The Board has carried out a determination of the independent or non-independent status of its Non-Executive Directors in accordance with the Section 7.10.3 of the Continuous Listing Rules of the CSE. Particulars of independence of Directors are set out on pages 65 to 67 and 104 of this Report along with a brief profile of the Director.

Board and Committee Meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Integrated Risk Committee meetings and Related Party Transaction Review Committee meetings were held during the year at the Registered Office of the Company and virtually. Members of each of these committees have attended the meetings on a regular basis. Further, in compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules on Corporate Governance, the Board established the Nomination and Governance Committee and the Board Information Security Committee on 1 July 2024. Details of the members and their attendance is given on pages 65 to 67 and 104 of this report.

Recommended for Re-election

In accordance with the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), Mr S D Bandaranayake was re-appointed as an Executive Director with the approval of the Monetary Board of the Central Bank of Sri Lanka, on reaching the age of 71 years.
In accordance with Sections 210 and 211 of the Companies Act No. 07 of 2007, he is recommended for re-election in the forthcoming Annual General Meeting of the Company.

Retirement of Director

In accordance with the Section 3.3 of the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), Mr W M R S Dias retired from service to the Company as Chairman on 15 August 2023, on completing nine years of service with the Board in the capacity of an Independent Non-Executive Director.

In accordance with the Finance Business Act Directions No. 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons), Dr. A Balasuriya retired from service to the Company on 16 August 2023, upon reaching 70 years of age.

Directors' Shareholdings

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

	2024		2023	
	Number of shares	% of holding	Number of shares	% of holding
Dr A Balasuriya and Mr D Balasuriya (Retired w.e.f. 16 August 2023)	2,963,360	3.43	2,963,360	3.43
Dr A Balasuriya and Mr S Balasuriya (Retired w.e.f. 16 August 2023)	2,963,358	3.43	2,963,358	3.43
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,963,360	3.43
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,963,358	3.43
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,735,089	2.01
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,735,088	2.01
Ms L Fernando and Mr A L Fernando	1,735,088	2.01	1,735,088	2.01
Mr L Balasuriya – The Trustee of the Capitalisation Issue	16	0.00	16	0.00
Mr S D Bandaranayake	–	0.00	–	0.00
Mr W M R S Dias (Retired w.e.f. 15 August 2023)	–	0.00	–	0.00
Mr R Senanayake	–	0.00	–	0.00
Mr N Vasantha Kumar	–	0.00	–	0.00
Dr (Ms) R A Perera	–	0.00	–	0.00
Mr A Herath (Appointed w.e.f. 12 October 2023)	–	0.00	–	0.00

The Directors of the Company do not hold any shares of Senkadagala Insurance Brokers (Pvt) Ltd. or of Senfin Asset Management (Pvt) Ltd., the subsidiary companies, or of Senfin Securities Limited, the associate company, during or at the end of the financial year.

Directors' Interests in Debentures

Details of Debentures held by the Directors of the Company are mentioned in Note 47.3.3 on page 238 of this Report.

Environment

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

Statutory Payments

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

Post Balance Sheet Events

A final dividend of LKR 1.80 per share for the financial year ended 31 March 2024 was recommended by the Board of Directors, subject to the approval by the shareholders at the Annual General Meeting.

In accordance with the LKAS 10 on "Events after the reporting period", above transaction is not recognised in the Financial Statements as at year end.

Except as mentioned above, there were no material events occurring after the reporting period that require adjustment to or disclosure in the Financial Statements.

Retirement and Appointment of External Auditors

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

With the recommendation of the Board Audit Committee and ratification by the Board of Directors of the Company Messrs Ernst & Young, Chartered Accountants is proposed to be appointed as the External Auditors of the Company. A resolution will be proposed at the Annual General Meeting to appoint them as auditors and authorising the Directors to resolve their remuneration for the financial year 2024/25.

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Auditor's Remuneration, Other Fees and Payables

The Auditors, Messrs. KPMG, were paid audit fees of LKR 3,925,000 (2023 – LKR 3,500,000) for the Company and LKR 605,000 (2023 – LKR 550,000) for the subsidiary companies for the period under review. In addition they were paid LKR 3,217,052 (2023 – LKR 2,901,704), for permitted non-audit related services of the Company and LKR 114,440/- (2023 – LKR 139,562) for the subsidiaries respectively. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 07 of 2007.

Amounts pertaining to the Audit fee of LKR 3,925,000 of the Company and LKR 605,000 of the subsidiaries was payable as at the year end.

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

Risk Management

Information pertaining to material foreseeable risk factors and specific steps taken by the Company in managing such risks are detailed in the Risk Management section on pages 109 to 118 of this Report.

Corporate Governance

The Board place great emphasis on maintaining effective corporate governance practices, policies and systems are structured accordingly and reviewed time to time to enhance transparency and accountability. The report on corporate governance is given on pages 68 to 104 of the Annual Report.

Internal Control

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

Employment Policies

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

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

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

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. During the year under review, the Company initiated online training programmes to update staff on latest developments on policies, procedures and other operational related systems. The Company had 896 employees as at 31 March 2024 (2023 – 819) and 912 (2023 – 835) in the Group respectively.

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

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

Going Concern

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

Compliance with Laws and Regulations

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

By order of the Board of

SENKADAGALA FINANCE PLC

R Senanayake
Chairman

L Balasuriya
Chief Executive Officer/Managing Director

J A H V Ranasinghe
Company Secretary

Colombo, Sri Lanka
1 July 2024

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with section 16.1 ix. of the Finance Companies Corporate Governance Direction No. 05 of 2021, and Principle D.1.5 of the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017, the Board of Directors of Senkadagala Finance PLC presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Senkadagala Finance PLC ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is carried out in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously engaged in enhancing the processes related to Internal Controls over financial reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked through internal audit functions of the Company for suitability of design and effectiveness on an on-going basis.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System Over Financial Reporting

- The Board has designated multiple subcommittees to support the smooth functioning of the Company's daily activities and ensure their alignment with corporate goals, strategies, the annual budget, and the policies and business directions approved by the Board.
- The Board approves policies/charters governing key functional areas of the Company including the Internal Controls over Financial Reporting. The committees appointed by the Board review and recommend these policies/charters before seeking Board approval.
- Compliance department of the Company ensures that the policies/charters and other documentation are created in line with regulatory requirements and taking into account the best practices of the industry. The Company carries out a quarterly compliance audit where these factors are monitored to ensure optimum compliance.
- The internal audit function of the Company conducts continuous checks on policy and procedure compliance, as well as the effectiveness of internal control systems and information system controls, thereby identifying noteworthy instances of non-compliance. Audits are conducted in accordance with the annual audit plan, which is reviewed and approved by the Board Audit Committee. The Board Audit Committee receives all significant findings identified through the Internal Audit function.
- The Company adheres to Sri Lanka Accounting Standards, encompassing LKASs and SLFRSs, and continuously enhances its processes to meet the requirements of recognition, measurement, classification, and disclosure. To strengthen financial reporting and management information processes, constant monitoring and adaptation to market realities are undertaken. The Company evaluates existing models to assess potential implications of the current economic conditions, and these models undergo regular review and validation by independent industry experts to ensure accurate financial representation.

Confirmation

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

Statement On Prudential Requirements

The Company is fully compliant with prudential requirements, regulations, laws, and internal controls, and there have been 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 non-compliance with directions that require public disclosure. As a result, there are no measures to be taken or any information to disclose in this regard.

External Auditors Certification

The External Auditors have submitted a certification on the process adopted by the Directors on the System of Internal Controls over Financial Reporting. The matters addressed by the External Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By order of the Board,

S D Bandaranayake
Director/Additional CEO

R Senanayake
Chairman/
Chairman of the Board Audit Committee

Colombo, Sri Lanka
1 July 2024

Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Shareholders of Senkadagala Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Senkadagala Finance PLC ("the Company") and the 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 and loss, Statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory 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 of 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 judgement, were of most significance in our audit of the Company and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

1. Impairment of finance lease and hire purchase and loans and receivables from the customers

Refer to Note 2.9 (Significant accounting judgements, estimates and assumptions), Note 10 (Impairment charges and other credit losses), Note 23 (Financial assets at amortised cost – finance leases and hire purchase) and Note 24 (Financial assets at amortised cost – Loans and receivables from customers) to these Financial Statements.

Risk Description	Our response
As at 31 March 2024, net finance lease and hire purchases and other loans and receivables amounted to LKR 22,240 Mn. and LKR 2,236 Mn. respectively which is 67% of the total assets of the Company. Provision for impairment as at 31 March 2024 amounted to LKR 2,140 Mn. and LKR 671 Mn. on finance lease and hire purchases and other loans and receivables respectively. High degree of complexity and judgement are involved in estimating Expected Credit Loss (ECL) on finance lease and hire purchases and other loans and advances to the customers. The Company uses both individual impairment assessment and collective impairment assessment. Collective impairment is calculated using internally developed statistical models which are inherently complex, and judgement is required in developing the models. There is a number of key inputs and assumptions used by the Company in applying the requirements of SLFRS 9 to the models including definition of significant increase in credit risk (SICR), selection and input of forward-looking information, past due information, historical loss parameters etc. Some of these assumptions and inputs are heavily dependent upon the macroeconomic environment, also additional adjustments and overlays are provided to the model to reflect the effects of current economic developments to address known model limitations due to emerging trends in the economy and the portfolios. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.	Our audit procedures included the following: ● Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counter party credit quality and restructuring of lease and loans receivables from customers, the process of the measurement of impairment allowances for lease and loans receivables from customers; ● Reconciliation of the data used in the ECL calculation process to gross balances recorded in the general ledger with source systems; ● Challenging the validity of the models used and assumptions including staging, probability of default (PD) and loss given default (LGD) adopted by the Company for the calculation of collective impairment allowances; ● By working with our Financial Risk Management (FRM) specialist we carried out the following procedures; – Challenging the Company forward-looking macro-economic assumptions and scenarios incorporated in the ECL models by comparing the economic factors used to relevant publicly available macro-economic information, to identify contradictory indicators; – Evaluating and challenging the key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Company's ECL model and data limitations identified by the Company's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the prevailing economic conditions;

KPMG

Risk Description	Our response
Additionally, allowances for individually significant leases and loans exceeding specific thresholds are individually assessed by the Company. These specific allowances are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company in respect of the lease and loan receivables. Accordingly, due to the significance of the value of the net investment in lease and hire purchase and other loans and advances relative to total assets, subjectivity and complexity of the significant judgments involved and estimation uncertainty associated with the impairment provision calculation, we considered impairment of lease and hire purchase and other loans and advances as a Key Audit Matter.	• Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic development; • Assessing the ongoing effectiveness of the significant increase in credit risk criteria and independently calculated the staging of loans and leases. • Assessing the adequacy of individual impairment provision by; – Evaluating the criteria used to identify individually significant customers – Obtaining Management's assessment of the recoverability of these exposures and challenged whether individual impairment provisions were appropriate. – On a sample basis, testing large customers based on quantitative thresholds and evaluating those large customers where impairment indicators have been identified by Management. • Assessing prevailing uncertain and volatile macroeconomic environment in the country within the ECL model by, assessing the appropriateness of weight of the different economic scenario. • Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; • Assessing the appropriateness of the Company's disclosures in the Financial Statements using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

KPMG

2. IT systems and controls over financial reporting

Risk Description	Our response
The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. Automated accounting procedures and IT environment controls, which include IT governance, controls over programme development and changes, access to programmes and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Key areas of importance are system calculations in relation to significant accounts including interest calculations, updating of the general ledger, interface between different modules within the system etc. This is an area of significant risk in our audit due to the dependency of the financial reporting process on the IT systems and controls driven by significant transaction volumes and accordingly identified as a Key Audit Matter.	Our procedures included; We worked with KPMG IT Audit specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of general IT controls in relation to financial accounting and reporting system involving restrictions on system access, permissions and responsibilities of the authorised users, process for approving changes to the systems etc; • Examining the framework of governance over the Company's IT organisation and the controls over programme development and changes, access to programmes and data and IT operations, including compensating controls where required; • Evaluating the design, implementation and operating effectiveness of the specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the Financial Statements; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on business continuity; • Re-performing selected automated computations and comparing the results with the system calculations and the general ledger. • Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our auditor's report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group 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 the 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:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.

KPMG

- 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.
- 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 FCA 3272.

Chartered Accountants
KPMG
Colombo, Sri Lanka

19 June 2024

Statement of Profit or Loss

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross income	4	8,243,555,831	6,907,542,791	8,523,891,894	7,023,480,158
Interest income	5.1	7,361,849,965	6,492,904,281	7,364,892,058	6,496,364,447
Interest expense	5.3	(3,715,481,541)	(3,879,380,604)	(3,705,027,885)	(3,868,363,731)
Net interest income	5	3,646,368,424	2,613,523,677	3,659,864,173	2,628,000,716
Fee and commission income	6.1	69,834,519	40,958,579	281,323,821	222,225,045
Fee and commission expense	6.2	(55,093,360)	(26,875,854)	(55,093,360)	(26,875,854)
Net fee and commission income	6	14,741,159	14,082,725	226,230,461	195,349,191
Net gain from trading	7	121,711,775	53,083,911	123,369,575	58,369,793
Net gain from financial instruments at fair value through profit or loss	8	515,684,592	78,083,964	535,438,389	81,088,297
Other operating income	9	174,474,980	242,512,056	218,868,051	165,432,576
Net other operating income		811,871,347	373,679,931	877,676,015	304,890,666
Total operating income		4,472,980,930	3,001,286,333	4,763,770,649	3,128,240,573
Impairment charges and other credit losses	10	(213,568,341)	(268,688,617)	(213,568,341)	(268,688,617)
Net operating income		4,259,412,589	2,732,597,716	4,550,202,308	2,859,551,956
Personnel expenses	11	(967,767,892)	(830,795,495)	(1,007,416,374)	(865,355,463)
Depreciation and amortisation	12	(325,277,707)	(371,642,800)	(333,338,348)	(379,894,898)
Reversal of impairment charge on investment in subsidiaries	27.3	4,938,214	–	–	–
Other operating expenses	13	(915,872,762)	(776,380,508)	(935,597,637)	(790,427,413)
Operating profit before taxation on financial services		2,055,432,442	753,778,913	2,273,849,949	823,874,182
Taxes on financial services	14	(525,554,791)	(256,537,187)	(525,554,791)	(256,537,187)
Operating profit after taxation on financial services		1,529,877,651	497,241,726	1,748,295,158	567,336,995
Share of profits of associate, net of tax	28.1	47,539,593	29,060,728	47,539,593	29,060,728
Profit before income tax		1,577,417,244	526,302,454	1,795,834,751	596,397,723
Income tax expense	15	(381,130,777)	(81,251,092)	(432,011,241)	(118,533,985)
Profit for the year		1,196,286,467	445,051,362	1,363,823,510	477,863,738
Basic earnings per share	16	13.87	5.16	15.81	5.54

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Profit for the year		1,196,286,467	445,051,362	1,363,823,510	477,863,738
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial (loss)/gain on defined benefit plans	43.2	(16,814,428)	8,421,192	(16,904,560)	8,099,961
Deferred tax effect on actuarial gain	33.1	5,044,328	(2,526,358)	5,071,368	(2,429,988)
Net change in fair value of equity investments at fair value through other comprehensive income		(34,730,273)	479,611	(34,730,273)	479,611
Tax effect on changes in fair value of equity investments at fair value through other comprehensive income		9,057,570	–	9,057,570	–
Share of other comprehensive income of associate, net of tax	28.2	(352,030)	(870,591)	(352,030)	(870,591)
Other comprehensive income for the year, net of tax		(37,794,833)	5,503,854	(37,857,925)	5,278,993
Total comprehensive income for the year		1,158,491,634	450,555,216	1,325,965,585	483,142,731

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Assets					
Cash and cash equivalents	20	675,179,658	492,429,493	745,484,204	515,465,068
Financial assets at amortised cost – Deposits with licensed financial institutions	21	2,621,954,788	5,113,380,978	2,630,031,829	5,121,558,512
Financial assets at amortised cost – Repurchase agreements		251,569,750	666,610,501	251,569,750	666,610,501
Financial assets held at fair value through profit or loss	22	4,483,199,237	485,751,196	4,622,384,957	556,025,320
Financial assets at amortised cost – Finance leases and hire purchases	23	22,240,442,963	19,695,389,245	22,240,442,963	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	24	2,235,738,399	4,620,334,290	2,236,019,399	4,620,635,290
Financial assets measured at fair value through other comprehensive income	25	160,512,106	360,242,379	160,512,106	360,242,379
Financial assets at amortised cost – Other financial instruments	26	1,199,615,574	1,674,913,303	1,199,615,574	1,674,913,303
Investments in subsidiaries	27	51,729,600	328,301,663	–	–
Investment in associate	28	163,927,700	116,740,137	163,927,700	116,740,137
Investment property	29	348,495,373	352,724,122	348,495,373	257,062,610
Property, plant and equipment	30	1,255,786,307	1,100,527,672	1,262,424,662	1,108,074,539
Intangible assets	31	54,281,007	58,328,337	54,775,488	58,799,228
Right-of-use assets	32	385,709,783	346,392,989	385,709,783	352,869,137
Deferred tax assets	33	248,863,640	109,259,525	249,298,956	109,990,943
Other assets	34	183,248,477	197,954,691	170,057,950	171,620,428
Total assets		36,560,254,362	35,719,280,521	36,720,750,694	35,385,996,640
Liabilities					
Due to banks	35	6,509,926,076	6,866,156,797	6,509,926,076	6,866,404,668
Financial liabilities at amortised cost – Due to depositors	36	13,839,119,884	10,263,254,075	13,776,589,964	10,176,610,569
Financial liabilities at amortised cost – Other borrowings	37	3,699,366,257	7,597,711,767	3,699,366,257	7,597,711,767
Subordinated debentures	38	1,768,784,186	1,768,800,757	1,768,784,186	1,768,800,757
Lease liabilities	39	398,134,175	354,424,986	398,134,175	362,960,317
Current tax payable	40	462,347,533	137,312,045	469,490,178	143,525,569
Amounts due to related company	41	–	282,122,456	–	–
Other liabilities	42	649,415,476	355,147,527	687,995,028	367,424,480
Employee retirement benefits	43	155,216,005	118,815,083	159,768,195	121,745,571
Total liabilities		27,482,309,592	27,743,745,493	27,470,054,059	27,405,183,698

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Equity					
Stated capital	44	2,424,777,045	2,424,777,045	2,424,777,045	2,424,777,045
Statutory reserve fund	45	591,036,033	531,036,033	591,036,033	535,997,079
Fair value reserve	46	(50,009,330)	4,538,373	(50,009,330)	4,538,373
Retained earnings		6,112,141,022	5,015,183,577	6,284,892,887	5,015,500,445
Total equity		9,077,944,770	7,975,535,028	9,250,696,635	7,980,812,942
Total liabilities and equity		36,560,254,362	35,719,280,521	36,720,750,694	35,385,996,640

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

P K Rajapaksa
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

R Senanayake
Chairman

L Balasuriya
Chief Executive Officer/Managing Director

Colombo, Sri Lanka
18 June 2024

Statement of Changes in Equity

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Company					
Balance as at 1 April 2022	2,424,777,045	506,036,033	4,058,762	4,710,899,740	7,645,771,580
Profit for the year	–	–	–	445,051,362	445,051,362
Other comprehensive income, net of tax	–	–	479,611	5,024,243	5,503,854
Total comprehensive income for the year	–	–	479,611	450,075,605	450,555,216
Transfers to reserves	–	25,000,000	–	(25,000,000)	–
Transactions with equity holders recognised directly in equity					
Dividends paid to equity holders	–	–	–	(120,791,768)	(120,791,768)
Total contributions from and distributions to equity holders	–	–	–	(120,791,768)	(120,791,768)
Balance as at 31 March 2023	2,424,777,045	531,036,033	4,538,373	5,015,183,577	7,975,535,028
Balance as at 1 April 2023	2,424,777,045	531,036,033	4,538,373	5,015,183,577	7,975,535,028
Profit for the year	–	–	–	1,196,286,467	1,196,286,467
Other comprehensive income, net of tax	–	–	(25,672,703)	(12,122,130)	(37,794,833)
Total comprehensive income for the year	–	–	(25,672,703)	1,184,164,337	1,158,491,634
Transfers to reserves	–	60,000,000	–	(60,000,000)	–
Transfer of net gains on disposal of equity investments at FVOCI to retained earnings	–	–	(28,875,000)	28,875,000	–
Transactions with equity holders recognised directly in equity					
Dividends paid to equity holders	–	–	–	(56,081,892)	(56,081,892)
Total contributions from and distributions to equity holders	–	–	–	(56,081,892)	(56,081,892)
Balance as at 31 March 2024	2,424,777,045	591,036,033	(50,009,330)	6,112,141,022	9,077,944,770

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Group					
Balance as at 1 April 2022	2,424,777,045	510,997,079	4,058,762	4,678,629,093	7,618,461,979
Profit for the year	–	–	–	477,863,738	477,863,738
Other comprehensive income, net of tax	–	–	479,611	4,799,382	5,278,993
Total comprehensive income for the year	–	–	479,611	482,663,120	483,142,731
Transfers to reserves	–	25,000,000	–	(25,000,000)	–
Transactions with equity holders recognised directly in equity					
Dividends paid to equity holders	–	–	–	(120,791,768)	(120,791,768)
Total contributions from and distributions to equity holders	–	–	–	(120,791,768)	(120,791,768)
Balance as at 31 March 2023	2,424,777,045	535,997,079	4,538,373	5,015,500,445	7,980,812,942
Balance as at 1 April 2023	2,424,777,045	535,997,079	4,538,373	5,015,500,445	7,980,812,942
Profit for the year	–	–	–	1,363,823,510	1,363,823,510
Other comprehensive income, net of tax			(25,672,703)	(12,185,222)	(37,857,925)
Total comprehensive income for the year	–	–	(25,672,703)	1,351,638,288	1,325,965,585
Transfers to reserves	–	60,000,000	–	(60,000,000)	–
Reclassification of reserves of the wound-up subsidiary	–	(4,961,046)	–	4,961,046	–
Transfer of net gains on disposal of equity investments at FVOCI to retained earnings	–	–	(28,875,000)	28,875,000	–
Transactions with equity holders recognised directly in equity					
Dividends paid to equity holders	–	–	–	(56,081,892)	(56,081,892)
Total contributions from and distributions to equity holders	–	–	–	(56,081,892)	(56,081,892)
Balance as at 31 March 2024	2,424,777,045	591,036,033	(50,009,330)	6,284,892,887	9,250,696,635

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Cash Flows

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash flows from operating activities					
Interest and commission receipts		7,387,646,273	6,063,993,782	7,602,177,668	6,248,720,414
Interest payments		(3,756,220,350)	(3,684,542,979)	(3,745,230,025)	(3,672,149,834)
Recoveries of bad debts	9	63,185,870	61,529,199	63,185,870	61,529,199
Other operating income		47,745,007	48,446,129	47,409,110	48,366,649
Operating expenses		(1,540,342,963)	(1,015,933,058)	(1,560,067,838)	(1,029,979,963)
Rent expenses		(8,462,490)	(10,097,415)	(8,462,490)	(10,097,415)
Cash payments to employees		(929,780,198)	(802,447,339)	(967,897,110)	(836,091,239)
Operating cash flow before changes in operating assets and liabilities (Note A)		1,263,771,149	660,948,319	1,431,115,185	810,297,811
Changes in operating assets and liabilities					
Net fund (advanced to)/received from customers		(278,053,648)	2,006,694,245	(278,033,648)	2,006,638,245
Net deposits from customers		3,575,865,809	(560,729,305)	3,599,979,395	(605,727,882)
Net deposits with licensed financial institutions		2,153,676,267	2,577,972,983	2,153,776,760	2,578,047,600
Government and other securities		890,338,480	252,155,254	890,338,480	252,155,254
Other assets		6,206,214	(70,226,047)	1,562,478	(73,009,277)
Other liabilities		410,475,261	(317,173,642)	438,175,617	(313,506,781)
		6,758,508,383	3,888,693,488	6,805,799,082	3,844,597,159
Net cash flows from operations		8,022,279,532	4,549,641,807	8,236,914,267	4,654,894,970
Taxes paid	40	(300,516,664)	(323,327,404)	(350,862,986)	(351,439,441)
Employee retirement benefits paid	43	(18,401,200)	(10,032,450)	(18,401,200)	(12,943,100)
Net cash generated from operating activities		7,703,361,668	4,216,281,953	7,867,650,081	4,290,512,429
Cash flows from investing activities					
Investment in shares of associate	28	–	(88,550,000)	–	(88,550,000)
Net investment in trading securities		(3,360,051,673)	(66,922,087)	(3,407,551,673)	(60,922,085)
Net investment in financial assets at FVOCI		165,000,000	(345,000,000)	165,000,000	(345,000,000)
Dividends received		75,726,881	90,422,504	16,226,881	3,422,504
Purchase of property, plant and equipment	30	(345,834,945)	(30,695,389)	(346,423,656)	(30,722,655)
Purchase of intangible assets	31	(6,459,981)	(8,201,873)	(6,570,841)	(8,201,873)
Proceeds from sale of property, plant and equipment		27,499,151	51,060,207	27,499,151	51,060,207
Addition of right-of-use assets	32	(36,431,384)	(21,518,100)	(36,431,384)	(21,518,100)
Net cash used in investing activities		(3,480,551,951)	(419,404,738)	(3,588,251,522)	(500,432,002)
Cash flows from financing activities					
Borrowings obtained		4,828,915,479	3,735,000,000	4,828,915,479	3,735,000,000
Repayment of borrowings		(8,683,168,776)	(7,355,562,843)	(8,683,168,776)	(7,355,562,843)
Repayment of lease liabilities	39	(145,136,628)	(126,918,071)	(154,208,628)	(134,694,071)
Dividends paid		(53,370,046)	(114,763,561)	(53,370,046)	(114,763,561)
Net cash used in financing activities		(4,052,759,971)	(3,862,244,475)	(4,061,831,971)	(3,870,020,475)

For the year ended 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Net increase/(decrease) in cash and cash equivalents		170,049,746	(65,367,260)	217,566,588	(79,940,048)
Cash and cash equivalents at the beginning of the year		354,311,064	419,678,324	377,098,768	457,038,816
Cash and cash equivalents at the end of the year		524,360,810	354,311,064	594,665,356	377,098,768
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	20	675,479,712	492,517,823	745,784,258	515,553,398
Bank overdrafts	35	(151,118,902)	(138,206,759)	(151,118,902)	(138,454,630)
		524,360,810	354,311,064	594,665,356	377,098,768
Note A					
Reconciliation of operating profit					
Profit before income tax		1,577,417,244	526,302,454	1,795,834,751	596,397,723
Depreciation and amortisation	12	325,277,707	371,642,800	333,338,348	379,894,898
Dividends received	9	(67,226,881)	(80,422,504)	(16,226,881)	(3,422,504)
Profit on disposal of property, plant and equipment		(27,499,153)	(34,973,072)	(123,160,665)	(34,973,072)
Provision for retirement benefit plan	11	37,987,694	28,348,156	39,519,264	29,264,224
Impairment charge on financial assets		71,489,537	301,860,878	71,489,537	301,860,878
Reversal of impairment charge on investment in subsidiaries	27.3	(4,938,214)	–	–	–
Profit on disposal of right-of-use assets		–	(987,421)	–	(987,421)
Net gain from trading	7	(121,711,775)	(53,083,911)	(123,369,575)	(58,369,793)
Net gain from financial instruments at FVTPL	8	(515,684,592)	(78,083,964)	(535,438,389)	(81,088,297)
Loan losses and write-offs	10.3	19,627,312	236,630	19,627,312	236,630
Net loss from auction of pawned articles	10.3	70,166,951	1,341,606	70,166,951	1,341,606
Gain on winding up subsidiary		(612,179)	–	(679,635)	–
Unrealised loss/(gain) from foreign currency conversion		31,794,110	(17,141,152)	31,794,110	(17,141,152)
Interest expenses on lease liabilities	5.3	65,995,070	56,647,312	66,531,739	58,023,584
Share of profit of associate, net of tax		(47,539,593)	(5,331,645)	(47,539,593)	(5,331,645)
Gain on bargain purchase of associate		–	(23,729,083)	–	(23,729,083)
Net interest accrued for leases, hire purchases, other loans and receivables		(44,038,212)	(469,869,078)	(44,038,212)	(469,869,078)
Accrued interest on borrowings		(106,717,306)	137,936,746	(106,717,306)	137,936,746
Accrued interest on debentures		(16,571)	253,567	(16,571)	253,567
		1,263,771,149	660,948,319	1,431,115,185	810,297,811

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 Domicile and legal form

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re–registered under the Companies Act No. 07 of 2007 on 14 November 2011.

Senkadagala Finance PLC is listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22 March 2011.

The registered office of the Company is situated at 2 Floor, No. 267, Galle Road, Colombo 03.

As a registered finance company, it is supervised by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

1.2 Number of employees

The number of employees of the Company and the Group as at the end of the year were as follows;

Company	896 (31 March 2023 – 819)
Group	912 (31 March 2023 – 835)

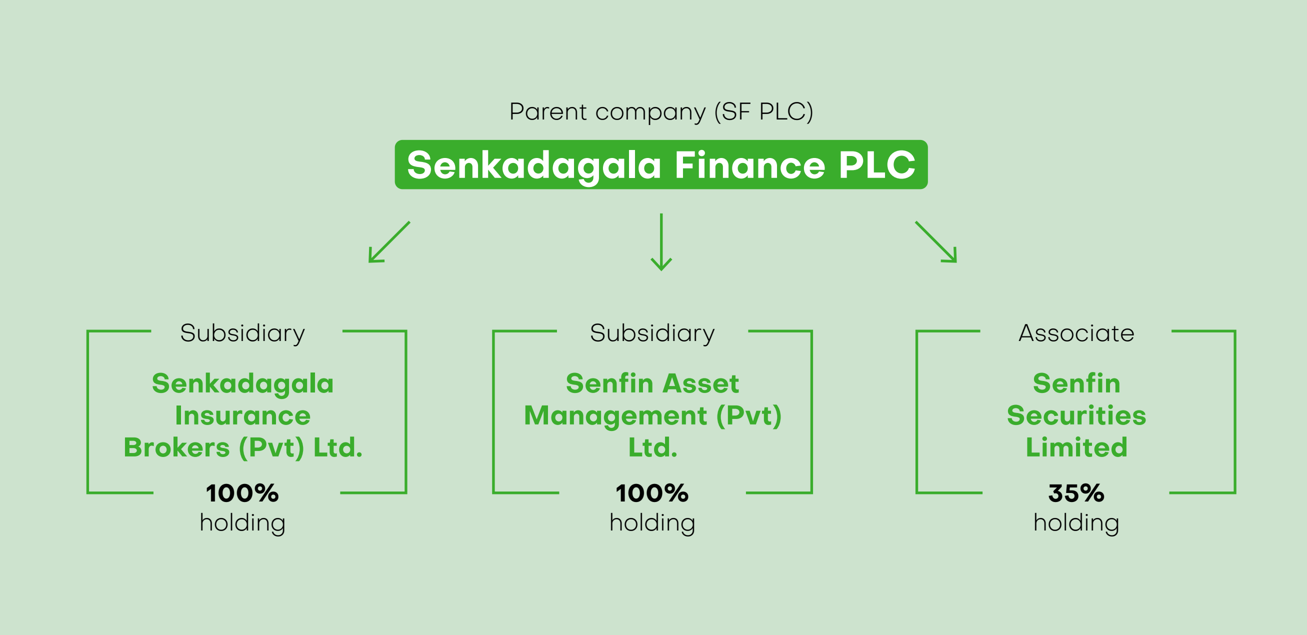
1.3 Consolidated Financial Statements

The Consolidated Financial Statements of Senkadagala Finance PLC (the "Company") for the year ended 31 March 2024 comprise those of the Company (Parent Company) and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its Associate.

The Financial Statement of all companies in the Group are prepared for a common financial year, which is from 1 April to 31 March.

E.W. Balasuriya and Company (Private) Limited, which is incorporated and domiciled in Sri Lanka is the immediate and ultimate parent enterprise of Senkadagala Finance PLC.

1.4 Principal activities, nature of operations of the Group and the ownership structure



Entity	Nature of operations
Company	
Senkadagala Finance PLC	The principal lines of business of the Company include providing financial accommodation in the form of finance leases, hire purchase, commercial loans and personal loans. Additional lines of business include pawning, corporate loans, foreign exchange transactions and the acceptance of term deposits and savings deposits. During the financial year, Gold loans and Margin trading was added to the portfolio of lending products of the Company.
Subsidiaries	
Senkadagala Insurance Brokers (Pvt) Ltd.	The principal activity of the Company is providing insurance brokering services.
Senfin Asset Management (Pvt) Ltd.	A company licensed by the Securities and Exchange Commission of Sri Lanka, to float, operate and manage unit trusts and discretionary portfolios.
Newest Capital Limited	Newest Capital Limited was a Specialised Leasing Company acquired in line with the consolidation programme implemented by the Central Bank of Sri Lanka in August 2014. All its operations were ceased and the company was wound up on 3 October 2023.
Associate	
Senfin Securities Limited	A licensed stock broker with the Securities and Exchange Commission of Sri Lanka, engaged in providing brokerage services for trading of equity and debt security in the Colombo Stock Exchange.

There were no significant changes in the nature of the principal activities of the Company or of the Group during the financial year under review.

2. Basis of Accounting

2.1 Statement of compliance

The Financial Statements of the Company and the Group are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued 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 and the amendments to these Acts and appropriate disclosures are provided as required by the Directions and Circulars of the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirement of the SLFRSs and LKASs, regulation governing the preparation and presentation of the Financial Statements.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of Annual Audited Financial Statements of Non-Bank Financial Institutions.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and the Group in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (LKASs and SLFRSs).

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out under the Directors' Responsibility for Financial Reporting, in the "Annual Report of the Board of Directors" and in the statement appearing with the Statement of Financial Position of the Financial Statements.

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 18 June 2024.

These Financial Statements include the following components:

- A Statement of Profit or Loss providing the information on the financial performance of the Company and the Group for the year under review. (Refer page 134)
- A Statement of Other Comprehensive Income providing the other comprehensive income of the Company and the Group for the year under review. (Refer page 135)
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end. (Refer page 136)
- A Statement of Changes in Equity providing the information on all changes in shareholder's equity of the Company and the Group, during the year under review. (Refer page 138)
- A Statement of Cash Flows providing the information on the cash and cash equivalents, generating ability of the Company and the Group and the utilisation of those cash flows. (Refer page 140)
- Notes to the Financial Statements comprising accounting policies and other explanatory information of the Company and the Group. (Refer pages 142 to 278)

2.3 Basis of measurement

The Financial Statements of Senkadagala Finance PLC and its subsidiaries are prepared on a historical cost basis except for the following material items;

Items	Basis of measurement
Financial instruments measured at fair value through profit or loss	Fair value
Financial instruments measured at fair value through other comprehensive income	Fair value
Employee retirement benefit	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.4 Going concern

The Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on the going concern basis.

In making this assessment, the Management considered the negative impact the uncertain economic condition of the country could bring to the business operations of the Group. In doing so the Management has taken in to account the likely, worst and the best case scenarios by considering available information and economic forecasts together with historical profitable operations of the Group, strong liquidity positions, availability of proven funding sources and assets at disposal of the Group.

2.5 Functional and presentation currency

Items included in the Financial Statements of the Company and the Group are measured using the currency of the primary economic environment in which the Company and the Group operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company's, its Subsidiary's and the Associate's functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The Company and the Group presents its Statement of Financial Position broadly grouped by nature and listed in order of relative liquidity. An analysis based on maturity of recovery or settlement is presented in Note 51 of this report.

Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Notes to the Financial Statements of the Company or the Group.

2.7 Materiality, aggregation, and rounding

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1.

2.8 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.9 Significant accounting judgements and estimates

The preparation of the Financial Statements of the Company and the Group in conformity with Sri Lanka Accounting Standards (LKASs/SLFRSs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty, critical judgements and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the notes below:

2.9.1 Uncertainty of estimates in preparation of Financial Statements due to the implications of the economic condition of Sri Lanka

The turbulent economic condition prevailed in the country since early 2022 has increased the uncertainty of estimates made in preparation of the Financial Statements. The uncertainty is associated with the expected economic growth, exposure to interest rate and foreign currency exchange rate fluctuations, implications of government policies such as import restrictions and changes thereupon, and various factors that is affecting general business operations.

