

CENTRAL FINANCE

C O M P A N Y P L C



ANNUAL REPORT 2022/23

VISION —————

Central Finance shall be the first choice for progressive customers in delivering innovative financial solutions.

MISSION —————

To be the leader in our industry, conducting business with responsibility, using our expertise in helping customers grow and prosper whilst creating lasting value for our shareholders.

CORPORATE VALUES —————



CUSTOMER CENTERED – We aim to build long term relationships with our customers, We believe in providing consistently high standards of service and integrity



UNYIELDING INTEGRITY – We have a hard earned reputation of integrity and reliability which we shall safeguard at all times. Therefore trust, confidence, prudence and fairness in dealing with our customers, members of the public will be absolute and will form an integral part of our business philosophy



SUPERIOR SERVICE – We believe in providing fast, quality service that earn customer satisfaction which results in customer retention



EXCEPTIONAL PERFORMANCE – We set ambitious goals, yet we understand accountability to achieve these goals. We are committed to perform exceptionally well on behalf of our stakeholders



OUR PEOPLE ARE OUR COMPANY – The ability and commitment of our people are central to the success of the company. Therefore, we help them enhance their skills, recognise and reward accomplishment, treat them with fairness and consideration. In return we expect every individual to take responsibility for his/her actions



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FINANCIAL HIGHLIGHTS

	Group		Company	
	2022/23 Rs.Mn.	2021/22 Rs.Mn.	2022/23 Rs.Mn.	2021/22 Rs.Mn.
FINANCIAL PERFORMANCE				
Income	24,474	24,580	19,572	17,501
Profit before income tax	10,312	9,649	7,393	7,468
Income tax	2,753	2,373	2,427	2,113
Profit after income tax	7,559	7,276	4,965	5,355
Net profit attributable to equity holders of the parent	7,227	7,003	4,965	5,355
Gross dividends	-	-	966	796
FINANCIAL POSITION				
Total assets	106,729	115,606	90,216	100,040
Loans and lease receivables	46,328	58,626	46,328	58,629
Deposits	38,228	48,715	38,533	49,024
Funds attributable to equity holders of the parent	59,545	55,835	45,923	44,466
Non-controlling interest	1,900	1,635	-	-
INFORMATION PER ORDINARY SHARE				
Earnings Rs.	31.79	30.80	21.84	23.56
Dividends Rs.	-	-	4.25	3.50
Market value Rs.	-	-	72.40	68.10
Net assets value per share Rs.	261.90	245.59	201.99	195.58
RATIOS				
Dividend cover (times)	-	-	5.14	6.73
Dividend pay out (%)	-	-	19.46	14.86
Shareholders' funds to deposits	-	-	119.18	90.70
Core capital ratio % (Tier 1)	-	-	52.60	44.32
Total capital ratio % (Tier 1 & 2)	-	-	53.05	44.89



3.21%

EPS GROWTH



19.46%

DIVIDEND PAYOUT



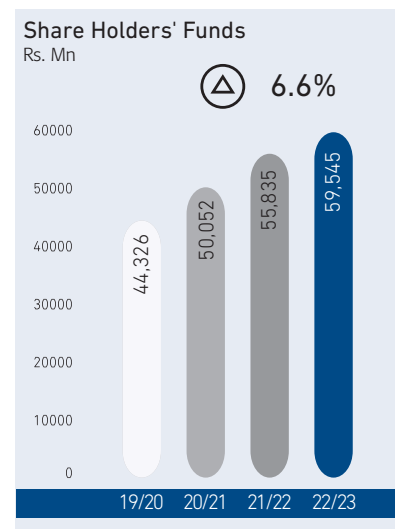
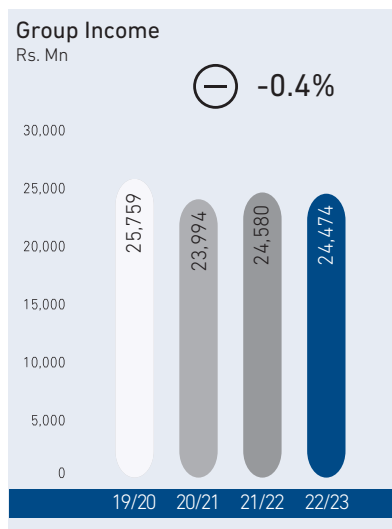
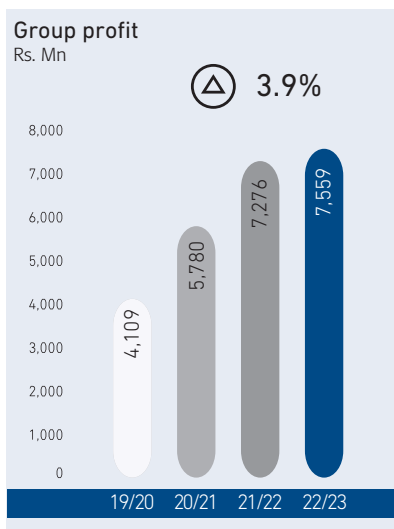
52.60%

TIER I CAPITAL RATIO



53.05%

TOTAL CAPITAL RATIO



EMPLOYEES



1,582

21/22: 1,741
20/21: 1,706

BRANCHES



103

21/22: 103
20/21 : 103

LENDING CUSTOMERS



67,132

21/22: 83,319
20/21: 107,546

DEPOSITORS



161,705

21/22: 173,504
20/21: 173,370

CHAIRMAN'S STATEMENT

“ With the announcement by the government of a “Pre-emptive debt default” on its foreign currency loan obligations in April 2022, preceded by two years of economic disruptions caused by the COVID pandemic, the Country encountered simultaneous economic, political and social upheaval never seen before. ”

I am pleased to welcome you to the 65th Annual General Meeting of Central Finance Company PLC and to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2023.

As you are aware, the year under review was extremely challenging. Navigating through the uncertainties and macro-economic challenges required adaptive strategies, sound financial management, continuous monitoring of risks and strong hands-on operational management. I am happy to inform you that your Company was able to steer through these challenges and record commendable results and to remain as one of Sri Lanka's most stable finance companies. Our achievements this year are a testimony to our corporate culture and values, the indomitable spirit of our staff and astute leadership that guided the CF team.

MACROECONOMIC OVERVIEW

From an economic, political and social perspective, 2022/23 will be remembered as one of the most turbulent years in Sri Lanka's recent history. With the announcement by the government of a “Pre-emptive debt default” on its foreign currency loan obligations in April 2022, preceded by two years of economic disruptions caused by the COVID pandemic, the Country encountered simultaneous economic, political and social upheaval never seen before.

Arising from the “Pre-emptive debt default” announcement, the Country's sovereign rating was further downgraded by international rating agencies. This together with the steep decline in foreign exchange reserves triggered a sharp depreciation of the local currency. Consequent macro economic responses of import restrictions, high interest rates and rationing of energy and fuel supply led to high inflation, tightening of liquidity and decline in disposable incomes. Social resistance and agitation that followed led to the change in the political leadership of the Country.

In September 2022, the government entered into a staff level agreement with the International Monetary Fund (IMF) which was approved by the IMF in March 2023 as an IMF's Extended Fund Facility (EFF) program for the Country spanning the period 2023-2027. The approval of this facility has brought about a perception of stability, confidence and optimism to the Country and its economy and it is hoped that this will facilitate Sri Lanka's economic recovery, political and social reforms and consequent long term development and wellbeing of her people.

INDUSTRY OVERVIEW

The Non-Bank Financial Institutions (NBFIs) recorded mixed results in terms of liquidity, credit growth, asset quality and profitability. Total assets of the sector which amounted to Rs. 1611.2 Billion as at December 2022 representing 5.2% of

the assets of Sri Lanka's financial system, expanded by Rs. 123 Billion recording a growth of 8.3%. The sector loans and advances which amounted to Rs. 1,199.2 Billion accounted for 74.4% of the total assets and represented a growth of 5% supported by a surge in the pawning/gold loans. The sector lease portfolio contracted due to restrictions imposed on the importation of motor vehicles as a measure to restrict foreign currency outflows and represented only 41.6% of sector loans and advances by end 2022 (2021 - 48.3%).

The asset quality of NBFIs' credit portfolio deteriorated with Gross Non-Performing Loan (NPL) ratio increasing to 17.5% by December 2022 compared to 11% in December 2021 as a result of changing the classification of loans and receivable as past due at 121 days (previously 6 months) which took effect from 1st April 2022, the lapsing of the debt moratorium concessions and the impact of adverse macro-economic conditions of borrowers.

Increased funding costs, higher impairment provisions and higher taxation resulted in the NBFI sector's profit after tax reducing by 21% to Rs. 43.9 Billion in 2022 compared to Rs. 55.6 Billion in 2021. The Return on Equity (ROE) also reflected a significant drop to 12.6 % compared to 20.2% in the previous year. Faced with unprecedented challenges for three years in succession, many NBFIs were compelled to continue fine-tuning their business models, explore new business

Rs.59.55 Bn

SHAREHOLDERS FUNDS

opportunities, redesign their processes, implement prudent cost management, improve efficiencies and competitiveness, invest in digitization technology, all of which in order to prudently monitor and manage risk.

COMPANY PERFORMANCE

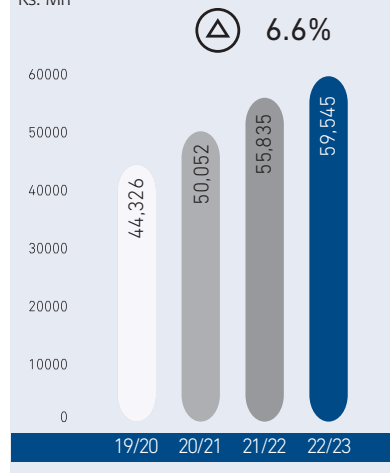
During the year under review our Company continued to strongly focus on rationalising our portfolio risk working with borrowers on collection strategies rather than aggressively building the lending portfolio in the uncertain economic environment. This strategy resulted in strong liquidity, sustained profitability, reduction in the NPL stock, NPL ratio, impairment and other credit losses, these being maintained at reasonable levels despite the challenging macroeconomic conditions. The Company maintained strong liquidity levels throughout the year and was able to deploy these excess funds towards

much needed working capital loans of corporates and short term investment and earn higher investment income due to the high market interest rates that prevailed during the year. The timely re-pricing of the short tenor investments resulted in 22.15% increase in net interest income amounting to Rs. 12.64 Billion for the year despite the increased cost of funding on deposits. As at 31st March 2023, the Company's Tier 1 and Total Capital ratios were 52.60% and 53.05% respectively, both significantly higher than the statutory requirement of 8.5% and 12.5% respectively.

The credit quality of the Company's portfolio improved despite the challenging macro-economic conditions due to continuous focus on preserving the credit quality, market responsive collection strategies and increased use of data analytics for credit acquisition and monitoring. This led to the Company's Gross NPL ratio decreasing to 10.88% in March 2023 as against 15.28% in April 2022 despite the 121 days past due criteria. The Company has taken a prudent approach in provisioning for the potential losses in the loan and lease portfolios arising from expected delinquencies that could arise due to the significant economic uncertainty. Using stress testing techniques to map varied economic

Share Holders' Funds

Rs. Mn



scenarios, the Company made prudent provisions which resulted in an increase of impairment and other credit losses to Rs. 696.64 Million for 2023 compared to Rs. 273.09 Million reported in 2022.

Funds attributable to equity holders at the Group level represented a 6.64% increase to Rs. 59.55 Billion, mainly arising from Group Profit after tax net of surcharge tax of Rs. 2,587.31 Million and an interim cash dividend payout.

The Company remains hopeful that with the IMF's EFF program being in place and the necessary reforms being implemented, the economic conditions in the Country will continue to improve for the betterment of its citizens and other stakeholders.

The Board in keeping with its commitment to provide a better return to shareholders and enhancing the share value, has paid an interim cash dividend of Rs. 2.50 per share and proposes a final cash dividend of Rs. 1.75 per share for approval by the shareholders at the Annual General Meeting (AGM) to be held on 30th June 2023.

“The credit quality of the Company's portfolio improved despite the challenging macro-economic conditions due to continuous focus on preserving the credit quality, market responsive collection strategies and increased use of data analytics for credit acquisition and monitoring.”

CHAIRMAN'S STATEMENT

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

The main Subsidiary and Associate Companies performed reasonably well taking into consideration the prevailing economic conditions.

Central Industries PLC was able to record a revenue of Rs. 4.33 Billion despite the significant setback in the construction industry and challenge in procuring raw materials, reporting a 28.1% increase in profit after tax amounting to Rs. 643.2 Million compared to Rs. 502.1 Million in the previous year. This was primarily achieved through competitive pricing of the products and higher level of operational efficiencies which in turn helped in achieving a significant decrease in cost of production. CF Insurance Brokers (Pvt) Limited showed a slowdown in business volumes due to limited new business opportunities, however benefited significantly through interest income generated through investments in corporate debt securities and was able to report a profit after tax of Rs. 181.7 Million for the year.

Nations Trust Bank PLC delivered the highest ever profits in its operating history reporting a profit after tax of Rs. 7.23 Billion as against Rs. 6.69 Billion in the previous year owing to timely re-pricing of interest earning assets, effective

management of cost of funding, despite higher taxes, absorbing Rs. 13.84 Billion as impairment for the year which included prudential provisions. Tea Smallholder Factories PLC reported a profit after tax of Rs. 278.5 Million compared to Rs. 15.3 Million reported in the previous year despite the decrease in tea production volumes and increased production cost, supported by higher export earnings due to the sharp depreciation of the Sri Lankan rupee against the United States dollar and uninterrupted business operations unlike in the previous years.

APPRECIATIONS

I wish to thank all our stakeholders who have stood by us, valuing our ethical business practices and balanced approach to business growth and profit seeking.

Our employees have shown unwavering commitment and dedication to the Company. Their efforts are greatly appreciated. I confirm that there were no material violations of the CF Code of Business Conduct during the year under review.