Difficulties of prediction of these uncertainties, trends, consequences, and outcomes which may impact management judgments and estimates exercised in the assessment of expected credit losses of finance lease, hire purchase, loans and receivables, and recoverable amounts of non-financial assets.

2.9.2 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements are included in the following notes:

Item	Note	Page number
Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval models used to measure ECL	10	154
Determination of control over investees	28	206
Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding	18	168
Classification of non-financial assets: assessment of the business model to identify the current use of such assets, whether held to earn contractual cash flows, for capital appreciation or generate cash flows by use in regular business activities of the Company.	29, 30	208, 211
Right-of-use assets: Determination of the lease term for lease contracts with renewal and termination options.	32	220

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2.9.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Item	Note	Page number
Impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward looking information.	10	154
Measurement of the fair value of financial instruments with significant unobservable inputs.	19	175
Measurement of defined benefit obligations: key actuarial assumptions.	43	231
Recognition of deferred tax assets; availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.	33	222
Impairment testing for Cash Generating Units (CGU) containing goodwill: key assumptions underlying recoverable amounts.	27	204
Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.	48	238
Lease liability: determining the Incremental Borrowing Rate (IBR) in measuring the lease liability.	39	230

2.10 Changes in accounting policies and disclosures

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements, except for the changes as set out below.

2.10.1 Amendments to LKAS 12: Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted the deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12) from 1 April 2023. The amendment narrows the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the “integrally linked” approach, resulting in a similar outcome as under the amendments, except that the deferred tax assets or liabilities was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax assets in relation to its lease liabilities and a deferred tax liabilities in relation to its right-of-use asset. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of LKAS 12. There was also no impact on the opening retained earnings as at 1 April 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. Refer note 33 of the Financial Statements.

2.10.2 Amendments to LKAS 1: Presentation of Financial Statements – Disclosure of accounting policies and amendments to IFRS Practice Statement 2 – Making materiality judgements

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 April 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the Financial Statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality for disclosure of accounting policies, with a view to provide useful, entity specific accounting policy information that users need to understand other information in the Financial Statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 “Material Accounting Policies”.

2.11 Accounting for moratorium

Since March 2020 Based on the guidelines issued by Central Bank of Sri Lanka and Company's own initiatives, various forms of assistance to customers including debt moratoria were granted.

The moratorium on loan repayment was considered as a non-substantial modification of a financial asset under SLFRS 9. Modifications to the original terms and conditions of the loans due to the moratorium did not result in derecognition of the original loans if the modification does not result in cash flows that are substantially different. Accordingly based on the change in cash flows discounted at the original effective interest rate, the Company records a modification loss which have been netted off under the interest income. Accordingly, reversal of modification loss of LKR 0.53 Mn. (2023 - LKR 0.96 Mn.) is recognised during the year ended 31 March 2024 under interest income in Note 5, representing the difference between the original carrying value of the loan before moratorium and the present value of the revised cash flows (discounted at the original effective interest rate of the contract) at the date of the loan modification.

Proposed accounting treatment for lease contracts is not a lease modification since there is no change in scope or the consideration for the lease. Accordingly, the requirements as per SLFRS 16 - "Leases" is applicable when accounting for lease contracts under moratorium scheme. The lease contracts were accounted based on the requirements specified in SLFRS 16 – "Leases" and the related changes in the lease payments were accounted as a variable lease payment.

3. Material Accounting Policies

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Group. These accounting policies have been applied consistently by Group entitles.

Set out below is an index of the material accounting polices:

Description	Note	Page number
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3.1 Basis of consolidation

The Financial Statements of the Group comprise of the Financial Statements of the Company and its subsidiaries for the year ended 31 March 2024. The Financial Statements of the Company's subsidiaries for the purpose of consolidation are prepared for the same reporting year as that of Senkadagala Finance PLC, using uniform accounting policies.

All intra–group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

The Group accounts for business combination using the acquisition method, when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities acquired includes, at a minimum, an input and a substantive process and whether the acquired set of activities and assets has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net asset acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognised in profit or loss immediately. Transaction costs are expensed, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1.1 Subsidiaries

Details of the Company's subsidiaries, how they are accounted in the Financial Statements of the Company are set out in Note 27.

3.1.2 Loss of control

Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which the control commences until the control ceases. When the Group loses control of a subsidiary, a gain or loss is recognised in the Statement of Profit or Loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SLFRSs).The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under Group's accounting policy for financial instruments.

3.1.3 Associates

Details of the associate, and how it is accounted in the Financial Statements of the investee is set out in Note 28.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.5 Transactions with related parties

The Company carries out transactions with parties who are defined as related parties, in the ordinary course of business on an arm's length basis at commercial rates. Disclosures as required by the Sri Lanka Accounting Standard LKAS 24 on "Related Party Disclosures" are provided in Note 47 of this report.

3.2 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to 'Other operating income', in the Statement of Profit or Loss.

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Unrealised gains and losses on foreign currency translations are dealt under 'other operating income' in the Statement of Profit or Loss.

3.3 Cash Flow Statement

The Statement of Cash Flow has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) – 7 "Statement of Cash Flows". Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks, money at call and short notice and money market funds.

3.4 New accounting standards issued but not yet effective

Several amendments to Accounting Standards are effective for annual reporting periods beginning on or after 1 April 2024, and early application is permitted. However, the Group has not early adopted the following amendments to Accounting Standards in preparing these Consolidated Financial Statements as they are not expected to have a significant impact on the Consolidated Financial Statements.

3.4.1 Amendments to LKAS 1 : Classification of liabilities as current or non-current with covenants

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants.

The amendments are effective for annual reporting period beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

3.4.2 Amendments to SLFRS 16: Lease liability in a sale and leased back

The amendments specifically affect seller-lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as "lease payments" were excluded.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

3.4.3 Amendments to LKAS 7 and SLFRS 7: Supplier finance arrangements

The amendments require enhanced disclosures in financial statements about liabilities and supply chain finance arrangements, focusing on their impact on liabilities, cash flows, and liquidity risk, and specifying additional details about terms, conditions, and amounts related to these arrangements.

The amendments are effective for annual reporting period beginning on or after 1 January 2024. The Group is in the process of revisiting related financial statement disclosures to ensure the consistency with the amended requirements.

3.4.4 Amendments to LKAS 21: Lack of exchangeability

The amendments provide guidance on how an entity should evaluate the exchangeability of a currency and establish a spot exchange rate in cases where exchangeability is absent. They also mandate disclosures that help users of Financial Statements comprehend the effects of a currency's non-exchangeability

3.4.5 SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures

SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. The Group does not expect this will result in a material impact on its Financial Statements.

4. Gross Income

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Interest income	5.1	7,361,849,965	6,492,904,281	7,364,892,058	6,496,364,447
Fee and commission income	6.1	69,834,519	40,958,579	281,323,821	222,225,045
Net gain from trading	7	121,711,775	53,083,911	123,369,575	58,369,793
Net gain from financial instruments at fair value through profit or loss	8	515,684,592	78,083,964	535,438,389	81,088,297
Other operating income	9	174,474,980	242,512,056	218,868,051	165,432,576
Total		8,243,555,831	6,907,542,791	8,523,891,894	7,023,480,158

5. Net Interest Income

Accounting Policy

Interest income and interest expenses from financial instruments are recognised using the effective interest rate (EIR). The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or 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 asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest income' for financial assets and 'interest 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest from overdue rentals have been accounted for on a cash basis.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Interest income	5.1	7,361,849,965	6,492,904,281	7,364,892,058	6,496,364,447
Interest expense	5.3	(3,715,481,541)	(3,879,380,604)	(3,705,027,885)	(3,868,363,731)
Net interest income		3,646,368,424	2,613,523,677	3,659,864,173	2,628,000,716

5.1 Interest income

For the year ended 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Cash and short-term funds		21,011,017	22,356,278	22,848,041	25,816,444
Financial assets at amortised cost					
– Fixed deposits		233,218,295	478,612,353	234,423,364	478,612,353
– Repurchase agreements		50,393,615	164,721,251	50,393,615	164,721,251
– Finance leases and hire purchases		4,990,779,538	3,821,415,150	4,990,779,538	3,821,415,150
– Commercial loans	5.2	51,531,129	123,462,488	51,531,129	123,462,488
– Personal loans		40,013,069	31,861,420	40,013,069	31,861,420
– Pawning advances		281,213,288	512,069,757	281,213,288	512,069,757
– Loans against fixed deposit		42,363,526	26,925,034	42,363,526	26,925,034
– Short-term corporate loans		32,613,716	78,884,438	32,613,716	78,884,438
– Gold loans		28,929,657	–	28,929,657	–
– Margin trading		9,795,205	–	9,795,205	–
– Other financial instruments		242,043,622	235,409,657	242,043,622	235,409,657
Interest on delayed insurance premium		113,839,160	91,915,558	113,839,160	91,915,558
Interest on overdue rentals		1,224,105,128	905,270,897	1,224,105,128	905,270,897
Total		7,361,849,965	6,492,904,281	7,364,892,058	6,496,364,447

5.2 Impact due to moratorium

Interest income from commercial loans includes LKR 0.53 Mn. (2023 – LKR 0.96 Mn.) impact of modifications made to loans due to debt concessionary schemes implemented by the Company in line with the Guidelines of the CBSL as a measure to support the recovery of businesses of customers affected by the COVID-19 pandemic. (Refer Note 2.11)

5.3 Interest expense

For the year ended 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Due to banks	1,036,648,664	1,426,147,551	1,036,648,664	1,426,147,551
Financial liabilities at amortised cost				
– Due to depositors	1,956,515,570	1,403,077,078	1,945,525,245	1,390,683,933
– Other borrowings	418,934,435	758,012,520	418,934,435	758,012,520
– Commercial paper	11,784,913	9,930,076	11,784,913	9,930,076
Subordinated debenture	225,602,889	225,566,067	225,602,889	225,566,067
Interest expenses on lease liabilities	65,995,070	56,647,312	66,531,739	58,023,584
Total	3,715,481,541	3,879,380,604	3,705,027,885	3,868,363,731

6. Net Fee and Commission Income

Accounting Policy

The Group earns fee and commission income from a diverse range of services it provides to its customers. These income includes credit-related fees and commission income. Credit related fees are collections from the customers for reimbursement of expenses. These fees include legal fees, valuation and document charges and are recognised when earned. Commission income earned are recognised to the Statement of Profit or Loss on accrual basis.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Fee and commission income	6.1	69,834,519	40,958,579	281,323,821	222,225,045
Fee and commission expense	6.2	(55,093,360)	(26,875,854)	(55,093,360)	(26,875,854)
Net fee and commission income		14,741,159	14,082,725	226,230,461	195,349,191

6.1 Fee and commission income

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Finance charges	48,354,762	22,186,067	48,354,762	22,186,067
Loan protection fee	6,711,779	11,290,692	6,711,779	11,290,692
Commission income	3,266	23,395	211,492,568	181,289,861
Legal and other charges	14,764,712	7,458,425	14,764,712	7,458,425
Total	69,834,519	40,958,579	281,323,821	222,225,045

6.2 Fee and commission expense

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Commission paid	345,000	100,000	345,000	100,000
Inspection fee and other charges	54,748,360	26,775,854	54,748,360	26,775,854
Total	55,093,360	26,875,854	55,093,360	26,875,854

6.3 Performance obligation and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms
Finance, legal and other charges	Revenue is recognised based on a cash basis based on services provided to the customers. Therefore, revenue is recognised at a point in time.
Loan protection fee	Revenue from loan protection fees is recognised overtime as the term of the loan granted for the customers.
Management fee and registrar fee	Revenue is calculated on a daily basis based on a specific percentage of the NAV of each fund managed by Senfin Asset Management (Private) Limited and recognised on a monthly basis. The Trustee confirms the management fees to the Company on a daily basis. Therefore, revenue is recognised at a point in time.
Management fee from private portfolio	Revenue is calculated on a daily basis based on agreed fixed monthly charge. Management issues a monthly invoice to customers and recognise revenue on monthly basis. Therefore revenue is recognised at a point in time.
Front end fee	Revenue is calculated based on total subscription amount from initial investments. Therefore, revenue is recognised at a point in time.
Brokerage income	Revenue is recognised based on cash basis, based on the brokerage services provided to the Insurance Companies. Therefore, revenue is recognised at a point in time.

7. Net Gain from Trading

Accounting Policy

Results arising from trading activities include all realised gains and losses from sale of financial instruments 'held for trading'.

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Investment securities:				
Equities	2,690,816	2,216,124	2,690,816	2,216,124
Unit trusts	119,020,959	50,867,787	120,678,759	56,153,669
Total	121,711,775	53,083,911	123,369,575	58,369,793

8. Net Gain from Financial Instruments at Fair Value Through Profit or Loss (FVTPL)

Accounting Policy

Net gain from financial instruments at FVTPL includes unrealised fair value changes of financial instruments 'held for trading'. (Refer Note 18)

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Investment securities:				
Equities	138,733,206	21,654,967	158,487,003	24,659,300
Unit trusts	376,951,386	56,428,997	376,951,386	56,428,997
Total	515,684,592	78,083,964	535,438,389	81,088,297

9. Other Operating Income

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as other operating income on an accrual basis.

Dividend income is recognised when the Group's right to receive the payment is established.

Profit/loss on disposal of property, plant and equipment is recognised in the period in which significant risks and rewards of ownership are transferred to the buyer and the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incidental disposal costs is recognised as an other operating income.

Rent income from operating leases are accounted for, on a straight-line basis over the periods of the rent agreement.

Foreign exchange gain/(loss) include all realised and unrealised foreign exchange gains and losses.

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Dividend income from subsidiaries	51,000,000	77,000,000	–	–
Dividend income from other equity investments	16,226,881	3,422,504	16,226,881	3,422,504
Profit on disposal of property, plant and equipment	27,499,153	34,973,072	123,160,665	34,973,072
Rent income	28,920,263	29,081,048	28,584,366	28,779,766
Income from trading of foreign currency	97,162	94,906	97,162	94,906
Net (loss)/gain from foreign currency translation	(31,794,110)	20,452,152	(31,794,110)	20,452,152
Recovery of loans previously written-off	63,185,870	61,529,199	63,185,870	61,529,199
Gain on winding up subsidiary	612,179	–	679,635	–
Other income	18,727,582	15,959,175	18,727,582	16,180,977
Total	174,474,980	242,512,056	218,868,051	165,432,576

10. Impairment Charges and Other Credit Losses

Accounting Policy

Impairment charges as per SLFRS 9

The Group recognises the loss allowance for impairment using the expected credit loss (ECL) methods for the following financial instruments;

- Cash and cash equivalents
- Deposits with licensed financial institutions
- Finance leases and hire purchases
- Other loans and receivables
- Debt and other financial instruments at amortised cost

No impairment loss is recognised on equity investments that are measured at FVTPL.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted, and should incorporate all available information relevant to the assessment, including information about past events, current economic conditions at the reporting date and reasonable and supportable forecasts thereof. In addition, estimation of ECL takes into account the time value of money.

Individually assessed finance leases, hire purchases, other loans and receivables

The Group reviews its individually significant finance leases, hire purchases, other loans and receivables at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. In particular, the Management judgements are required in the estimation of the amount and timing of the future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on the management's best estimate of the present value of future cash flows that are expected to be received. in estimating these cash flows, management makes judgements about the borrower's financial situation and the realisable value of any underlying collateral.

For finance leases, hire purchases, other loans and advances above a predefined threshold, the Group individually assesses for significant increase in credit risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Collective assessment

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

The Group manages credit quality using a three stage approach which is in line with SLFRS 9.

- **Stage 1:** A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of 12 months expected credit losses that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for Life Time Expected Credit Loss (LTECL).
- **Stage 3:** If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.
- **Purchased or originated credit impaired (POCI) financial assets:** Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Group does not have POCI loans as at the reporting date.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgment and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a SICR and if so, allowances for financial assets measured on a LTECL basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, and unemployment, and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).
- Selection of forward-looking macro-economic scenarios and their probability weights, to derive economic input into ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

The key inputs into the measurement of ECL are the term structure of the following variables:

- **Probability of default (PD)**

  PD is an estimate of the likelihood of a borrower defaulting on its financial obligations over a given time horizon. Days past due (DPD), the number of days since the due date is the primary input into the determination of the term structure of the PD exposures. The Group uses statistical models to analyse the data and generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

- **Loss given on default (LGD)**

  LGD is an estimate of 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. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using the EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

- **Exposure at default (EAD)**

  EAD represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities.

The key judgements and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group considers an exposure to have SICR when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9 or other qualitative indicators reveal that there had been SICR.

For instruments other than government securities denominated in the local currency, measured at amortised cost or at FVOCI, which are having an external credit rating, the Group determines significant increase in credit risk based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to Stage 2 if their credit risk increases to the extent that they are no longer considered as investment grade with considering other SICR criteria above mentioned.

Definition of default and credit impaired assets

The Group considers finance leases, hire purchases, loans and other receivables to customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments (120 days past due – 2022/23). The Company adopted 90 days past due date with effect from 1 April 2023, in line with the Finance Business Act Directions No. 01 of 2020 – Classification and Measurement of Credit Facilities.

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is "default". In assessing whether a borrower is in default, Group reviews its individually significant finance leases, hire purchase, other loans and receivables above a predefined threshold at each reporting date.

Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above.

Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include;

- Credit impaired facilities of individually significant customers,
- The treasury, trading and interbank relationships (such as due from Banks, money at call and short notice, placements with banks, government securities, investments in debentures etc.)

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Finance leases, hire purchases, other loans and receivables to customers are grouped into homogeneous portfolios, based on a combination of product and type of assets financed characteristics.

Impairment charges on other financial assets

Impairment charges on other financial investments include other financial investment measured at amortised cost and debt investments. The Group does not have historical loss experience in financial investments, thus the Group considers PDs published by External sources.

Impairment of Government securities measured at amortised cost

In June 2023, the Government announced the International Monetary Fund (IMF) supported Domestic Debt Optimisation program (DDO). The DDO announced and designed to achieve a target level of debt sustainability, stated that it will carve out the Local Currency Treasury Bills and Bonds held by the Employees Provident Funds and the Central Bank of Sri Lanka (CBSL), hence excluding the rest of the local currency Treasury bills and bonds. The said DDO has been completed by the reporting date with the specified portfolio referred to above.

Accordingly, the DDO has not restricted the government's ability to continue to repay the principal and interest on local currency-denominated Treasury bills and bonds. Further, the Finance Business Act Direction No. 01 of 2020, Classification and Measurement of Credit Facilities in Licensed Finance Companies, issued by the Monetary Board of the Central Bank of Sri Lanka requires LGD of zero to be applied to these government securities. Accordingly, the Group has considered that there is no significant increase in credit risk for LKR denominated securities issued by the Sri Lankan government and the overall (ECL) on such securities are considered as 0%. The Group has no investment in foreign currency denominated government securities.

For all other instruments, LGD is considered as 45% in accordance with the guidelines issued by the Central Bank of Sri Lanka.

EAD of other financial assets is its gross carrying amount.

Forward looking information

The Group incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has increased since its initial recognition and its measurement of ECL.

The Group formulate three economic scenarios: Base case, best case and the worst case. A Base case, which is the central scenario, developed internally based on the consensus forecasts, and two less likely scenarios, best case and worst case scenario.

The scenario probability weightings applied in measuring ECL are as follows,

As at 31 March	2024			2023		
	Base	Best	Worst	Base	Best	Worst
Scenario probability weighting (%)	10	10	80	10	10	80

The Group has identified key drivers of credit risk both qualitative and quantitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources. The key variables of the model is as follows,

Quantitative	Qualitative
GDP Growth	Government Policies
Inflation (YoY) (CCPI)	Status of the Industry Business
Interest Rate	Management Outlook
Unemployment	Regulatory Impact

Where appropriate, the Group makes adjustments to the ECL estimate outside the Group's general modeling process to reflect management judgments. Changes to these assumptions underlying these judgments could materially affected ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

Following are the PMAs and the overlays adjusted when estimating the ECL provision for the year ended 31 March 2024;

- Economic Factor Adjustment were adjusted by increasing worst case and decreasing the best case considering the prevailing uncertain and volatile Macro-economic environment.
- Provided in full (100%) for certain contracts in arrears for over 24 month since the date of recognition as repossessed or as non performing contracts, with identified specific security where the Company has experienced high historical losses and in line with the Company policy on Repossessed Assets Additional Provision Requirement.
- Adjustment on PD was made to incorporate overlays on the overall model considering the regulatory direction effective from 1 April 2024, restricting the reclassification of contracts as performing until the overdue amounts are recovered in full.

The Group have in place internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The objective of the Group is to incorporate these adjustments into the ECL model where possible, as part of the annual recalibration and model assessment procedure to maintain adequate provision covers and to adjust for any late updated market data, model deficiencies and expected behavioural changes.

Total impact of the judgmental adjustment for the year end 31 March 2024 is LKR 421.2 Mn. (2023 – LKR 247.8 Mn.) with LKR 146.2 Mn. (2023 – LKR 225.6 Mn.) for finance leasing and hire purchases and LKR 247.8 Mn. (2023 – LKR 22.2 Mn.) for other loans and receivables.

Write-offs of financial assets

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Impairment charge on individual impairment	10.1	91,761,611	114,254,742	91,761,611	114,254,742
Expected credit (reversals)/losses on collective impairment	10.2	(20,272,073)	187,606,136	(20,272,073)	187,606,136
Other credit losses/(reversals)	10.3	142,078,803	(33,172,261)	142,078,803	(33,172,261)
Total		213,568,341	268,688,617	213,568,341	268,688,617

10.1 Impairment charge on individual impairment

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Finance leases and hire purchases	23.3	73,602,536	42,637,933	73,602,536	42,637,933
Commercial loans	24.1.1	18,159,075	71,616,809	18,159,075	71,616,809
Total		91,761,611	114,254,742	91,761,611	114,254,742

10.1.1 Impairment charge on individual impairment

For the year ended 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Impairment charge on individual impairment	211,825,318	114,254,742	211,825,318	114,254,742
Write-offs	(120,063,707)	–	(120,063,707)	–
Total	91,761,611	114,254,742	91,761,611	114,254,742

10.2 Expected credit losses/(reversals) on collective impairment

For the year ended 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Cash and cash equivalents	20.1	211,724	29,447	211,724	29,447
Deposits with licensed financial institutions	21.1	(561,956)	(7,979,952)	(561,956)	(7,979,952)
Finance leases and hire purchases	23.4	20,679,246	373,154,623	20,679,246	373,154,623
Commercial loans	24.1.2	(32,819,903)	(77,903,982)	(32,819,903)	(77,903,982)
Personal loans	24.2.1	2,761,103	1,527,812	2,761,103	1,527,812
Pawning advances	24.3.1	(2,653,460)	10,338,578	(2,653,460)	10,338,578
Gold loans	24.4.1	4,179,146	–	4,179,146	–
Other advances	24.5.1	(12,067,973)	(111,560,390)	(12,067,973)	(111,560,390)
Total		(20,272,073)	187,606,136	(20,272,073)	187,606,136

10.2.1 Expected credit losses on collective impairment

For the year ended 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Impairment charge on expected credit loss	23,849,898	258,644,231	23,849,898	258,644,231
Write-offs	(44,121,971)	(71,038,095)	(44,121,971)	(71,038,095)
Total	(20,272,073)	187,606,136	(20,272,073)	187,606,136

10.3 Other credit losses/(reversals)

For the year ended 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Direct write-offs	19,627,312	236,630	19,627,312	236,630
Net loss/(gain) on sale of repossessed assets	52,284,540	(34,750,497)	52,284,540	(34,750,497)
Net loss from auction of pawned articles	70,166,951	1,341,606	70,166,951	1,341,606
Total	142,078,803	(33,172,261)	142,078,803	(33,172,261)

The Company has written off gross advances amounting to LKR 183,812,990/- (2022/23 - LKR 71,274,725/-) as it believes that there is no reasonable expectation of recovering the financial asset in its entirely or partly thereof.

10.4 Analysis of impairment charges and other credit losses

Company and Group

For the year ended 31 March 2024	Note	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
– Cash and cash equivalents	20.1	211,724	–	–	211,724
– Deposits with licensed commercial banks	21.1	(561,956)	–	–	(561,956)
– Finance leases and hire purchases		49,692,866	(48,846,942)	93,435,858	94,281,782
– Commercial loans		(21,181,840)	(19,952,901)	26,473,913	(14,660,828)
– Personal loans		2,874,605	(111,681)	(1,821)	2,761,103
– Pawning advances		(8,714,575)	(746,347)	6,807,462	(2,653,460)
– Gold loans		2,565,223	1,613,923	–	4,179,146
– Other advances		305,272	(4,714,574)	(7,658,671)	(12,067,973)
		25,191,319	(72,758,522)	119,056,741	71,489,538
Direct write-offs					19,627,312
Net loss on sale of repossessed assets					52,284,540
Net loss from auction of pawned articles					70,166,951
Total					213,568,341

For the year ended 31 March 2023	Note	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
– Cash and cash equivalents	20.1	29,447	–	–	29,447
– Deposits with licensed commercial banks	21.1	(7,979,952)	–	–	(7,979,952)
– Finance leases and hire purchases		46,596,345	252,399,254	116,796,957	415,792,556
– Commercial loans		4,404,616	(95,475,329)	84,783,540	(6,287,173)
– Personal loans		1,881,605	(224,722)	(129,071)	1,527,812
– Pawning advances		8,720,707	679,359	938,512	10,338,578
– Other advances		(7,585,484)	2,860,390	(106,835,296)	(111,560,390)
		46,067,284	160,238,952	95,554,642	301,860,878
Direct write-offs					236,630
Net gain on sale of repossessed assets					(34,750,497)
Net gain from auction of pawned articles					1,341,606
Total					268,688,617

11. Personnel Expenses

Accounting Policy

Personnel expenses includes salaries, bonus, terminal benefit expenses and other employee related expenses.

The provision for bonus is recognised when 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 on the amount of the obligation.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Group has legal or constructive obligation to pay.

Defined benefit plan

The cost of the defined benefit obligation of the Company is determined using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 “Employee Benefits” and valuation of the defined benefit obligation is carried out by a qualified actuary. This method involves estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounted to determine its present value. The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service cost is recognised immediately.

The defined benefit obligations of the subsidiaries are not actuarially valued, but valued using gratuity formula method and arrive at the present value using a number of factors that are determined on an actuarial basis using a number of assumptions which requires management judgement.

The key assumptions used in determining the employee retirement benefit are given in Note 43.

The actuarial gains or losses are recognised in the Statement of Other Comprehensive Income in the year in which they arise.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Profit or Loss. The Group recognises gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Gratuity payments are made by the Group according to the Payment of Gratuity Act No. 12 of 1983. Accordingly, the Group is liable to pay gratuity to employees who have completed a minimum of five years of service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

The defined benefit obligations of the Group are not externally funded.

Defined contribution plan

The Group contributes to the following defined contribution schemes;

Employees’ provident fund

The Group and the employee contribute 12% and 8% respectively of the employee’s monthly gross salary (excluding overtime) to the Employees’ Provident Fund managed by the Central Bank of Sri Lanka.

Employees’ trust fund

The Group contributes 3% of the employee’s monthly gross salary excluding overtime to the Employees’ Trust Fund maintained by the Employees Trust Fund Board of the Central Bank of Sri Lanka.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Salaries and wages		683,953,382	651,440,160	709,255,382	675,667,715
Directors' emoluments	11.1	35,764,070	32,553,120	37,414,070	34,353,120
Employer's contribution to employee's provident fund		84,054,036	80,516,574	87,057,916	83,348,310
Employer's contribution to employee's trust fund		21,013,509	20,129,144	21,764,479	20,837,078
Provision for retirement benefit plan	43.1	37,987,694	28,348,156	39,519,264	29,264,224
Performance incentives		83,020,343	–	87,848,618	3,548,500
Other personnel expenses		21,974,858	17,808,341	24,556,645	18,336,516
Total		967,767,892	830,795,495	1,007,416,374	865,355,463

11.1 Directors' emoluments

Directors' emoluments represent the fees, salaries and allowances paid to both Executive and Non-Executive Directors of the Company and the Group.

12. Depreciation and Amortisation

Accounting Policy

Depreciation of property, plant and equipment

Depreciation is calculated using the straight-line method to write down the cost of property, plant, and equipment to its residual values over the estimated useful lives and is recognised in the Statement of Profit or Loss. Lands are not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

The Group reviews the residual value, useful life and method of depreciation for property, plant and equipment and method of amortisation for intangible assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

The depreciation rates and estimated useful lives of the property, plant and equipment of the Company and the Group are as follows:

Class of asset	% per annum	Useful life (years)
Buildings	5	20
Office equipment	10	10
Computers and other equipment	25	4
Furniture, fixtures and fittings	10	10
Motor vehicles	16.67	6
Generators	12.5	8

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given in Note 30.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date and adjusted, if required.

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Amortisation of intangible assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Class of intangible assets	% per Annum	Useful life (years)
Computer software	12	8-9

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Depreciation of investment property	29	4,228,749	4,228,749	4,228,749	4,228,749
Depreciation of property, plant and equipment	30	190,576,310	248,844,726	192,073,533	250,543,386
Amortisation of intangible assets	31	10,507,311	13,903,669	10,594,581	13,980,960
Depreciation of right-of-use assets	32	119,965,337	104,665,656	126,441,485	111,141,803
Total		325,277,707	371,642,800	333,338,348	379,894,898

13. Other Operating Expenses

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of the specific item of the income. All the expenditure incurred in the running of the business and in maintaining the property, plant, and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
External Auditors' remuneration				
– Audit fee and expenses	3,925,000	3,500,000	4,530,000	4,050,000
– Audit related services	3,217,052	2,901,704	3,331,492	3,041,266
Internal Auditors' remuneration	11,171,853	9,033,316	11,171,853	9,033,316
Legal expenses	12,346,445	12,313,950	12,346,445	12,313,950
Contribution to deposit insurance scheme of the CBSL	14,097,268	14,264,889	14,097,268	14,264,889
Other administrative expenses	192,562,533	178,096,425	198,715,566	181,765,899
Establishment expenses	630,363,570	521,479,244	638,930,452	528,597,621
Selling expenses	48,189,041	34,790,980	52,474,561	37,360,472
Total	915,872,762	776,380,508	935,597,637	790,427,413

Crop Insurance Levy (CIL)

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax. and amount recognised for the year include in the other administrative expense.

14. Taxes on Financial Services

Value Added Tax (VAT) on financial services

VAT on Financial Service is calculated in accordance with Value added tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value addition attributable to the supply of financial services is calculated at the rate of 18% by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable including benefits in money and non-money contribution or provision relating to terminal benefits.

Social Security Contribution Levy (SSCL)

SSCL on financial services is calculated in accordance with social security contribution Levy Act No. 25 of 2022. SSCL is chargeable on the same base used for calculation of VAT on financial services. SSCL is effective from 1 October 2022 onwards.

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Value added tax on financial services	432,100,224	240,042,316	432,100,224	240,042,316
Social security contribution levy	60,013,920	16,494,871	60,013,920	16,494,871
Change in estimate related to prior years				
Value added tax on financial services	27,907,894	–	27,907,894	–
National building tax on financial services	5,532,753	–	5,532,753	–
Total	525,554,791	256,537,187	525,554,791	256,537,187

14.1 During the financial year, the Company paid additional LKR 27,907,894 as VAT on financial services and LKR 5,532,753 as NBT on financial services due to changes in estimate in the prior periods.

15. Income Tax Expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment do not meet the definition of income taxes, and therefore accounted for under LKAS 37 provisions, contingent liabilities and contingent assets.

Current taxation

Current tax assets and liabilities consists of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto.

Withholding Tax (WHT) on dividend distributed by the Group

The prevailing WHT/AIT rate on dividends distributed by the Group to residents/non-residents is 15%. Dividend paid by the Group will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Group from another resident company.

WHT on dividend distributed by the subsidiaries and associates

Dividend income received by the Company from its subsidiaries and associate is liable to WHT/AIT at the rate of 15%, which will be a final tax for the Company. As per the Inland Revenue (Amendment) Act No. 10 of 2021 requirement to deduct WHT on dividend had been removed effective 1 January 2020. The dividend income received from subsidiaries and associate was liable for Income Tax at 14% up until 30 September 2022. Applicable income tax rate for dividend received during the period from 1 October 2022 is 15%. As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends was introduced effective from 1 January 2023. Accordingly, dividend income received from subsidiaries and associate are liable to WHT at the rate of 15%, which is a final tax for the Company.

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Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets of liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future: and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised: such reductions are reversed when the probability of future taxable profits improve.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For the purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

15.1 Amount recognised in profit or loss

		Company		Group	
For the year ended 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Current tax expense					
Current income tax charge	15.2	479,639,489	343,609,128	520,113,884	374,294,263
WHT on dividends distributed by subsidiary		–	–	9,000,000	6,000,000
Under provision in respect of previous year		14,618,505	–	15,701,432	90,767
		494,257,994	343,609,128	544,815,316	380,385,030
Deferred tax expense					
Reversal of temporary differences		(113,127,217)	(262,358,036)	(112,804,075)	(261,851,045)
Income tax expense for the year		381,130,777	81,251,092	432,011,241	118,533,985
Tax on realisation of equity at FVOCI		12,375,000	–	12,375,000	–

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15.2 Reconciliation of the total tax charge

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Net profit before tax	1,529,877,651	497,241,726	1,748,295,158	567,336,995
Adjustments				
Exempt income/adjustments	(417,300,305)	(158,673,766)	(465,703,038)	(166,002,152)
Disallowable expenses	848,885,253	1,249,535,759	849,889,354	1,250,289,906
Allowable expenses	(363,276,480)	(296,423,902)	(380,837,749)	(296,532,676)
Taxable income	1,598,186,118	1,291,679,817	1,751,643,725	1,355,092,073
Income tax @ 24%	–	150,090,878	–	162,915,523
Income tax @ 30%	479,455,835	187,613,597	518,706,116	203,646,197
Current tax liability on business income	479,455,835	337,704,475	518,706,116	366,561,720
Current tax liability on investment and other income	183,654	5,904,653	1,407,768	7,732,543
Income tax on profit for the year	479,639,489	343,609,128	520,113,884	374,294,263
Effective tax rate (%)	31.35	69.10	29.75	65.97

The amount of current tax payable is the best estimate of the tax amount expected to be the paid and, it is measured using tax rates enacted at the reporting date. With the enactment of the Inland Revenue (Amended) Act No. 45 of 2022, income tax rate was revised from 24% to 30% effective from 1 October 2022 of the year of assessment 2022/23. Accordingly, income tax rate of 30% was applied for the financial year ended 31 March 2024.

15.3 Amount recognised in statement of other comprehensive income

15.3.1 Company

For the year ended 31 March	2024			2023		
	Before tax LKR	Tax (expense)/ reversals LKR	Net of tax LKR	Before tax LKR	Tax (expense)/ reversals LKR	Net of tax LKR
Item that will not be reclassified to profit or loss						
Actuarial (loss)/gain on defined benefit plans	(16,814,428)	5,044,328	(11,770,100)	8,421,192	(2,526,358)	5,894,834
Changes in fair value of investments in equity at fair value through other comprehensive income	(34,730,273)	9,057,570	(25,672,703)	479,611	–	479,611
Share of other comprehensive income of associate	(502,900)	150,870	(352,030)	(1,243,701)	373,110	(870,591)
	(52,047,601)	14,252,768	(37,794,833)	7,657,102	(2,153,248)	5,503,854

15.3.2 Group

For the year ended 31 March	2024			2023		
	Before tax LKR	Tax (expense)/ reversals LKR	Net of tax LKR	Before tax LKR	Tax (expense)/ reversals LKR	Net of tax LKR
Item that will not be reclassified to profit or loss						
Actuarial (loss)/gain on defined benefit plans	(16,904,560)	5,071,368	(11,833,192)	8,099,961	(2,429,988)	5,669,973
Changes in fair value of investments in equity at FVOCI	(34,730,273)	9,057,570	(25,672,703)	479,611	–	479,611
Share of other comprehensive income of associate, net of tax	(502,900)	150,870	(352,030)	(1,243,701)	373,110	(870,591)
	(52,137,733)	14,279,808	(37,857,925)	7,335,871	(2,056,878)	5,278,993

16. Earnings Per Share

Accounting Policy

Basic earnings per share (EPS) is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, as per the Sri Lanka Accounting Standard – LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all potentially dilutive ordinary shares, if any.

	Company		Group	
For the year ended 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Profit attributable to ordinary shareholders of the Company	1,196,286,467	445,051,362	1,363,823,510	477,863,738
Weighted average number of ordinary shares	86,279,834	86,279,834	86,279,834	86,279,834
Basic earnings per ordinary share	13.87	5.16	15.81	5.54

16.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2024 and there have been no transaction involving ordinary shares or partial ordinary shares as at the reporting date which would require a restatement of EPS.

17. Dividend Per Share

Accounting Policy

Provision for final dividends is recognised at the time a dividend is recommended and declared by the Board of Directors and is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividends in accordance with the Companies Act No. 07 of 2007 and being approved by the Central Bank of Sri Lanka in line with the guideline dated 31 January 2023, on Declaration of Dividends or Repatriation of Profits.

Dividend per share is calculated by dividing dividend paid to ordinary shareholders of the Company, by the number of ordinary shares in issue.

17.1 Declared and paid during the year

	Company	
For the year ended 31 March	2024 LKR	2023 LKR
Final dividend paid (2022/23 – LKR 0.65, 2021/22 – LKR 1.40)	56,081,892	120,791,768
Gross dividend paid to ordinary shareholders	56,081,892	120,791,768

17.2 Dividend proposed for the year

	Company	
For the year ended 31 March	2024 LKR	2023 LKR
Final dividend proposed (2023/24 – LKR 1.80 2022/23 – LKR 0.65)	155,303,702	56,081,892
Gross dividend proposed to ordinary shareholders	155,303,702	56,081,892
Gross dividend per share	1.80	0.65

18. Financial Instruments

Accounting Policy

Date of recognition

The Group initially recognises finance leases, hire purchases, other loans and receivables, deposits and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss, as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred in the Statement of Profit or Loss. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated;
- The risks that affect the performance of the business model and how those risks are managed, managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

Finance leases, hire purchases, commercial loans, personal loans, pawning advances, gold loans, other loans and receivables are satisfied the SPPI test and classified under Amortised cost.

- **Financial assets measured at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
    - **Securities purchased under resale agreements (reverse repos)**

      When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the effective interest rate with the corresponding interest income being recognised as interest income in the Statement of Profit or Loss.
    - **Finance leases, hire purchase, loans and other receivables at amortised cost**

      Details of "Finance leases, hire purchase, loans and other receivables at amortised cost" are given in Notes 23 and 24.
    - **Debt and other financial instruments measured at amortised cost**

      Details of "Debt and other financial instruments measured at amortised cost" are given in Note 26.
    - **Cash and cash equivalents**

      Details of "Cash and cash equivalents" are given in Note 20.

- **Financial assets measured at FVOCI**

Financial assets at FVOCI include equity instruments measured at fair value through other comprehensive income.

  - **Debt instruments measured at FVOCI**

    Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding.

  - **Equity instruments designated at FVOCI**

    Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI.

- **Financial assets measured at FVTPL**

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

Changes in fair value are recorded in "Net gain or loss on financial instruments at fair value through profit or loss".

Interest earned is accrued in "Interest Income", using the effective interest rate, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities, other than financial guarantees and loan commitments into the Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

- **Financial liabilities at amortised cost**

  Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors", "Other borrowings", "lease liabilities" and "Subordinated liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Such financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Interest expense" in the Statement of Profit or Loss. Gains and losses also recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Reclassification of financial assets and liabilities

The Group did not reclassify any of its financial assets or liabilities during the year ended 31 March 2024.

Derecognition of financial assets and financial liabilities

- Financial assets

  The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

  On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in Statement of Other Comprehensive Income is recognised in Statement of Profit or Loss. However, cumulative gain/loss recognised in Statement of Other Comprehensive Income in respect of equity investment securities designated at FVOCI is not recognised in Statement of Profit or Loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

- **Financial liabilities**
  The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Modification of financial assets and financial liabilities

- **Financial assets**
  If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. In such cases the contractual rights to cash flows from the original financial asset are deemed to have expired. The original financial asset is derecognised and a new financial asset is recognised at fair value.

  If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in Statement of Profit or Loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income

- **Financial liabilities**
  Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Statement of Profit or Loss.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any Expected Credit Loss allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any Expected Credit Loss allowance.

Impairment

Details of impairment is given in Note 10.

18.1 Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments as at 31 March 2024.

Company

As at 31 March 2024	Financial instruments at FVTPL LKR	Financial instruments at FVTOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	675,179,658	675,179,658
Financial assets at amortised cost – Deposits with licensed financial institutions	–	–	2,621,954,788	2,621,954,788
Financial assets at amortised cost – Repurchase agreements	–	–	251,569,750	251,569,750
Financial assets held at fair value through profit or loss	4,483,199,237	–	–	4,483,199,237
Financial assets at amortised cost – Finance leases and hire purchases	–	–	22,240,442,963	22,240,442,963
Financial assets at amortised cost – Other loans and receivables	–	–	2,235,738,399	2,235,738,399
Financial assets measured at fair value through other comprehensive income	–	160,512,106	–	160,512,106
Financial assets at amortised cost – Other financial instruments	–	–	1,199,615,574	1,199,615,574
Other financial assets	–	–	52,716,522	52,716,522
Total financial assets	4,483,199,237	160,512,106	29,277,217,654	33,920,928,997

As at 31 March 2024	Financial instruments at FVTPL LKR	Financial instruments at FVTOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial liabilities				
Deposits from Customers	–	–	13,839,119,884	13,839,119,884
Bank overdrafts	–	–	151,118,902	151,118,902
Due to banks and other borrowed funds	–	–	10,058,173,431	10,058,173,431
Debt instruments issued	–	–	1,768,784,186	1,768,784,186
Lease liabilities	–	–	398,134,175	398,134,175
Other financial liabilities	–	–	556,867,234	556,867,234
Total financial liabilities	–	–	26,772,197,812	26,772,197,812

Group

As at 31 March 2024	Financial instruments at FVTPL LKR	Financial instruments at FVTOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	745,484,204	745,484,204
Financial assets at amortised cost – Deposits with licensed financial institutions	–	–	2,630,031,829	2,630,031,829
Financial assets at amortised cost – Repurchase agreements	–	–	251,569,750	251,569,750
Financial assets held at fair value through profit or loss	4,622,384,957	–	–	4,622,384,957
Financial assets at amortised cost – Finance leases and hire purchases	–	–	22,240,442,963	22,240,442,963
Financial assets at amortised cost – Other loans and receivables	–	–	2,236,019,399	2,236,019,399
Financial assets measured at fair value through other comprehensive income	–	160,512,106	–	160,512,106
Financial assets at amortised cost – Other financial instruments	–	–	1,199,615,574	1,199,615,574
Other financial assets	–	–	27,216,522	27,216,522
Total financial assets	4,622,384,957	160,512,106	29,330,380,241	34,113,277,304
Financial liabilities				
Deposits from Customers	–	–	13,776,589,964	13,776,589,964
Bank overdrafts	–	–	151,118,902	151,118,902
Due to banks and other borrowed funds	–	–	10,058,173,431	10,058,173,431
Debt instruments issued	–	–	1,768,784,186	1,768,784,186
Lease liabilities	–	–	398,134,175	398,134,175
Other financial liabilities	–	–	556,867,234	556,867,234
Total financial liabilities	–	–	26,709,667,892	26,709,667,892

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments as at 31 March 2023.

Company

As at 31 March 2023	Financial instruments at FVTPL LKR	Financial instruments at FVTOCI LKR	Financial instruments at Amortised cost LKR	Total Carrying Amount LKR
Financial assets				
Cash and cash equivalents	–	–	492,429,493	492,429,493
Financial assets at amortised cost – Deposits with licensed financial institutions	–	–	5,113,380,978	5,113,380,978
Financial assets at amortised cost – Repurchase agreements	–	–	666,610,501	666,610,501
Financial assets held at fair value thought profit or loss	485,751,196	–	–	485,751,196
Financial assets at amortised cost – Finance leases and hire purchases	–	–	19,695,389,245	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	4,620,334,290	4,620,334,290
Financial assets measured at fair value through other comprehensive income	–	360,242,379	–	360,242,379
Financial assets at amortised cost – Other financial instruments	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	44,163,258	44,163,258
Total financial assets	485,751,196	360,242,379	32,307,221,068	33,153,214,643
Financial liabilities				
Deposits from Customers	–	–	10,263,254,075	10,263,254,075
Bank overdrafts	–	–	138,206,759	138,206,759
Due to banks and other borrowed funds	–	–	14,325,661,805	14,325,661,805
Debt instruments issued	–	–	1,768,800,757	1,768,800,757
Lease liabilities	–	–	354,424,986	354,424,986
Amounts due to related company	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	268,116,980	268,116,980
Total financial liabilities	–	–	27,400,587,818	27,400,587,818

Group

As at 31 March 2023	Financial instruments at FVTPL LKR	Financial instruments at FVTOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	515,465,068	515,465,068
Financial assets at amortised cost – Deposits with licensed financial institutions	–	–	5,121,558,512	5,121,558,512
Financial assets at amortised cost – Repurchase agreements	–	–	666,610,501	666,610,501
Financial assets held at fair value through profit or loss	556,025,320	–	–	556,025,320
Financial assets at amortised cost – Finance leases and hire purchases	–	–	19,695,389,245	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	4,620,635,290	4,620,635,290
Financial assets measured at fair value through other comprehensive income	–	360,242,379	–	360,242,379
Financial assets at amortised cost – Other financial instruments	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	10,163,258	10,163,258
Total financial assets	556,025,320	360,242,379	32,304,735,177	33,221,002,876
Financial liabilities				
Deposits from customers	–	–	10,176,610,569	10,176,610,569
Bank overdrafts	–	–	138,454,630	138,454,630
Due to banks and other borrowed funds	–	–	14,325,661,805	14,325,661,805
Debt instruments issued	–	–	1,768,800,757	1,768,800,757
Lease liabilities	–	–	362,960,317	362,960,317
Other financial liabilities	–	–	268,116,980	268,116,980
Total financial liabilities	–	–	27,040,605,058	27,040,605,058

19. Fair Value Measurement of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between levels of hierarchy during the year.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building. There were no valuation of land and building done as at reporting date as management believes that there is no material change in fair value of Land and buildings.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

19.1 Financial instruments – Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Company				
As at 31 March 2024	Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
Financial assets measured at fair value					
Investments in equity securities – quoted	349,773,434	–	–	349,773,434	349,773,434
Investments in equity securities – unquoted	–	–	160,512,106	160,512,106	160,512,106
Investments in unit trust – unquoted	–	4,133,425,803	–	4,133,425,803	4,133,425,803
	349,773,434	4,133,425,803	160,512,106	4,643,711,343	4,643,711,343
Financial assets not measured at fair value					
Cash and cash equivalents	–	–	–	–	675,179,658
Deposits with licensed financial institutions	–	–	–	–	2,621,954,788
Repurchase agreements	–	–	–	–	251,569,750
Finance leases and hire purchases	–	–	22,518,783,348	22,518,783,348	22,240,442,963
Other loans and receivables	–	–	2,236,462,110	2,236,462,110	2,235,738,399
Investment in government treasury bills	1,198,809,212	–	–	1,198,809,212	1,192,062,925
Investments in debentures	–	–	6,959,249	6,959,249	7,552,649
Other financial assets	–	–	–	–	52,716,522
	1,198,809,212	–	24,762,204,707	25,961,013,919	29,277,217,654
Financial liabilities not measured at fair value					
Term deposits from customers	–	–	13,393,870,710	13,393,870,710	13,114,503,785
Savings deposits from customers	–	–	–	–	724,616,099
Short term and floating rated borrowings	–	–	–	–	6,061,857,585
Fixed rated borrowings	–	–	4,116,514,127	4,116,514,127	4,147,434,748
Subordinated debentures	–	–	1,773,294,462	1,773,294,462	1,768,784,186
Lease liabilities	–	–	–	–	398,134,175
Other financial liabilities	–	–	–	–	556,867,234
	–	–	19,283,679,298	19,283,679,298	26,772,197,812

Group				
Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
349,773,434	–	–	349,773,434	349,773,434
–	–	160,512,106	160,512,106	160,512,106
–	4,272,611,523	–	4,272,611,523	4,272,611,523
349,773,434	4,272,611,523	160,512,106	4,782,897,063	4,782,897,063
–	–	–	–	745,484,204
–	–	–	–	2,630,031,829
–	–	–	–	251,569,750
–	–	22,518,783,348	22,518,783,348	22,240,442,963
–	–	2,236,743,110	2,236,743,110	2,236,019,399
1,198,809,212	–	–	1,198,809,212	1,192,062,925
–	–	6,959,249	6,959,249	7,552,649
–	–	–	–	27,216,522
1,198,809,212	–	24,762,485,707	25,961,294,919	29,330,380,241
–	–	13,331,340,790	13,331,340,790	13,051,973,865
–	–	–	–	724,616,099
–	–	–	–	6,061,857,585
–	–	4,116,514,127	4,116,514,127	4,147,434,748
–	–	1,773,294,462	1,773,294,462	1,768,784,186
–	–	–	–	398,134,175
–	–	–	–	556,867,234
–	–	19,221,149,378	19,221,149,378	26,709,667,892

19.2 Financial instruments – Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Company				
As at 31 March 2023	Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
Financial assets measured at fair value					
Investments in equity securities – quoted	197,400,984	–	–	197,400,984	197,400,984
Investments in equity securities – unquoted	–	–	360,242,379	360,242,379	360,242,379
Investments in unit trust – unquoted	–	288,350,212	–	288,350,212	288,350,212
	197,400,984	288,350,212	360,242,379	845,993,575	845,993,575
Financial assets not measured at fair value					
Cash and cash equivalents	–	–	–	–	492,429,493
Deposits with licensed financial institutions	–	–	–	–	5,113,380,978
Repurchase agreements	–	–	–	–	666,610,501
Finance leases and hire purchases	–	–	17,188,980,288	17,188,980,288	19,695,389,245
Other loans and receivables	–	–	4,534,415,466	4,534,415,466	4,620,334,290
Investment in government treasury bills	1,651,704,930	–	–	1,651,704,930	1,667,371,333
Investments in debentures	–	–	8,852,210	8,852,210	7,541,970
Other financial assets	–	–	–	–	44,163,258
	1,651,704,930	–	21,732,247,964	23,383,952,894	32,307,221,068
Financial liabilities not measured at fair value					
Term deposits from customers	–	–	10,295,529,542	10,295,529,542	9,643,980,575
Savings deposits from customers	–	–	–	–	619,273,500
Short term and floating rated borrowings	–	–	–	–	6,176,447,605
Fixed rated borrowings	–	–	7,283,866,724	7,283,866,724	8,287,420,959
Subordinated debentures	–	–	1,594,216,393	1,594,216,393	1,768,800,757
Lease liabilities	–	–	–	–	354,424,986
Amounts due to related company	–	–	–	–	282,122,456
Other financial liabilities	–	–	–	–	268,116,980
	–	–	19,173,612,659	19,173,612,659	27,400,587,818

Group				
Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
197,400,984	–	–	197,400,984	197,400,984
–	–	360,242,379	360,242,379	360,242,379
–	358,624,336	–	358,624,336	358,624,336
197,400,984	358,624,336	360,242,379	916,267,699	916,267,699
–	–	–	–	515,465,068
–	–	–	–	5,121,558,512
–	–	–	–	666,610,501
–	–	17,188,980,288	17,188,980,288	19,695,389,245
–	–	4,534,716,466	4,534,716,466	4,620,635,290
1,651,704,930	–	–	1,651,704,930	1,667,371,333
–	–	8,852,210	8,852,210	7,541,970
–	–	–	–	10,163,258
1,651,704,930	–	21,732,548,964	23,384,253,894	32,304,735,177
–	–	10,200,888,903	10,200,888,903	9,557,337,069
–	–	–	–	619,273,500
–	–	–	–	6,176,695,476
–	–	–	7,283,866,724	8,287,420,959
–	–	1,594,216,393	1,594,216,393	1,768,800,757
–	–	–	–	362,960,317
–	–	–	–	–
–	–	–	–	268,116,980
–	–	11,795,105,296	19,078,972,020	27,040,605,058

19.3 Measurement of fair values - Financial instruments measured at fair value

19.3.1 Valuation techniques and significant unobservable inputs used for financial instruments measured at fair value

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the Statement of the Financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investments in unit trust – unquoted	The Group determines the fair value of unit trust investments based on unit prices published by the Unit Trust Association of Sri Lanka and the valuations provides by the unit trust holder.		
Financial Asset at FVOCI	Based on the Net Assets Value and discounted cash flow method	Net assets per share of the company. Senkadagala Hotel as at 31 March 2024 - LKR 86.00 (2023 - LKR 72.00) Venture Tea Ltd. as at 31 March 2024 - LKR 96.51 (2023 - 150.00)	The estimated fair value would increase/(decrease) based on the Net assets of the company

Transfer between Level 1 and 2

There were no transfer from Level 1 to Level 2 or Level 2 to Level 1 in 2023/24 and 2022/23.

19.3.2 Reconciliation for level 3 fair value measurement

	Company		Group	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Financial assets at FVOCI				
Balance at the beginning of the year	360,242,379	14,762,768	360,242,379	14,762,768
Purchased during the year	–	345,000,000	–	345,000,000
Disposal during the year	(165,000,000)	–	(165,000,000)	–
Gain on disposals	41,250,000	–	41,250,000	–
Net change in fair value (Unrealised)	(75,980,273)	479,611	(75,980,273)	479,611
Balance at the end of the year	160,512,106	360,242,379	160,512,106	360,242,379

Transfer out of Level 3

There were no transfers out of Level 3 and transfers out of Level 2 in 2023/24 and 2022/23.

19.4 Measurement of fair values – Financial instruments not measured at fair value

A. Measurement of fair values – Company

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Deposit with financial institutions	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average Effective interest rate based on the maturity of deposits. Interest rate varied from 4.50% to 6.00%.	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance leases, Hire purchases and other loans	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average Effective interest rate based on the maturity of deposits liability. Interest rate varied from 8.25% to 27.25%	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A

** Other liabilities consists of Due to banks, Deposits from customers, borrowings and debentures

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently. This assumption is also applied to savings deposits which do not have a specific maturity.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other receivables	Short term and floating rated borrowings
	Bank overdrafts

B. Measurement of fair values – Group

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Deposit with financial institutions	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average Effective interest rate based on the maturity of deposits. Interest rate varied from 4.50% to 19.00%.	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance leases, Hire purchases and other loans	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average Effective interest rate based on the maturity of deposits liability. Interest rate varied from 8.25% to 27.25%	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A

** Other liabilities consists of Due to Banks, Deposits from customers, borrowings and debentures

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or reprise to current market rates frequently. This assumption is also applied to the savings deposits which do not have a specific maturity.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other receivables	Short term and floating rated borrowings
	Bank overdrafts

20. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Cash in hand held in local currency		296,140,063	145,948,782	296,190,694	145,976,982
Cash in hand held in foreign currency		132,848	73,832	144,477	85,461
Balances with licensed commercial banks		379,206,801	346,495,209	449,449,087	369,490,955
Gross cash and cash equivalents*		675,479,712	492,517,823	745,784,258	515,553,398
Allowance for impairment losses	20.1	(300,054)	(88,330)	(300,054)	(88,330)
Net cash and cash equivalents		675,179,658	492,429,493	745,484,204	515,465,068

20.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	88,330	58,883	88,330	58,883
Impairment charge for the year	211,724	29,447	211,724	29,447
Balance at the end of the year	300,054	88,330	300,054	88,330

*Gross cash and cash equivalents are reported in the Statement of Cash Flows.

21. Financial Assets at Amortised Cost – Deposits with Licensed Financial Institutions

Accounting Policy

Deposits with licensed financial institutions includes fixed deposits. Deposits with licensed financial institutions are carried at amortised cost in the Statement of Financial Position. (Refer Note 18)

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Fixed deposits		2,622,924,647	5,114,912,793	2,631,001,688	5,123,090,327
Allowance for impairment losses	21.1	(969,859)	(1,531,815)	(969,859)	(1,531,815)
Net deposits with licensed financial institutions		2,621,954,788	5,113,380,978	2,630,031,829	5,121,558,512

21.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	1,531,815	9,511,767	1,531,815	9,511,767
Impairment reversal for the year	(561,956)	(7,979,952)	(561,956)	(7,979,952)
Balance at the end of the year	969,859	1,531,815	969,859	1,531,815

22. Financial Assets held at Fair Value Through Profit or Loss

Accounting Policy

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial instruments at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

Changes in fair value are recorded in "Net gain or loss on financial instruments at fair value through profit or loss".

Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Quoted equity	21.1	349,773,434	197,400,984	349,773,434	197,400,984
Unquoted unit trust	22.2	4,133,425,803	288,350,212	4,272,611,523	358,624,336
Total		4,483,199,237	485,751,196	4,622,384,957	556,025,320

22.1 Quoted equity

		Company					
		2024			2023		
	Note	No. of shares	Cost LKR	Market value LKR	No. of shares	Cost LKR	Market value LKR
Bank, Finance and Insurance							
Central Finance Company PLC		48,528	335,812	5,180,364	48,528	335,812	3,513,427
National Development Bank PLC		884	8,536	60,112	842	8,536	35,561
Commercial Bank of Ceylon PLC		5,591	469,342	476,353	5,281	469,342	323,597
Beverage, Food and Tobacco							
Ceylon Tobacco PLC		3,100	142,017	3,807,575	3,100	142,017	2,110,325
Hotels and Travels							
Aitken Spence PLC		495	3,355	64,598	495	3,355	64,845
Manufacturing							
Royal Ceramics Lanka PLC		200	273	6,220	200	273	5,520
Diversified Holdings							
Hayleys PLC		1,130	7,175	92,773	1,130	7,175	81,360
John Keells Holdings PLC		4,462	164,976	865,628	4,462	164,976	624,680
Trading							
Lanka Indian Oil Corporation PLC		5,500	148,500	642,125	5,500	148,500	943,250
Portfolio Investment	22.1.1		173,008,475	338,577,686		159,391,355	189,698,419
			174,288,461	349,773,434		160,671,341	197,400,984

Group					
2024			2023		
No. of shares	Cost LKR	Market value LKR	No. of shares	Cost LKR	Market value LKR
48,528	335,812	5,180,364	48,528	335,812	3,513,427
884	8,536	60,112	842	8,536	35,561
5,591	469,342	476,353	5,281	469,342	323,597
3,100	142,017	3,807,575	3,100	142,017	2,110,325
495	3,355	64,598	495	3,355	64,845
200	273	6,220	200	273	5,520
1,130	7,175	92,773	1,130	7,175	81,360
4,462	164,976	865,628	4,462	164,976	624,680
5,500	148,500	642,125	5,500	148,500	943,250
	173,008,475	338,577,686		159,391,355	189,698,419
	174,288,461	349,773,434		160,671,341	197,400,984

22.1.1 Portfolio Investment

	Company					
	2024			2023		
	No. of shares/ Units	Cost LKR	Market value LKR	No. of shares/ Units	Cost LKR	Market value LKR
Bank Finance and Insurance						
Ceylinco Insurance PLC (Non-voting)	10,000	1,560,322	8,500,000	10,000	1,560,322	10,540,000
Lanka Ventures PLC	61,800	2,552,579	1,650,060	61,800	2,552,579	2,348,400
Seylan Bank PLC (Non-voting)	64,164	2,241,315	2,438,232	59,401	2,241,315	1,366,223
Hatton National Bank PLC (Non-voting)	34,382	5,348,333	5,165,896	32,566	5,348,333	2,833,242
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	8,320,940	100,869,697	226,329,568	760,372	90,643,856	107,022,359
Ceylon Beverage Holdings PLC	2,321	1,936,261	3,557,513	2,321	1,936,261	2,426,606
Chemicals and Pharmaceuticals						
Haycarb PLC	20,000	350,437	1,530,000	20,000	350,437	1,126,000
Healthcare						
Ceylon Hospitals PLC (Non-voting)	46,577	1,856,002	4,739,210	46,577	1,856,002	4,443,446
Ceylon Hospitals PLC (Voting)	6,366	587,395	762,329	6,366	587,395	843,495
Hotels and Travels						
Taj Lanka Hotels PLC	114,432	3,478,514	2,059,776	114,432	3,478,514	1,739,366
John Keels Hotels PLC	201,000	2,560,236	3,738,600	251,000	3,197,111	4,743,900
Investment Trusts						
Renuka Holdings PLC (Non-voting)	107,565	2,241,357	1,204,728	104,123	2,199,708	1,176,590
Manufacturing						
Ceylon Grain Elevators PLC	350,127	27,785,253	59,696,654	300,127	22,729,403	25,180,655
Power and Energy						
LVL Energy Fund PLC	2,037,110	14,610,304	9,166,995	2,037,110	14,610,304	13,648,637
Diversified Holdings						
C T Holdings PLC	5,500	909,830	1,439,625	5,500	909,830	990,000
Aitken Spence PLC	30,000	1,425,792	3,907,500	52,500	2,495,136	6,877,500
Telecommunications						
Dialog Axiata PLC	230,000	2,694,848	2,691,000	230,000	2,694,848	2,392,000
		173,008,475	338,577,686		159,391,355	189,698,419

Group					
2024			2023		
No. of shares/ Units	Cost LKR	Market value LKR	No. of shares/ Units	Cost LKR	Market value LKR
10,000	1,560,322	8,500,000	10,000	1,560,322	10,540,000
61,800	2,552,579	1,650,060	61,800	2,552,579	2,348,400
64,164	2,241,315	2,438,232	59,401	2,241,315	1,366,223
34,382	5,348,333	5,165,896	32,566	5,348,333	2,833,242
8,320,940	100,869,697	226,329,568	760,372	90,643,856	107,022,359
2,321	1,936,261	3,557,513	2,321	1,936,261	2,426,606
20,000	350,437	1,530,000	20,000	350,437	1,126,000
46,577	1,856,002	4,739,210	46,577	1,856,002	4,443,446
6,366	587,395	762,329	6,366	587,395	843,495
114,432	3,478,514	2,059,776	114,432	3,478,514	1,739,366
201,000	2,560,236	3,738,600	251,000	3,197,111	4,743,900
107,565	2,241,357	1,204,728	104,123	2,199,708	1,176,590
350,127	27,785,253	59,696,654	300,127	22,729,403	25,180,655
2,037,110	14,610,304	9,166,995	2,037,110	14,610,304	13,648,637
5,500	909,830	1,439,625	5,500	909,830	990,000
30,000	1,425,792	3,907,500	52,500	2,495,136	6,877,500
230,000	2,694,848	2,691,000	230,000	2,694,848	2,392,000
	173,008,475	338,577,686		159,391,355	189,698,419

22.2 Unquoted unit trust

	Company					
	2024			2023		
	No. of shares/ Units	Cost LKR	Market value LKR	No. of shares/ Units	Cost LKR	Market value LKR
National Equity Fund	205,559	1,921,491	8,614,127	205,559	1,921,491	7,253,245
CT CLSA Money Market Fund	–	–	–	555,783	13,366,147	14,071,770
Senfin Money Market Fund	45,652,526	994,748,463	1,103,289,161	–	–	–
Senfin Growth Fund	25,682,822	193,722,000	353,909,290	25,682,822	193,722,000	262,221,615
Senfin Dividend fund	242,009	2,500,000	2,912,528	242,009	2,500,000	2,213,582
Senfin Insurance Sector Fund	250,000	2,500,000	2,810,000	250,000	2,500,000	2,590,000
Senfin Dynamic Income Fund	18,985,569	275,000,000	337,479,882	–	–	–
Senfin Consumer Staples Fund	50,000	500,000	549,500	–	–	–
Senfin Financial Services Fund	50,000	500,000	515,000	–	–	–
NDB Wealth Money Plus Fund	70,955,738	2,210,741,715	2,323,346,315	–	–	–
		3,682,133,669	4,133,425,803		214,009,638	288,350,212

23. Financial Assets at Amortised Cost – Finance Leases and Hire Purchases

Accounting Policy

Amount receivable under finance leases and hire purchases net of arrears, prepaid rentals, unearned lease income and allowance for expected credit losses are presented in below,

Finance leases and hire purchases include financial assets measured at amortised cost if both of the following conditions are met;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, Finance leases and hire purchases are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'impairment charges and other credit losses' in the Statement of Profit or Loss.

Group					
2024			2023		
No. of shares/ Units	**Cost LKR**	**Market value LKR**	No. of shares/ Units	Cost LKR	Market value LKR
205,559	1,921,491	8,614,127	205,559	1,921,491	7,253,245
–	–	–	555,783	13,366,147	14,071,770
47,804,763	1,038,709,622	1,155,302,478	946,985	16,595,877	18,943,969
28,285,363	216,559,970	389,772,306	27,760,262	210,059,970	283,432,276
680,986	6,500,000	8,195,839	680,986	6,500,000	6,228,776
2,911,042	29,500,000	32,720,107	2,178,620	22,000,000	22,570,500
19,440,680	280,292,517	345,569,760	500,000	5,000,000	6,123,800
637,004	6,500,000	7,000,668	–	–	–
202,905	2,000,000	2,089,923	–	–	–
70,955,738	2,210,741,715	2,323,346,315	–	–	–
	3,792,725,315	4,272,611,523		275,443,485	358,624,336

		Company		Group	
As at 31 March	Note	**2024 LKR**	2023 LKR	**2024 LKR**	2023 LKR
Net investment in finance leases	23.1	24,355,951,342	21,786,333,114	24,355,951,342	21,786,333,114
Net investment in hire purchases	23.2	24,888,749	27,384,117	24,888,749	27,384,117
		24,380,840,091	21,813,717,231	24,380,840,091	21,813,717,231
Impairment losses					
Provision for individual impairment	23.3	(395,248,928)	(351,469,156)	(395,248,928)	(351,469,156)
Provision for collective impairment	23.4	(1,745,148,200)	(1,766,858,830)	(1,745,148,200)	(1,766,858,830)
Net investment after impairment		22,240,442,963	19,695,389,245	22,240,442,963	19,695,389,245

23.1 Finance leases

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in leases receivable within one year	13,557,917,118	9,914,164,503	13,557,917,118	9,914,164,503
Gross investment in leases receivable between one and five years	17,065,310,550	16,299,340,794	17,065,310,550	16,299,340,794
Gross investment in leases receivable after five years	13,560,596	6,089,054	13,560,596	6,089,054
Repossessed lease receivable	410,892,565	421,888,094	410,892,565	421,888,094
Leases receivable in arrears	1,512,147,795	1,417,560,100	1,512,147,795	1,417,560,100
	32,559,828,624	28,059,042,545	32,559,828,624	28,059,042,545
Unearned lease income	(8,051,223,059)	(6,125,922,797)	(8,051,223,059)	(6,125,922,797)
Initial lease rentals	(1,690,856)	(1,747,495)	(1,690,856)	(1,747,495)
Pre paid lease rentals	(150,963,367)	(145,039,139)	(150,963,367)	(145,039,139)
Net investment in finance leases	24,355,951,342	21,786,333,114	24,355,951,342	21,786,333,114

23.2 Hire purchases

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in hire purchases receivable within one year	12,208,159	12,612,914	12,208,159	12,612,914
Repossessed hire purchase receivable	12,680,590	14,771,203	12,680,590	14,771,203
Net investment in hire purchases	24,888,749	27,384,117	24,888,749	27,384,117

23.3 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	351,469,156	308,831,223	351,469,156	308,831,223
Impairment charge for the year	73,602,536	42,637,933	73,602,536	42,637,933
Write-offs for the year	(29,822,764)	–	(29,822,764)	–
Balance at the end of the year	395,248,928	351,469,156	395,248,928	351,469,156
Gross amount of finance leases and hire purchases individually determined to be impaired	395,248,928	456,920,642	395,248,928	456,920,642

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23.4 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	1,766,858,830	1,427,295,079	1,766,858,830	1,427,295,079
Impairment charge for the year	20,679,246	373,154,623	20,679,246	373,154,623
Write-offs for the year	(6,403,180)	(37,468,577)	(6,403,180)	(37,468,577)
Interest income accrued on impaired finance leases and hire purchases	(35,986,696)	3,877,705	(35,986,696)	3,877,705
Balance at the end of the year	1,745,148,200	1,766,858,830	1,745,148,200	1,766,858,830
Total of individual and collective impairment	2,140,397,128	2,118,327,986	2,140,397,128	2,118,327,986

23.5 Stage classification of finance leases and hire purchases and ECL allowances

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Net investment in finance leases and hire purchases				
Stage 1	15,762,192,538	12,288,430,494	15,762,192,538	12,288,430,494
Stage 2	6,009,274,157	6,864,020,412	6,009,274,157	6,864,020,412
Stage 3	2,609,373,396	2,661,266,325	2,609,373,396	2,661,266,325
	24,380,840,091	21,813,717,231	24,380,840,091	21,813,717,231
Impairment charge				
Stage 1	(351,974,269)	(302,281,403)	(351,974,269)	(302,281,403)
Stage 2	(688,096,056)	(736,942,998)	(688,096,056)	(736,942,998)
Stage 3	(1,100,326,803)	(1,079,103,585)	(1,100,326,803)	(1,079,103,585)
Net investment in finance leases and hire purchases after impairment	22,240,442,963	19,695,389,245	22,240,442,963	19,695,389,245

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23.6 Movement of gross carrying amounts of finance leases and hire purchases as follows;

	Company and Group			
For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	12,288,430,494	6,864,020,412	2,661,266,325	21,813,717,231
Transfer to Stage 1	1,052,515,696	(1,013,079,407)	(39,436,289)	–
Transfer to Stage 2	(2,246,972,548)	2,418,904,676	(171,932,128)	–
Transfer to Stage 3	(240,641,307)	(801,868,565)	1,042,509,872	–
New disbursement	15,064,876,010	–	–	15,064,876,010
New disbursement transfer to Stage 2	(2,350,620,627)	2,350,620,627	–	–
New disbursement transfer to Stage 3	(167,412,500)	–	167,412,500	–
Derecognised or repaid	(7,637,982,680)	(3,809,323,586)	(1,002,882,168)	(12,450,188,434)
Write-offs*	–	–	(47,564,716)	(47,564,716)
Balance at the end of the year	15,762,192,538	6,009,274,157	2,609,373,396	24,380,840,091

	Company and Group			
For the year ended 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	14,720,527,866	6,931,454,677	2,864,762,210	24,516,744,753
Transfer to Stage 1	1,381,804,923	(1,252,833,924)	(128,970,999)	–
Transfer to Stage 2	(3,805,497,551)	4,224,963,555	(419,466,004)	–
Transfer to Stage 3	(298,030,688)	(856,646,364)	1,154,677,052	–
New disbursement	7,643,213,267	–	–	7,643,213,267
New disbursement transfer to Stage 2	(1,330,922,930)	1,330,922,930	–	–
New disbursement transfer to Stage 3	(64,497,000)	–	64,497,000	–
Derecognised or repaid	(5,958,167,393)	(3,513,840,462)	(836,588,470)	(10,308,596,325)
Write-offs*	–	–	(37,644,464)	(37,644,464)
Balance at the end of the year	12,288,430,494	6,864,020,412	2,661,266,325	21,813,717,231

* Finance leases and hire purchases write-off during the year included amount of LKR 45,564,716/- (2022/23 LKR 37,644,464/-) which are subject to enforcement activities.