Our customers have continuously valued our mutually supportive sustainable business model, strong capital base and customer-friendly approach and have retained their business relationship

with us throughout many years and in particular during these challenging times.

Our shareholders and depositors have placed trust in our fiduciary role in managing the business in a sustainable manner through several decades of varying challenges. We greatly appreciate your confidence in us.

My thanks also go out to my colleagues on the Board who has contributed immensely in strategizing, guiding, advising and supporting me throughout the past year.

I would also like to express my appreciation to the Governor of the Central Bank of Sri Lanka and the officials at the Department of Supervision of Non-Bank Financial Institutions, for their regulatory reforms, diligent oversight and guidance.

In conclusion, I would like to thank all stakeholders of Central Finance Company PLC and its Subsidiaries and Associate Companies for their continued patronage, trust and confidence placed in the Group.



A.D.B. Talwatte
Chairman

Colombo
19th May 2023

MANAGING DIRECTOR'S STATEMENT

“ Overall, the financial services industry including banks, non-banking financial institutions (NBFI) and insurance companies were at the forefront, having to face numerous challenges during the period under review. ”

I am pleased to report that despite the extraordinary challenges faced by the Country during 2022/23, the Company and Group recorded very satisfactory results during the period under review.

Following two years of economic disruptions caused by the pandemic, 2022/23 was dominated by the economic crisis in the Country which also resulted in widespread political and social unrest. Early signs of stability were seen during the second half of 2022/23 and with the approval of the International Monetary Fund's (IMF) Extended Fund Facility (EFF) program in March 2023, some form of confidence was restored to the Country's economy.

OPERATING ENVIRONMENT

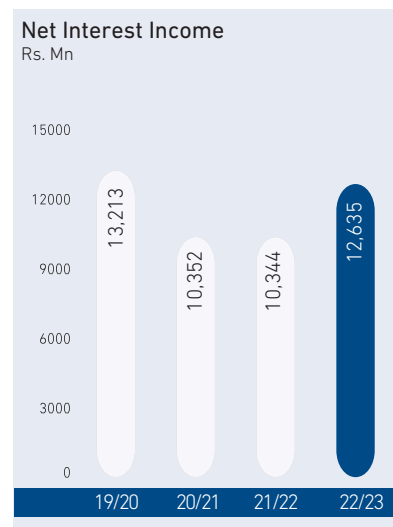
Due to dwindling foreign currency reserves, in April 2022, the government declared a default on its foreign currency loan obligations triggering a chain reaction of economic, political and social issues. These issues included the international rating agencies further downgrading the Country's credit rating, the Sri Lankan rupee depreciating to its lowest point in history, inflation and interest rates shooting up, import restrictions, scarcity of fuel, gas, food and

medicines, long queues to obtain vital necessities, mass demonstrations etc. which all led to the resignations of the President, Prime Minister and the Cabinet of Ministers.

In September 2022, the government entered into a staff level agreement with the IMF and this was followed by intense negotiations between the government and the IMF with a view to finalizing the EFF program. With IMF having deemed the country's debt levels as "unsustainable", a debt restructuring program is also envisaged. Since the details of this program are yet being finalized and its impact on the local financial services sector is uncertain, interest rates have continued to be at an elevated level.

Overall, the financial services industry including banks, non-banking financial institutions (NBFI) and insurance companies were at the forefront, having to face numerous challenges during the period under review. The asset base of the NBFI sector increased by 8.3% compared to the 6.1% increase in 2021. The lease portfolio accounted for 41.6% of the loans and advances of the sector as at December 2022 compared to 48.3% as at December 2021. The leasing portfolio continued to decline mainly due to the on-going restrictions imposed by the government on the importation of motor vehicles as a measure to conserve foreign exchange.

The NBFI sector gross Non Performing Loan (NPL) ratio increased to 17.5%



by December 2022 compared to 11% reported in December 2021 especially due to the prevailing economic conditions in the Country. The Central Bank of Sri Lanka (CBSL) by Direction No 01 of 2020, Classification & Measurement of Credit Facilities introduced the requirement to classify loans receivables which are 121 days past due as NPL's with effect from 1st April 2022.

Customer deposits continued to dominate the source of funds of the sector representing 53.7% of the funding base as at December 2022. The NBFI sector continued to maintain resilience, with adequate capital in compliance with minimum regulatory capital requirements. The sector also continued to maintain liquidity above the minimum required level during 2022 with liquid assets of Rs. 184.9 Billion by end December 2022 recording a liquidity surplus of Rs. 86.9 Billion.

Rs.7.56 Bn

GROUP PROFIT AFTER TAX

MANAGING DIRECTOR'S STATEMENT

The profitability of the sector decreased by 21% due to increased funding costs, impairment provisions and taxation.

OPERATING & FINANCIAL PERFORMANCE

Credit & Lending

Due to the prevailing economic crisis in the Country during the year under review and the depressed economic environment for the third year in succession, the Company adopted a cautious approach to lending. The main focus of lending was on maintaining credit quality, which has been significantly improving over the past few years as the Company consciously managed its exposure to sectors severely impacted by the pandemic and the economic crisis. The Company also focused on reaching out to customers with whom it has done prior business with a view to growing repeat business. A more conservative approach towards loan to value ratios was also adopted due to the elevated risk perceptions in light of the significantly weaker economic sentiments. Overall, these endeavours were to mitigate any possible adverse impact on the Company's Income Statement and the Balance Sheet. The loan book contracted to Rs. 52.3 Billion from Rs. 64.6 Billion in the previous year due to the aforementioned reasons of tighter underwriting standards.

Savings & Deposits

Due to the limited lending opportunities in the market and strong capital and liquidity levels of the Company, mobilization of deposits was not pursued in an aggressive manner during the period under review. Also the high market interest rates offered on alternate investment options resulted in the customer deposit base declining to Rs. 38.5 Billion at year end. During the year, the Company mobilized fresh deposits aggregating to Rs. 5.3 Billion

and maintained a renewal ratio 77.3% of matured deposits.

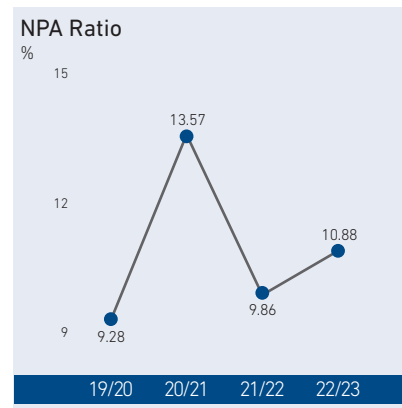
The Company continued to strengthen its relationship with depositors by ensuring that they have easy and convenient access to their funds at all times via traditional and digital channels.

Asset Quality

Despite the prevailing economic conditions and the CBSL introducing the requirement to classify receivables which are 121 days past due as NPL's with effect from 1st April 2022, the Company continued to improve its asset quality with the year-end NPL ratio being recorded as 10.88% as against the industry average of 17.5% as at December 2022. The Company was selective in new credit growth and reviewed credit underwriting criteria on a regular basis to minimize exposure to high risk sectors and customer segments.

The Company continued to maintain its customer relationship-centric business approach to support the customers' revenue generating activities while also offering restructuring support within and outside the CBSL moratoriums. This approach resulted in further enhancing customer engagement and which aligned with a series of strategic initiatives which also included the use of Data Analytics assisted in recording a NPL ratio of 10.88% compared to 15.28% in April 2022 based on 121 days past due criteria and also to maintain impairment charges at a reasonable level.

The Company partnered its customers through a host of engagement initiatives to further strengthen the relationship during this period of uncertainty. All borrowers were regularly kept informed of regulatory developments and last mile servicing was done by our staff through intensified field visits and digital communications. The digital channel



functionalities were enhanced to improve and monitor progress of these initiatives.

Financial Performance

The Company recorded a Rs. 4.97 Billion profit after tax during the year compared to Rs. 5.36 Billion during the previous year while Group profit increased to Rs. 7.56 Billion compared to Rs. 7.28 Billion in the previous year primarily owing to associate company, Nations Trust Bank PLC reporting significant profits amounting to Rs. 7.2 Billion for the year ended 31st December 2022.

Net interest income was recorded at Rs. 12.64 Billion, representing a 22% growth over the previous year and mainly contributed by interest income from investments in government treasury bills, banks deposits and corporate securities. Funding cost increased by 28% as a result of repricing of the deposits portfolio.

Net Income from financial instruments (fair value through P&L) reduced by 91% due to non-investments in unit trusts during the year concerned. Other Income represented a significant decrease due to reduction in bad debts recoveries by 60% and prior year gain reported on disposal of the shareholding in Mark Marine Services (Pvt) Ltd of Rs.158.77 Million.

Impairment and other credit losses increased to Rs. 696.64 Million due to

additional prudential provisions accounted for in the context of uncertain macro-economic conditions and potential losses in the credit portfolio assessed based on varying stress-testing of the credit portfolio.

The focused cost reduction initiatives on key cost items resulted in a marginal increase of operating costs of 6.15% despite high inflation of costs that prevailed during the year. The increase in income tax rates from 24% to 30%, VAT rate increase from 8% to 15% and introduction of Social Security Contribution Levy of 2.5% in the second half of the year resulted in a significant increase in the effective tax rate of the Company.

Liquidity & Capital

The Company continued to maintain strong liquidity throughout the period under review, with the excess funds being invested in short term liquid investments.

As at 31st March 2023, the Company's Tier 1 and Total Capital ratios were 52.60% and 53.05% respectively, both significantly higher than the statutory requirement of 8.5% and 12.5% respectively.

Credit Rating

The Company's national long term credit rating was revised by Fitch Ratings Lanka to "A- (lka) with a negative outlook" in line with the downgrade of the Country's credit rating due to the prevailing economic crisis.

Dividend

The Board, in keeping with its commitment to enhancing the share value, has paid an interim cash dividend of Rs. 2.50 per share and proposes a final cash dividend of Rs. 1.75 per share for approval by the shareholders at the Annual General Meeting (AGM) to be held on 30th June 2023.

Consolidated Financial Results

The Consolidated profit after tax is Rs.7.56 Billion as against Rs. 7.28 Billion in the previous year.

The salient features of the financial statements of Subsidiaries and Associates are summarized below and forms part of this Report.

Performance of Subsidiaries & Associates

CF Insurance Brokers (Pvt) Limited (CFIB)

CF insurance brokers had a successful year despite of the slowdown of the business volumes and reported a profit after tax amounting to Rs. 181.74 Million, 44% decrease compared to prior year reported profit after tax Rs. 325.75 Million. The business volumes were negatively impacted due to Company's reliance on their parent company for insurance placements on new business leases and volumes. While this has resulted in a decrease in commission income by 9% to Rs. 247.5 Million compared to Rs. 272.21 Million in 2021, CF insurance brokers still benefited from the high interest income on their surplus funds invested in debt instruments amounting to Rs. 218.98 Million for the year compared to Rs. 33.35 Million in 2021.

The profitability was adversely impacted due to unrealized/realized loss reported on quoted equity securities portfolio of the Company amounting to Rs. 83.6 Million as a result of downturn in share market compared to Rs. 55.8 Million gain reported on quoted equity securities in 2021. In addition, CF insurance brokers other income comprised of Rs. 71.24 Million, disposal profit of investment held in Mark Marine Services (Private) Limited in 2021.

Company incurred additional cost of funds on short term financing arrangements with CF amounting to Rs. 11.1 Million

in 2022 for the purpose of funding the investments placed in debt securities.

The increase in income tax rates from 24% to 30% and the non-deductibility of unrealized loss on equity securities for tax purposes results in current income tax of the Company amounting to Rs. 93.8 Million compared to Rs. 57.2 Million in 2021 despite the decrease in profit before tax by 28.6%.

Central Industries PLC

The Company continued to demonstrate resilience and managed to navigate through the turbulent waters to complete a year of reasonable success and reported a profit after tax of Rs. 643 Million compared to Rs. 502 Million in 2021-22. The industry suffered a significant setback due to both supply and demand side challenges following the suspension of government funded projects, soaring raw material costs, import restrictions along with the lack of foreign currency.

Despite of challenging economic and business environment, Company was able to record revenue of Rs. 4.3 Billion during the financial year under review, 35.6% drop over the last year as a result of the government projects coming to a grinding halt and reduced expansion in private-funded projects. The gross profit of the Company represented 11.8% increase over 2021-22 and reported Rs. 1.57 Billion gross profit for the year (2021-22 Rs. 1.41 Billion) through efficiencies in sourcing the raw materials and competitive pricing of the products. Company's finance income also positively contributed to profits by Rs. 65.3 Million as Company benefited from the increase in market interest rates.

The impairment made on long outstanding trade debtors of the Company amounting to Rs. 143.6 Million, finance cost incurred on short term financing arrangements Rs. 88.5 Million and foreign exchange loss incurred amounting to Rs. 339.8 Million adversely impacted the Company's profitability.

MANAGING DIRECTOR'S STATEMENT

Nations Trust Bank PLC (NTB)

A consistent and stable earnings trajectory for Nations Trust Bank PLC is projected, as the business environment is expected to remain conducive because it is not vulnerable to sovereign investments and its performance is largely influenced by the local business landscape. Bank's return focused strategy which revolved on managing risks and optimizing capital and selective growth delivered a profit growth of 8% to record Rs. 7.2 Billion as profit after tax while many of its peers in the Banking industry recorded a decline in profits.

The consolidated interest income surged 90% to Rs. 54.31 Billion in 2022 (2021- Rs. 28.66 Billion) supported by timely re-pricing of assets, primarily short-duration loans on a floating basis, in a rising market interest rate environment while interest expenses increased by a moderate 72% to Rs. 25 Billion (2021 - Rs. 14.58 Billion) as a result of Bank's strategic efforts to manage its cost of funding. NTB Group's Net Interest Income expanded by 108% to LKR 29.3 Billion in 2022 and reported Net Interest Margin of 6.98% compared with 3.85% in 2021.