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23.7 Movement of impairment allowance of finance leases and hire purchases as follows;

	Company and Group			
For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	302,281,403	736,942,998	1,079,103,585	2,118,327,986
Changes due to lease rental receivables recognised in the opening balance that have:				
Transfer to Stage 1	118,883,781	(108,190,108)	(10,693,673)	–
Transfer to Stage 2	(66,292,108)	109,985,026	(43,692,918)	–
Transfer to Stage 3	(6,998,923)	(94,648,233)	101,647,156	–
Interest accrued on impaired finance leases and hire purchases	–	–	(35,986,696)	(35,986,696)
Write-offs	–	–	(36,225,944)	(36,225,944)
Net remeasurement of loss allowance	4,100,116	44,006,373	46,175,293	94,281,782
Balance at the end of the year	351,974,269	688,096,056	1,100,326,803	2,140,397,128

	Company and Group			
For the year ended 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	255,685,058	484,543,744	995,897,500	1,736,126,302
Changes due to lease rental receivables recognised in the opening balance that have:				
Transfer to Stage 1	112,251,797	(87,781,326)	(24,470,471)	–
Transfer to Stage 2	(75,380,274)	154,694,973	(79,314,699)	–
Transfer to Stage 3	(7,094,709)	(65,869,840)	72,964,549	–
Interest accrued on impaired finance leases and hire purchases	–	–	3,877,705	3,877,705
Write-offs	–	–	(37,468,577)	(37,468,577)
Net remeasurement of loss allowance	16,819,531	251,355,447	147,617,578	415,792,556
Balance at the end of the year	302,281,403	736,942,998	1,079,103,585	2,118,327,986

24. Financial Assets at Amortised Cost – Other Loans and Receivables

Accounting Policy

Other loans and receivables include financial assets measured at amortised cost if both of the following conditions are met;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, other loans and receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'impairment charges and other credit losses' in the Statement of Profit or Loss.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Commercial loans	24.1	364,315,747	762,066,931	364,315,747	762,066,931
Personal loans	24.2	236,740,580	128,667,374	236,740,580	128,667,374
Pawning advances	24.3	104,492,913	2,596,820,076	104,492,913	2,596,820,076
Gold loans	24.4	459,867,779	–	459,867,779	–
Other advances	24.5	1,070,321,380	1,132,779,909	1,070,602,380	1,133,080,909
		2,235,738,399	4,620,334,290	2,236,019,399	4,620,635,290

24.1 Commercial loans

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in commercial loans receivable within one year		726,274,223	967,851,525	726,274,223	967,851,525
Gross investment in commercial loans receivable between one and five years		95,911,101	381,752,907	95,911,101	381,752,907
Interest receivable on facilities under relief measures due to COVID-19		4,748,653	6,404,595	4,748,653	6,404,595
Commercial loans receivable in arrears		206,113,811	248,479,944	206,113,811	248,479,944
		1,033,047,788	1,604,488,971	1,033,047,788	1,604,488,971
Unearned commercial loan income		(51,103,289)	(72,213,687)	(51,103,289)	(72,213,687)
Pre paid commercial loan rentals		(1,446,649)	(3,800,678)	(1,446,649)	(3,800,678)
Net investment in commercial loans		980,497,850	1,528,474,606	980,497,850	1,528,474,606
Impairment losses					
Provision for individual impairment	24.1.1	(194,623,593)	(266,705,462)	(194,623,593)	(266,705,462)
Provision for collective impairment	24.1.2	(421,558,510)	(499,702,213)	(421,558,510)	(499,702,213)
Net investment in commercial loans after impairment		364,315,747	762,066,931	364,315,747	762,066,931

24.1.1 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	266,705,462	195,088,653	266,705,462	195,088,653
Impairment charge for the year	18,159,075	71,616,809	18,159,075	71,616,809
Write-offs for the year	(90,240,944)	–	(90,240,944)	–
Balance at the end of the year	194,623,593	266,705,462	194,623,593	266,705,462
Gross amount of loans individually determined to be impaired	194,623,593	303,171,438	194,623,593	303,171,438

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24.1.2 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	499,702,213	608,233,547	499,702,213	608,233,547
Impairment charge for the year	(32,819,903)	(77,903,982)	(32,819,903)	(77,903,982)
Write-offs for the year	(37,718,791)	(33,569,518)	(37,718,791)	(33,569,518)
Interest income accrued on impaired loans and receivables	(7,605,009)	2,942,166	(7,605,009)	2,942,166
Balance at the end of the year	421,558,510	499,702,213	421,558,510	499,702,213
Total of individual and collective impairment	616,182,103	766,407,675	616,182,103	766,407,675

24.2 Personal loans

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in personal loan receivable within one year		126,145,613	66,375,921	126,145,613	66,375,921
Gross investment in personal loan receivable between one and five years		220,783,069	125,745,551	220,783,069	125,745,551
Personal loan receivable in arrears		328,760	418,699	328,760	418,699
		347,257,442	192,540,171	347,257,442	192,540,171
Unearned personal loan income		(95,653,550)	(56,293,801)	(95,653,550)	(56,293,801)
Pre paid personal loan rentals		(9,610,122)	(5,086,909)	(9,610,122)	(5,086,909)
Net investment in personal loan		241,993,770	131,159,461	241,993,770	131,159,461
Impairment losses					
Provision for collective impairment	24.2.1	(5,253,190)	(2,492,087)	(5,253,190)	(2,492,087)
Net investment in personal loans after impairment		236,740,580	128,667,374	236,740,580	128,667,374

24.2.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	2,492,087	964,275	2,492,087	964,275
Charge for the year	2,761,103	1,527,812	2,761,103	1,527,812
Balance at the end of the year	5,253,190	2,492,087	5,253,190	2,492,087
Total of individual and collective impairment	5,253,190	2,492,087	5,253,190	2,492,087

24.3 Pawning advances

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in pawning advances		95,623,707	2,313,571,050	95,623,707	2,313,571,050
Interest receivable from pawning advances		17,302,478	294,335,758	17,302,478	294,335,758
Net investment in pawning advances		112,926,185	2,607,906,808	112,926,185	2,607,906,808
Impairment losses					
Provision for collective impairment	24.3.1	(8,433,272)	(11,086,732)	(8,433,272)	(11,086,732)
Net investment in pawning advances after impairment		104,492,913	2,596,820,076	104,492,913	2,596,820,076

24.3.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	11,086,732	748,154	11,086,732	748,154
Impairment (reversal)/charge for the year	(2,653,460)	10,338,578	(2,653,460)	10,338,578
Balance at the end of the year	8,433,272	11,086,732	8,433,272	11,086,732
Total of individual and collective impairment	8,433,272	11,086,732	8,433,272	11,086,732

24.4 Gold loans

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross investment in gold loans		449,596,686	–	449,596,686	–
Interest receivable from gold loans		14,450,239	–	14,450,239	–
Net investment in gold loans		464,046,925	–	464,046,925	–
Impairment losses					
Provision for collective impairment	24.4.1	(4,179,146)	–	(4,179,146)	–
Net investment in pawning advances after impairment		459,867,779	–	459,867,779	–

24.4.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	–	–	–	–
Impairment charge for the year	4,179,146	–	4,179,146	–
Balance at the end of the year	4,179,146	–	4,179,146	–
Total of individual and collective impairment	4,179,146	–	4,179,146	–

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24.5 Other advances

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Loans against fixed deposits		228,040,121	251,194,708	228,040,121	251,194,708
Insurance receivables		285,202,527	340,956,208	285,202,527	340,956,208
Staff debtors		32,096,754	35,229,277	32,377,754	35,530,277
Sundry debtors		1,160,174	1,160,174	1,160,174	1,160,174
Margin trading		560,748,250	–	560,748,250	–
Short-term corporate loan		–	553,233,961	–	553,233,961
		1,107,247,826	1,181,774,328	1,107,528,826	1,182,075,328
Impairment losses					
Provision for collective impairment	24.5.1	(36,926,446)	(48,994,419)	(36,926,446)	(48,994,419)
Net investment in other advances after impairment		1,070,321,380	1,132,779,909	1,070,602,380	1,133,080,909

24.5.1 Movement in allowance for collective impairment

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Balance at the beginning of the year	48,994,419	160,554,809	48,994,419	160,554,809
Impairment reversals for the year	(12,067,973)	(111,560,390)	(12,067,973)	(111,560,390)
Balance at the end of the year	36,926,446	48,994,419	36,926,446	48,994,419
Total of individual and collective impairment	36,926,446	48,994,419	36,926,446	48,994,419

24.6 Stage classification of other loans and receivables

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Gross other loans and receivables				
Stage 1	1,802,916,896	3,759,057,349	1,803,197,896	3,759,358,349
Stage 2	164,942,960	362,531,728	164,942,960	362,531,728
Stage 3	938,852,700	1,327,726,127	938,852,700	1,327,726,127
	2,906,712,556	5,449,315,204	2,906,993,556	5,449,616,204
Provision for impairment				
Stage 1	(13,072,834)	(37,224,150)	(13,072,834)	(37,224,150)
Stage 2	(15,125,634)	(39,037,214)	(15,125,634)	(39,037,214)
Stage 3	(642,775,689)	(752,719,550)	(642,775,689)	(752,719,550)
Net other loans and receivables	2,235,738,399	4,620,334,290	2,236,019,399	4,620,635,290

24.7 Movement of gross carrying amounts of other loans and receivables as follows;

24.7.1 Company

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	3,759,057,349	362,531,728	1,327,726,127	5,449,315,204
Transfer to Stage 1	31,632,578	(28,967,267)	(2,665,311)	–
Transfer to Stage 2	(30,197,702)	32,991,144	(2,793,442)	–
Transfer to Stage 3	(28,591,895)	(59,829,321)	88,421,216	–
New disbursement	3,653,264,016	–	–	3,653,264,016
New disbursement transfer to Stage 2	(76,452,867)	76,452,867	–	–
New disbursement transfer to Stage 3	(2,434,320)	–	2,434,320	–
Other net changes in portfolio	310,142,945	–	–	310,142,945
Derecognised or repaid	(5,813,503,208)	(218,236,191)	(338,021,936)	(6,369,761,335)
Write-offs*	–	–	(136,248,274)	(136,248,274)
Balance at the end of the year	1,802,916,896	164,942,960	938,852,700	2,906,712,556

For the year ended 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	2,040,321,177	979,382,029	1,344,586,090	4,364,289,296
Transfer to Stage 1	323,173,337	(290,503,588)	(32,669,749)	–
Transfer to Stage 2	(131,613,249)	229,692,857	(98,079,608)	–
Transfer to Stage 3	(86,399,567)	(240,397,320)	326,796,887	–
New disbursement	7,931,806,193	–	–	7,931,806,193
New disbursement transfer to Stage 2	(59,301,928)	59,301,928	–	–
New disbursement transfer to Stage 3	(1,248,859)	–	(1,248,859)	–
Other net changes in portfolio	512,069,757	–	–	512,069,757
Derecognised or repaid	(6,769,749,512)	(374,944,178)	(180,526,091)	(7,325,219,781)
Write-offs*	–	–	(33,630,261)	(33,630,261)
Balance at the end of the year	3,759,057,349	362,531,728	1,327,726,127	5,449,315,204

* Other loans and receivable write-offs during the year included amount of LKR 136,248,274/- (2022-23 LKR 33,630,261/-) which are subject to enforcement activities.

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24.7.2 Group

For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	3,759,358,349	362,531,728	1,327,726,127	5,449,616,204
Transfer to Stage 1	31,632,578	(28,967,267)	(2,665,311)	–
Transfer to Stage 2	(30,197,702)	32,991,144	(2,793,442)	–
Transfer to Stage 3	(28,591,895)	(59,829,321)	88,421,216	–
New disbursement	3,653,264,016	–	–	3,653,264,016
New disbursement transfer to Stage 2	(76,452,867)	76,452,867	–	–
New disbursement transfer to Stage 3	(2,434,320)	–	2,434,320	–
Derecognised or repaid	(5,813,523,208)	(218,236,191)	(338,021,936)	(6,369,781,335)
Other net changes in portfolio	310,142,945	–	–	310,142,945
Write-offs*	–	–	(136,248,274)	(136,248,274)
Balance at the end of the year	1,803,197,896	164,942,960	938,852,700	2,906,993,556

For the year ended 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	2,040,566,177	979,382,029	1,344,586,090	4,364,534,296
Transfer to Stage 1	323,173,337	(290,503,588)	(32,669,749)	–
Transfer to Stage 2	(131,613,249)	229,692,857	(98,079,608)	–
Transfer to Stage 3	(86,399,567)	(240,397,320)	326,796,887	–
New disbursement	7,931,806,193	–	–	7,931,806,193
New disbursement transfer to Stage 2	(59,301,928)	59,301,928	–	–
New disbursement transfer to Stage 3	(1,248,859)	–	1,248,859	–
Derecognised or repaid	(6,769,693,512)	(374,944,178)	(180,526,091)	(7,325,163,781)
Other net changes in portfolio	512,069,757	–	–	512,069,757
Write-offs*	–	–	(33,630,261)	(33,630,261)
Balance at the end of the year	3,759,358,349	362,531,728	1,327,726,127	5,449,616,204

* Other loans and receivable write-offs during the year included amount of LKR 136,248,274/- (2022-23 LKR 33,630,261/-) which are subject to enforcement activities.

24.8 An analysis of changes ECL allowances in relation to the other loans and Receivables

	Company and Group			
For the year ended 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	37,224,150	39,037,214	752,719,550	828,980,914
Changes due to loans and other receivables recognised in the opening balance that have:				
Transfer to Stage 1	3,340,808	(2,615,551)	(725,257)	–
Transfer to Stage 2	(2,420,919)	3,141,851	(720,932)	–
Transfer to Stage 3	(915,773)	(7,694,101)	8,609,874	–
Interest accrued on impaired Other loans and advances	–	–	(7,605,009)	(7,605,009)
Write-offs	–	–	(127,959,735)	(127,959,735)
Net remeasurement of loss allowance	(24,155,432)	(16,743,779)	18,457,198	(22,442,013)
Balance at the end of the year	13,072,834	15,125,634	642,775,689	670,974,157

	Company and Group			
For the year ended 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance at the beginning of the year	29,802,706	131,197,516	804,589,216	965,589,438
Changes due to loans and other receivables recognised in the opening balance that have:				
Transfer to Stage 1	38,050,211	(21,397,244)	(16,652,967)	–
Transfer to Stage 2	(6,482,614)	57,351,431	(50,868,817)	–
Transfer to Stage 3	(3,495,004)	(41,865,840)	45,360,844	–
Interest accrued on impaired other loans and advances	–	–	2,942,166	2,942,166
Write-offs	–	–	(33,569,518)	(33,569,518)
Net remeasurement of loss allowance	(20,651,149)	(86,248,649)	918,626	(105,981,172)
Balance at the end of the year	37,224,150	39,037,214	752,719,550	828,980,914

25. Financial Assets Measured at Fair Value through Other Comprehensive Income

Accounting Policy

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial assets is given in Note 18.

No impairment loss is recognised on equity investments classified quoted under FVOCI.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Unquoted shares					
Credit Information Bureau of Sri Lanka		90,586	90,586	90,586	90,586
Finance House Consortium (Pvt) Ltd.		200,000	200,000	200,000	200,000
Senkadagala Hotels Limited		17,860,415	14,951,793	17,860,415	14,951,793
Venture Tea (Pvt) Ltd.	25.1	142,361,105	345,000,000	142,361,105	345,000,000
		160,512,106	360,242,379	160,512,106	360,242,379

25.1 The Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purpose.

During the financial year 2023/24, the Company sold 825,000 shares of its investment at Venture Tea (Pvt) Ltd. and transfer LKR 28,875,000 of gains, net of tax on disposal of equity investments at FVOCI to retained earnings. The management decided to sell 5.5% stake of the overall shareholding of Venture Tea (Pvt) Ltd., with the objective of reducing the Company's holding of the entity to less than 10%.

26. Financial Assets at Amortised Cost – Other Financial Instruments

Accounting Policy

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs.

Debt investments subsequently measured at their amortised cost using the effective interest method. The Group recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Group measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Government securities – Sri Lanka				
Treasury bills	1,192,062,925	1,667,371,333	1,192,062,925	1,667,371,333
Other instruments				
Debentures	7,552,649	7,541,970	7,552,649	7,541,970
	1,199,615,574	1,674,913,303	1,199,615,574	1,674,913,303

27. Investments in Subsidiaries – Unquoted

Accounting Policy

Subsidiary is an investee controlled by the Group. The Group “controls” an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognise the investments in subsidiaries at cost.

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of the Subsidiaries in the Group have a common financial year which ends on 31 March.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

27.1 Senkadagala Insurance Brokers (Pvt) Ltd.

	Company	
As at 31 March	2024 LKR	2023 LKR
(2,000,000 Ordinary shares) Holding (%)	100	100
Place of business	No. 437B, 1st Floor, Katugastota Road, Kandy.	
Cost of the investment	20,000,000	20,000,000

27.2 Newest Capital Limited

	Company	
As at 31 March	2024 LKR	2023 LKR
(1,500,000 Ordinary shares) Holding (%)	–	100
Place of business	No. 267, Galle Road, Colombo 03	
Cost of the investment	–	281,510,277

Newest capital limited was a Specialised leasing Company acquired in line with the consolidation programme implemented by the Central Bank of Sri Lanka in August 2014. All its operations were ceased and the company was wound up on 3 October 2023.

27.3 Senfin Asset Management (Pvt) Ltd.

	Company	
As at 31 March	2024 LKR	2023 LKR
(19,916,303 Ordinary shares) Holding (%)	100	100
Place of business	No. 267, Galle Road, Colombo 03	
Cost of investment	31,729,600	31,729,600
Impairment loss	(4,938,214)	(4,938,214)
Reversal of impairment loss	4,938,214	–
Net cost of the investment	31,729,600	26,791,386
Total investments in subsidiaries	51,729,600	328,301,663

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2024. Accordingly, it was concluded that no impairment provision is required to be made for the investments in subsidiaries in the financial statements as at the reporting date.

28. Investment in Associate

Accounting Policy

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, investments in associates are carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss as "Share of Profit of Associate" in the Statement of Profit or Loss.

In the separate Financial Statements, Investments in associates are accounted at cost.

	Company and Group	
As at 31 March	2024 LKR	2023 LKR
Senfin Securities Limited		
(196,777,777 Ordinary shares) Holding (%)	35	35
Place of business	4th floor, 180, Bauddhaloka Mawatha, Colombo 04	
Cost of the investment	88,550,000	88,550,000
Carrying value of the investment	163,927,700	116,740,137

28.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Consolidated Financial Statements is as follows:

	Senfin Securities Limited	
As at 31 March	2024 LKR	2023 LKR
Cost of investment	88,550,000	88,550,000
Share of profit applicable to the Group		
Balance at the beginning of the year	116,740,137	–
Investment in associate during the year	–	88,550,000
Gain from a bargain purchase	–	23,729,083
Adjustment for prior year	30,992,500	–
Profit for the period recognised in Statement of Profit or Loss, net of tax	16,547,093	5,331,645
	47,539,593	29,060,728
Profit or loss for the period recognised in Statement of other comprehensive income, net of tax	(352,030)	(870,591)
Total comprehensive income	47,187,563	28,190,137
Dividend received	–	–
Balance at the end of the year	163,927,700	116,740,137

28.2 Summarised financial information in respect of the associate is set out below:

28.2.1 Summarised Statement of Profit or Loss

	Senfin Securities Limited	
For the year ended 31 March	2024 LKR	2023 LKR
Revenue	135,220,249	35,947,224
Expenses	(108,981,709)	(19,136,340)
Income tax	21,038,868	(1,577,614)
Profit from continuing operations, net of tax	47,277,408	15,233,270
Company's share of profit from continuing operations, net of tax	16,547,093	5,331,645
Other comprehensive income, net of tax	(1,005,801)	(2,487,404)
Company's share of other comprehensive income from continuing operations, net of tax	(352,030)	(870,591)
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income	16,195,063	4,461,054

28.2.2 Summarised Statement of Financial Position

	Senfin Securities Limited	
As at 31 March	2024 LKR	2023 LKR
Non-current assets	62,288,755	34,427,017
Current assets	511,326,281	539,045,097
Non-current liabilities	(19,535,288)	(16,472,624)
Current liabilities	(85,714,894)	(134,906,244)
Net assets	468,364,854	422,093,246
Carrying amount of interest in associate	163,927,700	116,740,137

29. Investment Property

Accounting Policy

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as investment property. On the other hand, a property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as property, plant and equipment. The Group assesses on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – "Property, Plant and Equipment"

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non-depreciated. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However, entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of property changes from owner occupied to investment property, the property is remeasured to fair value and reclassified as an investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

An investment property shall be de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Cost or valuation				
Balance at the beginning of the year	386,382,655	386,382,655	299,444,424	299,444,424
On winding up of subsidiary	–	–	95,661,512	–
Balance at the end of the year	386,382,655	386,382,655	395,105,936	299,444,424
Accumulated depreciation				
Balance at the beginning of the year	33,658,533	29,429,784	42,381,814	38,153,065
Charge for the year	4,228,749	4,228,749	4,228,749	4,228,749
Balance at the end of the year	37,887,282	33,658,533	46,610,563	42,381,814
Carrying amount at the end of the year	348,495,373	352,724,122	348,495,373	257,062,610

29.1 Fully depreciated investment property

The cost of fully depreciated investment properties which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Buildings	4,141,019	4,141,019	4,141,019	4,141,019

29.2 Information of freehold investment property

29.2.1 Company

Location	Building	Number of Buildings	Valuation	Cost 2024 LKR	Carrying value 2024 LKR	Cost 2023 LKR	Carrying value 2023 LKR
98, Deen's Road, Colombo 10	3,220 sq.ft.	1	70,800,000	3,500,000	500,000	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	2,450 sq.ft.	1	102,375,000	7,542,068	7,040,083	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	850 sq.ft.	1	90,275,000	70,679,827	57,333,564	70,679,827	58,162,313
98, Yatinuwara Veediya, Kandy	2,813 sq.ft.	1	74,350,000	6,060,760	5,421,726	6,060,760	5,421,726
30, Kinsey Road, Colombo 07	12,050 sq.ft.	1	316,500,000	298,600,000	278,200,000	298,600,000	281,600,000
			654,300,000	386,382,655	348,495,373	386,382,655	352,724,122

29.2.2 Group

Location	Extent Land	Extent Building	Number of Buildings	Valuation	Cost 2024 LKR	Carrying value 2024 LKR	Cost 2023 LKR	Carrying value 2023 LKR
98, Deen's Road, Colombo 10	6.000P	3,220 sq.ft.	1	70,800,000	3,500,000	500,000	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875P	2,450 sq.ft.	1	102,375,000	7,542,068	7,040,083	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	18.000P	850 sq.ft.	1	90,275,000	70,679,827	57,333,564	70,679,827	58,162,313
98, Yatinuwara Veediya, Kandy	7.698P	2,813 sq.ft.	1	74,350,000	6,060,760	5,421,726	6,060,760	5,421,726
30, Kinsey Road, Colombo 07	20.10P	12,050 sq.ft.	1	316,500,000	307,323,281	278,200,000	211,661,769	185,938,488
				654,300,000	395,105,936	348,495,373	299,444,424	257,062,610

29.3 Amount recognised in Statement of Profit or Loss

Rental income recognised by the Group from the investment property during period was LKR 27,120,000/- (2022/23 - LKR 25,800,000/-) and was included in the other operating income. Maintenance expenses included in establishment expenses in relation to income generating property was LKR 819,700/- during period (2022/23 - LKR 19,550/-). There are no vacant properties in the Group.

29.4 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 25 March 2023. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of LKR 654,300,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for, since the price may not adequately reflect the fair market value.	The reference range of value for the properties range from LKR 3,500,000 to LKR 11,250,000. Price per square foot for the properties range from LKR 1,500 to LKR 5,500.	Estimated fair value would increase/(decrease) if Price per perch increases/(decreases) Price per square foot increases/(decreases)

30. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is de-recognised. The costs of day-today servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated. The depreciation rates and estimated useful lives of the different types of assets are given in Note 12.

The Group reviews the residual values, useful lives and method 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.

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30.1 Company

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2023	488,035,830	199,919,089	473,311,053	470,897,514	90,629,929	444,388,549
Additions/Construction work in progress during the year	–	–	68,921,530	39,720,827	17,443,028	22,237,950
Disposals during the year	–	–	–	–	–	–
As at 31 March 2024	488,035,830	199,919,089	542,232,583	510,618,341	108,072,957	466,626,499
Accumulated depreciation						
As at 1 April 2023	–	52,028,007	357,948,111	313,906,925	79,254,926	431,710,541
Charge for the year		10,637,434	33,054,383	35,141,665	5,788,376	9,018,819
Disposals	–	–	–	–	–	–
As at 31 March 2024	–	62,665,441	391,002,494	349,048,590	85,043,302	440,729,360
Net book value	488,035,830	137,253,648	151,230,089	161,569,751	23,029,655	25,897,139

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2022	493,786,781	206,668,138	486,314,072	462,504,491	91,087,313	444,067,245
Additions during the year	–	–	5,946,498	9,761,992	1,911,500	6,709,419
Disposals during the year	(5,750,951)	(6,749,049)	(18,949,517)	(1,368,969)	(2,368,884)	(6,388,115)
As at 31 March 2023	488,035,830	199,919,089	473,311,053	470,897,514	90,629,929	444,388,549
Accumulated depreciation						
As at 1 April 2022	–	42,541,610	339,957,609	276,397,269	75,082,013	427,568,311
Charge for the year	–	10,749,918	36,687,449	38,860,824	6,541,797	10,530,345
Disposals	–	(1,263,521)	(18,696,947)	(1,351,168)	(2,368,884)	(6,388,115)
As at 31 March 2023	–	52,028,007	357,948,111	313,906,925	79,254,926	431,710,541
Net book value	488,035,830	147,891,082	115,362,942	156,990,589	11,375,003	12,678,008

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Construction Work-in progress LKR	Total LKR
2,586,178	70,582,044	1,134,819,262	14,478,436	45,782,491	–	3,435,430,375
–	16,730,994	105,722,840	–	8,233,660	66,824,116	345,834,945
–	–	(26,009,005)	–	–	–	(26,009,005)
2,586,178	87,313,038	1,214,533,097	14,478,436	54,016,151	66,824,116	3,755,256,315
2,006,832	56,449,105	984,970,704	13,551,310	43,076,242	–	2,334,902,703
152,771	3,595,832	91,014,694	434,480	1,737,856	–	190,576,310
–	–	(26,009,005)	–	–	–	(26,009,005)
2,159,603	60,044,937	1,049,976,393	13,985,790	44,814,098	–	2,499,470,008
426,575	27,268,101	164,556,704	492,646	9,202,053	66,824,116	1,255,786,307

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Construction Work-in progress LKR	Total LKR
2,649,678	64,706,944	1,183,316,162	14,607,236	47,091,158	–	3,496,799,218
–	5,875,100	–	124,200	366,680	–	30,695,389
(63,500)	–	(48,496,900)	(253,000)	(1,675,347)	–	(92,064,232)
2,586,178	70,582,044	1,134,819,262	14,478,436	45,782,491	–	3,435,430,375
1,904,501	53,312,068	889,402,902	13,216,542	42,652,251	–	2,162,035,076
165,831	3,137,037	139,484,419	587,768	2,099,338	–	248,844,726
(63,500)	–	(43,916,617)	(253,000)	(1,675,347)	–	(75,977,099)
2,006,832	56,449,105	984,970,704	13,551,310	43,076,242	–	2,334,902,703
579,346	14,132,939	149,848,558	927,126	2,706,249	–	1,100,527,672

30.2 Group

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2023	488,035,830	199,919,089	480,560,034	472,653,449	90,629,929	448,239,479
Additions/Construction work in progress during the year	–	–	69,438,890	39,762,478	17,443,028	22,267,650
Winding up	–	–	–	–	–	(62,000)
Disposals during the year	–	–	–	–	–	–
As at 31 March 2024	488,035,830	199,919,089	549,998,924	512,415,927	108,072,957	470,445,129
Accumulated depreciation						
As at 1 April 2023	–	52,028,007	359,835,732	314,688,449	79,254,926	434,610,512
Charge for the year	–	10,637,434	33,756,212	35,278,664	5,788,376	9,547,744
Winding up	–	–	–	–	–	(62,000)
Disposals	–	–	–	–	–	–
As at 31 March 2024	–	62,665,441	393,591,944	349,967,113	85,043,302	444,096,256
Net book value	488,035,830	137,253,648	156,406,980	162,448,814	23,029,655	26,348,873

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2022	493,786,781	206,668,138	493,535,787	464,260,426	91,087,313	447,918,175
Additions during the year	–	–	5,973,764	9,761,992	1,911,500	6,709,419
Disposals during the year	(5,750,951)	(6,749,049)	(18,949,517)	(1,368,969)	(2,368,884)	(6,388,115)
As at 31 March 2023	488,035,830	199,919,089	480,560,034	472,653,449	90,629,929	448,239,479
Accumulated depreciation						
As at 1 April 2022	–	42,541,610	341,152,997	277,033,282	75,082,013	429,946,782
Charge for the year	–	10,749,918	37,379,682	39,006,335	6,541,797	11,051,845
Disposals	–	(1,263,521)	(18,696,947)	(1,351,168)	(2,368,884)	(6,388,115)
As at 31 March 2023	–	52,028,007	359,835,732	314,688,449	79,254,926	434,610,512
Net book value	488,035,830	147,891,082	120,724,302	157,965,000	11,375,003	13,628,967

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Construction Work-in progress LKR	Total LKR
2,641,058	70,582,044	1,141,947,422	14,609,476	45,969,991	–	3,455,787,801
–	16,730,994	105,722,840	–	8,233,660	66,824,116	346,423,656
–	–	–	–	–	–	(62,000)
–	–	(26,009,005)	–	–	–	(26,009,005)
2,641,058	87,313,038	1,221,661,257	14,609,476	54,203,651	66,824,116	3,776,140,452
2,061,233	56,449,105	991,900,914	13,681,258	43,203,126	–	2,347,713,262
153,250	3,595,832	91,136,978	435,572	1,743,472	–	192,073,533
–	–	–	–	–	–	(62,000)
–	–	(26,009,005)	–	–	–	(26,009,005)
2,214,483	60,044,937	1,057,028,887	14,116,830	44,946,598	–	2,513,715,790
426,575	27,268,101	164,632,370	492,646	9,257,053	66,824,116	1,262,424,662

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Construction Work-in progress LKR	Total LKR
2,704,558	64,706,944	1,190,444,322	14,738,276	47,278,658	–	3,517,129,378
–	5,875,100	–	124,200	366,680	–	30,722,655
(63,500)	–	(48,496,900)	(253,000)	(1,675,347)	–	(92,064,232)
2,641,058	70,582,044	1,141,947,422	14,609,476	45,969,991	–	3,455,787,801
1,953,414	53,312,068	896,021,913	13,333,386	42,769,510	–	2,173,146,975
171,319	3,137,037	139,795,618	600,872	2,108,963	–	250,543,386
(63,500)	–	(43,916,617)	(253,000)	(1,675,347)	–	(75,977,099)
2,061,233	56,449,105	991,900,914	13,681,258	43,203,126	–	2,347,713,262
579,825	14,132,939	150,046,508	928,218	2,766,865	–	1,108,074,539

30.3 Property, plant and equipment retired from active use

Following fully depreciated property, plant and equipment were retired from active use as at the Statement of Financial Position date.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Furniture, fittings and fixtures	–	17,002,348	–	17,002,348
Office equipment	–	1,174,769	–	1,174,769
Air conditioner	–	2,368,884	–	2,368,884
Computer and accessories	–	6,388,115	–	6,388,115
Facsimile machine	–	63,500	–	63,500
Motor vehicles	26,009,005	7,100,000	26,009,005	7,100,000
Photostat machine	–	253,000	–	253,000
Printers	–	1,675,347	–	1,675,347
	26,009,005	36,025,963	26,009,005	36,025,963

30.4 Fully depreciated property, plant and equipment

The cost of fully depreciated property, plant and equipment which are still in use as at the Statement of Financial Position date is as follows:

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Furniture, fittings and fixtures	188,079,286	114,666,883	188,632,759	115,385,169
Office equipment	170,196,944	82,241,379	170,749,853	82,241,379
Air conditioner	72,920,541	66,239,523	72,920,541	66,239,523
Computer and accessories	422,019,386	414,995,886	423,722,316	416,698,816
Facsimile machine	1,171,400	984,400	1,171,400	984,400
Generator	43,638,555	42,586,933	43,638,555	42,586,933
Motor vehicles	692,679,175	475,977,380	699,520,435	482,281,880
Photostat machine	12,934,836	12,363,216	13,065,876	12,363,216
Printers	40,901,618	38,166,618	41,034,117	38,260,618
	1,644,541,741	1,248,222,218	1,654,455,851	1,257,041,934

30.5 Property, plant and equipment pledged as security for liability

There were no items of property, plant and equipment pledged as security for liabilities as at reporting date.

30.6 Temporarily idle property, plant and equipment

There were no any temporarily idle property, plant and equipment as at reporting date.

30.7 Title restriction on property, plant and equipment

There were no restrictions existing on the title of property, plant and equipment of the Group as at reporting date.

30.8 Borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment as at reporting date.

30.9 Information of freehold land and building

30.9.1 Company

Location	Number of Buildings	Extent		Valuation	Cost 2024 LKR	Carrying value 2024 LKR	Cost 2023 LKR	Carrying value 2023 LKR
		Land	Building					
No. 7/4, Mawilmada road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.ft.	47,150,000	13,010,874	6,038,382	13,010,874	6,678,382
Highway park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.ft.	55,825,000	30,711,364	23,975,104	30,711,364	24,462,229
No. 92, Dean's Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	92,600,000	24,600,000	23,207,415	24,600,000	23,343,322
No. 255 & 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	126,000,000	77,999,400	68,707,182	77,999,400	70,019,025
No. 91B & 93, Colombo Road , Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	55,700,000	46,799,100	44,841,949	46,799,100	45,176,228
No. 91, Kandy Road, Kurunegala	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	137,400,000	114,484,181	101,218,553	114,484,181	104,446,833
No. 14, Kotugodalla Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	399,000,000	380,350,000	357,300,893	380,350,000	361,800,893
Total				913,675,000	687,954,919	625,289,478	687,954,919	635,926,912

30.9.2 Group

Location	Number of Buildings	Extent Land	Extent Building	Valuation	Cost 2024 LKR	Carrying value 2024 LKR	Cost 2023 LKR	Carrying value 2023 LKR
No. 7/4, Mawilmada road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.ft.	47,150,000	13,010,874	6,038,382	13,010,874	6,678,382
Highway park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.ft.	55,825,000	30,711,364	23,975,104	30,711,364	24,462,229
No. 92, Dean's Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	92,600,000	24,600,000	23,207,415	24,600,000	23,343,322
No. 255 & 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	126,000,000	77,999,400	68,707,182	77,999,400	70,019,025
No. 91B & 93, Colombo Road , Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	55,700,000	46,799,100	44,841,949	46,799,100	45,176,228
No. 91, Kandy Road, Kurunegala	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	137,400,000	114,484,181	101,218,553	114,484,181	104,446,833
No. 14, Kotugodalla Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	399,000,000	380,350,000	357,300,893	380,350,000	361,800,893
				913,675,000	687,954,919	625,289,478	687,954,919	635,926,912

30.9.3 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 25 March 2023. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for the above of LKR 913,675,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	The reference range of value for the properties range from LKR 125,000 to LKR 29,200,000. Price per square foot for the properties range from LKR 1,000 to LKR 11,000.	Estimated fair value would increase/(decrease) if; Price per perch increases/(decreases) Price per square foot increases/ (decreases)

31. Intangible Assets

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as given in Note 12.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated.

An intangible asset shall be de-recognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is de-recognised.

Goodwill on acquisitions

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash–generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with Sri Lanka Accounting Standard (SLFRS 8) *Operating Segments*.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiary is sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

31.1 Intangible assets – Company

	2024 LKR	2023 LKR
Software		
Cost		
Balance at the beginning of the year	295,400,011	287,198,138
Additions during the year	6,459,981	8,201,873
Balance at the end of the year	301,859,992	295,400,011
Accumulated amortisation		
Balance at the beginning of the year	237,071,674	223,168,005
Amortisation for the year	10,507,311	13,903,669
Balance at the end of the year	247,578,985	237,071,674
Carrying amount	54,281,007	58,328,337

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31.2 Intangible assets – Group

As at 31 March	2024			2023
	Software LKR	Website LKR	Total LKR	Total LKR
Cost				
Balance at the beginning of the year	299,314,471	197,847	299,512,318	291,310,445
Additions during the year	6,570,841	–	6,570,841	8,201,873
Balance at the end of the year	305,885,312	197,847	306,083,159	299,512,318
Accumulated amortisation				
Balance at the beginning of the year	240,515,243	197,847	240,713,090	226,732,130
Amortisation for the year	10,594,581	–	10,594,581	13,980,960
Balance at the end of the year	251,109,824	197,847	251,307,671	240,713,090
Carrying amount	54,775,488	–	54,775,488	58,799,228

31.3 Fully amortised intangible assets

The cost of fully amortised intangible assets which are still in use at the Statement of Financial Position date is as follows.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Software	210,115,022	209,077,310	213,385,389	212,347,676
Website	–	–	197,847	197,847
	210,115,022	209,077,310	213,583,236	212,545,523

31.4 The Group does not recognised any goodwill as at the reporting date.

32. Right-of-Use Assets

Accounting Policy

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Determination of the lease term for lease contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site to its original state, less any lease incentives received.

The right-of-use asset subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Estimating the incremental borrowing rate

Further, as the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Group estimates the IBR using observable input when available and is required to make certain entity specific adjustments.

Lease payments included in the measurement of the lease liability comprise the following;

- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Amounts receivable under finance leases are included under "Finance lease receivable". Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment. Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as 'Hire purchase receivable'. Such assets are accounted for in a similar manner as finance leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the de-recognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognise lease payments received under operating leases as income on a straight- line basis over the lease term as part of other operating income.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year		346,392,989	361,074,334	352,869,137	374,026,629
Additions during the year		122,850,747	71,367,075	122,850,747	71,367,075
Depreciation charge for the year	32.1	(119,965,337)	(104,665,656)	(126,441,485)	(111,141,803)
Advance payment made during the year	32.2	36,431,384	21,518,100	36,431,384	21,518,100
Disposal during the year		–	(2,900,864)	–	(2,900,864)
Balance at the end of the year		385,709,783	346,392,989	385,709,783	352,869,137

32.1 Amounts recognised in Statement of Profit or Loss

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Depreciation of right-of-use assets	119,965,337	104,665,656	126,441,485	111,141,803

32.2 Amounts recognised in Statement of Cash Flows

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Total cash outflow from lease	(36,431,384)	(21,518,100)	(36,431,384)	(21,518,100)

33. Deferred Tax Assets

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Management judgments are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer to Note 15 for more details on taxation.

There is no legally enforceable right to set off Deferred Tax assets against the Deferred Tax liabilities if it does not relates to the same taxable entity or the same taxation authority.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Summary of net deferred tax assets/(liabilities)				
Balance at the beginning of the year	109,259,525	(150,572,153)	109,990,943	(149,430,114)
Amount reversed during the year	113,127,217	283,623,535	112,804,075	283,012,328
Effect of change in tax rate	–	(21,265,499)	–	(21,161,283)
Total amount reversed to the Statement of Profit or Loss	113,127,217	262,358,036	112,804,075	261,851,045
Amount reversed/(charged) during the year – Statement of Other Comprehensive Income	26,476,898	(2,021,086)	26,503,938	(1,943,990)
Effect of change in tax rate	–	(505,272)	–	(485,998)
Total amount reversed/(charged) to the Statement of Other Comprehensive Income	26,476,898	(2,526,358)	26,503,938	(2,429,988)
Balance at the end of the year	248,863,640	109,259,525	249,298,956	109,990,943

33.1 Reconciliation of Net Deferred Tax Assets/(Liabilities)

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Deferred tax assets				
Retirement benefit obligation	46,564,802	35,644,525	47,930,459	36,523,672
Lease liabilities	119,440,253	106,327,496	119,440,253	108,888,095
Unclaimed impairment provision	370,366,276	331,376,292	370,366,276	331,376,292
Net Unrealised losses on financial assets measured at FVOCI	21,432,570	–	21,432,570	–
	557,803,901	473,348,313	559,169,558	476,788,059
Deferred tax liabilities				
Property, plant and equipment	83,730,617	87,796,346	84,660,958	88,563,867
Lease capital balance	109,496,709	172,374,546	109,496,709	172,372,509
Right-of-use assets	115,712,935	103,917,896	115,712,935	105,860,740
	308,940,261	364,088,788	309,870,602	366,797,116
Net deferred tax assets	248,863,640	109,259,525	249,298,956	109,990,943

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As at 31 March	Statement of Financial Position 2024 LKR	Statement of Financial Position 2023 LKR	Statement of Profit or Loss 2024 LKR	Statement of Profit or Loss 2023 LKR	Statement of Other Comprehensive Income 2024 LKR	Statement of Other Comprehensive Income 2023 LKR
Deferred tax assets on:						
Retirement benefit obligation	46,564,802	35,644,525	5,875,949	12,029,946	5,044,328	(2,526,358)
Lease liabilities	119,440,253	106,327,496	13,112,757	106,327,496	–	–
Unclaimed impairment provision	370,366,276	331,376,292	38,989,984	162,362,158	–	–
Net Unrealised losses on financial assets measured at FVOCI	21,432,570	–	–	–	21,432,570	–
	557,803,901	473,348,313	57,978,690	280,719,600	26,476,898	(2,526,358)
Deferred tax liabilities on:						
Property, plant and equipment	83,730,617	87,796,346	4,065,729	(5,609,286)	–	–
Lease capital balance	109,496,709	172,374,546	62,877,837	88,904,685	–	–
Right-of-use assets	115,712,935	103,917,896	(11,795,039)	(101,656,963)	–	–
	308,940,261	364,088,788	55,148,527	(18,361,564)	–	–
Deferred tax effect on other comprehensive income			113,127,217	262,358,036	26,476,898	(2,526,358)
Net deferred tax assets	248,863,640	109,259,525				

Group

As at 31 March	Statement of Financial Position 2024 LKR	Statement of Financial Position 2023 LKR	Statement of Profit or Loss 2024 LKR	Statement of Profit or Loss 2023 LKR	Statement of Other Comprehensive Income 2024 LKR	Statement of Other Comprehensive Income 2023 LKR
Deferred tax assets on:						
Retirement benefit obligation	47,930,459	36,523,672	6,335,419	11,707,802	5,071,368	(2,429,988)
Lease liabilities	119,440,253	108,888,095	10,552,158	108,888,095	–	–
Unclaimed impairment provision	370,366,276	331,376,292	38,989,984	162,362,158	–	–
Net Unrealised losses on financial assets measured at FVOCI	21,432,570	–	–	–	21,432,570	–
	559,169,558	476,788,059	55,877,561	282,958,055	26,503,938	(2,429,988)
Deferred tax liabilities on:						
Property, plant and equipment	84,660,958	88,563,867	3,902,909	(5,938,062)	–	–
Lease capital balance	109,496,709	172,372,509	62,875,800	88,906,722	–	–
Right-of-use assets	115,712,935	105,860,740	(9,852,195)	(104,075,670)	–	–
	309,870,602	366,797,116	56,926,514	(21,107,010)	–	–
Deferred tax effect on other comprehensive income			112,804,075	261,851,045	26,503,938	(2,429,988)
Net deferred tax assets	249,298,956	109,990,943				

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34. Other Assets

Accounting Policy

Other assets include gold stock, deposits, dividend receivables, advances, and prepayments, etc. These assets are non-interest earning and recorded at the amounts that are expected to be received.

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Stock of gold specimen		259,200	259,200	259,200	259,200
Advance payments		46,988,703	50,696,637	49,503,092	51,810,383
Vehicle inventory for trade		30,704,100	63,045,800	30,704,100	63,045,800
Cash cover		468,496	1,278,873	468,496	1,278,873
Dividend receivables	34.1	25,500,000	34,000,000	–	–
Rent income receivable		17,418,201	8,884,385	17,418,201	8,884,385
Sundry deposits		10,561,192	9,128,692	10,571,192	9,138,692
Broker settlement - Margin trading		9,329,825	–	9,329,825	–
Other receivables		42,018,760	30,661,104	51,803,844	37,203,095
		183,248,477	197,954,691	170,057,950	171,620,428

34.1 Dividends receivable consist of the net dividend receivable from Senkadagala Insurance Brokers (Pvt) Ltd. for the financial year 2023/24.

35. Due to Banks

Accounting Policy

These include bank overdrafts, term loans, and other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Statement of Profit or Loss over the period of the loan using EIR method.

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Bank overdrafts		151,118,902	138,206,759	151,118,902	138,454,630
Asset securitised loans	35.1	6,358,807,174	6,727,950,038	6,358,807,174	6,727,950,038
		6,509,926,076	6,866,156,797	6,509,926,076	6,866,404,668

35.1 Asset securitised loans movement during the year

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Balance as at the beginning of the year	6,631,871,110	6,460,370,367	6,631,871,110	6,460,370,367
Loans obtained during the year	4,600,000,000	3,600,000,000	4,600,000,000	3,600,000,000
Capital repayment during the year	(4,903,392,221)	(3,428,499,257)	(4,903,392,221)	(3,428,499,257)
Balance before amortised interest payable	6,328,478,889	6,631,871,110	6,328,478,889	6,631,871,110
Amortised interest payable	30,328,285	96,078,928	30,328,285	96,078,928
Balance as at the end of the year	6,358,807,174	6,727,950,038	6,358,807,174	6,727,950,038

35.2 Asset securitised loans

Lending institution	Nature of facility	Term in months	Security	Interest Rate	Company/Group	
					2024 LKR	2023 LKR
Long-term borrowings						
Commercial Bank of Ceylon PLC	Revolving term loans/term loans	48	Lease receivables & USD fixed deposit	Floating/Fixed	3,370,840,666	2,270,760,000
National Development Bank PLC	Term loan	60	Lease receivables	Fixed	–	100,000,000
People's Bank	Term loans	53	USD fixed deposits	Floating	2,009,721,556	3,511,111,110
DFCC Bank PLC	Term loans	48	Lease receivables	Fixed	500,000,000	750,000,000
Sampath Bank PLC	Term loans	48	Lease receivables	Floating	447,916,667	–
Total for Company/Group					6,328,478,889	6,631,871,110

Finance lease and hire purchase aggregate portfolio amounting to LKR 3,051,662,940/- (2023 – LKR 1,501,827,069/-) have been pledged as security for the bank loans.

The Company has pledged USD denominated fixed deposits amounting to LKR 2,622,924,647/- (2023 – LKR 4,853,621,658/-) in principle, to obtain loan from Peoples' Bank and Commercial Bank of Ceylon PLC.

The Company has not had any defaults of principal, interest or other breaches with regard to due to banks during 2023/24 or 2022/23.

36. Financial Liabilities at Amortised Cost – Due to Depositors

Accounting Policy

Due to depositors comprise of interest bearing savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the EIR method. Interest expense on these deposits is recognised to the Statement of Profit or Loss.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Saving deposits		724,616,099	619,273,500	724,616,099	619,273,500
Fixed deposits	36.1	13,114,503,785	9,643,980,575	13,051,973,865	9,557,337,069
		13,839,119,884	10,263,254,075	13,776,589,964	10,176,610,569

36.1 Fixed deposits

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Fixed deposits	12,492,348,207	9,234,758,818	12,430,073,808	9,149,206,388
Amortised interest payable	622,155,578	409,221,757	621,900,057	408,130,681
	13,114,503,785	9,643,980,575	13,051,973,865	9,557,337,069

Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all Licensed Finance Companies (LFC) are required to pay an insurance premium.

Deposit insurance scheme calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits include all the time deposits held by the LFC except for –

- Deposit liabilities to member institutions.
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies.
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel of the respective Member Institution.
- Deposits falling within the meaning of abandoned property in terms of the Banking Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- Dormant deposits in terms of the Finance Business Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

37. Financial Liabilities at Amortised Cost – Other Borrowings

Accounting Policy

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in statement of profit or loss.

		Company		Group	
As at 31 March	Note	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Commercial papers	37.1	70,459,119	72,050,003	70,459,119	72,050,003
Asset securitised loans	37.2	3,628,907,138	7,525,661,764	3,628,907,138	7,525,661,764
		3,699,366,257	7,597,711,767	3,699,366,257	7,597,711,767

37.1 Commercial papers

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Commercial papers capital outstanding	70,000,000	70,000,000	70,000,000	70,000,000
Amortised interest payable	459,119	2,050,003	459,119	2,050,003
	70,459,119	72,050,003	70,459,119	72,050,003

37.1.1 Commercial papers movement during the year

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance as at the beginning of the year	70,000,000	65,000,000	70,000,000	65,000,000
Issued during the year	228,915,479	135,000,000	228,915,479	135,000,000
Settled during the year	(228,915,479)	(130,000,000)	(228,915,479)	(130,000,000)
Balance before amortised interest payable	70,000,000	70,000,000	70,000,000	70,000,000
Amortised interest payable	459,119	2,050,003	459,119	2,050,003
Balance as at the end of the year	70,459,119	72,050,003	70,459,119	72,050,003

37.2 Asset securitised loans

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Assets securitisation loans capital outstanding	1,450,000,000	2,750,000,000	1,450,000,000	2,750,000,000
Borrowings from Netherlands Development Finance Company (FMO)	1,673,242,656	3,636,507,790	1,673,242,656	3,636,507,790
Borrowings from Incofin Investment Management	501,972,837	1,090,952,335	501,972,837	1,090,952,335
Amortised interest payable	3,691,645	48,201,639	3,691,645	48,201,639
	3,628,907,138	7,525,661,764	3,628,907,138	7,525,661,764

37.2.1 Asset securitised loans movement during the year

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance as at the beginning of the year	7,477,460,125	10,413,333,340	7,477,460,125	10,413,333,340
Loans obtained during the year	–	–	–	–
Capital repayment during the year	(3,550,861,077)	(3,797,063,587)	(3,550,861,077)	(3,797,063,587)
Effect of movement in Foreign Exchange Rate	(301,383,555)	861,190,372	(301,383,555)	861,190,372
Balance before amortised interest payable	3,625,215,493	7,477,460,125	3,625,215,493	7,477,460,125
Amortised interest payable	3,691,645	48,201,639	3,691,645	48,201,639
Balance as at the end of the year	3,628,907,138	7,525,661,764	3,628,907,138	7,525,661,764

37.2.2 Asset securitised loans

Lending institution/Trustee	Nature of facility	Term in months	Security	Interest Rate	Company/Group 2024 LKR	Company/Group 2023 LKR
Long-term borrowings						
Hatton National Bank PLC	Syndication loan 2	60	Lease receivables	Fixed	–	100,000,000
Hatton National Bank PLC	Syndication loan 3	60	N/A	Fixed	1,450,000,000	2,650,000,000
Netherlands Development Finance Company (FMO)	USD term loan	53	Lease receivables	Fixed	1,673,242,656	3,636,507,790
Incofin Investment Management	USD term loan	38	Lease receivables	Floating	501,972,837	1,090,952,335
Total for Company/Group					3,625,215,493	7,477,460,125

Securities Pledged

Finance lease and hire purchase aggregate portfolio amounting to LKR 1,946,894,243/- (2023 – LKR 3,157,752,319/-) have been pledged as security for asset securitised loans.

The Company has not had any defaults of principal, interest or other breaches with regard to Due to Banks during 2023/24 or 2022/23.

38. Subordinated Debentures

Accounting Policy

Subordinated debentures include debentures issued by the Company and initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Statement of profit or loss over the period of the loan using EIR method.

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
As at the beginning of the year	1,750,000,000	1,750,000,000	1,750,000,000	1,750,000,000
Amortised interest payable	18,784,186	18,800,757	18,784,186	18,800,757
As at the end of the year	1,768,784,186	1,768,800,757	1,768,784,186	1,768,800,757

Outstanding debentures as at 31 March 2024 consists of 17,500,000 (2022/23 – 17,500,000) listed unsecured redeemable subordinated rated debentures of LKR 100 each issued by the Company in August 2019, details of which is given below,

As at 31 March	Interest payable	Period of issue	Period of maturity	2024 LKR	2023 LKR
2019/20 – Fixed rated 12.875% p.a.	Semi Annually	2019/20	2024/25	1,750,000,000	1,750,000,000

The Company has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31 March 2024. (2022/23 – Nil)

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39. Lease Liabilities

Accounting Policy

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
As at the beginning of the year	354,424,986	357,216,955	362,960,317	372,152,014
Additions during the year	122,850,747	71,367,075	122,850,747	71,367,075
Interest expense recognised in statement of profit or loss	65,995,070	56,647,312	66,531,739	58,023,584
Payment during the year	(145,136,628)	(126,918,071)	(154,208,628)	(134,694,071)
Early termination of lease liabilities	–	(3,888,285)	–	(3,888,285)
As at the end of the year	398,134,175	354,424,986	398,134,175	362,960,317
Amounts recognised in statement of profit or loss				
Interest expense recognised in statement of profit or loss	65,995,070	56,647,312	66,531,739	58,023,584
Amounts recognised in statement of cash flows				
Net cash outflow from lease	(145,136,628)	(126,918,071)	(154,208,628)	(134,694,071)

40. Current Tax Payable

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Refer Note 15 for more details on taxation.

The Company is subject to income taxes and other taxes including VAT on financial services, Stamp duty, Social security Leavy, etc.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Income tax				
Balance at the beginning of the year	140,810,937	120,529,213	146,850,423	123,904,834
Current income tax charge	492,014,489	343,609,128	532,488,884	374,294,263
Under provision in respect of previous year	14,618,505	–	15,701,432	90,767
Payments made during the year	(298,057,692)	(321,808,652)	(337,161,768)	(349,637,556)
Withholding tax receivable	(2,458,972)	(1,518,752)	(3,201,218)	(1,801,885)
On winding up subsidiary	–	–	(679,636)	–
Balance at the end of the year	346,927,267	140,810,937	353,998,117	146,850,423
Other tax liabilities/(receivables)	115,420,266	(3,498,892)	115,492,061	(3,324,854)
	462,347,533	137,312,045	469,490,178	143,525,569

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41. Amounts Due to Related Company

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Newest Capital Limited	–	282,122,456	–	–
	–	282,122,456	–	–

42. Other Liabilities

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other liabilities mainly comprise accrued expenses, payable to suppliers, Dividend payable, and etc.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Accrued expenditure - non-interest	26,916,140	18,085,140	28,615,979	19,484,263
Payable to suppliers	480,277,007	206,075,224	480,277,007	206,075,224
Insurance premium payable	67,260,402	62,041,756	67,260,402	62,041,756
Dividend payable	23,130,006	20,418,160	23,130,006	20,418,160
Value added tax payable	14,670,116	1,177,438	17,385,853	2,466,855
Withholding tax payable on dividend	–	–	4,500,000	6,000,000
Deposit insurance premium	1,531,173	1,110,877	1,531,173	1,110,877
Deferred loan protection fee income	5,960,859	8,451,646	5,960,859	8,451,646
Current account – Margin trading	9,329,825	–	9,329,825	–
Other liabilities	20,339,948	37,787,286	50,003,924	41,375,699
	649,415,476	355,147,527	687,995,028	367,424,480

43. Employee Retirement Benefits

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 11 for Company's policy on retirement benefit obligation.

As at 31 March	Note	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Balance at the beginning of the year		118,815,083	108,920,569	121,745,571	113,524,408
Retirement benefit expense recognised in the Statement of Profit or Loss	43.1	37,987,694	28,348,156	39,519,264	29,264,224
Retirement benefit expense recognised in the Statement of Other Comprehensive Income	43.2	16,814,428	(8,421,192)	16,904,560	(8,099,961)
Benefits paid during the year		(18,401,200)	(10,032,450)	(18,401,200)	(12,943,100)
Balance at the end of the year		155,216,005	118,815,083	159,768,195	121,745,571

43.1 Retirement benefit expense recognised in the Statement of Profit or Loss

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Current service cost	14,818,753	13,099,277	15,999,391	13,763,772
Interest cost	23,168,941	15,248,879	23,519,873	15,500,452
Total	37,987,694	28,348,156	39,519,264	29,264,224

43.2 Retirement benefit expense recognised in the Statement of Other Comprehensive Income

As at 31 March	Company 2024 LKR	Company 2023 LKR	Group 2024 LKR	Group 2023 LKR
Actuarial (gain)/loss for the year	(21,982,600)	15,319,614	(21,892,468)	15,640,845
Liability gain/(loss) due to changes in financial assumptions	38,797,028	(23,740,806)	38,797,028	(23,740,806)
	16,814,428	(8,421,192)	16,904,560	(8,099,961)

As required by Sri Lanka Accounting Standards (LKAS-19) “Employee Benefits”, The Company follows Actuarial Valuation method to determine Employee Benefit Obligation, while subsidiaries follows Gratuity formula method.

Company

Mr Piyal S Goonathilake FSA (USA), a member of the American Academy of Actuaries has carried out an independent actuarial valuation of the defined benefit obligation as at 31 March 2024. The valuation was carried out using the Projected Unit Credit Actuarial Cost Method, the method recommended by Sri Lanka Accounting Standard - LKAS 19 on Defined Benefit Obligations.

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. Further, the salary increment rate of 5% is considered appropriate to be in line with the Company’s targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

As at 31 March	2024	2023
Discount rate	12.0%	19.5%
Salary scale	5.0%	5.0%
Retirement age	60 years	60 years
Weighted average duration of the defined benefit obligation	5.7 years	3.4 years
Staff turnover:		
20-40 years	11% - 19%	11% - 19%
41-50 years	1% - 3%	1% - 3%
51 years or above	1%	1%

Subsidiaries

The principle assumptions used by subsidiaries as follows;

As at 31 March	Salary scale	Discount rate	Staff turnover	Retirement age
Senkadagala Insurance Brokers (Pvt) Ltd.	12.00%	12.00%	0.00%	60
Senfin Asset Management (Pvt) Ltd.	13.00%	12.00%	26.44%	60

43.3 Sensitivity of assumptions employed

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Income Statement and employment benefit obligation for the year.

	Increase/(decrease) in Discount Rate (%)	Increase/(decrease) in Salary Increment rate (%)	Sensitivity Effect on income statement increase/(reduction) in profit for the year LKR '000	Sensitivity Effect on Employment Benefit obligation increase/ (reduction) in the liability LKR '000
Senkadagala Finance PLC	+1	–	7,195	(7,195)
	-1	–	(8,132)	8,132
	–	+1	(8,373)	8,373
	–	-1	7,506	(7,506)
Senkadagala Insurance Brokers (Pvt) Ltd.	+1	–	278	(278)
	-1	–	(417)	417
	–	+1	(413)	413
	–	-1	280	(280)
Senfin Asset Management (Pvt) Ltd.	+1	–	78	(78)
	-1	–	(82)	82
	–	+1	(80)	80
	–	-1	78	(78)

43.4 The expected benefit payout in the future years for retirement gratuity

	Company	
As at 31 March	2024 LKR	2023 LKR
Within 12 months	20,299,353	21,420,775
Between 2-5 years	89,177,280	91,399,086
Over 5 years	160,098,057	134,157,186
Over 10 years	752,900,000	723,100,000
	1,022,474,690	970,077,047

The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

44. Stated Capital

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

As at 31 March	2024		2023	
	No. of shares	Value LKR	No. of shares	Value LKR
Issued and fully paid shares				
At the beginning of the year	86,279,834	2,424,777,045	86,279,834	2,424,777,045
At the end of the year	86,279,834	2,424,777,045	86,279,834	2,424,777,045

44.1 Rights and restrictions of ordinary shares

The shares of the Senkadagala Finance PLC were transferred to the Second Board from the *Diri Savi* Board of Colombo Stock Exchange on 13 October 2023, due to fulfilment of public shareholding requirements. The holders of ordinary shares are entitled to receive dividends as declared from time to time and voting shares are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

45. Statutory Reserve Fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	531,036,033	506,036,033	535,997,079	510,997,079
Transfers during the year	60,000,000	25,000,000	60,000,000	25,000,000
Reclassification of reserves of the wound-up subsidiary	–	–	(4,961,046)	–
Balance at the end of the year	591,036,033	531,036,033	591,036,033	535,997,079

The reserve fund is maintained in compliance with direction No. 1 of 2003 of the Central Bank of Sri Lanka (Capital Funds) for Licensed Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of each period after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital funds to deposit liabilities	% of transfer to reserve fund
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred an amount of LKR 60,000,000 which is above the required 5% of its net profit after taxation to the reserve fund as the Company's capital funds to deposit liabilities, belongs to not less than 25% category.

46. Fair Value Reserve

This fair value reserve relates to fair value adjustments of equity investments measured at fair value through other comprehensive income.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	4,538,373	4,058,762	4,538,373	4,058,762
Changes in fair value of investments in equity at fair value through other comprehensive income, net of tax	(25,672,703)	479,611	(25,672,703)	479,611
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	(28,875,000)	–	(28,875,000)	–
Balance at the end of the year	(50,009,330)	4,538,373	(50,009,330)	4,538,373

The fair value reserve comprises of fair value adjustments of equity investments measured at fair value through other comprehensive income.

47. Related Party Transactions

The Company carries 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 the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures". Details of related party transactions are reported below.

Name of the Company	Nature of transaction	Transaction amount		Balance outstanding as at 31 March	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Parent Company					
E. W. Balasuriya and Company (Private) Limited	Payment of rent expenses	(29,220,000)	(25,320,000)	–	–
	Dividend payment	(29,107,905)	(62,693,950)	–	–
	Sales proceeds on sale of unquoted shares	91,257,000	–	–	–
	Reimbursement of expenses on Telephone	9,600,000	8,000,000	2,400,000	2,400,000
	Investment in debenture	–	–	(753,600,000)	(983,600,000)
	Payment of debenture interest	(106,327,677)	(122,836,251)	(8,240,564)	(10,755,599)
	Net funds paid	(63,798,582)	(202,850,201)		
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	(24,113,586)	(1,423)	(17,274,399)	(40,552,430)
	Deposit interest expense	(2,503,833)	(5,357,510)	(255,521)	(1,091,076)
	Dividend income (net)	51,000,000	77,000,000	25,500,000	34,000,000
	Rent income	327,500	301,282	–	–
	Net funds received	24,710,081	71,942,349		
Subsidiary					
Newest Capital Limited	Payment made on behalf of Newest Capital Limited	–	–	–	–
	Net funds paid	–	–	–	–
	Balance payable			–	(282,122,456)
Subsidiary					
Senfin Asset Management (Pvt) Ltd.	Net investment in fixed deposits	–	45,000,000	(45,000,000)	(45,000,000)
	Deposit interest expense	(8,486,492)	(7,035,638)	–	–
	Net funds (paid)/received	(8,486,492)	37,964,362		

The Company has invested LKR 1,469,470,463 (2023 – LKR 198,722,000) in unit trust funds managed by Senfin Asset Management (Pvt) Ltd. as at the reporting date.

Company under common control					
Senkadagala Hotels Limited	Net investment in fixed deposits	17,214,592	12,723,324	(109,685,339)	(91,680,120)
	Deposit interest expense	(18,162,236)	(10,723,684)	(5,366,774)	(6,157,401)
	Rent income	1,800,000	1,800,000	–	150,000
	Payment of rent expense	(1,368,000)	(1,381,680)	(115,140)	(115,140)
	Reimbursement of expenses on electricity	(838,020)	(494,080)	(144,377)	(146,389)
	Net funds (paid)/received	(1,353,664)	1,923,880		

Name of the Company	Nature of transaction	Transaction amount		Balance outstanding as at 31 March	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Associate					
Senfin Securities Limited	Net short-term loan	50,372,740	125,144,637	–	50,000,000
	Interest income on short-term loan	11,277,677	4,220,478	–	372,740
	Investment in ordinary share-Acquire 35% stake holding	–	(88,550,000)	–	–
	Advanced and other charges collected for finance lease	2,567,778	–	–	–
	Finance lease granted	(8,000,000)	–	11,985,693	–
	Rental recovery on finance lease	203,147	–	–	–
	Reimbursement of purchase cost of furniture and fittings	(1,581,919)	–	–	–
	Net funds received	54,839,423	40,815,115		
Net accommodation granted to Senfin Securities Limited as % of core capital		2.96%	3.15%		
Net accommodation outstanding from Senfin Securities Limited as % of core capital		0.14%	0.65%		

47.1 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 33% of the gross income of the Company

47.2 Non-recurrent related party transactions

Details of non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, whichever is lower, is as follows

Name of the Company	Nature of transaction	Transaction amount		Balance outstanding as at 31 March	
		2024 LKR	2023 LKR	2024 LKR	2023 LKR
Parent Company					
E W Balasuriya and Company (Private) Limited	Investment in subordinated listed debenture – August 2019	–	–	753,600,000	983,600,000

E W Balasuriya & Company (Pvt) Ltd. was an identified institutional investor for the proposed debenture issue with an intention to invest LKR 1.5 Bn. However, with high demand from general investors, only the residual was allotted to the parent after fully allotting for all other non related investor applications.

47.3 Transactions with key management personnel (KMP) of the Company

According to Sri Lanka Accounting Standard - LKAS 24 Related Party Disclosures, Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly Senior Management Team, Deputy CEO, CEO and the other members of the Board of Directors of the Company (including executive and non executive Directors), and of the Ultimate Parent Company have been classified as key management personnel of the Company.

47.3.1 Compensation of key management personnel

As at 31 March		2024 LKR	2023 LKR
Short-term employee benefits	Board of Directors	35,764,070	32,553,120
	Other key management personnel	65,474,192	53,053,810

47.3.2 Post employment benefits to key management personnel

The key management personnel are entitled to gratuity as per the provisions laid down by the Payment of Gratuity Act No. 12 of 1983 and such provision as at 31 March 2024 amounted to LKR 36,730,538 (2023 - LKR 38,939,018)

47.3.3 Deposits held by key management personnel

As at 31 March	2024 LKR	2023 LKR
Deposits held with the Company	84,537,327	103,621,015
Investments in debentures	65,000,000	75,000,000

48. Commitments and Contingencies

Accounting Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

As at 31 March	Note	2024 LKR	2023 LKR
Contingencies			
Contingent liabilities/(assets)		–	–
Commitments			
Capital commitments	48.1	55,061,044	103,000,000
Undrawn margin trading advances		538,401,750	–
		593,462,794	103,000,000

The Board of Directors has assessed the potential impairment loss on undrawn margin trading advances considering the market value of undertaken security value as at 31 March 2024, and has concluded that no impairment provision is required to be made in the financial statements as at the reporting date.

48.1 Capital expenditure commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to the following:

As at 31 March	2024 LKR	2023 LKR
Approved but not contracted for	–	103,000,000
Approved and contracted for	55,061,044	–
	55,061,044	103,000,000

48.2 Contingent liabilities

48.2.1 The Company has undertaken a Loan Protection Scheme for opting customers, whereby the Company undertakes to insure a certain amount of the receivable balances of lease contracts with a third party insurance Company for a fee collected upfront. The loss in case of death or permanent disability is covered through the insurance policy, however based on past experience the Company expects that the probable loss in the event of death and permanent disability would not result in an loss exceeding the insured amount.

48.2.2 The Inland Revenue Department (IRD) has issued tax assessments amounting to LKR 24,741,360/-, LKR 5,085,945/-, and LKR 70,014,906/- for the years of assessment 2018/2019, 2019/2020, and 2020/2021 respectively. During the period, the Company entered into a settlements agreement with the Inland Revenue Department after completion of the proper appeal process to pay the total tax liability of LKR 24,304,509 for the above assessment, and the management concluded that the Company does not have further liability related to the same.

Other than the matters disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the reporting date.

49. Event After the Reporting Period

There were no material events occurring after the reporting date that require adjustment to or disclose in the Financial Statements except below;

Dividend declaration

The Board of Directors has declared and approved a final dividend of LKR 1.80 per share for the year ended 31 March 2024 is recommended by the Board of Directors with the approval of Central Bank of Sri Lanka and subject to the approval by the shareholders at the Annual General Meeting for the financial year ended 2023/24. In accordance with the LKAS 10, Events after the Reporting Period the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

50. Comparative Figures

Following information has been reclassified with the current year's classification in order to provide a better presentation.

	Current presentation		As reported in 31 March 2023	
	Company LKR	Group LKR	Company LKR	Group LKR
Statement of Financial Position				
Financial assets at amortised cost – Other loans and receivables	4,620,334,290	4,620,635,290	4,558,292,534	4,558,593,534
Other liabilities	355,147,527	367,424,480	293,105,771	305,382,724
Statement of profit or loss				
Other operating income	61,529,199	61,529,199	–	–
Impairment charges and other credit losses	–	–	(61,529,199)	(61,529,199)

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51. Maturity Analysis

51.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2024, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are given below.

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2024 LKR
Interest earning assets					
Cash and cash equivalents	675,179,658	–	–	–	675,179,658
Deposits with licensed financial institutions	1,298,423,031	1,323,531,757	–	–	2,621,954,788
Investment in government and other securities	1,443,632,675	592,649	–	6,960,000	1,451,185,324
Finance leases, hire purchase, other loans and receivables	5,831,129,888	7,250,666,793	9,781,289,857	1,613,094,824	24,476,181,362
Total interest earning assets	9,248,365,252	8,574,791,199	9,781,289,857	1,620,054,824	29,224,501,132
Non interest earning assets					
Financial assets held at FVTPL	4,483,199,237	–	–	–	4,483,199,237
Financial assets measured at FVOCI	–	–	–	160,512,106	160,512,106
Investment in subsidiaries and associates	–	–	–	215,657,300	215,657,300
Tangible and intangible assets	–	–	–	1,658,562,687	1,658,562,687
Right-of-use assets	29,905,607	83,632,278	152,214,903	119,956,995	385,709,783
Other receivables	140,970,517	42,018,760	–	249,122,840	432,112,117
Total non interest earning assets	4,654,075,361	125,651,038	152,214,903	2,403,811,928	7,335,753,230
Total assets	13,902,440,613	8,700,442,237	9,933,504,760	4,023,866,752	36,560,254,362
Percentage as at 31 March 2024 (%)	38	24	27	11	100

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2024 LKR
Interest bearing liabilities					
Deposits from customers	5,685,680,556	6,041,056,274	1,010,130,252	1,102,252,802	13,839,119,884
Bank overdrafts	151,118,902	–	–	–	151,118,902
Due to banks	1,162,283,063	2,159,057,777	2,589,621,000	447,845,334	6,358,807,174
Borrowings	840,772,092	1,708,594,165	1,150,000,000	–	3,699,366,257
Debt securities issued	–	1,768,784,186	–	–	1,768,784,186
Lease liabilities	31,194,656	86,714,288	154,664,549	125,560,682	398,134,175
Total interest bearing liabilities	7,871,049,269	11,764,206,690	4,904,415,801	1,675,658,818	26,215,330,578
Non interest bearing liabilities	1,102,167,731	29,894,631	47,033,774	87,882,878	1,266,979,014
Total liabilities	8,973,217,000	11,794,101,321	4,951,449,575	1,763,541,696	27,482,309,592
Percentage as at 31 March 2024 (%)	25	32	14	5	76
Shareholders' funds	–	–	–	9,077,944,770	9,077,944,770
Total shareholders' funds and liabilities	8,973,217,000	11,794,101,321	4,951,449,575	10,841,486,466	36,560,254,362

51.2 Group

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2024, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are given below.