The trade finance and cash management related services extended to Corporate and Commercial segments resulted in an increase of net fees and commission of the Group to Rs. 6.8 Billion, increase of 11% over previous financial year (2021- Rs. 6.1 Billion).

Net gains from trading increased to Rs. 14.23 Billion (2021-2.47 Billion) as NTB leveraged its solid foreign currency liquidity position to capitalise on lending opportunities arising in the inter-bank foreign currency market. The revaluation of foreign currency denominated net liabilities in the on-balance sheet contributed to a loss of Rs. 12.63 Billion due to the currency devaluation which negatively impacted the profitability of the Bank.

Bank's focus on preserving credit portfolio quality, leveraging on data analytics to strengthen monitoring curtailed the increase of Stage 3 loans ratio to 2.6% from 2.1% in 2021, which is well below the industry norms. Bank has taken a prudent approach in provisioning for potential losses in the loans and advances portfolio and absorbed 270% increase of impairment to Rs. 13.8 Billion (2021 - Rs. 3.7 Billion) and continued the Stage-3 impairment coverage ratio at 50.7%.

Bank's cost management was another success area and recorded a decline in the Cost to Income ratio to 30% (2021- 39%) in a year marked by persistently high inflation through continuous efforts to drive cost efficiencies through automation and enhanced productivity.

Bank continued prudent banking practices, a stable credit portfolio, high liquidity ratios and strong capital buffers well above the minimum regulatory requirement. Banks Capital Adequacy Ratio stood at 16.31% at the close of the year, well above the regulatory requirement and Statutory Liquid Assets Ratios for the Domestic Banking Unit and the Offshore Banking Unit were 35.87% and 25.68% respectively.

NTB continued to successfully deliver on its shareholder commitments with Earnings per Share improving to Rs. 22.6 from Rs. 20.9 in 2021, while recording a return on equity ratio of 17.1% (2021: 17.9%). The Group declared a dividend per share of Rs 4.00 for the financial year 2022 compared to Rs.3.50 per share in 2021.

Tea Smallholder Factories PLC (TSFL)

The Company was mainly affected by the tea industry's challenges in terms of lower production levels across all elevations, reduced leaf quality and increased cost of production. The reduced application of fertilizer and weather conditions continued to challenge the tea production

volumes and the quality in 2022. Hence, the tea production volumes and export quantities across the industry recorded a decrease while the devaluation of currency turned out to be advantageous for the industry, as the price per kilogram of tea and the country's export earnings increased significantly. The Tea Small Holders benefited greatly from the increase in tea auction prices as average auction price for 2022 doubled to Rs. 1,234.24 per kilogram compared to 2021.

TSFL implemented several strategies together with small holders to minimize the decrease in tea production levels and reported a decrease of 11% which is lesser compared to the industry. Despite the rising costs triggered by high inflation levels, Company also took initiatives to upgrade factories to improve efficiency and maintain production standards. Further, Company proactively secured fuel stocks which enabled continued operations with minimal disruptions.

TSFL recorded strong financial performance for the year with 85% increase in the gross revenue amounting to Rs. 3.74 Billion compared to Rs. 2.02 Billion reported in the year 2021-22 as gross sales average value increased by 139% compared to 2% decline in the prior year. Company's efforts to minimise the negative impacts of the external market factors, efficiency in production along with increased tea prices resulted in a gross profit of Rs. 411.02 Million for the year compared to Rs. 10.57 Million loss in 2021. The Company reported a profit after tax of Rs. 278.50 Million compared to Rs. 15.31 Million recorded in the previous year.

TSFL continued to work closely with the suppliers and catered to the needs of small holder partners struggling in a difficult operating environment through various financial and non-financial assistance. TSFL ensured that shareholders receive returns as per

“A consistent and stable earnings trajectory for Nations Trust Bank PLC is projected, as the business environment is expected to remain conducive because it is not vulnerable to sovereign investments and its performance is largely influenced by the local business landscape.”

expectations and declared a dividend per share of Rs. 6.67 compared to dividend per share of Rs. 1 in prior year.

Sustainability

The Company pursues ethical operations and conforms to the highest governance standards. As a deposit taking institution, customers place their confidence in the Company due to its reputation, financial stability and integrity.

As a long standing financial institution, the Company engages with the local community through CSR projects conducted by its staff in the branch network in their local communities. The Company launched training programs for customers and others on the subjects of business recovery and financial management in collaboration with a multilateral funding agency and assisted staff to manage through the economic crisis and provided competitive remuneration and employee benefits during the year under review.

Future Outlook

In terms of economic conditions, the coming year is expected to be better than the year we have concluded. However, it is crucial that the Country and the Government adheres to the terms and timelines of the IMF's EFF program. Effective and timely execution

of this program can unlock the economic potential of this country. The long awaited reforms which are components of this program are essential for the sustainable development of this country.

The finalization of the debt restructuring program and the maintenance of financial services sector stability will be a key challenge in the coming months. Successful conclusion of these negotiations will inject confidence and momentum to the Country's recovery.

The Company remains well protected from exposures to risky assets as a result of its robust risk and governance frameworks. Managing the net interest margin would be a challenge due to the potential decline in market interest rates and cost of deposits being elevated due to timing difference. Another challenge would be retaining and attracting talented staff due to the prevailing economic uncertainties. With economic conditions and interest rates stabilizing, the Company would be focusing on credit expansion while maintaining the momentum on recoveries.

It is heartening to note how the Company has navigated another difficult year with courage and fortitude by leveraging on the wealth of experience and talent of its staff.

We remain hopeful that all citizens and stakeholders of this country will come

together to usher in a brighter future for this country.

Appreciation

The past three years have tested our employees from a personal and work perspective in a manner they have not encountered before. However despite these challenges and obstacles, they have come together as one team and risen to the occasion in an extremely praiseworthy manner. Their commitment, dedication, passion and enthusiasm have enabled the Company to achieve another exceptional year. On behalf of all of our numerous stakeholders and on my own behalf, I wish to convey our sincere appreciation for their outstanding and consistent contribution in a year fraught with many uncertainties.

My thanks also go to the Chairman and Board of Directors for their invaluable guidance and leadership in achieving the Company's objectives during a difficult year. Furthermore, I extend my appreciation to our loyal customers, depositors, suppliers and partners for their continued confidence in the Company. We remain committed and thankful to our shareholders for their continuing support.

In conclusion, I would like to acknowledge the invaluable guidance and support provided by the Central Bank of Sri Lanka and the officers of the Department of Supervision of Non-Bank Financial Institutions throughout the year and our External Auditor, KPMG, for their valuable input and timely completion of the audit.



E. H. Wijenaike
Managing Director

Colombo
19th May 2023

BOARD OF DIRECTORS

ASITE DRUPATH BANDARA TALWATTE

Independent Non-executive Chairman

Asite Talwate, an Independent Non-executive Director of the Board of Central Finance Company PLC since 30th June 2016 functions as the Chairman of the Company with effect from 01st July 2020. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants of the United Kingdom. He has a Postgraduate Diploma in Business and Financial Administration awarded by the CA Sri Lanka and the University of Wageningen, Holland and an MBA from the University of Sri Jayawardenapura, Sri Lanka. He has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, and Evanston, Illinois. He has worked with Ernst & Young for over 37 years, during which period he functioned as the Country Managing Partner for over a decade. He has worked with Ernst & Young's Far East Area Executive Committee, the Area Advisory Council and served on the ASEAN Leadership Committee.

He has served as a former President of the Institute of Chartered Accountants of Sri Lanka (2002/2003) and the Chartered Institute of Management Accountants, Sri Lanka (1995/1996) and has also served as the Chairman of the Statutory Accounting Standards Committee, the Auditing Standards Committee, the Urgent Issues Task Force and the Examination Committee of the Institute of Chartered Accountants of Sri Lanka. Mr. Talwate has been closely associated with the development of Corporate Governance in Sri Lanka. He was actively involved in the development of the Code of Best Practice on Corporate Governance of 2013 of CA Sri Lanka. In 2012, Mr. Talwate co-chaired a Committee on Corporate Governance jointly set up by the CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka to review and revise the Code of Best Practice on Corporate Governance 2013. He chaired the Committee set up by the Institute of Chartered Accountants of Sri Lanka to review and revise the Code of Corporate Governance issued in 2017. He also represented CA Sri Lanka and chaired the Integrated Reporting Council of Sri Lanka and currently serves as the Chairman of the Corporate Governance Committee of CA Sri Lanka (2022/23).

He has served as a Director of People's Bank and the SME Bank and currently functions as the Chairman of Management Systems (Pvt) Ltd. He also serves on the Boards of several other companies including Diesel & Motor Engineering PLC, Sunshine Holdings PLC, Tokyo Cement Company (Lanka) PLC, CT Holdings PLC, Chevron Lubricants Lanka PLC, Ceylon Hospitals PLC and Cargills (Ceylon) PLC.

ERANJITH HARENDRA WIJENAIKE

Executive Director

Eranjith Wijenaike is the Managing Director of Central Finance Company PLC and has served on the Board since 1st April 1983. He is a Non-Executive Director of Tea Smallholder Factories PLC, Equity Two PLC, Equity One Ltd., Central Industries PLC and served as a founder Director of Nations Trust Bank PLC. He holds a Bachelor's Degree in Commerce and Postgraduate Diploma in Banking and Financial Management.

ARJUNA KAPILA GUNARATNE

Executive Director

Arjuna Gunaratne, an Executive Director since 20th February 2002 functions as Deputy Managing Director / Deputy CEO with effect from 01st July 2020. He oversees the functions of Strategic Planning, Finance, Deposits, Branches, Risk Management and Information Technology operations of the Company. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He is also a Chartered Global Management Accountant. He functioned as a Director of Nations Trust Bank PLC from May 2005 to October 2012, and as the Chairman of the Bank from November 2012 to April 2014 and serves on the Boards of Tea Smallholder Factories PLC, Central Industries PLC and several other unquoted companies within the Group.

DHAMMIKA PRASANNA DE SILVA

Executive Director

Prasanna de Silva, an Executive Director since 01st July 2011 functions as Director/Chief Operating Officer with effect from 01st July 2020. He oversees the functions of credit, recoveries, vehicle hire, vehicle sales and corporate social responsibility of the Company. He served as the Chairman of the Leasing Association of Sri Lanka from 2007 – 2009 and a Director of Nations Trust Bank PLC. He is a Fellow of the Chartered Institute of Management Accountants -UK and has completed all examinations of Chartered Financial Analyst (CFA) programme.

DR. (MRS.) AGAMPUDI DAMITHA NANDANIE DE ZOYSA

Independent Non-executive Director

Dr. (Mrs.) de Zoysa has been a member of the Board of Central Finance Company PLC since 15th February 2017. She was the former Secretary to the Ministry of Plantation Industries from 2014 to 2015, the former Secretary to the Ministry of Productivity Promotion from 2013 to 2014, the former Secretary to the Ministry of Fisheries and Aquatic Resources Development from 2010 to 2013, the Director General of the Department of Development Finance of the Ministry of Finance and Planning & the Treasury from 2006 to 2010 and the Director General of the Department of Fiscal Policy of the Ministry of Finance and Planning & the Treasury from 2005 to 2006. She joined the Ministry of Finance and Planning in 1979 as a Planning Officer with a career spanning over 31 years reaching the Director General position. Dr. (Ms) de Zoysa is a Special Grade officer in the Sri Lanka Planning Service.

Dr. (Mrs.) de Zoysa holds a B.A (Hons.) Degree in Economics (Statistics) from the University of Peradeniya, M.Sc. Degree in Agricultural Development Economics from the Australian National University, Canberra, Australia, M.A. Degree in Economics from the Ohio State University, Columbus, Ohio, USA and Ph.D. Degree in Agricultural Economics from the Ohio State University, Columbus, Ohio USA.

Dr (Mrs.) de Zoysa currently serves as a Director of AgStar PLC, a member on the Public Service Commission, a Member on the Board of Studies of the Post Graduate Institute of Management and has served as a Director of DFCC Bank PLC, Lankaputhra Development Bank and Sri Lanka Savings Bank. She also served as a consultant to the Port City Colombo (Pvt) Ltd administered by the China Harbour Engineering Company (CHEC) from 2015 June to 2020 January.

ARJUN RISHYA FERNANDO

Non-executive Director

Arjun Rishya Fernando has been a member of the Board of Central Finance Company PLC since 16th August 2017. Arjun Fernando possesses over 36 years of experience in banking and financial services, both locally and overseas at senior positions, including directorships at large banking institutions.

He holds a B.Sc. in Engineering from Southern Illinois University, USA and an M.Sc.in Management from Clemson University, USA. He is also an Associate of the Institute of Financial Studies (Chartered Institute of Bankers), U.K.

He currently serves as a Director of Nations Trust Bank PLC, NDB Capital Holdings Ltd., NDB Securities (Pvt) Ltd., NDB Zephyr Partners Lanka (Pvt) Ltd. and Durdans Medical & Surgical Hospital (Pvt) Ltd. He has served as the Chief Executive Officer of DFCC Bank PLC, Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estate Limited, Synapsys Limited, Acuity Partners (Pvt) Limited and a director of Acuity Stockbrokers (Pvt) Limited. He has also served as Chairman of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the World Federation of Development Finance Institutions and as the DFCC Bank's Nominee Director on the Boards of Credit Information Bureau of Sri Lanka and the Sri Lanka Banks' Association.

CHANDIKA KUSHAN HETTIARACHCHI

Executive Director

Chandika Kushan Hettiarachchi is the Director Marketing of Central Finance Company PLC and has been a member of the Board since 17th July 2018. Chandika joined Central Finance in November 2000 as Manager (Credit) and held several senior managerial positions prior to his appointment as an Executive Director.

He is an Associate Member of the Chartered Institute of Management Accountants of UK (ACMA), Chartered Global Management Accountant (CGMA) and holds a Master of Business Administration Degree from the University of Wales, UK.

Chandika Hettiarachchi counts over 24 years of experience in the Non- Banking Financial Services sector, which includes over 21 years at Central Finance Company PLC. He has carried out many assignments as a Consultant to numerous International Development Agencies including the International Finance Corporation (IFC). He serves as Chairman of Allied Properties Ltd., a Director of Nations Trust Bank PLC, Waldo Mackenzie Ltd, CF Insurance Brokers (Private) Limited, CF Growth Fund Limited, Central Transport & Travels Limited. and served as a board member of Leasing Association of Sri Lanka from 2017 to 2019.

BOARD OF DIRECTORS

KUDA BANDA HERATH

Independent Non-executive Director

Kuda Herath has been a member of the Board of Central Finance Company PLC since 16th February 2019. He holds a bachelor's degree in applied chemistry from the University of Kingston, London. He served as an Executive Director of A. Baur & Co. (Pvt.) Ltd. for a period of 8 years during which period he was instrumental in establishing a consumer vertical for the company.

He joined Sunshine Holdings PLC in April 2020 as the Chief Operating Officer of their Consumer business, primarily to expand their consumer foot print via mergers & acquisitions. After a successful acquisition and a post-merger integration initiative, he moved out of Sunshine Holdings in June 2022.

Kuda Herath possess over 30 years' of experience in the fast moving consumer goods industry, having held middle management positions in the areas of sales and marketing at Nestle Lanka PLC previously.

MANJULA HIRANYA DE SILVA

Independent Non-executive Director

Manjula de Silva has been a member of the Board of Central Finance Company PLC from 01st July 2020. He holds a BA Hons (First Class) degree in Economics from the University of Colombo and an MBA from London Business School, UK. He is also a FCMA (UK) and a CGMA. Further, he has pursued executive education at INSEAD Business School, France and Harvard Business School, USA.

He currently serves as an Independent Non-executive Director and Chairman –Audit Committee of BPPL Holdings PLC and a Commission Member of the Tertiary and Vocational Education Commission (VTEC), and was the immediate past Secretary General and CEO of the Ceylon Chamber of Commerce. Prior to that, he served as Chairman of the State owned National Insurance Trust Fund (NITF) during 2015 - 2019. He also served as a Commission Member of the Securities and Exchange Commission (SEC) of Sri Lanka during 2018 - 19 and as a Consultant to the Ministry of Public Enterprise Development during 2017 - 18. Prior to 2015, he served as the Managing Director of HNB Assurance PLC for 9 years and as its CEO for 2 more years. He has also held leadership positions as General

Manager, Eagle NDB Fund Management Company Ltd (currently NDB Wealth Management), General Manager – Corporate Lines and Human Resources, Eagle Insurance Co. Ltd (currently AIA Insurance) and Director General, Public Enterprises Reform Commission (PERC).

In his capacity as Chairman – NITF, he served on the Governing Council of Asian Reinsurance Corporation based in Bangkok representing the Government of Sri Lanka. He also served as the Chairman of CIMA (Chartered Institute of Management Accountants) Sri Lanka Board in 2016 and was subsequently appointed to its Regional Board for MESANA (Middle East, South Asia and North Africa) Region. He was a Committee Member of the Ceylon Chamber of Commerce for a long period of time and has served as the Chairman of its Steering Committee on Insurance. He is a Past President of both Insurance Association of Sri Lanka (IASL) and Unit Trust Association of Sri Lanka (UTASL).

CHAMINDA SAMPATH HETTIARACHCHI

Executive Director

Chaminda Hettiarachchi was appointed to the Board of Central Finance Company PLC as Director Corporate Affairs on 01st July 2021. C.S. Hettiarachchi is an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Bachelor of Laws (LL.B) Degree from University of Colombo. He also holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenapura. He joined Central Finance Company PLC in 2002 and held various positions at Central Finance Company PLC and functioned as General Manager (Legal) prior to his appointment as Director Corporate Affairs. He counts over 21 years of experience in the financial sector which includes over 20 years' at Central Finance Company PLC.

C.S.Hettiarachchi serves as a director of Central Industries PLC and several other unquoted companies within the Group. He functioned as the immediate past Chairman of Leasing Association of Sri Lanka (LASL) and served as a director of Credit Information Bureau of Sri Lanka (CRIB). He was also a member of the Financial System Stability Consultative Committee (FSSCC) of the Central Bank of Sri Lanka. He was the representative of LASL to The Ceylon Chamber of Commerce and a member of Ceylon Chamber of Commerce's national agenda Committee on Finance and Capital Markets. He has served as a director of Finance Houses Association of Sri Lanka. (FHA).

CORPORATE MANAGEMENT TEAM

K. O. V. S. M. S. WIJESINGHE

FCA (Sri Lanka), FCMA (UK)

Chief Strategy Officer

A. K. KALUHENDIWELA

MBA - (University of Wolverhampton - UK)

General Manager - Branches

M. A. M. FAROOK

BSc Computing & Information Systems (University of London Guildhall - UK)

Dip. in Computer System Design - NIBM

General Manager - Information Technology

R. E. S. GEORGE

Chartered MCIPM (CIPM)

MBA (ICFAI University - Dehradun - India)

Diploma in Banking and Finance (IBSL)

General Manager – Human Resources

MS. W. M. T. W. WEERASINGHE

ACA (Sri Lanka), BSc (University of Sri Jayewardenepura)

General Manager - Finance/Chief Financial Officer

L. L. D. PRASANGA

BSc Agricultural Technology & Management (University of Peradeniya)

MBA (University of Wolverhampton - UK)

General Manager – Recoveries

G.A. BANDARANAYAKE

Deputy General Manager - Head Office

MS. S. KANAGASABAPATHY

ACA (Sri Lanka), ACMA (UK)

MBA - (Cardiff Metropolitan University- UK)

Deputy General Manager - Internal Audit

M. S. HABARAKADA

BSc Physical Science (University of Peradeniya)

PgD in IT (University of Moratuwa)

Deputy General Manager - Information Technology

A. F. GOONETILLAKE

Dip. in Marketing (UK), MCIM (UK), Dip. in IDPM (UK)

Senior Assistant General Manager – Marketing Services

S. EKANAYAKE

Senior Assistant General Manager - Fleet Management

A. P. B. RAJANAYAKE

Senior Assistant General Manager – Deposits

D. M. WARNAKULASURIYA

Senior Assistant General Manager - Recoveries

L. R. DE. SILVA

BA - (University of Kelaniya)

MBA - (University of Wolverhampton - UK)

Assistant General Manager -Recoveries

M. M. A. JAYASINGHE

BSc Eng (University of Moratuwa)

CEMBA (Open University of Sri Lanka)

PgD in Banking and Finance (University of Colombo)

Assistant General Manager - Credit

MS. A. R. WIJENAIKE

BSc Biological Science (University of Bristol - UK)

Assistant General Manager - Credit & Operations

MANAGEMENT DISCUSSION AND ANALYSIS

“ The Company had originally planned to grow the credit and lending portfolio post pandemic, however the country’s economic landscape was not favourable as the risk of recovery and managing NPLs was a concern due to the prevailing economic conditions and high interest rates.”

OVERVIEW

Due to the economic crisis that engulfed the Country during FY 2022/23, the financial services sector faced unexpected challenges and uncertainties that played a significant role in the way companies conducted their business. The non-banking finance sector (NBFI) was no exception to this.

While tackling rising interest rates, inflation and exchange rate pressures on the one hand, the sector also had to contend with increases in NPLs, impairment charges, operating costs and taxation and the reducing demand for credit. The year under review for Central Finance therefore was mostly defined by our ability to strike a healthy balance in managing external, customer and regulatory pressures while ensuring the sustenance of stakeholder confidence in the Company.

CREDIT AND LENDING

A slowdown in credit and lending operations was observed during the year with the Company prioritizing lending on a selective basis. Being selective in lending was key to managing credit risk.

VEHICLE HIRE

Capitalizing on market opportunities with innovative strategies ensured the vehicle hire business managed operational costs and remained profitable through the year.

SAVINGS AND DEPOSITS

Building customer relationships and maintaining a stable deposit base remained a priority. The strong liquidity and capital position of the company ensured the retention of the loyal customer base of the company during the year.

BRANCH NETWORK

All branches performed well amidst challenges arising from power outages, fuel shortages and rising operational costs, providing timely customer service as always and engaging in green projects for the benefit of all stakeholders.

RECOVERIES

Implementation of a rigorous process for monitoring and managing non-performing loans and impairments, while providing customer centric repayment solutions ensured that the recovery operation performed at a peak level.

INFORMATION TECHNOLOGY

Significant strides were made in strengthening and developing data security and compliance, data center modernization, customer experience, innovation, and network architecture modernization. This in turn has laid the foundation for future advancement of the IT processes in the Company.

HIGHLIGHTS

- Overall liquidity, profitability and capital adequacy remained high
- Savings and deposits base reduced but remained stable
- NPL was significantly improved to 10.88% at March 2023 compared to industry average of 17.5% at December 2022
- Credit and lending growth was impacted by high interest rates and limited market opportunities
- Corporate sector clients constitute 88% of the vehicle hire portfolio by end 2022-23
- Customer relationship management and targeted marketing campaigns helped maintain a healthy client base
- Adoption of enhanced technology paid off with operational cost and impairment savings and stronger customer interactions

CREDIT AND LENDING

The Company approached credit and lending cautiously during the year under review as interest rates climbed to record highs and economic conditions and sentiment remained depressed throughout most of the year.

With the sharp increase in policy interest rates in April 2022, Central Finance had a slow start to lending. New business opportunities further slowed due to the fuel crisis which continued up to Q2 of the FY. Leasing rates rose to 39% by the second quarter of the year and credit growth remained low.

The Company had originally planned to grow the credit and lending portfolio post pandemic, however the country's economic landscape was not favourable as the risk of recoveries and managing

NPLs was a concern due to the prevailing economic conditions and high interest rates. Therefore, Central Finance's approach focused mainly on retaining its existing customer base through continuous communication with and support to clients, managing its exposures via reduced loan to value ratios and maintaining the quality of its credit portfolio with a view to managing the credit risk adequately.

CF adopted a multipronged approach to manage lending amidst volatile market conditions. Low risk sectors and customer segments were identified and offered financing options during this challenging period. This helped CF to ensure that 57% of business generation was from the company's repeat customer base. The Company also identified opportunities to finance the short term working capital needs of the corporate sector on a secured basis.

During the year, the Company introduced several working capital financing products such as short term variable interest rate loans and Express Cash facilities targeting the business community to finance their daily operations. With banks also limiting their lending, the introduction of these products to attract these customer segments proved successful.

With the increased migration of Sri Lankans, the Company was able to tailor make a special leasing product for families of foreign income earners, which has generated reasonable business so far.

During the second half of the FY, vehicle prices began to reduce and customers adopted a wait and see approach towards their financing requirements, hoping for the vehicle prices to settle. As a result, demand for leasing reduced once again

which had a negative impact on the lending performance.

DEPOSITS & SAVINGS

The country's economic crisis and subsequent impact on key economic indicators had a significant effect on savings and deposits with market interest rates rising sharply during the year.

Although the rapid increase in market interest rates prompted a temporary outflow of some fixed deposits, this did not have any adverse impact on the company as it continued to maintain a high level of liquidity and capital. The company strategy during this period was to prioritize retention of its existing customer base. Despite CF adopting a prudent approach towards pricing of its deposits, a large proportion of the long standing client base continued to retain their deposits with CF. From January 2023, an improvement in deposit renewal ratios was observed and new deposits began flowing back to the Company.

During the year under review the company prioritized the promotion of the "CF Click" mobile app as well as the upcoming launch of the CF Mobile Wallet "Centrix" which offers customers a wide variety of convenient digital transaction options through their mobile phones.

VEHICLE HIRE

CF's vehicle hire business showed promise during the year, as shift in strategic market approach, combined with increased demand for hired vehicles by corporate clients saw this segment of the business maintain its positive momentum.

Vehicle hire business revenue for the year under review recorded a marginal decrease of 0.7% over the previous year, despite the economic hurdles and a challenging tax regime.

MANAGEMENT DISCUSSION AND ANALYSIS

The positive performance recorded was mostly due to the strategic decision to increase corporate sector business. Business from the state sector dropped from 35% to about 15% during the year as against the corporate sector business volumes that have risen from 65% to 85%. This strategic shift in the composition of the vehicle hire business has helped stabilize the business segment. We continued to finance registered cars in the absence of brand new vehicles.

We were able to efficiently pitch the locally assembled and registered vehicles to corporate clients and offer tailor made fleet management solutions in order to grow the portfolio.

The Budget Hire operation, which is a daily car rental service, experienced a high demand during the year as well. The fleet of cars are available on a daily self-drive rent basis, providing options of economical vehicles as well as luxury cars.

Although the high cost and limited availability of spare parts was a concern, we managed to overcome this challenge by having partnered with reliable dealers and suppliers to ensure a constant supply during the year. Fuel issuance restrictions was also a key challenge faced during the year.

Looking forward, the vehicle hire business anticipates further growth with the introduction of new products and innovations to customers in order to operate and manage their fleets more efficiently.

BRANCH NETWORK

All the CF branches managed to be profitable even amidst the economic challenges that prevailed in the country during the year under review. CF introduced a cost management initiative to monitor its expense lines and this

“CF has developed and launched its first digital transaction processing platform “Centrix App” to staff users during the year. The App is scheduled to launch to CF customers in the next financial year, in keeping with its digital accessibility strategy.”

resulted in operating expenses increasing by only 6.15% during the year. Moreover, CF also made a conscious decision to limit non-essential staff recruitment in the financial year 2022/23 due to lower business volumes.

Each branch was assigned key performance indicators (KPIs) in the areas of new business activation, recoveries, liability sales and promotion of digital products. All the branches excelled in recoveries. “Wahana Pola” business promotion campaigns were conducted by branches to generate new business. Arrangements were made to ensure all branches could continue to operate during power outages and fuel shortages. During the fuel shortage, clients were encouraged to use the CF Click app from the comfort of their own homes as it offers convenient features for payments and fund transfers. The introduction of e-receipts and SMS receipt systems resulted in cost savings and also contributed to the preservation of the environment.