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2024 LKR
Interest earning assets					
Cash and cash equivalents	745,484,204	–	–	–	745,484,204
Deposits with licensed financial institutions	1,306,500,072	1,323,531,757	–	–	2,630,031,829
Investment in government and other securities	1,443,632,675	592,649	–	6,960,000	1,451,185,324
Finance leases, hire purchase, other loans and receivables	5,831,410,888	7,250,666,793	9,781,289,857	1,613,094,824	24,476,462,362
Total interest earning assets	9,327,027,839	8,574,791,199	9,781,289,857	1,620,054,824	29,303,163,719
Non interest earning assets					
Financial assets held at FVTPL	4,622,384,957	–	–	–	4,622,384,957
Financial assets measured at FVOCI	–	–	–	160,512,106	160,512,106
Investment in associates				163,927,700	163,927,700
Tangible and intangible assets	–	–	–	1,665,695,523	1,665,695,523
Right-of-use assets	29,905,607	83,632,278	152,214,903	119,956,995	385,709,783
Other receivables	127,779,983	42,018,760	–	249,558,163	419,356,906
Total non interest earning assets	4,780,070,547	125,651,038	152,214,903	2,359,650,487	7,417,586,975
Total assets	14,107,098,386	8,700,442,237	9,933,504,760	3,979,705,311	36,720,750,694
Percentage as at 31 March 2024 (%)	38	24	27	11	100

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2024 LKR
Interest bearing liabilities					
Deposits from customers	5,637,426,422	6,026,780,488	1,010,130,252	1,102,252,802	13,776,589,964
Bank overdrafts	151,118,902	–	–	–	151,118,902
Due to banks	1,162,283,063	2,159,057,777	2,589,621,000	447,845,334	6,358,807,174
Borrowings	840,772,092	1,708,594,165	1,150,000,000	–	3,699,366,257
Debt securities issued	–	1,768,784,186	–	–	1,768,784,186
Lease liabilities	31,194,656	86,714,288	154,664,549	125,560,682	398,134,175
Total interest bearing liabilities	7,822,795,135	11,749,930,904	4,904,415,801	1,675,658,818	26,152,800,658
Non interest bearing liabilities	1,147,889,928	29,894,631	47,033,774	92,435,068	1,317,253,401
Total liabilities	8,970,685,063	11,779,825,535	4,951,449,575	1,768,093,886	27,470,054,059
Percentage as at 31 March 2024 (%)	24	32	13	5	74
Shareholders' funds	–	–	–	9,250,696,635	9,250,696,635
Total shareholders' funds and liabilities	8,970,685,063	11,779,825,535	4,951,449,575	11,018,790,521	36,720,750,694

52. Segment Report

The Company has seven reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. For each of the strategic business line, the Company management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Finance leasing and hire purchase
- Pawning advances
- Other loans and receivables
- Investments
- Insurance brokering
- Unit trust management
- Unallocated

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company's management. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

As at 31 March	Finance leasing and hire purchase		Gold backed loans		Other loans and receivables	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Revenue						
External customers						
Interest	6,137,050,553	4,674,437,697	311,536,999	512,069,757	366,595,864	405,297,288
Trading	–	–	–	–	–	–
Fee and commissions	69,834,519	40,958,579	–	–	–	–
Rent	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Other income	47,418,131	39,587,054	–	–	15,767,739	21,942,145
Total revenue	6,254,303,203	4,754,983,330	311,536,999	512,069,757	382,363,603	427,239,433
Profit before tax						
Taxation						
Profit after tax						
Segment assets	22,240,442,963	19,695,389,245	564,360,692	2,596,820,076	1,671,377,707	2,023,514,214
Segment liabilities	20,638,365,112	18,954,038,730	1,028,030,481	2,064,440,864	1,261,748,813	1,633,981,058
Information on cash flows						
Operating activities	4,635,030,452	1,964,283,697	272,303,346	188,896,746	222,717,512	(49,603,829)
Investing activities	–	–	–	–	–	–
Capital expenditure	(236,971,712)	(33,804,786)	(6,013,258)	(4,457,132)	(17,808,514)	(3,366,634)
Financing activities	–	–	–	–	–	–
Net cash flow	4,398,058,740	1,930,478,911	266,290,088	184,439,614	204,908,998	(52,970,463)
Depreciation and amortisation	(275,221,932)	(284,585,118)	(6,983,874)	(37,522,302)	(20,683,032)	(29,238,418)
Impairment charges and other credit losses	(157,905,095)	(403,478,801)	(71,692,637)	(11,680,184)	15,679,159	138,519,863

Investments		Insurance brokering		Unit trust management		Unallocated		Total	
2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
546,666,549	901,099,539	1,576,549	1,412,453	1,465,544	2,047,713	–	–	7,364,892,058	6,496,364,447
123,369,575	139,458,090	–	–	–	–	–	–	123,369,575	139,458,090
–	–	119,759,763	116,425,027	91,729,539	64,841,439	–	–	281,323,821	222,225,045
28,584,366	28,779,766	–	–	–	–	–	–	28,584,366	28,779,766
16,226,881	3,422,504	–	–	–	–	–	–	16,226,881	3,422,504
626,804,944	55,425,224	–	–	–	–	19,504,379	16,275,883	709,495,193	133,230,306
1,341,652,315	1,128,185,123	121,336,312	117,837,480	93,195,083	66,889,152	19,504,379	16,275,883	8,523,891,894	7,023,480,158
								1,795,834,751	596,397,723
								(432,011,241)	(118,533,985)
								1,363,823,510	477,863,738
10,539,341,842	9,833,557,113	95,662,865	40,121,884	142,061,041	84,555,378	1,467,503,584	1,112,038,730	36,720,750,694	35,385,996,640
4,427,273,420	4,456,033,078	39,072,335	19,043,200	11,355,470	10,634,759	64,208,428	267,012,009	27,470,054,059	27,405,183,698
2,912,717,953	2,536,300,699	14,154,073	(27,782,092)	46,184,336	25,645,784	(235,457,591)	(347,228,576)	7,867,650,081	4,290,512,429
(3,198,825,641)	(439,989,374)	–	–	–	–	–	–	(3,198,825,641)	(439,989,374)
(112,296,589)	(16,878,128)	(699,571)	(27,266)	–	–	(15,636,237)	(1,908,682)	(389,425,881)	(60,442,628)
–	–	–	–	–	–	(4,061,831,971)	(3,870,020,475)	(4,061,831,971)	(3,870,020,475)
(398,404,277)	2,079,433,197	13,454,502	(27,809,358)	46,184,336	25,645,784	(4,312,925,799)	(4,219,157,733)	217,566,588	(79,940,048)
(4,228,749)	(4,228,749)	(148,344)	(385,497)	(7,912,289)	(7,866,601)	(18,160,128)	(16,068,213)	(333,338,348)	(379,894,898)
561,956	7,979,952	–	–	–	–	(211,724)	(29,447)	(213,568,341)	(268,688,617)

53. Risk Management

53.1 Introduction

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance Company. Purpose of risk management is that the institution properly identifies, measures and manages risk and maintain adequate records on all efforts to ensure the extent of risks assumed is compensated with adequate return.

With this in mind, the Company has established and operates mechanisms, to ensure the effectiveness of on-going assessment of relevant risk types on an individual basis and on the overall risk position of the Organisation.

At Senkadagala Finance PLC, the Board of Directors approves the Integrated Risk Management Policy, which sets the objectives, principles, processes and responsibilities for risk management within the Company. The policy sets guidelines for defining, quantifying, monitoring and reporting financial risks. The Integrated Risk Management Committee, which is a subcommittee of the Board, is responsible for reviewing the effectiveness of risk control policies, procedures and regulations.

More specifically, the committee is responsible for ensuring

- Integrity and adequacy of the risk management function of the Company
- Adequacy of the Company's capital
- Risk exposures and risk profiles of the Company are within acceptable parameters and to make recommendations to the Board of Directors on any action required for deviation.
- The compliance of the Company's operations with relevant laws, regulations and standards

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

53.2 Credit risk

Credit risk is the probable loss that may arise if borrower is unable to meet the financial obligations to the lender. In order to manage credit risk, the Company has established robust policies for credit appraisal and the staff is regularly trained in evaluating creditworthiness of prospective clients. Senkadagala Finance PLC manages high-risk sectors through sector restrictions that require prior high-level clearance before taking on new exposures even for small amounts. Once credits facilities are funded, they are continually monitored to identify changes in risk profiles. Further, sourcing and approval of clients are segregated to achieve independence. Recovery and NPA management are also given greater emphasis and are aggressively controlled.

The Company has undertaken, for a fee received in advanced from willing customers in the event of a death of a lessee the Company will not pursue litigation on the outstanding due from the next of kin or legal heir of the deceased and release them from all legal encumbrances. The Company has mitigated this risk by obtaining an insurance policy to cover its exposure on the above.

The Company's Management is closely monitoring the outcomes of adverse economic conditions caused by the prevailing current market conditions proactively, whilst achieving the risk-return objectives of the Company. This has been proven through the Company's ability to maintain its NPL at a lower level compared to the industry average. The Company has always acted with due care and taken prudent measures to ensure an effective, efficient and healthy repayments by credit customers while safeguarding the interests of other stakeholders.

As per the Finance Business Act Direction No. 01 of 2020 (Classification and Measurement of Credit Facilities), During the financial year the Company changed the classification of loans and advances as NPL/Stage 3 from 120 days past due to 90 days past due.

53.2.1 Credit quality by class of financial assets

Table below shows the classification of assets based on the three stage model.

Company

As at 31 March 2024	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	675,179,658	–	–	675,179,658
Deposits with licensed financial institutions	2,621,954,788	–	–	2,621,954,788
Repurchase agreements	251,569,750	–	–	251,569,750
Financial assets held at fair value thought profit or loss	4,483,199,237	–	–	4,483,199,237
Financial assets at amortised cost – Finance leases and hire purchases	15,410,218,269	5,321,178,101	1,509,046,593	22,240,442,963
Financial assets at amortised cost – Other loans and receivables	1,789,844,062	149,817,326	296,077,011	2,235,738,399
Financial assets measured at fair value through comprehensive income	160,512,106	–	–	160,512,106
Financial assets at amortised cost – Other financial instruments	1,199,615,574	–	–	1,199,615,574
Other financial assets	52,716,522	–	–	52,716,522
Total financial assets	26,644,809,966	5,470,995,427	1,805,123,604	33,920,928,997

As at 31 March 2023	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Cash and cash equivalents	492,429,493	–	–	492,429,493
Deposits with licensed financial institutions	5,113,380,978	–	–	5,113,380,978
Repurchase agreements	666,610,501	–	–	666,610,501
Financial assets held at fair value thought profit or loss	485,751,196	–	–	485,751,196
Financial assets at amortised cost – Finance leases and hire purchases	11,986,149,091	6,127,077,414	1,582,162,740	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	3,721,833,198	323,494,514	575,006,578	4,620,334,290
Financial assets measured at fair value through comprehensive income	360,242,379	–	–	360,242,379
Financial assets at amortised cost – Other financial instruments	1,674,913,303	–	–	1,674,913,303
Other financial assets	44,163,258	–	–	44,163,258
Total financial assets	24,545,473,397	6,450,571,928	2,157,169,318	33,153,214,643

Group

As at 31 March 2024	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	745,484,204	–	–	745,484,204
Deposits with licensed financial institutions	2,630,031,829	–	–	2,630,031,829
Repurchase agreements	251,569,750	–	–	251,569,750
Financial assets held at fair value thought profit or loss	4,622,384,957	–	–	4,622,384,957
Financial assets at amortised cost - Finance leases and hire purchases	15,410,218,269	5,321,178,101	1,509,046,593	22,240,442,963
Financial assets at amortised cost - Other loans and receivables	1,790,125,062	149,817,326	296,077,011	2,236,019,399
Financial assets measured at fair value through comprehensive income	160,512,106	–	–	160,512,106
Financial assets at amortised cost - Other financial instruments	1,199,615,574	–	–	1,199,615,574
Other financial assets	27,216,522	–	–	27,216,522
Total financial assets	26,837,158,273	5,470,995,427	1,805,123,604	34,113,277,304

As at 31 March 2023	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Cash and cash equivalents	515,465,068	–	–	515,465,068
Deposits with licensed financial institutions	5,121,558,512	–	–	5,121,558,512
Repurchase agreements	666,610,501	–	–	666,610,501
Financial assets held at fair value thought profit or loss	556,025,320	–	–	556,025,320
Financial assets at amortised cost - Finance leases and hire purchases	11,986,149,091	6,127,077,414	1,582,162,740	19,695,389,245
Financial assets at amortised cost - Other loans and receivables	3,722,134,198	323,494,514	575,006,578	4,620,635,290
Financial assets measured at fair value through comprehensive income	360,242,379	–	–	360,242,379
Financial assets at amortised cost - Other financial instruments	1,674,913,303	–	–	1,674,913,303
Other financial assets	10,163,258	–	–	10,163,258
Total financial assets	24,613,261,630	6,450,571,928	2,157,169,318	33,221,002,876

53.2.2 Credit exposure movement (stage transitions)

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts of finance leases, hire purchases, loans and other receivables.

Company

For the year ended 31 March 2024	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	16,047,487,843	7,226,552,140	3,988,992,452	27,263,032,435
Transfer to Stage 1	1,084,148,274	(1,042,046,674)	(42,101,600)	–
Transfer to Stage 2	(2,277,170,250)	2,451,895,820	(174,725,570)	–
Transfer to Stage 3	(269,233,202)	(861,697,886)	1,130,931,088	–
New disbursement	18,718,140,026	–	–	18,718,140,026
New disbursement transfer to Stage 2	(2,427,073,494)	2,427,073,494	–	–
New disbursement transfer to Stage 3	(169,846,820)	–	169,846,820	–
Derecognised or repaid and other net changes	(13,141,342,943)	(4,027,559,777)	(1,340,904,104)	(18,509,806,824)
Write-offs	–	–	(183,812,990)	(183,812,990)
Balance at the end of the year	17,565,109,434	6,174,217,117	3,548,226,096	27,287,552,647

For the year ended 31 March 2023	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	16,760,849,043	7,910,836,706	4,209,348,300	28,881,034,049
Transfer to Stage 1	1,704,978,260	(1,543,337,512)	(161,640,748)	–
Transfer to Stage 2	(3,937,110,800)	4,454,656,412	(517,545,612)	–
Transfer to Stage 3	(384,430,255)	(1,097,043,684)	1,481,473,939	–
New disbursement	15,575,019,460	–	–	15,575,019,460
New disbursement transfer to Stage 2	(1,390,224,858)	1,390,224,858	–	–
New disbursement transfer to Stage 3	(65,745,859)	–	65,745,859	–
Derecognised or repaid and other net changes	(12,215,847,148)	(3,888,784,640)	(1,017,114,561)	(17,121,746,349)
Write-offs	–	–	(71,274,725)	(71,274,725)
Balance at the end of the year	16,047,487,843	7,226,552,140	3,988,992,452	27,263,032,435

Group

For the year ended 31 March 2024	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	16,047,788,843	7,226,552,140	3,988,992,452	27,263,333,435
Transfer to Stage 1	1,084,148,274	(1,042,046,674)	(42,101,600)	–
Transfer to Stage 2	(2,277,170,250)	2,451,895,820	(174,725,570)	–
Transfer to Stage 3	(269,233,202)	(861,697,886)	1,130,931,088	–
New disbursement	18,718,140,026	–	–	18,718,140,026
New disbursement transfer to Stage 2	(2,427,073,494)	2,427,073,494	–	–
New disbursement transfer to Stage 3	(169,846,820)	–	169,846,820	–
Derecognised or repaid and other net changes	(13,141,362,943)	(4,027,559,777)	(1,340,904,104)	(18,509,826,824)
Write-offs	–	–	(183,812,990)	(183,812,990)
Balance at the end of the year	17,565,390,434	6,174,217,117	3,548,226,096	27,287,833,647

For the year ended 31 March 2023	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	16,761,124,043	7,910,836,706	4,209,348,300	28,881,309,049
Transfer to Stage 1	1,704,978,260	(1,543,337,512)	(161,640,748)	–
Transfer to Stage 2	(3,937,110,800)	4,454,656,412	(517,545,612)	–
Transfer to Stage 3	(384,430,255)	(1,097,043,684)	1,481,473,939	–
New disbursement	15,575,019,460	–	–	15,575,019,460
New disbursement transfer to Stage 2	(1,390,224,858)	1,390,224,858	–	–
New disbursement transfer to Stage 3	(65,745,859)	–	65,745,859	–
Derecognised or repaid and other net changes	(12,215,821,148)	(3,888,784,640)	(1,017,114,561)	(17,121,720,349)
Write-offs	–	–	(71,274,725)	(71,274,725)
Balance at the end of the year	16,047,788,843	7,226,552,140	3,988,992,452	27,263,333,435

53.2.3 Loss allowance (Stage transition)

The following tables show reconciliations from the opening to closing balance of the provision for impairment of finance leases, hire purchases, other loans and receivables.

Company & Group

For the year ended 31 March 2024	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	339,505,553	775,980,212	1,831,823,135	2,947,308,900
Changes due to finance leases, hire purchases, other loans and receivables recognised in the opening balance that have:				
Transferred from Stage 1	122,224,589	(110,805,659)	(11,418,930)	–
Transferred from Stage 2	(68,713,027)	113,126,877	(44,413,850)	–
Transferred from Stage 3	(7,914,696)	(102,342,334)	110,257,030	–
Interest accrued on impaired finance leases, hire purchases, Other loans and receivables	–	–	(43,591,705)	(43,591,705)
Write-offs	–	–	(164,185,679)	(164,185,679)
Net remeasurement of loss allowance	(20,055,316)	27,262,594	64,632,491	71,839,769
Net movement during the year	25,541,550	(72,758,522)	(88,720,643)	(135,937,615)
Balance at the end of the year	365,047,103	703,221,690	1,743,102,492	2,811,371,285

For the year ended 31 March 2023	12-month ECL LKR	Life Time ECL–Not credit impaired LKR	Life Time ECL–Credit impaired LKR	Total LKR
Balance at the beginning of the year	285,487,764	615,741,260	1,800,486,716	2,701,715,740
Changes due to finance leases, hire purchases, other loans and receivables recognised in the opening balance that have:				
Transferred from Stage 1	150,302,008	(109,178,570)	(41,123,438)	–
Transferred from Stage 2	(81,862,888)	212,046,404	(130,183,516)	–
Transferred from Stage 3	(10,589,713)	(107,735,680)	118,325,393	–
Interest accrued on impaired finance leases, hire purchases, Other loans and receivables	–	–	6,819,871	6,819,871
Write-offs	–	–	(71,038,095)	(71,038,095)
Net remeasurement of loss allowance	(3,831,618)	165,106,798	148,536,204	309,811,384
Net movement during the year	54,017,789	160,238,952	31,336,419	245,593,160
Balance at the end of the year	339,505,553	775,980,212	1,831,823,135	2,947,308,900

53.2.4 Maximum exposure to credit risk – Based on dates past due

Table below shows the maximum exposure to credit risk based on the days past due of each financial instruments,

Company

As at 31 March 2024	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR
Financial assets measured at amortised cost			
0 days	675,479,712	2,622,924,647	12,065,938,517
0 - 30 days	–	–	3,696,254,021
31-60 days	–	–	2,795,999,670
61-90 days	–	–	3,213,274,487
Above 90 days	–	–	2,609,373,396
Gross outstanding	675,479,712	2,622,924,647	24,380,840,091
Allowance for impairment	(300,054)	(969,859)	(2,140,397,128)
Net outstanding	675,179,658	2,621,954,788	22,240,442,963
Financial assets measured at FTVPL and FVOCI			
0 days	–	–	–
Gross outstanding	–	–	–
Allowance for impairment	–	–	–
Net outstanding	–	–	–
Maximum exposure	675,179,658	2,621,954,788	22,240,442,963

As at 31 March 2023	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR
Financial assets measured at amortised cost			
0 days	492,517,823	5,114,912,793	8,979,472,263
0 - 30 days	–	–	3,308,958,231
31-60 days	–	–	2,608,129,116
61-90 days	–	–	3,743,393,241
91-120 days	–	–	512,498,055
Above 120 days	–	–	2,661,266,325
Gross outstanding	492,517,823	5,114,912,793	21,813,717,231
Allowance for impairment	(88,330)	(1,531,815)	(2,118,327,986)
Net outstanding	492,429,493	5,113,380,978	19,695,389,245
Financial assets measured at FTVPL and FVOCI			
0 days	–	–	–
Gross outstanding	–	–	–
Allowance for impairment	–	–	–
Net outstanding	–	–	–
Maximum exposure	492,429,493	5,113,380,978	19,695,389,245

Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
1,713,919,918	1,503,901,846	–	–
88,996,978	–	–	–
84,885,814	–	–	–
80,057,146	–	–	–
938,852,700	–	–	–
2,906,712,556	1,503,901,846	–	–
(670,974,157)	–	–	–
2,235,738,399	1,503,901,846	–	–
–	–	4,483,199,237	160,512,106
–	–	4,483,199,237	160,512,106
–	–	–	–
–	–	4,483,199,237	160,512,106
2,235,738,399	1,503,901,846	4,483,199,237	160,512,106

Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
2,833,601,318	2,385,687,062	–	–
925,456,030	–	–	–
124,065,740	–	–	–
180,723,370	–	–	–
57,742,618	–	–	–
1,327,726,127	–	–	–
5,449,315,203	2,385,687,062	–	–
(828,980,913)	–	–	–
4,620,334,290	2,385,687,062	–	–
–	–	485,751,196	360,242,379
–	–	485,751,196	360,242,379
–	–	–	–
–	–	485,751,196	360,242,379
4,620,334,290	2,385,687,062	485,751,196	360,242,379

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As at 31 March 2024	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR
Financial assets measured at amortised cost			
0 days	745,784,258	2,631,001,688	12,065,938,517
0 - 30 days	–	–	3,696,254,021
31-60 days	–	–	2,795,999,670
61-90 days	–	–	3,213,274,487
Above 90 days	–	–	2,609,373,396
Gross outstanding	745,784,258	2,631,001,688	24,380,840,091
Allowance for impairment	(300,054)	(969,859)	(2,140,397,128)
Net outstanding	745,484,204	2,630,031,829	22,240,442,963
Financial assets measured at FTVPL and FVOCI			
0 days	–	–	–
Gross outstanding	–	–	–
Allowance for impairment			
Net outstanding	–	–	–
Maximum exposure	745,484,204	2,630,031,829	22,240,442,963

As at 31 March 2023	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR
Financial assets measured at amortised cost			
0 days	515,553,398	5,123,090,327	8,979,472,263
0 - 30 days	–	–	3,308,958,231
31-60 days	–	–	2,608,129,116
61-90 days	–	–	3,743,393,241
91-120 days	–	–	512,498,055
Above 120 days	–	–	2,661,266,325
Gross outstanding	515,553,398	5,123,090,327	21,813,717,231
Allowance for impairment	(88,330)	(1,531,815)	(2,118,327,986)
Net outstanding	515,465,068	5,121,558,512	19,695,389,245
Financial assets measured at FTVPL and FVOCI			
0 days	–	–	–
Gross outstanding	–	–	–
Allowance for impairment	–	–	–
Net outstanding	–	–	–
Maximum exposure	515,465,068	5,121,558,512	19,695,389,245

Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
1,714,200,918	1,478,401,846	–	–
88,996,978	–	–	–
84,885,814	–	–	–
80,057,146	–	–	–
938,852,700	–	–	–
2,906,993,556	1,478,401,846	–	–
(670,974,157)	–	–	–
2,236,019,399	1,478,401,846	–	–
–	–	4,622,384,957	160,512,106
–	–	4,622,384,957	160,512,106
–	–	4,622,384,957	160,512,106
2,236,019,399	1,478,401,846	4,622,384,957	160,512,106

Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
2,833,902,318	2,351,687,062	–	–
925,456,030	–	–	–
124,065,740	–	–	–
180,723,370	–	–	–
57,742,618	–	–	–
1,327,726,127	–	–	–
5,449,616,203	2,351,687,062	–	–
(828,980,913)	–	–	–
4,620,635,290	2,351,687,062	–	–
–	–	556,025,320	360,242,379
–	–	556,025,320	360,242,379
–	–	–	–
–	–	556,025,320	360,242,379
4,620,635,290	2,351,687,062	556,025,320	360,242,379

53.2.5 Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) finance leases, hire purchases, other loans and receivables as detailed below:

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Balance at the beginning of the year	3,988,992,452	4,209,348,300	3,988,992,452	4,209,348,300
Newly classified as impaired loans and advances during the year	1,300,777,908	1,547,219,798	1,300,777,908	1,547,219,798
Net change in already impaired loans and advances during the year	(216,827,170)	(679,186,360)	(216,827,170)	(679,186,360)
Net payment, write-offs and recoveries and other movements during the year	(1,524,717,094)	(1,088,389,286)	(1,524,717,094)	(1,088,389,286)
Balance at the end of the year	3,548,226,096	3,988,992,452	3,548,226,096	3,988,992,452

53.2.6 Modified financial assets

Finance leases, hire purchases and other loans and receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Gross carrying amount	4,880,774	7,068,496	4,880,774	7,068,496
Total gross finance leases, hire purchases, other loans and receivables	27,287,552,647	27,263,032,434	27,287,833,647	27,263,277,434
Percentage of renegotiated loans (%)	0.02	0.03	0.02	0.03

53.2.7 Sensitivity of impairment provision on finance leases, hire purchases, other loans and receivables

The Company has estimated the impairment provision on finance leases, hire purchases, other loans and receivables as at 31 March 2024, subject to various assumptions and judgments. The changes to such assumptions and judgments may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The below table demonstrates the sensitivity of the impairment provision of the Company as at 31 March 2024 to a reasonably possible change in PDs, LGDs.

	Sensitivity effect on Statement of Financial Position Increase/(decrease) in impairment provision				Sensitivity Effect on Statement of Profit or Loss
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	LKR
PD 1% increase across all age buckets	3,778,019	3,354,465	16,310	7,148,794	(7,148,794)
PD 1% decrease across all age buckets	(3,775,192)	(4,970,796)	(16,116)	(8,762,104)	8,762,104
LGD 1% increase	3,650,654	7,032,386	5,137,355	15,820,396	(15,820,396)
LGD 1% decrease	(3,650,292)	(7,032,051)	(5,137,355)	(15,819,698)	15,819,698

The below table demonstrates the sensitivity of the impairment provision of the Company as at 31 March 2024 to a reasonably possible change in forward looking information.

	Sensitivity effect on Statement of Financial Position Increase/(decrease) in impairment provision				Sensitivity Effect on Statement of Profit or Loss
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	LKR
Base case scenario – Base rate 100%	(102,340,488)	(118,602,905)	(10,885,008)	(231,828,400)	231,828,400
Best case scenario – Best rate 100%	(219,793,921)	(356,646,073)	(10,885,008)	(587,325,003)	587,325,003
Worst case scenario – Worst rate 100%	47,053,372	31,397,820	4,418,340	82,869,532	(82,869,532)

Probability weighted Economic Scenarios

As at 31 March	2024				2023			
	Best LKR	Base LKR	Worst LKR	Probability weighted LKR	Best LKR	Base LKR	Worst LKR	Probability weighted LKR
Finance leases and hire purchases	1,575,970,939	1,925,131,370	2,233,991,107	2,140,397,128	1,906,635,010	2,034,636,823	2,146,246,216	2,118,327,986
Other loans and advances	648,075,343	654,411,514	660,249,709	670,974,156	819,437,930	823,944,544	829,451,618	828,980,913
	2,224,046,282	2,579,542,884	2,894,240,816	2,811,371,284	2,726,072,940	2,858,581,367	2,975,697,834	2,947,308,899

The probability weighted of Economic Scenarios for the base case, best case, and worst case is 10%, 10%, and 80% respectively.

53.2.8 Macroeconomic assumptions used in forward looking information

The below table lists the macroeconomic assumptions used in the base case, best case and worst case scenarios over the five year forecasted period.

As at 31 March 2024	GDP Growth	Inflation (YoY)	Interest rate	Unemployment rate
Base case scenario				
5 - year average	2.74%	5.88%	12.16%	4.47%
Peak	3.10%	7.90%	13.03%	4.75%
Best case scenario				
5 - year average	3.74%	4.88%	11.16%	3.47%
Peak	4.10%	6.90%	12.00%	3.80%
Worst case scenario				
5 - year average	1.74%	6.88%	13.16%	5.47%
Trough	0.80%	8.90%	14.00%	5.80%

As at 31 March 2023	GDP Growth	Inflation (YoY)	Interest rate	Unemployment rate
Base case scenario				
5 - year average	1.43%	10.61%	24.36%	4.59%
Peak	3.09%	28.51%	25.93%	5.00%
Best case scenario				
5 - year average	2.43%	9.61%	23.36%	3.59%
Peak	4.10%	27.50%	24.90%	4.00%
Worst case scenario				
5 - year average	0.43%	11.61%	25.36%	5.59%
Trough	-4.10%	29.50%	26.90%	6.00%

53.2.9 Impact of judgmental adjustments to the ECL model

As at 31 March	2024 LKR	2023 LKR
Loss allowance before judgmental adjustments	2,390,199,061	2,699,475,294
Impact of management and judgmental adjustments	421,172,224	247,833,606
Loss allowance after judgmental adjustments	2,811,371,285	2,947,308,900

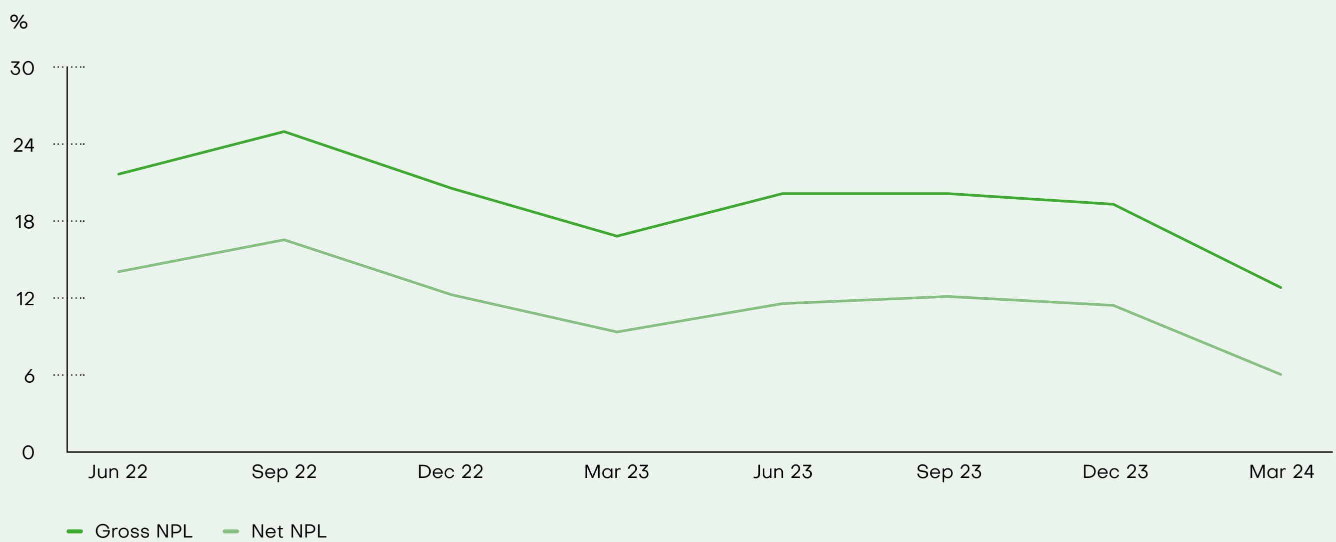
53.2.10 Non-performing asset ratio

Non-performing assets percentage movement is an indicator of the quality of the loan portfolio of the Company.

As per the Finance Business Act Direction No. 01 of 2020 (Classification and Measurement of Credit Facilities), LFCs are required to classify credit facilities as NPLs based on period and/or potential risk, effective from 1 April 2022. Accordingly, for the year ended 31 March 2024, the Company classified loans and advances with principal and/or interest past due for more than 90 days from the due date (as opposed to past due for more than 120 days upto 31 March 2023), as NPL and NPL's of prior period re-estimated accordingly.

The gross non-performing assets ratio includes loans and advances receivable net of interest in suspense which are in arrears for more than 90 days past due date as the numerator and total advances net of interest in suspense as the denominator. To arrive at the Net Non-performing assets ratio, specific provisions are deducted from the numerator of the above formula.

NPA ratio (Calculated on 90 days past due date basis)



53.2.11 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

As at 31 March	Percentage of exposure that is subject to		Type of collateral held
	2024	2023	
Finance leases and hire purchases	100%	100%	Vehicles, property and equipment
Commercial loans	100%	100%	Vehicles, property and equipment
Personal loans	100%	100%	Personal provided fund
Pawning advances	100%	100%	Pawning articles
Loans against fixed deposits	100%	100%	Lien deposits
Gold loans	100%	N/A	Gold articles
Margin trading	100%	N/A	Listed equity instruments

The following table sets out the carrying amount and identifiable collateral held by the Company against credit exposure for each loan, the value of the collateral is capped at the amortised cost of the loans and advances.

	2024		2023	
As at 31 March	Carrying amount LKR	Collaterals LKR	Carrying amount LKR	Collaterals LKR
Stage 1 and 2	23,739,326,551	70,914,032,274	23,211,998,226	53,985,626,675
Stage 3	3,548,226,096	12,900,916,349	3,988,992,452	8,997,290,693
	27,287,552,647	83,814,948,623	27,200,990,678	62,982,917,368

53.2.12 Loan-to-Value (LTV)

The following tables stratify credit exposures from finance leases, hire purchases, other loans and receivables to customers by ranges of LTV ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for a loan to the value of the collateral. The value of collateral for loans is based on the market values at origination of the contract.

	Company		Group	
As at 31 March	2024 LKR	2023 LKR	2024 LKR	2023 LKR
LTV ratio				
Finance leases and hire purchases				
Less than 50%	3,039,411,823	2,704,270,612	3,039,411,823	2,704,270,612
50% - 80%	21,134,826,183	18,760,060,051	21,134,826,183	18,760,060,051
81% - 100%	206,602,085	349,386,568	206,602,085	349,386,568
Total finance leases and hire purchases	24,380,840,091	21,813,717,231	24,380,840,091	21,813,717,231
Other loans and receivables				
Less than 50%	1,013,308,965	619,477,620	1,013,589,965	619,477,620
50% - 80%	696,189,491	2,141,307,436	696,189,491	2,141,307,436
81% - 100%	1,197,214,100	2,688,530,147	1,197,214,100	2,688,530,147
Total other loans and receivables	2,906,712,556	5,449,315,203	2,906,993,556	5,449,315,203
Credit impaired loans - Finance Leases and hire purchases				
Less than 50%	116,411,232	79,876,151	116,411,232	79,876,151
50% - 80%	2,382,776,432	2,414,161,381	2,382,776,432	2,414,161,381
81% - 100%	110,185,732	167,228,793	110,185,732	167,228,793
Total credit impaired loans	2,609,373,396	2,661,266,325	2,609,373,396	2,661,266,325
Credit impaired loans - Other loans and receivables				
Less than 50%	50,710,415	82,608,898	50,710,415	82,608,898
50% - 80%	217,910,715	268,021,112	217,910,715	268,021,112
81% - 100%	670,231,570	977,096,117	670,231,570	977,096,117
Total credit impaired loans	938,852,700	1,327,726,127	938,852,700	1,327,726,127

53.2.13 Concentration of credit risk

(A) Industry-wise distribution

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31 March 2024.

Company

Sector wise breakdown	Cash and cash equivalent and short-term deposit LKR	Financial assets held at FVTPL LKR	Financial assets at amortised cost - Loans and advances LKR	Financial assets measured at FVTOCI LKR	Financial assets at amortised cost – other financial instruments LKR	Total financial assets LKR
Agriculture	–	–	1,160,935,268	–	–	1,160,935,268
Manufacturing	–	70,399,869	6,368,315,615	142,361,105	–	6,581,076,589
Construction	–	–	856,068,239	–	–	856,068,239
Financial services	3,548,704,196	4,158,101,548	–	–	7,552,649	7,714,358,393
Trading	–	642,125	11,937,975,054	–	–	11,938,617,179
Retail	–	6,370,124	183,826,144	–	–	190,196,268
Government	–	–	–	–	1,192,062,925	1,192,062,925
Hotels	–	5,798,376	259,247,810	17,860,415	–	282,906,601
Services	–	241,887,195	3,709,813,232	290,586	52,716,522	4,004,707,535
Total	3,548,704,196	4,483,199,237	24,476,181,362	160,512,106	1,252,332,096	33,920,928,997

Group

Sector wise breakdown	Cash and cash equivalent and short-term deposit LKR	Financial assets held at FVTPL LKR	Financial assets at amortised cost - Loans and advances LKR	Financial assets measured at FVTOCI LKR	Financial assets at amortised cost - other financial instruments LKR	Total financial assets LKR
Agriculture	–	–	1,160,935,268	–	–	1,160,935,268
Manufacturing	–	70,399,869	6,368,315,615	142,361,105	–	6,581,076,589
Construction	–	–	856,068,239	–	–	856,068,239
Financial services	3,627,085,783	4,297,287,268	–	–	7,552,649	7,931,925,700
Trading	–	642,125	11,937,975,054	–	–	11,938,617,179
Retail	–	6,370,124	183,826,144	–	–	190,196,268
Government	–	–	–	–	1,192,062,925	1,192,062,925
Hotels	–	5,798,376	259,247,810	17,860,415	–	282,906,601
Services	–	241,887,195	3,710,094,232	290,586	27,216,522	3,979,488,535
Total	3,627,085,783	4,622,384,957	24,476,462,362	160,512,106	1,226,832,096	34,113,277,304

(B) Geographical distribution

Group reviews its geographical diversification on regular basis and sets long-term target in achieving a geographical well-diversified credit portfolio. Groups strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

Province	Loans and advances as at 31 March 2024		Loans and advances as at 31 March 2023	
	Company LKR	Group LKR	Company LKR	Group LKR
Central	2,329,032,448	2,329,032,448	2,170,821,370	2,170,821,370
Eastern	1,274,061,060	1,274,061,060	1,942,197,918	1,942,197,918
North Central	1,233,195,003	1,233,195,003	1,191,749,864	1,191,749,864
North Western	2,391,076,770	2,391,076,770	2,161,138,930	2,161,138,930
Northern	1,196,545,407	1,196,545,407	1,254,243,867	1,254,243,867
Sabaragamuwa	2,612,585,725	2,612,585,725	2,435,371,537	2,435,371,537
Southern	1,706,080,374	1,706,080,374	1,719,262,357	1,719,262,357
Uva	1,475,746,432	1,475,746,432	1,299,506,278	1,299,506,278
Western	10,257,858,143	10,258,139,143	10,141,431,414	10,141,732,414
Total	24,476,181,362	24,476,462,362	24,315,723,535	24,316,024,535

(C) Product Concentration

	Company				Group			
As at 31 March	2024 LKR	%	2023 LKR	%	2024 LKR	%	2023 LKR	%
Finance leases and hire purchases	22,240,442,963	90.9	19,695,389,245	81.1	22,240,442,963	90.9	19,695,389,245	81.1
Commercial loans	364,315,747	1.5	762,066,931	3.1	364,315,747	1.5	762,066,931	3.1
Personal loans	236,740,580	1.0	128,667,374	0.5	236,740,580	1.0	128,667,374	0.5
Pawning advances	104,492,913	0.4	2,596,820,076	10.7	104,492,913	0.4	2,596,820,076	10.7
Gold loans	459,867,779	1.9	–	0.0	459,867,779	1.9	–	0.0
Loans against fixed deposits	228,040,121	0.9	251,194,708	1.0	228,040,121	0.9	251,194,708	1.0
Insurance receivables	248,276,081	1.0	291,961,789	1.2	248,276,081	1.0	291,961,789	1.2
Staff debtors	32,096,754	0.1	35,229,277	0.1	32,377,754	0.1	35,530,277	0.1
Short-term corporate loans	–	0.0	553,233,961	2.3	–	0.0	553,233,961	2.3
Margin trading	560,748,250	2.3	–	0.0	560,748,250	2.3	–	0.0
Other advances	1,160,174	0.0	1,160,174	0.0	1,160,174	0.0	1,160,174	0.0
Total	24,476,181,362		24,315,723,535		24,476,462,362		24,316,024,535	

53.2.14 Credit ratings

Cash and cash equivalents

The Group held cash and equivalents in the form of demand deposits with commercial banks, placement with banking and financial institution and securities purchased under resale agreements. Hence, the Group is exposed to the risk of such counter-parties failing to meet their contractual obligations.