The monitoring of individual branch profitability is performed on a monthly basis based on the KPIs determined at the beginning of the year. A cohort of high potential branch executives were also provided training, ensuring their preparedness for future management roles. Branch-level cultivation projects were implemented to support the

government driven food security programme and also to help the staff to combat the rising cost of living. With 63 branches taking part in this program, CF took a significant step toward a greener future.

RECOVERIES

Despite the prevailing economic conditions and adopting the CBSL mandated NPL classification of 121 days past due from 1st April 2022, the Company improved its NPL ratio to 10.88% at year end from 15.28% in April 2022. CF utilized Data Analytics driven dashboards to track all relevant information and focused on two key areas: reducing the stock of NPLs and reducing impairment charges. The Company continued its customer-centric business approach to offer restructuring support to customers within and outside CBSL moratoriums. The Company also partnered with its customers through a host of engagement initiatives to further strengthen the relationship and support the customers as much as possible.

CF's caution in lending, led to a decrease in the overall business portfolio by around Rs. 12.3 Billion. However, intensified customer engagement and collection efforts allowed for reducing the NPL ratio at year end despite the reducing portfolio. With the revision to the NPL classification criteria, the Company adopted a proactive

approach to recovery efforts in order to identify customers prior to them crossing 121 days past due and encourage them to settle outstanding balances.

The three key elements of our approach were educating the customer, providing customer tailored repayment solutions, and ensuring thorough follow-up of payments. Robust monitoring mechanisms, data analytics and management information systems were utilized to track the recovery KPIs on an on-going basis.

INFORMATION TECHNOLOGY

In the financial year 2022/23, CF focused on improving security and compliance, modernizing data centers and enhancing customer experience, innovating by organizing and analyzing all electronic information to prevent security breaches, and using cryptographic methods to increase security. Data center infrastructure was upgraded to make it more efficient and also reduce costs. Focusing on innovative approaches, CF identified emerging technologies and trends that can improve our operations and create new business opportunities, such as artificial intelligence and cloud computing. Technology optimization involved integrating older systems with newer ones and implementing workflow automation using machine learning and AI for greater internal efficiency. In addition with reference to conducting client visits, route analysis and planning was introduced to further improve fuel efficiency and reduce costs.

CF has developed and launched its first digital transaction processing platform "Centrix App" to staff users during the year. The App is scheduled to launch to CF customers in the next financial year, in keeping with its digital accessibility strategy. This solution is designed to manage all the digital payment processes of an user, securely from one

single platform including real time fund transfers, bill payments and the ability to make merchant payments via LankaQR. Centrix focuses on delivering customer convenience and peace of mind when it comes to providing secure and real time access to digital payments through this platform.

For the upcoming financial year, CF has planned to further enhance our data protection, information security, and network infrastructure. These measures will help us mitigate cyber threats and minimize the risk of data loss.

FINANCIAL REVIEW

“ CF benefited significantly from the excess funds investments which were held in short tenor and the timely repricing of the assets to gain an advantage from the increased market interest rates. ”

INDUSTRY OVERVIEW

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector managed to continue its expansion during 2022 amidst the extremely challenging economic landscape and despite the enormous challenges in terms of limited credit growth, increased cost of funds, reduced profitability and significant deterioration of credit quality of the loan and lease portfolios. NBFIs remain resilient and grew in terms of assets and deposits with adequate capital and liquidity buffers during 2022.

Total assets of the sector stood at Rs. 1,611.2 Billion by end 2022, representing 5.2% of the total assets of country's financial system. The sector growth was mainly driven by the loans and advances portfolio which constitutes 74.4% of the total assets. The finance leases accounted for 41.6% of the loan portfolio by end 2022 compared to 48.3% in end 2021 as a result of continued restrictions imposed by the government on the importation of motor vehicles. However, the sector recorded a 5% growth in loans and advances which was mainly driven by pawning/gold loans which grew 77.5% at the end 2022. Further, LFCs and SLCs continued to extend repayment concessions to assist the affected borrowers from the adverse macro-economic conditions.

The classification of credit facilities of the NBFIs Sector was revised with effect

from 01 April 2022 in compliance with the Classification & Measurement of Credit Facilities Direction No 01 of 2020 issued by the Central Bank of Sri Lanka, where LFCs were required to adopt the 121 days past due date for classification of non-performing loans instead of the earlier classification of 6 months. As a result of this change in the loan classification methodology and prevailing adverse macroeconomic conditions, the sector's gross non-performing loans/stage 3 loans ratio substantially increased to 17.50% as at end 2022 from 11.00% reported in the previous year, which is an increase of 66.1%. The loan loss provisions made against non-performing loans (NPLs) during the year declined by Rs.4.5 Billion due to loan loss provision reversals during the early months of 2022.

The sector investment portfolio reported a significant growth of 19.3% compared to the previous year reaching Rs.199.6 Billion during the year 2022. The increase was mainly due to investments made in short tenor government securities (maturing less than 12 months) consequent to the surge in treasury bill yield rates due to uncertainty over domestic debt restructuring and increased placements with LCBs.

In terms of the liabilities of the sector, customer deposits continued to be the largest contributor accounting for a share of 53.7% of the total liabilities. The total deposits of the sector increased by 10.4% reaching Rs.864.4 Billion while the

borrowings of the sector slightly declined by 1.00% to Rs.322.6 Billion by end 2022.

Profitability of the sector showed a 21% decline in 2022 compared to the previous year. The sector's profit after tax (PAT) reduced to Rs. 43.9 Billion in 2022 from Rs. 55.6 Billion in 2021 owing to substantial increase in cost of funds. Higher interest rates were offered for deposits and debt instruments by the sector due to increased market interest rates.

At Rs.115.2 Billion in 2022, the net interest income of the sector decreased by 12.3% compared to the previous year. This was due to the significant increase in interest expense by 82.80% and the increase in interest income being only 25.2%. The net interest margin of the sector decreased to 6.7% in 2022 from 8.6% in 2021 negatively impacting the profitability.

The sector returns on equity (ROE) and the return on assets (ROA) before tax also declined significantly to 12.6% and to 3.7% respectively in 2022 compared to 20.2% and 5.4% respectively in 2021.

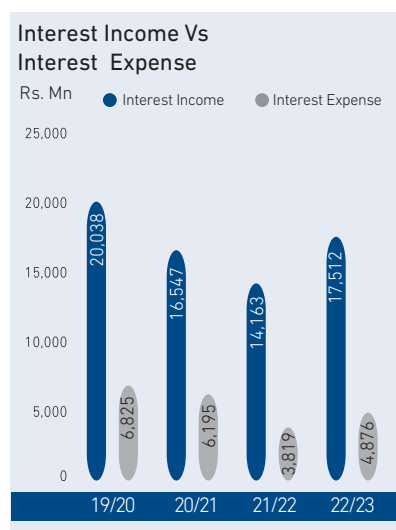
The sector remained stable with capital and liquidity maintained at satisfactory levels above the minimum regulatory requirements on an aggregate level. The sector maintained resilient capital levels and the total capital base improved to Rs. 317.50 Billion by end of December 2022. The sector core capital and total risk-weighted capital ratios significantly

increased to 20.60% and 22.00% respectively, by the end December 2022 from the reported levels of 15.50% and 17.00% at the end of December 2021. The sector regulatory liquid assets amounted to Rs. 184.90 Billion by end December 2022, against the stipulated minimum requirement of Rs.98.00 Billion recording a significant liquidity surplus.

COMPANY PERFORMANCE

INCOME

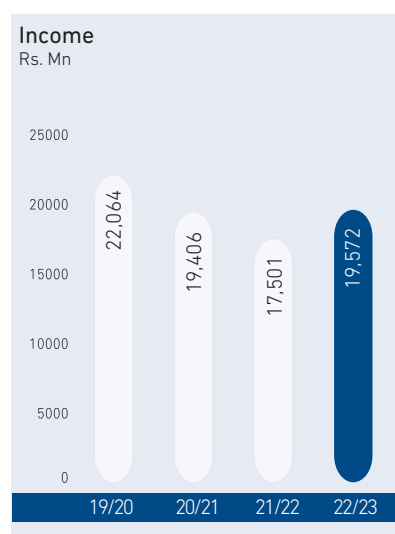
Despite the economic disruptions faced by the country, CF recorded an income of Rs.19.57 Billion during the year under review. This was a 11.83% growth compared to the previous year's reported income. Due to the high interest rate environment that prevailed in the country, both the interest income and the interest expense increased during the year recording a 23.64% and 27.68% increase respectively. However, net interest income was reported at Rs. 12.64 Billion for the year, a growth of 22.15% compared to the previous year mainly due to interest income earned from investments.



The total interest income was recorded at Rs.17.51 Billion compared to Rs. 14.16 Billion in the previous year. CF benefited significantly from the excess funds investments which were held in short tenor and the timely repricing of

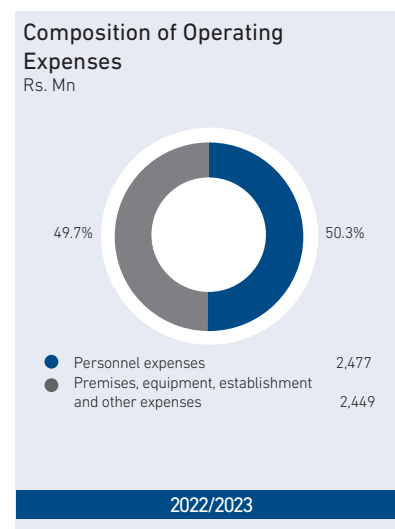
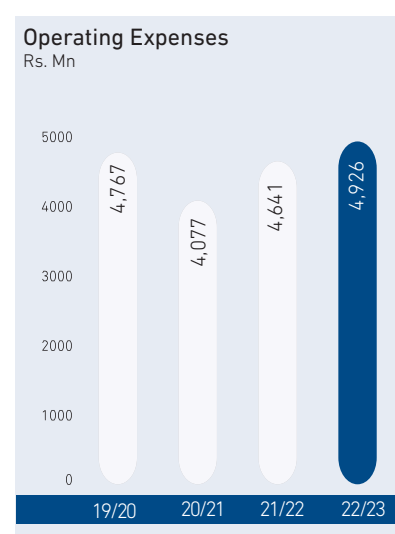
the assets to gain an advantage from the increased market interest rates. The investments portfolio was shifted mostly to investments in government treasury bills maturing within 3 months, fixed deposits with LCBs and other debt instruments of non-bank financial institutions and other reputed corporates within the investment grade. The interest income from core leasing business declined by 12% reflecting the contraction of the lease portfolio due to tighter underwriting criteria adopted by the Company given the macro-economic uncertainty. The interest on loans represented a growth of 83% over the previous year in line with the Company's strategic initiatives to pursue more working capital financing to corporates and SMEs.

The net trading gain on fair value through profit or loss portfolio declined by 90.67% as the Company withdrew the investments held in money market funds during the year. Other Income also declined by 42.17% due to limited collection on bad debts written-off given the challenging economic conditions that prevailed throughout the year and the gain reported on divestment of Mark Marine Services (Private) Limited in the previous year.



OPERATING EXPENSES

The operating expenses of the company was reported as Rs.4.93 Billion compared to Rs. 4.64 Billion in the previous year. The operating expenses represented only a marginal increase of 6.15% over the previous year, despite the inflationary pressure, demonstrating the Company's efforts at driving cost efficiencies through monitoring of key cost drivers, streamlining business processes and enhancement of employee productivity.

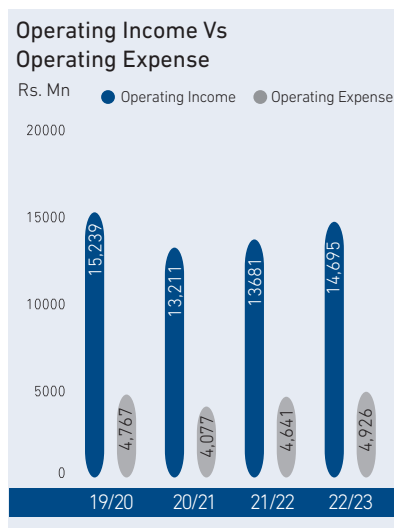


FINANCIAL REVIEW

“The operating expenses represented only a marginal increase of 6.15% over the previous year, despite the inflationary pressure, demonstrating the Company's efforts at driving cost efficiencies through monitoring of key cost drivers, streamlining business processes and enhancement of employee productivity.”

COST TO INCOME RATIO

CF recorded a decline in the cost to income ratio despite the high levels of inflation and cost escalations and reported 33.52% for the year under review compared to 33.92% in the previous year. The increase in operating income by 7.41% compared to the 6.15% increase in operating expenses was the main contributor for this decrease in the cost to income ratio.



LOAN BOOK

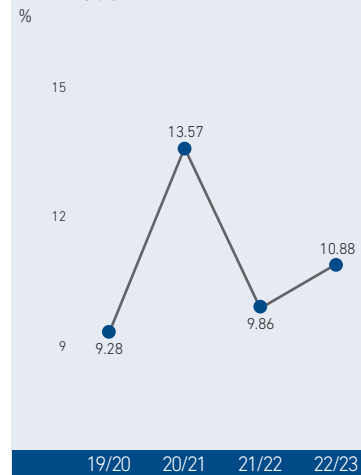
The company's loan book comprised mainly of leases, term loans, business

loans, auto loans and loans against fixed deposits. In the current financial year, the company's loan book declined by 20.98% compared to the previous year with the total loan portfolio standing at Rs.46.33 Billion as at 31.03.2023. This reduction was mainly due to limited credit demand as a result of policy measures taken by the government to curtail importation of motor vehicles, the high interest rate regime that prevailed and tighter credit underwriting criteria and selective lending adopted by the Company in the context of macro-economic uncertainty.

ASSET QUALITY AND IMPAIRMENT

CF's gross non-performing loans ratio (NPL) decreased to 10.88% in March 2023 compared to 15.28% recorded in April 2022 when the Company adopted the loan classification of 121 days past due date for non-performing loans instead of the earlier NPL classification of 6 months. The Company NPL ratio of 10.88% compared to the industry NPL ratio of 17.50% as at the end of December 2022 is a clear reflection of the Company's intensive efforts to improve credit quality through timely strategic initiatives.

NPA Ratio



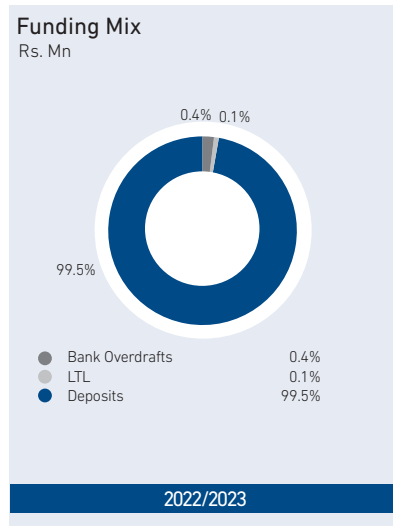
The Company's impairment charge was reported as Rs.696.64 Million, an increase of 155.10% from the previous year as the Company continued to analyse potential impacts due to deteriorating macro-economic conditions and increased uncertainty on the credit portfolio and built prudential provisions for credit losses that may arise from potential shift in "stage" classification through various stress testing techniques.

Company has used the quantitative and qualitative macro-economic factors with scenario weightages to capture the significant volatility and deterioration in exchange rates, interest rates, inflation rates and GDP growth rates in assessing expected credit loss as of year-end.

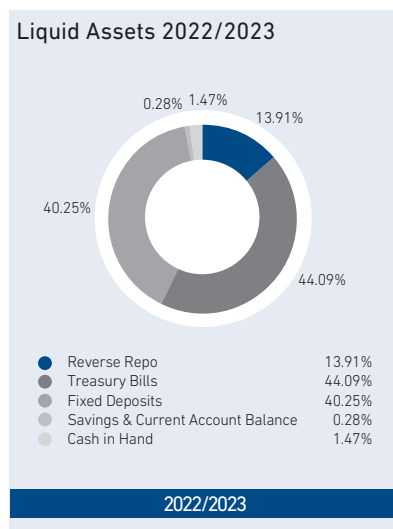
FUNDING MIX

The Company's funding mix consisted of bank overdrafts, bank loans and customer deposits. Deposits remained the main funding source representing 99.46% of the total funding mix. CF's total deposit base as at 31st March 2023 stood at Rs.38.53 Billion, indicating a year-on-year decline of 21.40% as CF didn't pursue customer deposits at high interest rates despite the

high interest rates offered by Banks and other Financial Institutions and high yield treasury bills given the strong liquidity levels held by the Company throughout the year.

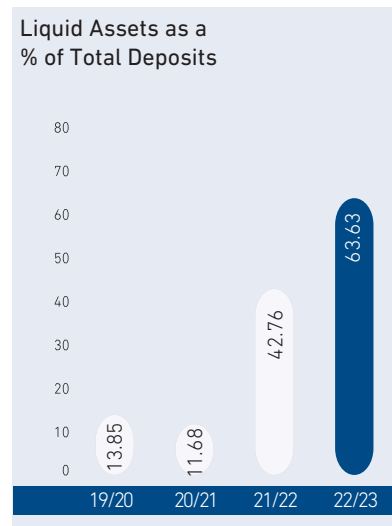


LIQUIDITY



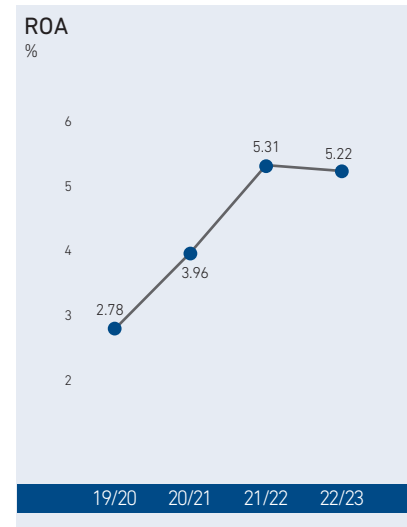
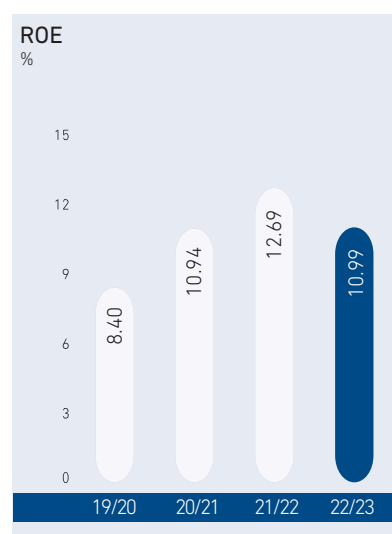
CF continued to maintain a strong liquidity position throughout the year, backed by a combination of investments in reverse repurchase agreements, treasury bills, fixed deposits, savings & current account balances and cash in hand. The company's total liquid assets rose to Rs.24.52 Billion by end of March 2023, well above the required liquid asset level of Rs.3.91 Billion. Apart from these

regulatory liquid assets, the company also maintained Rs.5.69 Billion in other short term and long term instruments such as fixed deposits, commercial papers, securitizations and debentures as at 31st March 2023 as an excess investment portfolio.



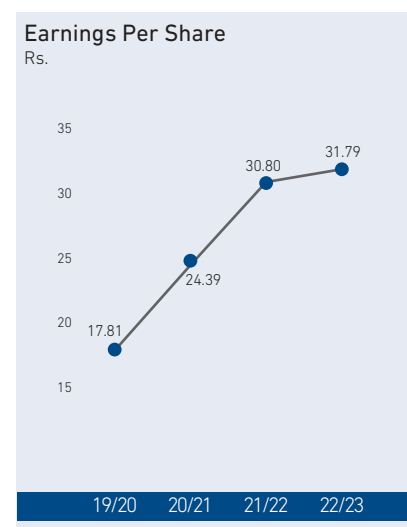
RETURN ON EQUITY AND RETURN ON ASSETS

Amidst the challenging business operating environment, the company recorded a return on equity (ROE) and return on assets (ROA) ratios of 10.99% and 5.22% respectively as at 31st March 2023 compared to previous year reported ratios of 12.69% and 5.31% respectively.



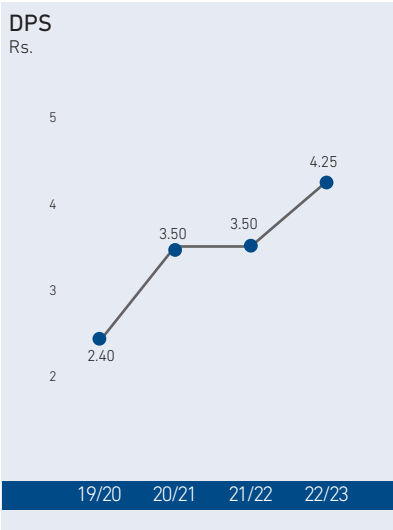
SHAREHOLDERS FUNDS

Shareholders' funds increased by 6.64% and 3.28% year on year at the Group and Company level respectively to reach Rs.59.55 Billion and Rs.45.92 Billion respectively as at 31st March 2023. The company had a total of 4,200 public shareholders as at 31st March 2023. The company's shares traded at the Colombo Stock Exchange during the year recording the highest and lowest market prices of Rs.84.00 and Rs.50.10 respectively. The net asset value per share (NAV) was Rs.201.99 in the year under review as against Rs.195.58 in the previous year. CF's Earning per Share (EPS) increased to Rs. 31.79 in the FY 2022/23 as against Rs.30.80 recorded last year.



FINANCIAL REVIEW

Company paid an interim cash dividend of Rs. 2.50 per share and a final cash dividend of Rs. 1.75 per share has been proposed by the Company for the approval of shareholders at the Annual General Meeting.



any adverse market shocks which could arise as a result of the envisaged debt optimization program of the country could be the key challenges for the industry in the coming year. CF is determined to face the economic uncertainty with an optimistic outlook and continue its support for the economic development of the country while achieving its organizational goals.

CAPITAL ADEQUACY

In terms of Capital Adequacy, CF remained well above the regulatory minimum requirements and the industry average, throughout the year. The Company's Tier I and Total Capital Ratios for the FY 2022/23 were 52.60% and 53.05% against the regulatory requirements of 8.5% and 12.5% respectively.

FUTURE OUTLOOK

Though the Sri Lankan economy is expected to contract in 2023, it is expected to grow from 2024 onwards. By adhering to the terms and timelines of the International Monetary Fund's Extended Fund Facility program, the country will be able to unlock its true potential. The maintenance of credit quality of the portfolio and sufficient liquidity to face

BRANCH NETWORK



BRANCH NETWORK

KANDY - Head Office	COLOMBO - City Office	KATUGASTOTA - Showroom
No. 84, Raja Veediya, Kandy, Sri Lanka. Tel : 94-81-2227000 Fax : 94-81-2232047	No. 270, Vauxhall Street, Colombo 02, Sri Lanka. Tel : 94-11-2300555 Fax : 94-11-2300441, 94-11-2541212	No. 254, Katugastota Road, Kandy. Tel: 94-81-2234309, 94-81-2234234-5 Fax: 94-81-2228468

WESTERN PROVINCE - 31		
Aluthgama No. 371/1, Galle Road, Aluthgama Tel: 034-4941220, 034-4941221	Kaduwela No. 180/12/G, Avissawella Road, Hewagama, Kaduwela Tel: 011-4385334, 011-4385335	Negombo No. 367, Main Street, Negombo Tel: 031-2222579, 031-4871200, 031-2233456, 031-2235111
Athurugiriya No. 308, Godagama Road, Athurugiriya Tel: 011-2074040, 011-2053082	Kalutara No. 46, Sri Sarananda Mawatha, Kalutara South Tel: 034-2226041, 034-4940068, 034-4940067	Nittambuwa No. 43, Kandy Road, Nittambuwa Tel: 033-2296615, 033-4927106
Avissawella No. 1/79, Ratnapura Road, Avissawella Tel: 036-2232750, 036-2233650, 036-2232950	Kiribathgoda No. 541, New Hunupitiya Road, Dalugama, Kelaniya Tel: 011-4967530, 011-4888301 011-4821442	Nugegoda No. 312, High Level Road, Colombo 06 Tel: 011-2815800, 011-2815801, 011-2815803, 011-2815804
Bandaragama No. 37/A/6, Horana Road, Bandaragama Tel: 038-4933015, 038-4933016	Kirindiwela No. 68, Veyangoda Road, Kirindiwela Tel: 033-4944327 033-4944328	Panadura No. 292, Galle Road, Panadura Tel: 038-4281010, 038-2241533
Divulapitiya No. 96, Colombo Road, Divulapitiya, Tel: 033-4944247, 033-4944246	Maharagama No. 132, High Level Road, Maharagama Tel: 011-4319961, 011-2845855 Tel: 011-2845855, 011-4888482	Piliyandala No. 329/4, Colombo Road, Piliyandala Tel: 011-2609000, 011-4888305, 011-4896844
Gampaha No.259, Colombo Road, Gampaha Tel: 033-2227621, 033-2234132, 033-2225289, 033-4670442	Malabe No. 418, Athurugiriya Road, Malabe Tel : 011-4413916, 011-2760893, 011-4888303	Rajagiriya No. 41, Rajagiriya Road, Rajagiriya Tel : 011-2865161, 011- 2865162
Hanwella No.131/1/B, Pahala Hanwella, Hanwella Tel: 036-2253945, 036-2253966, 036-4925821	Maradana No. 215, Maradana Road, Colombo 10 Tel: 011-2038000, 011-4384020	Ragama No. 63, Mahabage Road, Ragama Tel : 011-4387742, 011- 4387743
Homagama No.138/1, High level Road, Homagama Tel: 011-2892334, 011-4376101	Matugama No.1/17, Neboda Road, Matugama. Tel: 034-2248790, 034-2248795, 034-4942101	Ratmalana No. 259/1/1, Galle Road, Ratmalana Tel: 011-2715617, 011-4323098
Horana No.165, Ratnapura Road, Horana Tel: 034-2265065, 034-2265066, 034-4944128	Minuwangoda No.152 A, Colombo Road, Galloluwa Junction, Minuwangoda. Tel: 011-2294525, 011- 4384228	Thalawatugoda No. 688/A, 688/A/1, Madiwela Road, Thalawatugoda Tel: 011-4387538, 011-4387539 011-22774916
Ja-Ela No.171, Negombo Road, Ja-Ela Tel: 011-2229180, 011-2229181, 011-4335408	Mirigama No. 122, Werellawatta, Giriulla Road, Mirigama Tel: 033-4944198, 033-4944199	Wattala No. 628, Negombo Road, Mabola, Wattala Tel: 011-4345520, 011-2949890, 011-4345521
Padukka 79/1, Horana Road, Padukka. Tel:011-2830923	Kadawatha No. 579, Kandy Road, Eldeniya, Kadawatha Tel: 112901677, 114225130	

EASTERN PROVINCE - 6		
Ampara No. 106, Regal Studio, Pandukabhaya Mawatha, Ampara Tel : 063-4890117, 063-4976000 063-4922678	Dehiattakandiya No. 18E, New Town Complex, Dehiattakandiya Tel : 027-2250189, 027-4923577, 027-4976000	Kantale No. 57, Trincomalee Road, Kantale Tel: 026-2234447, 026-4924295, 026-4976000
Batticaloa No. 570 H, 570 J, 570K, Trincomalee Road, Sinnaurani, Batticaloa. Tel : 065-2227823	Kalmunai No. 263, Batticaloa Road, Kalmunai Tel: 067-2226132, 067-2226133	Trincomalee No. 272, 4th Mile Post, Kandy Road, Trincomalee Tel: 026-2242422, 026-4976001, 026-4925458
Pottuvil No. 230, Arugambay Road, Pottuvil Tel : 063-2248080 , 063-4922923		