Group minimise the credit risk by monitoring the credit worthiness of the underlying counter parties periodically.

Exposures to banks and other financial institutions

A credit rating analysis of banking/financial institutional counter parties with whom the balances were held at the end of the reporting period is presented below. This includes balances held as a balances with licensed commercial banks, investment in fixed deposits, government and other securities.

As at 31 March 2024	High Grade LKR	Standard Grade LKR	Sub-Standard Grade LKR	Low Grade LKR	Unrated LKR	Exposures not subject to Rating LKR	Total LKR
Cash and cash equivalents	–	379,151,935	54,867	–	–	–	379,206,802
Deposits with licensed financial institutions	–	2,622,924,649	–	–	–	–	2,622,924,649
Investment in Government securities	–	–	–	–	–	1,443,632,675	1,443,632,675
Investment in debentures	–	7,552,649	–	–	–	–	7,552,649
Total exposure	–	3,009,629,233	54,867	–	–	1,443,632,675	4,453,316,775

As at 31 March 2023	High Grade LKR	Standard Grade LKR	Sub-Standard Grade LKR	Low Grade LKR	Unrated LKR	Exposures not subject to Rating LKR	Total LKR
Cash and cash equivalents	–	346,495,209	–	–	–	–	346,495,209
Deposits with licensed financial institutions	–	5,114,912,793	–	–	–	–	5,114,912,793
Investment in Government securities	–	–	–	–	–	2,333,981,834	2,333,981,834
Investment in debentures	–	7,541,970	–	–	–	–	7,541,970
Total exposure	–	5,468,949,972	–	–	–	2,333,981,834	7,802,931,806

Categorisation based on the Company's internal risk rating. Accordingly, AAA to AA-is considered as "High Grade", A+ to BBB-as "Standard Grade", BB+ to B-as "Sub Standard Grade", and CCC+ and below as "Low Grade".

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53.3 Market risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Out of these markets risks, the more frequent and most likely is the risk of adverse fluctuation of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

53.3.1 Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios

	Company			Group		
As at 31 March 2024		Market risk measure			Market risk measure	
	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR
Assets subject to market risk						
Cash and cash equivalents	675,179,658	–	675,179,658	745,484,204	–	745,484,204
Deposits with licensed financial institutions	2,621,954,788	–	2,621,954,788	2,630,031,829	–	2,630,031,829
Repurchase agreements	251,569,750	–	251,569,750	251,569,750	–	251,569,750
Financial assets held at fair value thought profit or loss	4,483,199,237	4,483,199,237	–	4,622,384,957	4,622,384,957	–
Financial assets at amortised cost - Finance leases and hire purchases	22,240,442,963	–	22,240,442,963	22,240,442,963	–	22,240,442,963
Financial assets at amortised cost - Other loans and receivables	2,235,738,399	–	2,235,738,399	2,236,019,399	–	2,236,019,399
Financial assets measured at fair value through comprehensive income	160,512,106	–	160,512,106	160,512,106	–	160,512,106
Financial assets at amortised cost - Other financial instruments	1,199,615,574	–	1,199,615,574	1,199,615,574	–	1,199,615,574
Other financial assets	52,716,522	–	52,716,522	27,216,522	–	27,216,522
Total	33,920,928,997	4,483,199,237	29,437,729,760	34,113,277,304	4,622,384,957	29,490,892,347
Liabilities subject to market risk						
Deposits from customers	13,839,119,884	–	13,839,119,884	13,776,589,964	–	13,776,589,964
Bank overdrafts	151,118,902	–	151,118,902	151,118,902	–	151,118,902
Due to banks and other borrowed funds	10,058,173,431	–	10,058,173,431	10,058,173,431	–	10,058,173,431
Debt instruments issued	1,768,784,186	–	1,768,784,186	1,768,784,186	–	1,768,784,186
Lease liabilities	398,134,175	–	398,134,175	398,134,175	–	398,134,175
Other financial liabilities	556,867,234		556,867,234	556,867,234		556,867,234
Total	26,772,197,812	–	26,772,197,812	26,709,667,892	–	26,709,667,892

As at 31 March 2023	Company			Group		
		Market risk measure			Market risk measure	
	Carrying amount LKR	Trading portfolios LKR	Non -trading portfolios LKR	Carrying amount LKR	Trading portfolios LKR	Non -trading portfolios LKR
Assets subject to market risk						
Cash and cash equivalents	492,429,493	–	492,429,493	515,465,068	–	515,465,068
Deposits with licensed financial institutions	5,113,380,978	–	5,113,380,978	5,121,558,512	–	5,121,558,512
Repurchase agreements	666,610,501	–	666,610,501	666,610,501	–	666,610,501
Financial assets held at fair value thought profit or loss	485,751,196	485,751,196	–	556,025,320	556,025,320	–
Financial assets at amortised cost - Finance leases and hire purchases	19,695,389,245	–	19,695,389,245	19,695,389,245	–	19,695,389,245
Financial assets at amortised cost - Other loans and receivables	4,620,334,290	–	4,620,334,290	4,620,635,290	–	4,620,635,290
Financial assets measured at fair value through comprehensive income	360,242,379	–	360,242,379	360,242,379	–	360,242,379
Financial assets at amortised cost - Other financial instruments	1,674,913,303	–	1,674,913,303	1,674,913,303	–	1,674,913,303
Other financial assets	44,163,258	–	44,163,258	10,163,258	–	10,163,258
Total	33,153,214,643	485,751,196	32,667,463,447	33,221,002,876	556,025,320	32,664,977,556
Liabilities subject to market risk						
Deposits from customers	10,263,254,075	–	10,263,254,075	10,176,610,569	–	10,176,610,569
Bank overdrafts	138,206,759	–	138,206,759	138,454,630	–	138,454,630
Due to banks and other borrowed funds	14,325,661,805	–	14,325,661,805	14,325,661,805	–	14,325,661,805
Debt instruments issued	1,768,800,757	–	1,768,800,757	1,768,800,757	–	1,768,800,757
Lease liabilities	354,424,986	–	354,424,986	362,960,317	–	362,960,317
Amounts due to related company	282,122,456	–	282,122,456	–	–	–
Other financial liabilities	268,116,980	–	268,116,980	268,116,980	–	268,116,980
Total	27,400,587,818	–	27,400,587,818	27,040,605,058	–	27,040,605,058

53.3.2 Interest rate risk

Interest rate risk arises from probable changes in interest rates and its effect on future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Company policy is to monitor positions on a daily basis and hedging strategies are used to ensure position are maintained within the established limits.

The Management of the Company is closely monitoring the interest rate and its effect on the interest rate sensitive asset and liabilities. In order to ensure interest rate margins and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

53.3.3 Financial assets and financial liabilities exposed to interest rate risk

The table below analyse the Company's interest rate risk exposure on financial assets and financial liabilities. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

Company

As at 31 March 2024	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	378,906,747	–	–	–	296,272,911	675,179,658
Deposits with licensed financial institutions	1,298,423,031	1,323,531,757	–	–	–	2,621,954,788
Investment in government and other securities	1,443,632,675	592,649	–	6,960,000	–	1,451,185,324
Finance leases, hire purchases, other loans and receivables	5,831,129,888	7,250,666,793	9,781,289,857	1,613,094,824	–	24,476,181,362
Financial assets held at FVTPL	–	–	–	–	4,483,199,237	4,483,199,237
Financial assets measured at FVOCI	–	–	–	–	160,512,106	160,512,106
Other financial assets	–	–	–	–	52,716,522	52,716,522
Total financial assets	8,952,092,341	8,574,791,199	9,781,289,857	1,620,054,824	4,992,700,776	33,920,928,997
Financial liabilities						
Deposits from customers	5,685,680,556	6,041,056,274	1,010,130,252	1,102,252,802	–	13,839,119,884
Bank overdrafts	151,118,902	–	–	–	–	151,118,902
Due to banks and other borrowed funds	5,971,801,489	2,686,371,942	1,400,000,000	–	–	10,058,173,430
Debt instruments issued	–	1,768,784,186	–	–	–	1,768,784,186
Lease liabilities	31,194,656	86,714,288	154,664,549	125,560,682	–	398,134,175
Amounts due to related company	–	–	–	–	–	–
Other financial liabilities	–	–	–	–	556,867,234	556,867,234
Total financial liabilities	11,839,795,603	10,582,926,690	2,564,794,801	1,227,813,484	556,867,234	26,772,197,812
Total interest sensitivity gap	(2,887,703,262)	(2,008,135,491)	7,216,495,056	392,241,340	4,435,833,542	7,148,731,185
Cumulative Gap	(2,887,703,262)	(4,895,838,753)	2,320,656,303	2,712,897,643	7,148,731,185	

As at 31 March 2023	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	346,406,879	–	–	–	146,022,614	492,429,493
Deposits with licensed financial institutions	1,856,359,680	1,438,767,918	1,818,253,380	–	–	5,113,380,978
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	–	2,341,523,804
Finance leases, hire purchases, other loans and receivables	6,120,841,346	8,382,475,631	8,573,931,185	1,238,475,373	–	24,315,723,535
Financial assets held at FVTPL	–	–	–	–	485,751,196	485,751,196
Financial assets measured at FVOCI	–	–	–	–	360,242,379	360,242,379
Other financial assets	–	–	–	–	44,163,258	44,163,258
Total financial assets	10,657,589,739	9,821,825,519	10,392,184,565	1,245,435,373	1,036,179,447	33,153,214,643
Financial liabilities						
Deposits from customers	3,828,643,868	3,911,997,258	2,268,839,167	253,773,782	–	10,263,254,075
Bank overdrafts	138,206,759	–	–	–	–	138,206,759
Due to banks and other borrowed funds	3,347,396,100	5,848,012,451	5,057,350,254	72,903,000	–	14,325,661,805
Debt instruments issued	–	18,800,757	1,750,000,000	–	–	1,768,800,757
Lease liabilities	26,539,616	72,702,251	147,753,383	107,429,736	–	354,424,986
Amounts due to related company	–	–	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	–	–	268,116,980	268,116,980
Total financial liabilities	7,340,786,343	9,851,512,717	9,223,942,804	434,106,518	550,239,436	27,400,587,818
Total interest sensitivity gap	3,316,803,396	(29,687,198)	1,168,241,761	811,328,855	485,940,011	5,752,626,825
Cumulative gap	3,316,803,396	3,287,116,198	4,455,357,959	5,266,686,814	5,752,626,825	

Group

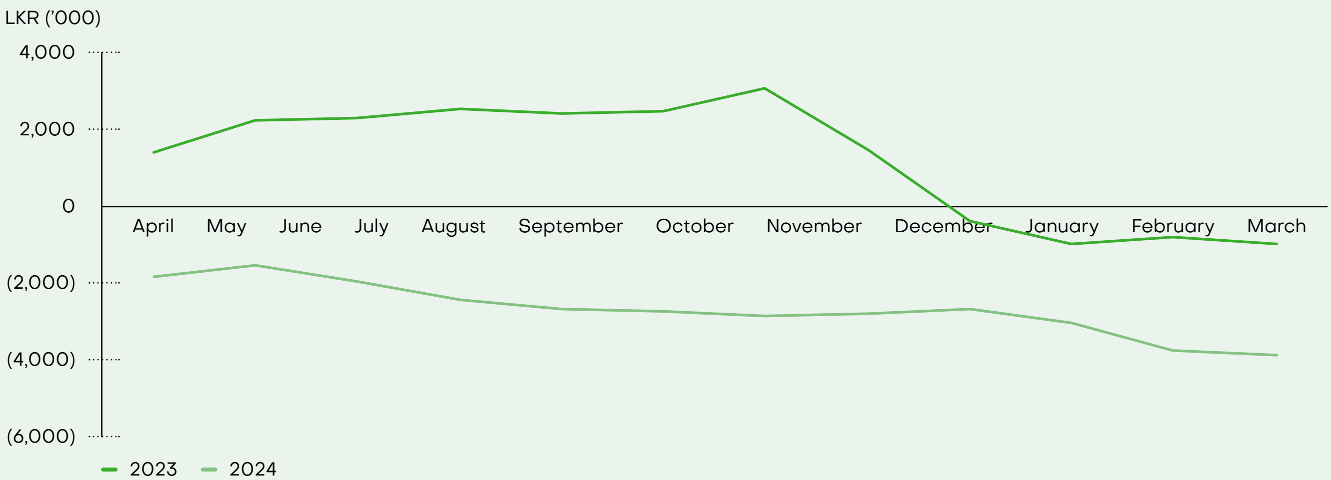
As at 31 March 2024	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	449,149,033	–	–	–	296,335,171	745,484,204
Deposits with licensed financial institutions	1,306,500,072	1,323,531,757	–	–	–	2,630,031,829
Investment in government and other securities	1,443,632,675	592,649	–	6,960,000	–	1,451,185,324
Finance leases, hire purchases, other loans and receivables	5,831,410,888	7,250,666,793	9,781,289,857	1,613,094,824	–	24,476,462,362
Financial assets held at FVTPL	–	–	–	–	4,622,384,957	4,622,384,957
Financial assets measured at FVOCI	–	–	–	–	160,512,106	160,512,106
Other financial assets	–	–	–	–	27,216,522	27,216,522
Total financial assets	9,030,692,668	8,574,791,199	9,781,289,857	1,620,054,824	5,106,448,756	34,113,277,304
Financial liabilities						
Deposits from customers	5,637,426,422	6,026,780,488	1,010,130,252	1,102,252,802	–	13,776,589,964
Bank overdrafts	151,118,902	–	–	–	–	151,118,902
Due to banks and other borrowed funds	5,971,801,489	2,686,371,942	1,400,000,000	–	–	10,058,173,431
Debt instruments issued	–	1,768,784,186	–	–	–	1,768,784,186
Lease liabilities	31,194,656	86,714,288	154,664,549	125,560,682	–	398,134,175
Other financial liabilities	–	–	–	–	556,867,234	556,867,234
Total financial liabilities	11,791,541,469	10,568,650,904	2,564,794,801	1,227,813,484	556,867,234	26,709,667,892
Total interest sensitivity gap	(2,760,848,801)	(1,993,859,705)	7,216,495,056	392,241,340	4,549,581,522	7,403,609,412
Cumulative gap	(2,760,848,801)	(4,754,708,506)	2,461,786,550	2,854,027,890	7,403,609,412	

As at 31 March 2023	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	369,402,625	–	–	–	146,062,443	515,465,068
Deposits with licensed financial institutions	1,864,537,214	1,438,767,918	1,818,253,380	–	–	5,121,558,512
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	–	2,341,523,804
Finance leases, hire purchases, other loans and receivables	6,121,142,346	8,382,475,631	8,573,931,185	1,238,475,373	–	24,316,024,535
Financial assets held at FVTPL	–	–	–	–	556,025,320	556,025,320
Financial assets measured at FVOCI	–	–	–	–	360,242,379	360,242,379
Other financial assets	–	–	–	–	10,163,258	10,163,258
Total financial assets	10,689,064,019	9,821,825,519	10,392,184,565	1,245,435,373	1,072,493,400	33,221,002,876
Financial liabilities						
Deposits from customers	3,772,389,087	3,881,608,533	2,268,839,167	253,773,782	–	10,176,610,569
Bank overdrafts	138,454,630	–	–	–	–	138,454,630
Due to banks and other borrowed funds	3,347,396,100	5,848,012,451	5,057,350,254	72,903,000	–	14,325,661,805
Debt instruments issued	–	18,800,757	1,750,000,000	–	–	1,768,800,757
Lease liabilities	28,583,457	79,193,741	147,753,383	107,429,736	–	362,960,317
Other financial liabilities	–	–	–	–	267,815,980	267,815,980
Total financial liabilities	7,286,823,274	9,827,615,482	9,223,942,804	434,106,518	267,815,980	27,040,304,058
Total interest sensitivity gap	3,402,240,745	(5,789,963)	1,168,241,761	811,328,855	804,677,420	6,180,698,818
Cumulative gap	3,402,240,745	3,396,450,782	4,564,692,543	5,376,021,398	6,180,698,818	

53.3.4 Interest rate sensitivity

The graph below depicts the sensitivity analysis carried out on the Statement of Financial Position as at 31 March 2024 on the changes on interest rates across the market in a hypothetical situation. The Company is exposed to sudden interest rate fluctuations due to the availability of short term and floating rate funding. The exposure will partly diminish by the short term, rate sensitive investments. The time horizon of the study is restricted to 12 months. The Company undertakes varying degrees of such rate shocks and evaluate them to ensure that the risk exposures are within the risk appetite of the Company as compared to the anticipated market rate movements.

Impact on NII – Rate shock of 100bp



Sensitivity to projected Net Interest Income	100 bp parallel increase/Decrease*	
	2024 LKR '000	2023 LKR '000
As at 31 March	+/- 3,857	+/- 949
Average for the period	+/- 2,687	+/- 1,225
Maximum for the period	+/- 1,574	3,051
Minimum for the period	+/- 3,857	-958

* Parallel increase in rates would have a positive impact on earnings whereas parallel decrease have a negative effect. In arriving at the above result the Company considered only rate sensitive assets and liabilities.

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53.3.5 Interest Rate Benchmark Reform Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7 and SLFRS 16)

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives. The main risks to which the Company has been exposed as a result of IBOR reform are operational. There are some foreign currency denominated loans obtained from foreign borrowers and thus financial risk is predominantly limited to interest rate risk. Company Risk Committee identifies operational and regulatory risks arising from IBOR reform. As at 31 March 2024, the IBOR reform in respect of currencies to which the Company has exposure has completed the process of reforming. The table below sets out the IBOR rates that the Company had exposure to, and the new benchmark rates to which these exposures have or are being transitioned.

Currency	Benchmark before reform	Benchmark after reform	Status
USD	USD LIBOR	SOFR	Completed

The Company's exposure to interest rate benchmarks subject to IBOR reform is limited to USD LIBOR rates and foreign currency denominated loans are exposed to this as at 31 March 2024.

53.3.6 Currency risk

Currency risk is that the value of a financial instrument that could fluctuate due to changes in foreign exchange rates and arises from financial instruments dominated by a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The Company monitors this on a daily basis however the Company is not exposed to significant currency risk.

There was a significant drop in the exchange rate of the Sri Lanka Rupee against the US Dollar since last financial year, as a result of current economic conditions. The management analyses the impact on the Company on regular basis to identify and manage any unfavourable impacts of foreign exchange movement.

Exchange rate risk

The Company's exposure to foreign currency risk is as follow;

As at 31 March 2024	LKR	Spot rate	USD
Cash and cash equivalents	2,467,257	301.18	8,192
Deposits with licensed financial institutions	2,622,924,647	301.18	8,708,720
Borrowings	2,203,283,715	301.18	7,315,415

The Company has fully hedged the foreign currency exposures by placing dollar deposits with banks to coincide with the loan repayment as they fall due.

Foreign currency sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31 March 2024.

As at 31 March 2024	Effect on profit or loss LKR	Effect on Equity LKR
USD depreciated against LKR by 5%	21,105,266	21,105,266
USD appreciated against LKR by 5%	(21,105,266)	(21,105,266)

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53.3.7 Equity price risk

Equity price risk is that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income.

The table below summarises the impact due to a change of 10% on equity prices

As at 31 March	2024			2023		
	Financial assets at FVTPL LKR	Financial assets at FVOCI LKR	Total LKR	Financial assets at FVTPL LKR	Financial assets at FVOCI LKR	Total LKR
Market value of equity securities	349,773,434	160,512,106	510,285,540	197,400,984	360,242,379	557,643,363

As at 31 March	2024			2023		
	Impact on Statement of Profit or Loss LKR	Impact on Statement of OCI LKR	Total LKR	Impact on Statement of Profit or Loss LKR	Impact on Statement of OCI LKR	Total LKR
Stress level						
10% increase on equity prices	34,977,343	16,051,211	51,028,554	19,740,098	36,024,238	55,764,336
10% decrease on equity prices	(34,977,343)	(16,051,211)	(51,028,554)	(19,740,098)	(36,024,238)	(55,764,336)

53.4 Liquidity risk and fund management

Liquidity risk is the risk of inadequate resources to meet financial obligations in time and in full, at an acceptable cost. As witnessed in some Licensed Finance Companies in the past, liquidity risk can pose serious threats to the existence of finance companies. The Company understands the importance of a robust liquidity risk management policy and constantly monitors the liquidity position of the Company.

Further, liquidity risk arises because of the possibility that the Company might be unable to meet its financial obligations when they fall due to both normal and stressful circumstances. To limit the risk, the Management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Therefore, the Company is not exposed to significant concentration risk, with regard to liquidity.

The Management regularly monitors the liquidity position of the Company and the Company has secured an adequate buffer of liquid assets and has undrawn credit lines which is in satisfactory levels to withstand the prevailing economic conditions.

53.4.1 Statutory liquid assets ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, Company has maintained minimum liquid assets, not less than 10% of the outstanding value of time deposits and face value of certificates of deposits; and 15% of the outstanding value of savings deposits received by the Company at a given day; and 10% of total outstanding borrowings excluding borrowings which are included in the capital funds of the finance company and borrowings which are secured by mortgage of any assets of the Company.

	2024 %	2023 %
As at 31 March	12.63	21.40
Average for the period	14.71	21.02
Maximum for the period	21.31	26.19
Minimum for the period	11.15	15.00

Minimum liquidity requirement

	2024 LKR	2023 LKR
Required minimum amount of liquid assets	1,716,544,250	1,437,815,250
Total liquid assets	2,118,812,333	3,010,568,000
Excess liquidity	402,268,083	1,572,752,750

Further in accordance with the Finance Companies (Liquid Assets) Direction No. 04 of 2013 every Finance Company shall maintain assets in the form of approved government securities equivalent to 7.5% of average month end total deposit liabilities and borrowings of the twelve months of the proceeding financial year.

As at 31 March 2024, the Company maintained government securities to average deposit liabilities and borrowings ratio of 10.11% (2023 – 15.81%)

53.4.2 Total liquid assets

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2024 LKR	2023 LKR
Cash and cash equivalents	296,272,911	146,022,614
Balances with banks and other financial institutions	378,906,747	530,563,552
Investment in Repurchase agreements	251,569,750	666,610,501
Investment in treasury bills	1,192,062,925	1,667,371,333
Total liquid assets	2,118,812,333	3,010,568,000

53.4.3 Financial assets available to support future funding

The table below sets out the availability of the Company's financial assets to support future funding

As at 31 March 2024	Encumbered		Unencumbered		
	Pledged as a collateral LKR	Other LKR	Available as collateral LKR	Other LKR	Total LKR
Cash and cash equivalents	–	–	–	675,179,658	675,179,658
Deposits with licensed financial institutions	2,621,954,788	–	–	–	2,621,954,788
Repurchase agreements	–	–	–	251,569,750	251,569,750
Financial assets held at FVTPL	–	–	–	4,483,199,237	4,483,199,237
Financial assets at amortised cost – Finance leases and hire purchases	4,998,557,183	–	17,241,885,780	–	22,240,442,963
Financial assets at amortised cost – Other loans and receivables	–	–	1,165,417,019	1,070,321,380	2,235,738,399
Financial assets measured at FVOCI	–	–	–	160,512,106	160,512,106
Financial assets at amortised cost – Other financial instruments	–	–	–	1,199,615,574	1,199,615,574
Other financial assets	–	–	–	52,716,522	52,716,522
Non financial assets	–	–	973,784,851	1,665,540,514	2,639,325,365
Total assets	7,620,511,971	–	19,381,087,650	9,558,654,741	36,560,254,362

As at 31 March 2023	Encumbered		Unencumbered		
	Pledged as a collateral LKR	Other LKR	Available as collateral LKR	Other LKR	Total LKR
Cash and cash equivalents	–	–	–	492,429,493	492,429,493
Deposits with licensed financial institutions	4,929,224,305	–	184,156,673	–	5,113,380,978
Repurchase agreements	–	–	–	666,610,501	666,610,501
Financial assets held at FVTPL	–	–	–	485,751,196	485,751,196
Financial assets at amortised cost – Finance leases and hire purchases	4,659,579,388	–	15,035,809,857	–	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	3,487,831,980	1,132,502,310	4,620,334,290
Financial assets measured at FVOCI	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – Other financial instruments	–	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	–	44,163,258	44,163,258
Non financial assets	–	–	988,651,034	1,577,414,844	2,566,065,878
Total assets	9,588,803,693	–	19,696,449,544	6,434,027,284	35,719,280,521

53.4.4 Financial assets and financial liabilities by remaining contractual maturities

The following tables illustrate the maturity gap analysis of financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2024.

Company

	Carrying value LKR	Less than 03 months LKR	03 – 12 months LKR	01 – 03 years LKR	Over 03 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	675,179,658	675,179,658	–	–	–	675,179,658
Deposits with licensed financial institutions	2,621,954,788	1,316,196,549	1,423,933,430		–	2,740,129,979
Repurchase agreements	251,569,750	251,569,750	–	–	–	251,569,750
Financial assets held at FVTPL	4,483,199,237	4,483,199,237	–	–	–	4,483,199,237
Finance leases, hire purchases, other loans and receivables	24,476,181,362	6,565,143,864	9,485,434,245	13,985,773,044	2,555,749,691	32,592,100,843
Financial assets measured at FVOCI	160,512,106	–	–	–	160,512,106	160,512,106
Financial assets at amortised cost - Other financial instruments	1,199,615,574	1,228,000,000	592,649	–	6,960,000	1,235,552,649
Other financial assets	52,716,522	52,716,522	–	–	–	52,716,522
Total financial assets	33,920,928,997	14,572,005,580	10,909,960,324	13,985,773,044	2,723,221,797	42,190,960,745
Financial liabilities						
Deposits from customers	13,839,119,884	6,207,840,778	6,947,028,640	1,314,714,128	1,803,683,164	16,273,266,709
Bank overdrafts	151,118,902	151,118,902	–	–	–	151,118,902
Due to banks and other borrowed funds	10,058,173,431	2,248,648,376	4,454,251,689	4,151,872,336	467,405,458	11,322,177,859
Debt instruments issued	1,768,784,186	–	1,862,964,897	–		1,862,964,897
Lease liabilities	398,134,175	38,123,013	107,453,457	209,882,904	187,672,289	543,131,663
Amounts due to related Company	–	–	–	–	–	–
Other financial liabilities	556,867,234	556,867,234	–	–	–	556,867,234
Total financial liabilities	26,772,197,812	9,202,598,303	13,371,698,683	5,676,469,368	2,458,760,911	30,709,527,264

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	Carrying value LKR	Less than 03 months LKR	03 – 12 months LKR	01 – 03 years LKR	Over 03 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	745,484,204	745,484,204	–	–	–	745,484,204
Deposits with licensed financial institutions	2,630,031,829	1,324,383,946	1,423,933,430	–	–	2,748,317,376
Repurchase agreements	251,569,750	251,569,750	–	–	–	251,569,750
Financial assets held at FVTPL	4,622,384,957	4,622,384,957	–	–	–	4,622,384,957
Finance leases, hire purchases, other loans and receivables	24,476,462,362	6,565,424,864	9,485,434,245	13,985,773,044	2,555,749,691	32,592,381,843
Financial assets measured at FVOCI	160,512,106	–	–	–	160,512,106	160,512,106
Financial assets at amortised cost – Other financial instruments	1,199,615,574	1,228,000,000	592,649	–	6,960,000	1,235,552,649
Other financial assets	27,216,522	27,216,522	–	–	–	27,216,522
Total financial assets	34,113,277,304	14,764,464,243	10,909,960,324	13,985,773,044	2,723,221,797	42,383,419,408
Financial liabilities						
Deposits from customers	13,776,589,964	6,207,840,778	6,947,028,640	1,314,714,128	1,803,683,164	16,273,266,709
Bank overdrafts	151,118,902	151,118,902	–	–	–	151,118,902
Due to banks and other borrowed funds	10,058,173,431	2,248,648,376	4,454,251,689	4,151,872,336	467,405,458	11,322,177,859
Debt instruments issued	1,768,784,186	–	1,862,964,897	–	–	1,862,964,897
Lease liabilities	398,134,175	38,123,013	107,453,457	209,882,904	187,672,289	543,131,663
Other financial liabilities	556,867,234	556,867,234	–	–	–	556,867,234
Total financial liabilities	26,709,667,892	9,202,598,303	13,371,698,683	5,676,469,368	2,458,760,911	30,709,527,264

The following tables illustrate the maturity gap analysis of Company's and Group's financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2023.

Company

	Carrying value LKR	Less than 03 months LKR	03 – 12 months LKR	01 – 03 years LKR	Over 03 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	492,429,493	492,429,493	–	–	–	492,429,493
Deposits with licensed financial institutions	5,113,380,978	2,473,701,655	947,292,674	1,977,859,399	–	5,398,853,728
Repurchase agreements	666,610,501	666,879,779	–	–	–	666,879,779
Financial assets held at fair value thought profit or loss	485,751,196	485,751,196	–	–	–	485,751,196
Finance leases, hire purchases, other loans and receivables	24,315,723,535	6,717,837,370	10,091,095,820	11,767,042,546	1,994,178,084	30,570,153,820
Financial assets measured at fair value through other comprehensive income	360,242,379	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – Other financial instruments	1,674,913,303	1,736,000,000	581,970	–	9,162,030	1,745,744,000
Other financial assets	44,163,258	44,163,258	–	–	–	44,163,258
Total financial assets	33,153,214,643	12,616,762,751	11,038,970,464	13,744,901,945	2,363,582,493	39,764,217,653
Financial liabilities						
Deposits from customers	10,263,254,075	4,103,244,390	4,541,081,227	3,172,300,300	476,899,573	12,293,525,490
Bank overdrafts	138,206,759	138,206,759	–	–	–	138,206,759
Due to banks and other borrowed funds	14,325,661,805	2,532,955,241	5,918,141,505	7,986,139,234	79,311,126	16,516,547,106
Debt instruments issued	1,768,800,757	18,800,757		2,070,103,951		2,088,904,708
Lease liabilities	354,424,986	32,140,720	88,260,905	184,900,485	151,515,882	456,817,992
Amounts due to related Company	282,122,456	282,122,456	–	–	–	282,122,456
Other financial liabilities	268,116,980	268,116,980	–	–	–	268,116,980
Total financial liabilities	27,400,587,818	7,375,587,303	10,547,483,637	13,413,443,970	707,726,581	32,044,241,491

Group

	Carrying value LKR	Less than 03 months LKR	03 – 12 months LKR	01 – 03 years LKR	Over 03 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	515,465,068	515,465,068	–	–	–	515,465,068
Deposits with licensed financial institutions	5,121,558,512	2,482,050,068	947,292,674	1,977,859,399	–	5,407,202,141
Repurchase agreements	666,610,501	666,879,779	–	–	–	666,879,779
Financial assets held at fair value thought profit or loss	556,025,320	556,025,320	–	–	–	556,025,320
Finance leases, hire purchases, other loans and receivables	24,316,024,535	6,718,138,370	10,091,095,820	11,767,042,546	1,994,178,084	30,570,454,820
Financial assets measured at fair value through other comprehensive income	360,242,379	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – Other financial instruments	1,674,913,303	1,736,000,000	581,970	–	9,162,030	1,745,744,000
Other financial assets	10,163,258	10,163,258	–	–	–	10,163,258
Total financial assets	33,221,002,876	12,684,721,863	11,038,970,464	13,744,901,945	2,363,582,493	39,832,176,765
Financial liabilities						
Deposits from customers	10,176,610,569	4,035,926,536	4,482,294,220	3,172,300,300	476,899,573	12,167,420,629
Bank overdrafts	138,454,630	138,454,630	–	–	–	138,454,630
Due to banks and other borrowed funds	14,325,661,805	2,532,955,241	5,918,141,505	7,986,139,234	79,311,126	16,516,547,106
Debt instruments issued	1,768,800,757	18,800,757	–	2,070,103,951	–	2,088,904,708
Lease liabilities	362,960,317	34,408,720	95,064,905	184,900,485	151,515,882	465,889,992
Other financial liabilities	268,116,980	268,116,980	–	–	–	268,116,980
Total financial liabilities	27,040,605,058	7,028,662,864	10,495,500,630	13,413,443,970	707,726,581	31,645,334,045

53.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. Senkadagala Finance PLC manages operational risk in a variety of ways. These include maintaining a comprehensive system of internal controls including disaster recovery plans and business continuity plans, using technology to automate processes and reduce manual errors, monitoring and analysing risk, events and trends, employing experienced staff, monitoring business activities by compliance and audit professionals, requiring education and training of employees, and emphasising the importance of management oversight.

The Company has in place a process of continuous internal audit utilising the services of Messrs. Ernst & Young, Advisory Services.

With the introduction of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 03 of 2018 of the Central Bank of Sri Lanka, the Company has maintained a capital charge for operational risk. Accordingly on 31 March 2024 the Company provided of LKR 4,457,534,784/- (2023 – LKR 3,907,712,450/-) as risk weighted assets to accommodate for operational risk.

53.6 Regulatory risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day to day regulatory risk primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures, and monitoring for compliance. The Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to senior management and the Board.

In this latter process, the Compliance Officer is supported and assisted by the Company's internal auditors, Messrs. Ernst & Young Advisory Services, who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

53.7 Reputation risk

Reputation risk is the risk to earning, capital or brand arising from negative publicity or employee opinion. A Company's reputation is a valuable business asset in its own right, essential to optimising shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

53.8 Capital management and capital adequacy

In order to be resilient in volatile economic conditions it's important to maintain an adequate capital base. The Central Bank of Sri Lanka has laid down directions to promote the strengthening of the capital base of NBFIs.

In accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred LKR 60 Mn. of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater that 25% of total deposit liabilities, only LKR 60 Mn. which is greater than the required 5% of profits for the year was transferred.