NORTHERN PROVINCE - 4		
Jaffna No. 364, Main Street, Jaffna Tel: 021-2221608, 021-2221942	Killinochchi No.426,A 9 Road, Killinochchi. Tel: 021-2280133, 021-2280134, 021-4923870	Mannar No.513, Pallimunai Road, Uppukulam, Mannar. TP.023-4920727, 023-4920728 Fax-023-2250056
Vavuniya No. 166, Station Road, Vavuniya. TP. 024-2225814, 024-2225813		

SOUTHERN PROVINCE - 8		
Akuressa No. 129 A, Deniyaya Road, Akuressa Tel: 041-4938107, 041-4938108	Galle No. 151A, Matara Road, Galle Tel: 091-2223315, 091-4385676, 0914381184	Tissamaharama No. 173, Hambantota Road, Kachcheriyagama, Tissamaharama Tel: 047-2239145, 047-4932444,
Ambalangoda No. 21B, Wickramasooriya Road, Ambalangoda Tel: 091-2255802, 091-2255799, 091-4977333	Hambantota No. 1/3, New Tangalle Road, Hambantota Tel: 047-2222651, 047-4929743	Walasmulla No. 115A,Beliatta Road, Walasmulla. Tel: 047-2245007
Elpitiya No. 109, Ambalangoda Road, Igala, Elpitiya Tel: 091-4943533, 091-4943534	Matara No. 78, Kumaratunga Mawatha, Matara Tel: 041-2227314, 041-4390477, 041-2222914	

NORTH WESTERN PROVINCE - 15		
Chilaw No. 54, Kurunegala Road, Chilaw Tel: 032-2220636, 032-2221660, 032-4925592	Maho No. 163, Moonamalegama, Maho Tel: 037-4944951, 037-4944952	Puttalam No. 628, Colombo Road, Puttalam Tel: 032-4976004, 032-4976003, 032-2269328
Giriulla No. 137/A, Negombo Road, Giriulla Tel: 037-2289512	Mawatagama 7th Mile Post, Kandy Road, Mawatagama Tel: 037-4947258, 037-4947259	Wariyapola No. 200 "Awasa Watta", Horombuwa Wariyapola Tel : 037-4947240, 037-4947241
Hiripitiya No. 51, Wariyapola Road, Hiripitiya, Nikadalupotha Tel: 037-4945128, 037-4945129	Melsiripura No. 227, Dambulla Road, Melsiripura Tel: 037-2250014, 0374935066 , 037-2250013	Wennappuwa No. 262/A, Chilaw Road, Dummaladeniya East, Wennappuwa Tel: 031-2245260, 031-4929846, 031-4976001
Kuliapitiya No. 107, Kurunegala Road, Kuliapitiya Tel: 037-2284553, 037-2283725	Narammala No. 40, Kuliapitiya Road, Narammala Tel: 037-4947689, 037-4947688	Hettipola No. 242A, Kurunegala Road, Hettipola. Tel: 037-2291428
Kurunegala No. 38, Mihindu Mawatha, Kurunegala Tel: 037-2232313, 037-2222200, 037-2228020	Nikaweratiya No. 200, Puttalam Road, Nikaweratiya Tel: 037-2260871, 037-4935067, 037-4940152	Nattandiya No. 82C, Marawilla Road, Nattandiya. Tel. 032-2250042

BRANCH NETWORK

NORTH CENTRAL PROVINCE - 8

Anuradhapura No. 62, Maithreepala Senanayake Mawatha, Anuradhapura Tel: 025-2223560, 025-4930501, 025-4928402, 025-4976000	Hingurakgoda No. 20, Airport Road, Hingurakgoda Tel: 027-2247214, 027- 2245224, 027-4923574, 027- 4976001	Polonnaruwa No. 13, Hospital Junction, Polonnaruwa Tel: 027-4599210, 027-2225176, 027-4976002, 027-4599210
Aralaganwila No. 14/36, Kolongas Junction, Aralaganwila Tel: 027-4924815, 027-4924816	Kekirawa No. 33, Yakalla Road, Kekirawa Tel: 025-4976002, 025-4928868	Thambuttegama No. 146B, Anuradhapura Road, Tambuttegama Tel: 025-2275151, 025-4976001, 025-4930460
Bakamuna No. 11, Elehera Road, Bakamuna Tel: 066-2256000, 066-4929030, 066-4976000	Nochchiyagama No. 25C, Puttalam Road, Nochchiyagama Tel: 025-4929053, 025-4929054	

CENTRAL PROVINCE - 10

Dambulla No. 25E, Kurunegala Road, Dambulla Tel: 066-2283021, 066-4925374, 066-4976001	Hatton No. 66, Dunbar Road, Hatton Tel: 051-2222760, 051- 4924250	Nuwara Eliya No. 76, Kandy Road, Nuwara eliya Tel: Tel: 052-2235433, 052-2235951
Digana No. 40, Palkeleke Bazzar, Kengalla Tel: 081-4951144, 081-4951155	Matale No. 622, Trincomalee Street, Matale Tel: 066-2231225, 066-2223005, 066-4927739	Pilimathalawa No.148, Colombo Road, Embilimeegama Pilimathalawa. Tel: 081-4951313, 081-4951717
Galewela No. 334/B, Dambulla Road, Galewela Tel: 066-4929890, 066-4929891	Nawalapitiya No. 125, Ambagamuwa Road, Nawalapitiya Tel: 054-4922792, 054-4976001	Rikillagaskada No. 21, Rathmetiya Road, Rikillagaskada Tel: 081-4945112, 081-4945113
Gampola No. 6B, Nidahas Mawatha, Gampola Tel: 081-4945114, 081-4945115		

SABARAGAMUWA PROVINCE - 10

Alawwa No. 27, Colombo Road, Wariyagoda, Alawwa Tel: 037-4940886, 037- 4940887	Godakawela No. 65 A, Main Street, Godakawela Tel: 045-4935105, 045-4935106	Rambukkana No. 73, Kurunegala Road, Rambukkana Tel: 035-4935008, 035-493500
Balangoda No. 149 E, Barnes Ratwatta Road, Balangoda Tel: 045-4928326, 045-2289232	Kegalle No. 311G, Colombo Road, Ranwala, Kegalle Tel: 035-2221083, 035-2232956, 035-4927502	Ratnapura No. 143, Colombo Road, Moragahayata, Ratnapura Tel: 045-2231409, 045- 2222028, 045-4360447, 045-4927353
Embilipitiya No.200,Rasika Building, Pallegama, Embilipitiya Tel: 047-2261923, 047-4379332 047-4927806	Mawanella No. 187, Kandy Road, Mawanella. Tel: 035-4930047, 035-4930048	Warakapola No. 211 E & 211 F, Colombo Road, Warakapola Tel: 035-2267010, 035-2268941, 035-4976001, 035-4932382
Eheliyagoda No. 388, Main Street, Eheliyagoda. Tel. 036-2256380		

UVA PROVINCE - 6

Badulla No. 04, Udayarajah Mawatha, Badulla Tel: 055-2230541, 055- 2229701, 055-4499643	Mahiyanganaya No. 112, Girandurukotte Road, Mahiyanganaya Tel: 055-2258335, 055-4976001 055-4927631	Welimada No. 8/1/A & 8/1/B, Wattegedara, Divithotawela, Welimada Tel: 057-4926923, 057-4926922
Bandarawela No. 03, Thanthiriya, Badulla Road, Bandarawela Tel: 057-2233241, 057-4929004	Moneragala No. 150 A, Wellawaya Road, Moneragala Tel: 055-2277374, 055-4927689, 055-2277346	Wellawaya No. 208, Monaragala Road, Wellawaya Tel: 055-4929301, 055-4929302

RISK MANAGEMENT REPORT

“ We focus on setting clear risk parameters and embedding a strong culture of risk management and control designed to ensure proactive identification of risks which in turn will enable the company to be resilient and respond effectively to any unforeseen shocks. ”

Effective risk management is fundamental to being able to generate sustainable profits and is thus an important aspect of the financial and operational management of Central Finance. We are well positioned to identify and adopt new initiatives, while remaining vigilant for any new threats that may arise. The level of risk across our business and the uncertainties that we face are key areas of focus for the Board. Financial strength and resilience are at the heart of our strategic intent. We are committed to achieving the highest standards of corporate governance in every aspect of the business, including risk management. In discharging the governance responsibility, the Board of Central Finance is conscious of the need to manage risk within the preset parameters, which ensures that risk oversight is a critical focus.

The overall adequacy and effectiveness of the risk management framework is managed through the Integrated Risk Management Committee (IRMC), the Board Audit Committee (BAC), which comprise solely of Non-executive Directors and the Credit Committee (CC), the Assets and Liabilities Management Committee (ALCO) and the Investment Committee (IC) which comprise of the Executive Directors and senior level staff members in charge of key business functions. Acting within the authority delegated by the Board, these committees review specific risk areas and receive regular reports on internal controls, risk management, portfolio trends, policies, limits and standards.

We focus on setting clear risk parameters and embedding a strong culture of risk management and control designed to ensure proactive identification of risks which in turn will enable the Company to be resilient and respond effectively to any unforeseen shocks. We continue to build on the Company's culture of risk management discipline. Our risk management framework is designed for the continuous monitoring of the environment and an integrated evaluation of risks and their impact to CF. A formal

governance structure, with a clear, well designed framework of risk ownership, standards and policies is in place.

Our Statement of Financial Position is dominated by credit to customers through our lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as liquidity risks, market risk which includes interest rate risk, operational, strategic and other risks which are inherent in our business strategy, product range and geographical coverage.

2022/23 was a challenging year with unprecedented economic, political and social unrest impacting the Country. Loss of tourism revenue following the 2019 Easter Sunday attacks and thereafter the COVID-19 pandemic and the loss of access to international capital markets following the continuous downgrading of the sovereign credit rating by international rating agencies plunged the Country into a shortage of foreign currency reserves which led to a suspension of external debt servicing in April 2022. The Country resorted to import restrictions and was unable to pay for critical imports such as fuel, medicine and gas. The Country also faced record inflation rates, surge in domestic interest rates, rapid depreciation in the currency and contraction in economic growth which resulted in social unrest, mass protests and political instability. The impact resonated across all industries and sectors and most significantly the financial services sector challenging the scope and approach of risk management. Continuous monitoring of macroeconomic conditions, stringent credit policies, proactive and cautious risk management strategies enabled the Company to be resilient amidst these challenging circumstances.

The financial assistance from the IMF by way of an Extended Fund Facility in March 2023, collaborative discussions with creditors on external debt restructuring to restore debt sustainability, favorable developments in the tourism sector, remittances and exports resulted in positive sentiments being generated in the direction of stability by the end of the financial year.

RISK MANAGEMENT REPORT

Our Risk Governance Structure

Committee	Board Audit Committee	Integrated Risk Management Committee	Assets and Liabilities Management Committee
Role	The Audit Committee reviews the accounting policies and practices, controls and procedures established by management for compliance with regulatory and financial reporting requirements. It operates under delegated authority from the Board.	The Integrated Risk Management Committee operates primarily as an oversight committee monitoring risk types, concentrating particularly on Credit, Market, Operational, Strategic and Reputational risks and related issues.	The Assets and Liabilities Management Committee is responsible for identifying, managing and controlling risks in executing the business strategy of CF.
Membership	Solely comprised of Non-executive Directors, the majority of them being Independent. Details of the members are given in the Audit Committee Report on pages 97 to 99.	Comprised of Non-executive and Executive Directors and senior level staff, who are in charge of key business functions. The committee is chaired by a Non-executive Director. Details of the members are given in the Integrated Risk Management Committee Report on Page 96.	Comprised of Executive Directors and senior level staff who are in charge of Strategy, Branch Network Management, Credit, Recoveries, Marketing, Finance and Treasury.

Risk management framework

Roles and responsibilities for risk management are structured within a three lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control. Our risk management framework, which is set out in the grid below encompasses structures that are strategically linked with performance management, enabling us to focus on the areas that drive our risk strategy.

BOARD OF DIRECTORS



1st Line of Defence	2nd Line of Defence	3rd Line of Defence
RISK OWNERSHIP	RISK CONTROL	RISK ASSURANCE
Business line operations	Risk Management	Audit & Assurance
Managing Director	Integrated Risk Management Committee	Board Audit Committee
Board of Management (BoM)	Credit Committee Assets and Liabilities Management Committee Investment Committee	Independent External Auditor (Reporting directly to the shareholders)
Business Units (Marketing, Credit, Vehicle Hire, Fleet Management Services, Deposit, Treasury)	Risk Management Division Compliance Division	Internal Audit Division

CREDIT RISK

Credit risk is the risks that counterparties to a financial instrument will cause a financial loss to CF by failing to discharge their obligations. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the management of credit risk. There is a clear segregation of duties between transaction originators in the business units and approvers in the credit function. All credit exposure limits are approved within a delegated credit approval authority framework. Risk indicators are also set by the company and monitored through the ALCO, BoM and IRMC on a monthly and quarterly basis.

CREDIT POLICIES

Company-wide credit policies and procedures are considered and approved by the Board and the BoM, with inputs from the Credit Committee, Credit and Recoveries Departments. The BoM also oversees the delegation of credit approvals and the loan impairment assessment processes through regular reviews. These policies are adequate to reflect the different risk environments and portfolio characteristics of the company.

The Board approves changes to the delegated authority levels pertaining to credit as considered necessary.