Further in accordance with the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 03 of 2018, all the NBFIs are required to maintain, as at 31 March 2024 its total Capital at a level not less than 12.5% of its Risk Weighted Assets and the Core Capital at a level not less that 8.5% of Risk Weighted Assets. The ratios as at 31 March 2024 were 24.47% and 25.56% and as at 31 March 2023 were 25.12 % and 28.19% respectively. Detailed calculations are given below,

Total risk weighted amount

Risk-weighted amount for credit risk	Amount	Credit equivalent of off-balance sheet items	Total	Risk weighted assets	RWA density %
Claims on Government of Sri Lanka, Public Sector Entities and CBSL	1,443,632,675	–	1,443,632,675	–	0
Claims on financial institutions	3,000,861,535	–	3,000,861,535	600,172,307	20
Claims on corporates	4,620,240,326	–	4,620,240,326	4,618,013,308	100
Retail claims	22,122,463,308	107,680,350	22,230,143,658	21,914,274,328	99
Non-performing assets (NPAs)	1,805,123,342	–	1,805,123,342	1,808,170,550	100
Notes and coins	296,272,911	–	296,272,911	–	0
Fixed assets	1,604,281,680	–	1,604,281,680	1,604,281,680	100
Other assets/exposures	568,958,260	–	568,958,260	568,958,260	100
Total risk weighted amount for credit risk	35,461,834,037	107,680,350	35,569,514,387	31,113,870,433	

Risk weighted amount for operational risk	2024 LKR	2023 LKR	2022 LKR	Total LKR
Interest income	7,361,849,965	6,492,904,281	6,020,701,098	19,875,455,344
Interest expenses	(3,715,481,541)	(3,879,380,604)	(2,430,425,436)	(10,025,287,581)
Non-interest income	881,705,866	414,638,510	323,848,208	1,620,192,584
Realised losses/(gains) from the sale of securities	(121,711,775)	(53,083,911)	(87,745,348)	(262,541,034)
Extraordinary/irregular item of income	(27,499,153)	(34,973,072)	(1,510,127)	(63,982,352)
Gross income	4,378,863,362	2,940,105,204	3,824,868,395	11,143,836,961

Risk weighted amount for operational risk	2024 LKR	2023 LKR	2022 LKR	Total LKR
Average gross income for operational risk capital requirement				3,714,612,320
Capital charges for operational risk (15% of average gross income for operational risk)				557,191,848
Risk weighted amount for operational risk (reciprocal of required total capital ratio – 12.5%)				8.00
Risk-weighted amount for operational risk under the basic indicator approach				4,457,534,784
Total risk weighted amount				35,571,405,217

Capital base

As at 31 March	2024 LKR	2023 LKR
Tier 1 Capital	9,127,954,100	7,970,996,655
Issued and paid up ordinary shares	2,424,777,045	2,424,777,045
Statutory reserve fund	591,036,033	531,036,033
Published retained profits	6,112,141,022	5,015,183,577
Adjustment to Tier I Capital	422,708,806	259,833,849
Other intangible assets (net)	54,281,007	58,328,337
Deferred tax assets (net)	248,863,640	109,259,525
Shortfall of cumulative impairment to total provisions and interest in suspense	–	–
50% of investment in banking and financial subsidiary companies	25,864,800	23,395,693
50% of investment in other banking and financial institutions	93,699,359	68,850,294
Tier 1 Capital (after adjustments)	8,705,245,295	7,711,162,807
Tier 2 Capital	504,927,314	1,034,838,499
Instruments qualified as Tier 2 capital	350,000,000	700,000,000
General provisions/Collective impairment allowances	154,927,314	334,838,499
Eligible Tier 2 Capital	504,927,314	1,034,838,499
Total adjustment to eligible Tier 2 Capital	119,564,159	92,245,987
50% of investment in banking and financial subsidiary companies	25,864,800	23,395,693
50% of investment in other banking and financial institutions	93,699,359	68,850,294
Eligible Tier 2 Capital after adjustments	385,363,155	942,592,513
Total Capital	9,090,608,450	8,653,755,319
Core capital ratio (Minimum requirement – 8.5%)		
Core Capital	8,705,245,295	7,711,162,807
Total risk weighted assets	35,571,405,217	30,694,792,394
	24.47%	25.12%
Total capital ratio (Minimum requirement – 12.5%)		
Total Capital Base	9,090,608,450	8,653,755,319
Total risk weighted assets	35,571,405,217	30,694,792,394
	25.56%	28.19%

Annexes

Ten Year Summary

	2024 LKR '000	2023 LKR '000	2022 LKR '000	2021 LKR '000	2020 LKR '000
Operating results					
Interest income	7,361,850	6,492,904	6,020,701	5,978,562	6,533,974
Interest expense	3,715,482	3,879,381	2,430,425	3,215,269	3,681,611
Net interest income	3,646,368	2,613,524	3,590,276	2,763,293	2,852,363
Other operating income	881,706	414,639	323,848	363,594	223,008
Profit before taxes on financial services	2,055,432	753,779	1,513,024	949,045	722,491
Profit before income taxation	1,577,417	526,302	1,185,647	707,345	528,729
Profit for the year	1,196,286	445,051	902,971	554,745	227,831
Dividends paid	56,082	120,792	90,076	–	68,851
Balance sheet					
Assets					
Cash and near cash items	4,740,767	7,939,792	10,010,235	6,987,420	3,736,574
Investments	4,651,264	853,536	302,424	523,974	393,621
Loans and advances	24,476,181	24,315,724	26,101,897	27,562,085	27,233,010
Investments in subsidiary	51,730	328,302	328,302	328,302	328,302
Investment in associate	163,928	116,740	–	–	–
Property and equipment	1,658,563	1,511,580	1,755,747	1,951,779	2,156,478
Right-of-use asset	385,710	346,393	361,074	409,875	388,931
Deferred tax assets	248,864	109,260	–	–	–
Other assets	183,248	197,955	137,729	139,953	157,608
Total assets	36,560,254	35,719,281	38,997,407	37,903,389	34,394,525
Liabilities					
Deposits from customers	13,839,120	10,263,254	10,823,983	11,546,422	11,222,611
Borrowings	10,209,292	14,463,869	17,138,991	16,935,935	11,689,435
Debentures	1,768,784	1,768,801	1,768,547	1,768,323	4,319,529
Deferred tax liability	–	–	150,572	319,294	402,371
Lease liability	398,134	354,425	357,217	377,500	344,724
Other liabilities	1,266,979	893,397	1,112,325	996,532	1,005,548
Total liabilities	27,482,310	27,743,745	31,351,635	31,944,008	28,984,218
Equity					
Stated capital	2,424,777	2,424,777	2,424,777	1,587,863	1,587,863
Statutory reserve fund	591,036	531,036	506,036	460,036	430,036
Other reserves	(50,009)	4,538	4,059	4,761	4,100
Retained earnings	6,112,141	5,015,184	4,710,900	3,906,721	3,388,308
Total equity	9,077,945	7,975,535	7,645,772	5,959,381	5,410,307
Total liabilities and equity	36,560,254	35,719,281	38,997,407	37,903,389	34,394,525

2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000
6,995,603	6,472,115	4,825,712	3,746,374	3,584,165
3,759,531	3,410,064	2,402,305	1,701,766	1,750,532
3,236,072	3,062,051	2,423,408	2,044,607	1,833,634
300,278	298,215	312,424	218,173	131,220
1,179,270	1,607,203	1,280,293	971,116	697,029
929,284	1,357,416	1,119,133	882,550	647,444
950,604	1,004,671	860,971	613,182	539,639
228,296	213,077	185,899	166,330	107,625
4,631,749	5,220,436	4,923,750	3,496,397	2,796,849
182,498	200,486	159,733	98,637	103,701
29,069,749	27,801,785	23,757,588	16,908,140	13,582,928
320,000	320,000	320,000	320,000	320,000
–	–	–	–	–
2,332,831	1,803,149	1,516,891	1,194,663	1,122,864
–	–	–	–	–
–	–	–	–	–
246,236	757,962	240,865	252,107	146,677
36,783,063	36,103,819	30,918,827	22,269,945	18,073,018
10,008,976	9,507,134	7,230,873	6,510,033	6,541,896
17,262,978	15,376,359	13,743,732	8,691,685	4,787,693
2,732,048	4,399,896	4,992,786	3,059,849	3,579,737
461,314	860,681	607,702	434,104	197,116
1,020,706	928,263	682,117	580,914	432,731
31,486,023	31,072,332	27,257,209	19,276,586	15,539,171
1,587,863	1,587,863	1,008,062	1,008,062	1,008,062
415,036	365,036	310,036	265,036	230,036
3,894	7,171	4,361	3,775	–
3,290,248	3,071,416	2,339,158	1,716,486	1,295,749
5,297,041	5,031,486	3,661,618	2,993,359	2,533,847
36,783,063	36,103,819	30,918,827	22,269,945	18,073,018

Key Ratios and Indicators

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Performance indicators										
Return on average total assets (%)	3.31	1.19	2.35	1.53	0.64	2.61	3.00	3.24	3.04	3.18
Return on average shareholders' funds (%)	14.03	5.70	13.27	9.76	4.26	18.41	23.11	25.87	22.19	23.28
Net interest margin (%)	11.86	7.64	10.16	8.44	8.82	9.70	9.93	9.87	11.12	11.78
Cost to income ratio (%)	50.00	66.23	46.10	53.76	59.37	53.46	50.52	53.25	53.96	55.70
Growth of interest income (%)	13.38	7.84	0.70	(8.50)	(6.60)	8.09	34.12	28.81	4.53	1.58
Growth of profit for the year (%)	168.80	(50.71)	62.77	143.49	(76.03)	(5.38)	16.69	40.41	13.63	0.88
Growth of loans and advances (%)	0.66	(6.84)	(5.30)	1.21	(6.32)	4.56	17.02	40.51	24.48	7.16
New advances disbursed (LKR Mn.)	18,439	15,441	18,490	14,030	14,596	20,206	20,356	18,775	12,356	8,576
Net flow of deposits (LKR Mn.)	3,576	(561)	(722)	324	1,214	502	2,276	721	(32)	917
Borrowings obtained (LKR Mn.)	4,829	3,735	3,604	14,453	1,000	7,300	6,740	7,800	5,500	3,383
Debentures issued (LKR Mn.)	–	–	–	–	1,750	–	–	3,000	–	–
Capital expenditure incurred (LKR Mn.)	352	39	113	136	206	932	359	641	351	473
Investor information										
Earnings per share (LKR)	13.87	5.16	10.97	7.20	3.14	13.12	13.97	13.20	9.40	8.27
Dividends per share (LKR)	1.80	0.65	1.40	1.16	–	2.15	3.40	3.16	2.60	2.15
Net assets per share (LKR)	105.22	92.44	88.62	82.23	74.65	73.09	69.42	56.14	45.89	38.85
Interest cover (Times)	1.42	1.14	1.49	1.22	1.14	1.25	1.40	1.47	1.52	1.37
Dividends cover (Times)	7.70	7.94	7.48	6.16	–	6.10	4.08	4.18	3.62	3.85
Dividend payout ratio (%)	12.98	12.60	13.38	16.24	0.00	16.39	24.53	23.91	27.66	25.99
Capital and leverage										
Core capital (%)	24.47	25.12	22.75	16.69	15.48	14.46	16.86	14.19	15.82	16.54
Total capital (%)	25.56	28.19	26.89	21.66	21.54	15.49	17.65	16.08	19.90	22.97
Equity as a percentage of total assets (%)	24.83	22.33	19.61	15.72	15.73	14.40	13.94	11.84	13.44	14.02
Equity as a percentage of total deposits and borrowings (%)	35.16	30.10	25.72	19.70	19.87	17.65	17.18	14.10	16.39	17.00
Growth of total assets (%)	2.35	(8.41)	2.89	10.20	(6.49)	1.88	16.77	38.84	23.22	13.88
Growth of net assets (%)	13.82	4.31	28.30	10.15	2.14	5.28	37.41	22.32	18.13	20.56
Earnings retention ratio (%)	95.31	72.86	90.02	100.00	69.78	75.98	78.79	78.41	72.87	80.06
Total deposit liabilities to capital (%)	65.60	77.71	70.64	51.61	48.21	52.92	52.92	50.64	45.98	38.73
Debt to equity ratio (Times)	1.32	2.04	2.47	3.14	2.96	3.77	3.93	5.12	3.93	3.30
Liquidity										
Liquid assets as a percentage of total assets (%)	5.80	8.43	8.83	6.47	10.86	12.59	14.46	15.92	15.70	15.48
Liquid assets as a percentage of total deposit liability (%)	15.31	29.33	31.81	21.24	33.30	46.28	54.91	68.09	53.71	42.75
Operational										
Number of branches	110	100	80	59	59	59	54	49	39	39
Number of service centres	–	–	20	41	41	41	41	41	41	41
Number of pawning centres	38	37	34	32	29	26	26	18	13	11
Number of staff	896	819	802	807	797	794	745	690	627	601
Staff productivity (LKR '000)	1,761	643	1,478	877	663	1,170	1,822	1,622	1,408	1,077

Branch Network

Branch	Address	Telephone	Fax
Akuressa	No. 24/20, Pradeshiya Sabha Road, Akuressa.	+94 41 228 5060	+94 41 228 5065
Alawwa	No. 46, Wariyagoda, Alawwa.	+94 37 204 1055	+94 37 204 1061
Aluthgama	No. 152 1/1, 1st Floor, Galle Road, Aluthgama.	+94 34 227 0573	+94 34 227 0578
Ambalangoda	No. 118B, Galle Road, Ambalangoda.	+94 91 225 4901	+94 91 225 4906
Ampara	No. 778 A, D S Senanayaka Mawatha, Ampara.	+94 63 222 4057	+94 63 222 4093
Angoda	No. 650, Avissawella Road, Mulleriyawa Angoda South.	+94 11 241 7780	+94 11 241 7785
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura.	+94 25 223 7969	+94 25 223 7989
Aturugiriya	No. 303, Godagama Road, Aturugiriya.	+94 11 218 5888	+94 11 218 5889
Avissawella	No. 19, Kudagama Road, Avissawella.	+94 36 222 2800	+94 36 222 2805
Badulla	No. 2, Riverside Road, Badulla.	+94 55 222 4401	+94 55 222 4407
Balangoda	No. 281, Colombo Road, Balagahamula, Balangoda.	+94 45 228 9533	+94 45 228 9537
Bandaragama	No. 91, Panadura Road, Bandaragama.	+94 38 229 3903	+94 38 229 3924
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela.	+94 57 222 2675	+94 57 222 2679
Batticaloa	No. 221 (Ground and First Floor), Trinco Road, Batticaloa.	+94 65 222 9200	+94 65 222 9205
Bibila	No. 43/4, Mahiyangana Road, Bibila.	+94 55 226 6563	+94 55 226 6568
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri.	+94 21 227 0951	+94 21 227 0956
Chilaw	No. 53, Kurunegala Road, Chilaw.	+94 32 222 4043	+94 32 222 4048
Colombo 03	2nd Floor, 267, Galle Road, Colombo 03.	+94 11 230 1301	+94 11 230 1937
Dambulla	No. 357, Matale Road, Dambulla.	+94 66 228 5530	+94 66 228 5535
Dehiattakandiya	No. F-74, New Town, Dehiattakandiya.	+94 27 205 0800	+94 27 205 0805
Dehiwala	No. 121, Galle Road, Dehiwela.	+94 11 273 2456	+94 11 273 2460
Deniyaya	No. 54, Main Street, Deniyaya.	+94 41 227 3891	+94 41 227 3896
Digana	No. 2004/18/7, Kandy Road, Digana.	+94 81 237 6623	+94 81 237 6643
Eheliyagoda	No. 320, Main Street, Eheliyagoda.	+94 36 225 7341	+94 36 225 7346
Elpitiya	No. 42, Ambalangoda Road, Elpitiya.	+94 91 229 0485	+94 91 229 0495
Embilipitiya	No. 325B, Ratnapura Road, Pallegama, Embilipitiya.	+94 47 226 1991	+94 47 226 1996
Fort	No. 48, Mudalige Mawatha, Colombo 01.	+94 11 244 6901	+94 11 244 6904
Galewela	No. 87/3A, Kurunegala Road, Galewela.	+94 66 228 8025	+94 66 228 8075
Galle	No. 66, Colombo Road, Kaluwella, Galle.	+94 91 224 8111	+94 91 224 8116
Gampaha	No. 560A, Colombo Road, Gampaha.	+94 33 223 3555	+94 33 223 3560
Gampola	No. 42, Panabokka Mawatha, Gampola.	+94 81 235 0100	+94 81 235 1850
Giriulla	No. 101, Negombo Road, Giriulla.	+94 37 228 8700	+94 37 228 8770
Hanwella	No. 40, Pahala Hanwella, Hanwella.	+94 36 225 2190	+94 36 225 2195
Hasalaka	No. 308 (Ground Floor), Multi Purpose Co-operative Society, Hasalaka.	+94 55 205 1243	+94 55 205 1248
Hingurakgoda	No. 9, Airport Road, Hingurakgoda.	+94 27 224 5680	+94 27 224 5685
Homagama	No. 94/1 (First Floor) Highlevel Road, Homagama.	+94 11 285 7878	+94 11 285 7880
Horana	No. 246, Panadura Road, Horana.	+94 34 226 2770	+94 34 226 2776
Ja-Ela	No. 356, Weligampitiya, Colombo Road, Ja-Ela.	+94 11 224 7861	+94 11 224 7866
Jaffna	No. 62/3, New Stanley Road, Jaffna.	+94 21 221 9960	+94 21 221 9965

Branch Network

Branch	Address	Telephone	Fax
Jampettah Street	No. 124, Jampettah Street, Colombo 13.	+94 11 238 0804	+94 11 238 0809
Kadawatha	No. 316 H, Kandy Road, Kadawatha.	+94 11 292 9010	+94 11 292 9090
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela.	+94 27 222 4739	+94 27 222 4743
Kaduwela	No. 482/5/A, Colombo Road, Kaduwela.	+94 11 253 8180	+94 11 253 8186
Kahawatta	No. 187, Main Street, Kahawatta.	+94 45 227 1972	+94 45 227 1977
Kalawana	No. 1/100, Mathugama Road, Kalawana.	+94 45 225 6561	+94 45 225 6566
Kalmunai	No. 202, Baticaloa Road, Kalmunai.	+94 67 222 6860	+94 67 222 6865
Kalutara	First floor, No. 443, 443/1, Galle Road, Kalutara.	+94 34 222 7101	+94 34 222 7106
Kandy	No. 12, Kotugodella Veediya, Kandy.	+94 81 220 1201	+94 81 220 1207
Karapitiya	No. 219A-1/1, Kahaduwatta, Waduramba Road, Karapitiya.	+94 91 212 1081	+94 91 212 1088
Katugastota	No. 437B, 1st and 2nd Floors, Katugastota Road, Kandy.	+94 81 221 3860	+94 81 221 3867
Kegalle	No. 243, Colombo Road, Kegalle.	+94 35 222 1277	+94 35 222 1281
Kekirawa	No. 55, Main Road, Kekirawa.	+94 25 226 3234	+94 25 226 3239
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya.	+94 11 291 4714	+94 11 291 4887
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi.	+94 21 228 3720	+94 21 228 3725
Kirindiwela	No. 27/16/1, Nugahenawatta, Kirindiwela.	+94 33 224 7851	+94 33 224 7856
Kohuwala	No. 130 A, Dutugemunu Street, Kohuwala.	+94 11 289 0800	+94 11 289 0805
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13.	+94 11 244 1261	+94 11 244 1267
Kuliyapitiya	No. 74 1/1, Hettipola Road, Kuliyapitiya.	+94 37 228 4630	+94 37 228 4635
Kurunegala	No. 91, Kandy Road, Kurunegala.	+94 37 222 0402	+94 37 222 0405
Madampe	No. 355, Kurunegala Road, New Town, Madampe.	+94 32 224 9484	+94 32 224 9487
Maharagama	No. 163, High Level Road, Maharagama.	+94 11 289 6888	+94 11 289 6052
Mahiyanganaya	No. 109/1, Padiyathalawa Road, Mahiyanganaya.	+94 55 225 8280	+94 55 225 8285
Maho	No. 234, Moragollagama Road, Maho.	+94 37 227 5320	+94 37 227 5324
Maradana	No. 92, Deans Road, Colombo 10.	+94 11 268 3600	+94 11 268 3222
Matale	No. 97, 97A, Kings Street, Matale.	+94 66 222 2954	+94 66 222 2960
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara.	+94 41 223 3891	+94 41 223 3896
Mathugama	No. 146, Aluthgama Road, Mathugama.	+94 34 229 5000	+94 34 229 5005
Mawanella	No. 215, New Colombo Road, Mawanella.	+94 35 224 7626	+94 35 224 7655
Mawathagama	No. 174 “Thissa Saw Mill”, 7th Mile Post, Kurunegala Rd, Mawathagama.	+94 37 229 6443	+94 37 229 6448
Minuwangoda	No. 12, Veyangoda Road, Minuwangoda.	+94 11 229 5177	+94 11 229 5189
Mirigama	No. 71, Negombo Road, Mirigama.	+94 33 227 6868	+94 33 227 6911
Monaragala	No. 112, Wellawaya Road, Monaragala.	+94 55 205 5421	+94 55 205 5426
Moratuwa	No. 18, New Galle Road, Moratuwa.	+94 11 264 4249	+94 11 264 4254
Mount Lavinia	246, 1/1, Galle Road, Ratmalana South, Mount Lavinia.	+94 11 271 5001	+94 11 271 5002
Narammala	No. 285, Uyanwatta Road, Narammala	+94 37 224 9892	+94 37 224 9897

Branch	Address	Telephone	Fax
Nawalapitiya	No. 159, 159/1, Ambagamuwa Road, Nawalapitiya.	+94 54 205 0458	+94 54 205 0459
Negombo	No. 149, 1st Floor, Rajapaksha Broadway, Negombo.	+94 31 222 3456	+94 31 222 3462
Nelliady	No. 58/1, Point Pedro Road, Nelliady	+94 21 226 1430	+94 21 226 1435
Nikaweratiya	No. 245/A , Puttalam Road, Nikaweratiya.	+94 37 226 0117	+94 37 226 0217
Nittambuwa	No. 538/3, 38 Kilometre Post, Malwatta, Nittambuwa.	+94 33 229 7030	+94 33 229 7035
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakarathne Mawatha, Nugegoda.	+94 11 285 6600	+94 11 285 6650
Nuwara Eliya	26, Upper Lake Road, Nuwara Eliya.	+94 52 222 4123	+94 52 222 4128
Padukka	No. 397/A. High Level Road, Galagedara, Padukka.	+94 11 208 5990	+94 11 208 5995
Panadura	No. 383/1, Galle Road, Panadura.	+94 38 224 3990	+94 38 224 3995
Pelawatte	No. 1067, Pannipitiya Road, Battaramulla.	+94 11 277 4140	+94 11 277 4145
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa.	+94 81 257 9622	+94 81 257 9623
Piliyandala	No. 91B, 93, Colombo Road, Piliyandala.	+94 11 261 5740	+94 11 261 5745
Pothuhera	No. 175 , Kurunegala Road, Pothuhera.	+94 37 223 7783	+94 37 223 7784
Pugoda	No. 98/D/1(A), Bangalawatta, Pugoda.	+94 11 240 5463	+94 11 240 5467
Puttalam	No. 128/B/1, Kurunegala Road, Puttalam.	+94 32 226 6783	+94 32 226 6789
Ragama	No. 46B, Kadawatha Road, Ragama.	+94 11 295 3992	+94 11 295 3993
Rambukkana	No. 63 and 67, Mawanella Road, Rambukkana.	+94 35 226 6650	+94 35 226 4655
Ratnapura	No. 394, Main Street, Ratnapura.	+94 45 222 6890	+94 45 222 6895
Rikillagaskada	No. 20 Post, Kandy Road, Rikillagaskada.	+94 81 208 1927	+94 81 208 1934
Ruwanwella	No. 195/A, Main Street, Ruwanwella.	+94 36 226 5492	+94 36 226 5493
Seeduwa	No. 394, Negombo Road, Seeduwa.	+94 11 225 1863	+94 11 225 1869
Tangalle	No. 35, Sea Road, Tangalle.	+94 47 224 1902	+94 47 224 1907
Thambuththegama	No. 185/158, Regina Junction, Thambuththegama.	+94 25 227 5472	+94 25 227 5478
Tissamaharama	No. 60, Palliyawatta Road, Thissamaharama.	+94 47 223 9925	+94 47 223 9930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee.	+94 26 222 5115	+94 26 222 5119
Vavuniya	No. 8, 1st Cross Street, Vavuniya.	+94 24 222 6340	+94 24 222 6345
Warakapola	No. 211C, Colombo Road, Warakapola.	+94 35 226 7020	+94 35 226 7022
Wariyapola	No. 141, Kurunegala Road, Wariyapola.	+94 37 226 8880	+94 37 226 8885
Wattala	No. 264, Negombo Road, Wattala.	+94 11 294 9611	+94 11 294 9616
Wattegama	No. 79, Kandy Road, Wattegama.	+94 81 247 6331	+94 81 247 6350
Welimada	No. 17, Haputhale Road, Welimada.	+94 57 224 5684	+94 57 224 5690
Wellawatta	No. 577, Galle Road, Colombo 06.	+94 11 236 3634	+94 11 236 3680
Wellawaya	No. 72, Ella Road, Wellawaya.	+94 55 227 4194	+94 55 227 4198
Wennappuwa	No. 272/1/1, Chilaw Road, Wennappuwa.	+94 31 224 5266	+94 31 224 5271
Yatiyanthota	No. 10, New Colombo Road, Yatiyantota.	+94 36 227 0783	+94 36 227 0784

GRI Content Index

Statement of use	Senkadagala Finance PLC has reported the information cited in this GRI content index for the period 1 April 2023 to 31 March 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organisational details	Organisational Overview (Page 5)
	2-2 Entities included in the Organisation's sustainability reporting	Our Group Partners (Page 6)
	2-3 Reporting period, frequency, and contact point	About this Report (Page 3)
	2-5 External assurance	Financial Reports – Independent Auditors' Report (Pages 128 to 133)
	2-6 Activities, value chain, and other business relationships	Business Model, Institutional Capital – Supplier Chain and procurement policy (Pages 18 and 39)
	2-7 Employees	Our Story in 2022/23 – Employee Capital (Page 49)
	2-9 Governance structure and composition	Governance (Page 64)
	2-10 Nomination and selection of the highest governance body	Governance – Corporate Governance (Page 68)
	2-11 Chair of the highest governance body	Governance – Corporate Governance (Page 68)
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance – Corporate Governance (Page 68)
	2-13 Delegation of responsibility for managing impacts	Governance – Risk Management, Corporate Governance (Pages 109 and 68)
	2-14 Role of the highest governance body in sustainability reporting	Governance – Corporate Governance (Page 68)
	2-15 Conflicts of interest	Governance – Corporate Governance (Page 68)
	2-16 Communication of critical concerns	Our Story 2022/23 – Employee Capital (Page 49)
	2-17 Collective knowledge of the highest governance body	Governance – Board Director Profiles (Pages 65 to 67)
	2-18 Evaluation of the performance of the highest governance body	Governance – Remuneration Committee (Page 107)
	2-19 Remuneration policies	Governance – Remuneration Committee (Page 107)
	2-20 Process to determine remuneration	Governance – Remuneration Committee (Page 107)
	2-22 Statement on sustainable development strategy	Our Story in 2022/23 – Social and Environmental Capital (Page 54)
	2-23 Policy commitments	Organisational Overview (Page 5)
	2-24 Embedding policy commitments	Organisational Overview (Page 5)
	2-25 Processes to remediate negative impacts	Governance – Risk Management (Page 109)
	2-26 Mechanisms for seeking advice and raising concerns	Governance – Risk Management, Stakeholder Engagement – Employee Capital (Pages 109, 23, 49)
	2-27 Compliance with laws and regulations	Business Model – Stakeholder Engagement, Governance– Corporate Governance (Pages 18, 23, 68)
	2-29 Approach to stakeholder engagement	Business Model – Stakeholder Engagement (Page 23)

GRI standard	Disclosure	Location
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Business Model – Materiality (Page 27)
	3-2 List of material topics	Business Model – Materiality (Page 27)
	3-3 Management of material topics	Business Model (Page 17)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Reports (Pages 119 to 278)
	201-3 Defined benefit plan obligations and other retirement plans	Our Story 2023/24 – Employee Capital (Page 49)
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Our Story 2023/24 – Employee Capital (Page 49)
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Our Story 2023/24 – Institutional Capital (Page 39)
	203-2 Significant indirect economic impacts	Our Story 2023/24 – Shareholder and Investor Capital (Page 57)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Governance (Page 64)
	205-2 Communication and training about anti-corruption policies and procedures	Our Story 2023/24 – Employee Capital (Page 49)
	205-3 Confirmed incidents of corruption and actions taken	Governance – Risk Management, (Pages 109 to 118)
GRI 207: Tax 2019	207-1 Approach to tax	Financial Reports (Pages 119 to 278)
	207-2 Tax governance, control, and risk management	Financial Reports (Pages 119 to 278)
	207-3 Stakeholder engagement and management of concerns related to tax	Business Model – Stakeholder Engagement (Page 23)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	301-2 Recycled input materials used	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	301-3 Reclaimed products and their packaging materials	Our Story 2023/24 – Social and Environmental Capital (Page 54)
GRI 302: Energy 2016	302-1 Energy consumption within the Organisation	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	302-4 Reduction of energy consumption	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	302-5 Reductions in energy requirements of products and services	Our Story 2023/24 – Social and Environmental Capital (Page 54)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	303-5 Water consumption	Our Story 2023/24 – Social and Environmental Capital (Page 54)

Annexes
Financial Reports
Governance
Our Story in 2023/24
Business Model
Leadership Reviews
About Us
About this Report

GRI Content Index

GRI standard	Disclosure	Location
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Our Story 2023/24 – Social and Environmental Capital (Page 54)
	306-2 Management of significant waste-related impacts	Our Story 2023/24 – Social and Environmental Capital (Page 54)
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Business Model – Stakeholder Engagement (Page 23)
	308-2 Negative environmental impacts in the supply chain and actions taken	Business Model – Stakeholder Engagement (Page 23)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Our Story 2023/24 – Employee Capital (Page 49)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our Story 2023/24 – Employee Capital (Page 49)
	401-3 Parental leave	Our Story 2023/24 – Employee Capital (Page 49)
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Our Story 2023/24 – Employee Capital (Page 49)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Our Story 2023/24 – Employee Capital (Page 49)
	403-2 Hazard identification, risk assessment, and incident investigation	Our Story 2023/24 – Employee Capital (Page 49)
	403-3 Occupational health services	Our Story 2023/24 – Employee Capital (Page 49)
	403-4 Worker participation, consultation, and communication on occupational health and safety	Our Story 2023/24 – Employee Capital (Page 49)
	403-5 Worker training on occupational health and safety	Our Story 2023/24 – Employee Capital (Page 49)
	403-6 Promotion of worker health	Our Story 2023/24 – Employee Capital (Page 49)
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our Story 2023/24 – Employee Capital (Page 49)
	403-8 Workers covered by an occupational health and safety management system	Our Story 2023/24 – Employee Capital (Page 49)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Our Story 2023/24 – Employee Capital (Page 49)
	404-2 Programmes for upgrading employee skills and transition assistance programmes	Our Story 2023/24 – Employee Capital (Page 49)
	404-3 Percentage of employees receiving regular performance and career development reviews	Our Story 2023/24 – Employee Capital (Page 49)
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Our Story 2023/24 – Employee Capital (Page 49)
	405-2 Ratio of basic salary and remuneration of women to men	Our Story 2023/24 – Employee Capital (Page 49)

GRI standard	Disclosure	Location
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Our Story 2023/24 – Employee Capital (Page 49)
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Does not arise
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Does Not arise
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Our Story 2023/24 – Employee Capital (Page 49)
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Does not arise
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Our Story 2023/24 – Social and Environmental Capital (Page 54)
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Our Story 2023/24 – Institutional Capital (Page 39)
	414-2 Negative social impacts in the supply chain and actions taken	None
GRI 415: Public Policy 2016	415-1 Political contributions	None
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Our Story 2023/24 – Customer Capital (Page 44)
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labeling	Our Story 2023/24 – Customer Capital (Page 44)

Notice of Meeting

Notice is hereby given that the Fifty-Fifth (55th) Annual General Meeting of Senkadagala Finance PLC (the "Company") will be held online via a virtual platform on Monday, 5 August 2024 at 10.30am and the business to be brought before the meeting will be as follows:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2024 and the Report of the Auditors thereon.
2. To declare a final dividend of Sri Lankan Rupees One Hundred Fifty Five Million Three Hundred and Three Thousand Seven Hundred One and Cents Twenty only (LKR 155,303,701.20) at the rate of Sri Lankan Rupees One and Cents Eighty (LKR 1.80) per share to the shareholders of the Company as recommended by the Board of Directors.
3. To propose the following ordinary resolution for the re-appointment of Mr S D Bandaranayake, who has reached the age of Seventy One (71) years.

"IT IS HERERBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr S D Bandaranayake who has reached the age of Seventy One (71) years and that he be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

4. To appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company in place of Messrs. KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to determine their remuneration.
5. To authorise the Board of Directors to determine donations for the year 2024/2025.

By order of the Board

Sgd.
Ms H Ranasinghe
Company Secretary
Senkadagala Finance PLC
Colombo, Sri Lanka
1 July 2024

Note:

1. Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her behalf by electronic means as per the attached guidelines.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Website of the Colombo Stock Exchange.

Form of Proxy

*I/We ....of

....being a shareholder/shareholders of

Senkadagala Finance PLC do hereby appoint .... of

.... or failing him/her,
Mr Senanayakege Raja Pushpakumara (Chairman of the Company), or failing him, one of the Directors of the Company, as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the Fifty-Fifth (55th) Annual General Meeting of the Company to be held on Monday, 5 August 2024 at 10.30am and at every poll which may be taken in consequence of the aforesaid meeting and any adjournment thereof:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2024 and the Report of the Auditors thereon.		
2.	To declare a final dividend of LKR 1.80 (Rupees One and Cents Eighty) per share to the shareholders of the Company as recommended by the Board of Directors.		
3.	To reappoint Mr S D Bandaranayake who has reached the age of Seventy One (71) years.		
4.	To appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company in place of Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.		
5.	To authorise the Board of Directors to determine donations for the year 2024/2025.		

Signed this.. day of .... Two Thousand and Twenty-Four

....
*Signature of shareholder/s

Note:

1. *Please delete the inappropriate words
2. Instructions as to completion are noted as overleaf.

INSTRUCTIONS ON COMPLETION OF THE FORM OF PROXY:

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company, 2nd Floor, 267, Galle Road, Colombo 03 or emailed to himasha@senfin.com no later than 48 hours before the time of the meeting.
2. In perfecting the form of proxy, please ensure that all details are legible.
3. Please indicate with an 'X' in the space provided, how your proxy is to vote on each resolution. If no indication is given, the proxy, at his discretion, may vote as he thinks fit.
4. In the case of a company/corporation, the letter of authorisation must be signed by placing the common seal of the company/corporation and attested in the manner prescribed by its articles of association.
5. In the case of a proxy signed by the attorney, the Power of Attorney document must be deposited at the Registered Office, 2nd Floor, 267, Galle Road, Colombo 03 for registration or emailed to himasha@senfin.com

Corporate Information

Name of Company
Senkadagala Finance PLC

Date of Incorporation
29 December 1968

Legal Status
- Listed public limited liability company incorporated on 29 December 1968. The Company was re-registered under the Companies Act No. 07 of 2007.
- Listed on the Colombo Stock Exchange with effect from 22 March 2011.
- Approved and registered under the Finance Business Act No. 42 of 2011.
- Approved and registered under the Finance Leasing Act No. 56 of 2000.

Company Registration Number
PB 238 PQ

Taxpayer Identification Number (TIN)
104028349

Registered Office
2nd Floor, No. 267, Galle Road,
Colombo 03,
Sri Lanka

Tel : +94 11 230 1301
Fax : +94 11 230 1937
SWIFT code : SENFLKLX
Email : info@senfin.com
Web : www.senfin.com

Stock Exchange Listing
86,279,834 ordinary shares of the Company are listed in the Colombo Stock Exchange.

17,500,000 Subordinate, unsecured, redeemable debentures of LKR 100/- each. Listed since August 2019 to August 2024 with fixed rate interest payments.

Credit Rating
Fitch Ratings Lanka Limited rating of BBB (lka) with a stable outlook, on 16 October 2023.

Board of Directors

Mr R Senanayake
FCA, BCom (Special) (USJ), PG Dip (B Mgt)
Chairman

Mr L Balasuriya
BSc (Lon), MSc (Lancaster)
Managing Director/CEO

Ms L Fernando
BSc (Hons)
Non-Independent Non-Executive Director

Mr S D Bandaranayake
BSc (University of Sri Lanka)
Executive Director/Additional CEO

Mr N Vasantha Kumar
MBA, Dip (Professional Treasury Management)
Independent Non-Executive Director

Dr (Ms) R A Perera
PhD (Melb), MPA (Harvard)
Independent Non-Executive Director

Mr A Herath
FCA, CGMA, MBA (UK), MA (Colombo), BSc (Colombo)
Independent Non-Executive Director

Company Secretary
Ms J A H V Ranasinghe
Senkadagala Finance PLC
2nd Floor, 267, Galle Road,
Colombo 03

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03

Legal Consultants
Nithya Partners
Attorneys-at-Law
97/A, Galle Road, Colombo 03

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy

Bankers
Commercial Bank of Ceylon PLC
People's Bank
National Development Bank PLC
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Nations Trust Bank PLC

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