CREDIT APPROVAL

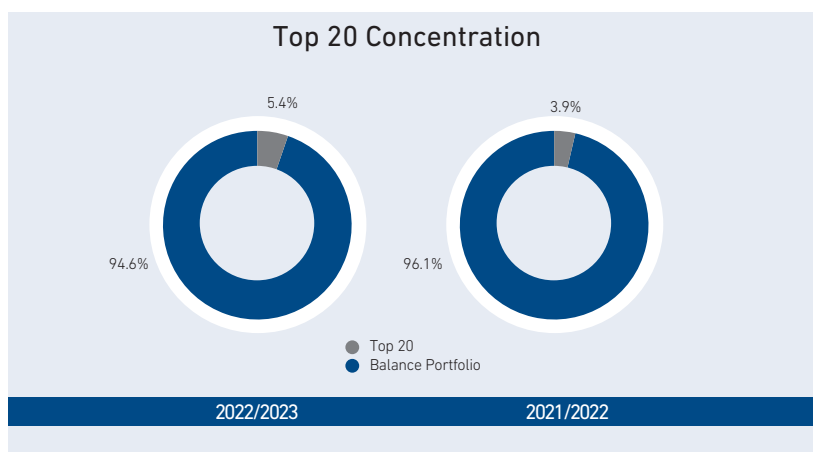
Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the Credit Committee and the designated officers under the delegated approving limits set by the Board, with input from BoM. The credit approving limits in place are structured based on the need of delegation required to manage the network of branches, without compromising the risk appetite of the company.

CREDIT CONCENTRATION

The risk of loss due to the concentration of credit to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty or groups of connected counterparties, asset type, industry sectors, etc. Credit concentrations are monitored by IRMC and ALCO in each of the product type, sector, region, collateral type and such limits as material to the company are reviewed accordingly. Diversification is an important aspect of our management of risk to ensure that we are not overly dependent upon a particular region, sector or asset type. The IRMC reviews the top 20 lending exposures at the quarterly meetings. Performance of large lending exposures too is reviewed periodically.

TOP 20 CONCENTRATION OF THE LENDING PORTFOLIO

	Group				Company			
	Amount as at 31.03.2023 (Rs.'000)	%	Amount as at 31.03.2022 (Rs.'000)	%	Amount as at 31.03.2023 (Rs.'000)	%	Amount as at 31.03.2022 (Rs.'000)	%
Top 20	2,820,308	5.4%	2,490,336	3.9%	2,820,308	5.4%	2,490,336	3.9%
Balance Portfolio	49,494,607	94.6%	62,120,100	96.1%	49,494,707	94.6%	62,123,269	96.1%
Total Portfolio (Gross Carrying Amount)	52,314,915	100%	64,610,436	100%	52,315,015	100%	64,613,605	100%



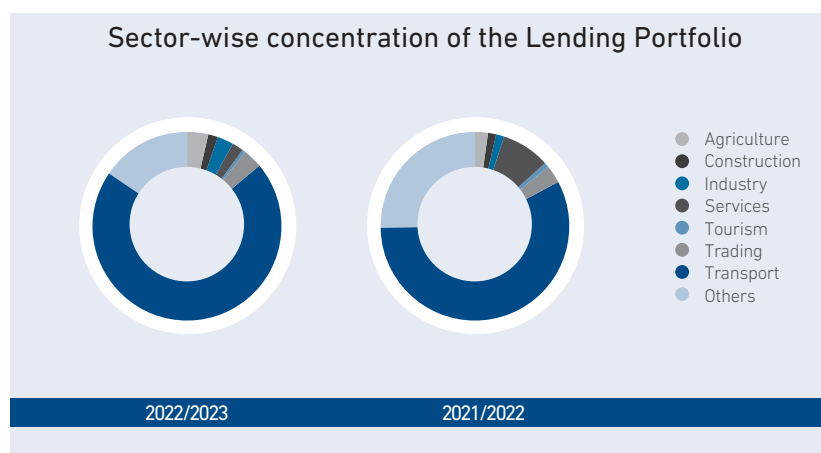
RISK MANAGEMENT REPORT

Geographical Analysis of the Lending Portfolio

Province	Amount as at 31.03.2023 (Rs.'000) Group	%	Amount as at 31.03.2022 (Rs.'000) Group	%	Amount as at 31.03.2023 (Rs.'000) Company	%	Amount as at 31.03.2022 (Rs.'000) Company	%
Western	19,645,595	42.41%	23,640,348	40.32%	19,645,695	42.41%	23,643,517	40.32%
Central	6,525,261	14.09%	8,617,414	14.70%	6,525,261	14.09%	8,617,414	14.70%
North Western	5,705,835	12.32%	7,491,864	12.78%	5,705,835	12.32%	7,491,864	12.78%
Sabaragamuwa	3,859,940	8.33%	5,299,652	9.02%	3,859,940	8.33%	5,299,652	9.02%
Southern	3,140,650	6.78%	4,107,254	7.01%	3,140,650	6.78%	4,107,254	7.01%
North Central	2,692,613	5.81%	3,464,723	5.91%	2,692,613	5.81%	3,464,723	5.91%
Uva	2,174,971	4.69%	2,850,159	4.86%	2,174,971	4.69%	2,850,159	4.86%
Eastern	1,625,116	3.50%	2,048,812	3.50%	1,625,116	3.50%	2,048,812	3.50%
Northern	957,605	2.07%	1,106,032	1.90%	957,605	2.07%	1,106,032	1.90%
Total	46,327,586	100%	58,626,258	100%	46,327,686	100%	58,629,427	100%

Sector-wise Analysis of the Lending Portfolio

Sector	Amount as at 31.03.2023 (Rs.'000) Group	%	Amount as at 31.03.2022 (Rs.'000) Group	%	Amount as at 31.03.2023 (Rs.'000) Company	%	Amount as at 31.03.2022 (Rs.'000) Company	%
Agriculture	1,745,050	3.77%	1,385,595	2.36%	1,745,050	3.77%	1,385,595	2.36%
Construction	763,487	1.67%	760,760	1.30%	774,573	1.67%	760,760	1.30%
Industry	1,237,513	2.67%	881,524	1.50%	1,236,590	2.67%	881,524	1.50%
Services	944,229	2.01%	4,799,102	8.19%	934,166	2.01%	4,799,102	8.19%
Tourism	318,025	0.69%	491,435	0.84%	318,025	0.69%	491,435	0.84%
Trading	1,474,305	3.18%	1,863,173	3.18%	1,474,305	3.18%	1,863,173	3.18%
Transport	32,705,758	70.6%	33,750,543	57.57%	32,705,758	70.6%	33,750,543	57.57%
Others	7,139,219	15.41%	14,694,126	25.07%	7,139,219	15.41%	14,697,296	25.07%
Total	46,327,586	100%	58,626,258	100.00%	46,327,686	100%	58,629,427	100.00%



Credit monitoring and measurement

We regularly monitor credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends. Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the management. The principal objective of credit risk measurement is to produce the most accurately possible quantitative assessment of credit risk to which CF is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the use of a model. The model we use comprises of three core elements;

- Probability of default (PD) – the likelihood of a borrower not being able to honour his obligations.
- Exposure at default (EAD) – the exposure to a borrower who is unable to honour his obligations, at the point of default.
- Loss given default (LGD) – the historical loss associated with a delinquent loan or defaulted borrower.

In addition to the above three elements, the company also uses forward looking information including macro-economic information to arrive at the expected credit losses. SLFRS- 9 proposes that Significant increase in credit risk is presumed to have occurred when contractual payments are more than 30 days past due and default is presumed at 90 days past due. For leases and other loans we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120 days to align these parameters to the internal risk management practices of the company. For Term and Business loans the company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the company. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired.

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, financial difficulty and other factors not related to a current or potential credit deterioration of the customer. If the modification is indicative of a qualitative indicator of a significant increase in credit risk, the credit portfolios are downgraded in risk category and customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be significant increase in credit risk or credit-impaired.

The company groups the individually significant loans into two broad categories as to "Individual" and "Institutional" and the following factors were considered in determining the impairment of those assets;

- loan servicing history of the borrower
- Financial standing of the borrower
- borrower's compliance with Legal and Regulatory requirements
- other general economic conditions affecting the borrower's repayment ability

Individually not significant leases and loans are grouped based on the collateral type as this grouping better represents the shared credit risks.

The methodology adopted was used consistently at each reporting date.

Despite the economic crisis that engulfed the Country during the financial year, the impairment charge was kept at a reasonable level due to the proactive measures taken to continuously engage with customers and provide flexible repayment solutions to service the debts in a sustainable manner resulting in improved recoveries.

During the year under review, Company improved its asset quality and year-end NPL ratio was recorded at 10.88% as against the industry average of 17.5% as of December 2022.

The Company re-evaluated the impairment provision taking into consideration the potential losses in credit portfolios due to significant deterioration and uncertainty in the macro-economic indicators. The Company stress tested on various scenario based assessments to assess potential loss from the customer credit due to changes in the macro economic factors such as the significant volatility in exchange rates, interest rates, inflation and GDP growth rates. Due to lack of historical data to evaluate the current economic conditions, the Company continued to built management overlays for potential impairment arising from the loan and lease portfolios, outside the Expected Credit Loss model to ensure adequate provision for impairment is recognized in the financial statements as of 31 March 2023.

Collaterals

Most of our lending activities are secured by tangible assets with the majority being motor vehicles and equipment. Hence, the company has a fall back in the event of default. Collaterals obtained are supported by enforceable documentation. The main types of collaterals obtained are Vehicles, Equipment, Properties,

RISK MANAGEMENT REPORT

Machinery, Treasury bills and Bonds, Deposits, Trade receivables and Corporate and Personal Guarantees. The company does not hold any collateral where it is permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. There have not been any changes to the quality of collaterals obtained due to change in the policy of collaterals. We have not assessed impairment on treasury bills and securities bought under repurchase agreements due to the fact these are secured by sovereign bills and bonds.

MARKET RISK

The risk of loss arising from potential adverse changes in the value of the company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations. The objective of our market risk management is to obtain the best balance of risk and return whilst meeting customer requirements. The key challenges in terms of market risk for CF are interest rate risk arising from changes in yield curves and significant volatility in the market interest rates and credit spreads and to a lesser extent, changes in equity prices.

Organisation and Structure

The Board approves the appetite for market risks and the framework of limits applicable for same. The company has a strong control environment facilitated by a well-structured organization which has enabled it to strengthen segregation of duties in respect of critical functions.

- interest rate risk: arising from changes in yield curves and credit spreads
- equity price risk: arising from changes in the prices of equities and equity indices

Market risk arising from interest rate volatility is managed with direction from the IRMC and ALCO which continuously monitor the cost of funds of the company and initiate necessary action to ensure that required margins are maintained by the company. The carrying value of all financial assets and liabilities are in Sri Lankan Rupees and the company did not have any foreign currency denominated assets and liabilities as at 31st March 2022 and 2023.

Equity price risk

Central Finance is exposed to market movements in equity price fluctuations through the quoted Fair Value through Profit

or Loss Investments portfolio and FVTPL financial assets. The IRMC and ALCO continually review the relevant exposure limits. A comprehensive evaluation process is also carried out prior to investment decisions. Regular monitoring of price levels is done through the Investment function to mitigate adverse movements in the stock market.

OPERATIONAL RISK

The risks of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events comprise Operational Risks. We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The Board appointed Audit Committee and Integrated Risk Management Committee oversee the management of operational risks including those arising from information technology and legal issues, across the network and at the center, with the support of the Risk and Internal Audit Departments which are independent from the business functions. In addition, the Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with assurance that operational risks are being proactively identified and effectively managed. All business units are responsible for setting and maintaining standards for operational risk management. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

LIQUIDITY RISK

The risk that the Company is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Liquidity and funding risk is the possibility that the company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Policy, framework and governance

The company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the company always maintains sufficient, eligible and appropriate financial resources to meet its future financial commitments as they fall due. Our Statement of Financial Position and liquidity have remained strong and

we surpass the regulatory liquidity thresholds comfortably. It is our policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due.

Customer deposits provide stable funding to support the majority of our lending. We have the access to diversified debt issuance on an unsecured and secured basis. These sources of funding are complementary to the company's customer deposit mobilising activities. We have a substantial portfolio of liquid assets that can be realised if liquidity stress occurs. We also have a contingency funding plan by way of undrawn approved bank lines.

Liquidity measurement and monitoring

Liquidity risk is measured and assessed on a daily basis at the Centre. The company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. We manage liquidity risk, taking both short and medium-term requirements into consideration. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and bank funding where required. In the medium-term, the focus is on ensuring a structurally sound statement of financial position. ALCO is the monitoring body responsible for overseeing our liquidity management policies. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities are done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Management is closely monitoring the macro-economic conditions as it has continued to keep its risk management measures under review to readily respond to changing circumstances. The Company is comfortable with its existing buffer of liquid assets and other short term financial instruments.

Liquid assets

The significant level of liquid assets in the Statement of Financial Position reflects the application of our liquidity management policies and practices.

STRATEGIC RISK

Strategic risk is the potential for losses from failure to optimize the earning potential of the company. The company continuously follows developments taking place in the business environment and formulates its strategies to optimize the opportunities available whilst attempting to manage risks associated with such strategies. Business strategies are adopted after evaluating the

overall risks associated with such strategies. A comprehensive strategic plan for the next three years is in place with quantitative targets. Risks in achieving such targets have also been mapped and are monitored continuously.

CAPITAL RISK

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which we operate. We aim to maintain a strong capital base to support the risks inherent in our business. For regulatory purposes, our capital base is divided into two main categories, namely Core Capital (Tier 1) and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2023 is provided in the table below. The figures reported here may differ from the figures reported in the financial statements as the figures below are based on the prudential regulatory requirements. It is the regulatory Statement of Financial Position, and not the financial accounting Statement of Financial Position, which forms the basis for the calculation of regulatory capital requirements.

Item	Amount Rs.'000
Tier I capital	42,620,255
Stated capital	2,230,286
Reserve fund	2,964,000
Audited retained earnings/(losses)	13,116,676
(less) Revaluation gains/surplus of investment property	2,482
General and other disclosed reserves	24,311,775
Adjustments to Tier I capital	1,188,775
Other intangible assets (net)	314,024
50% of investment in banking and financial subsidiary companies	24,750
50% of investment in other banking and financial institutions	850,001
Tier I Capital (after adjustments)	41,431,480
Revaluation gains	1,230,028
Eligible Tier 2 Capital	1,230,028
Total Adjustments to eligible Tier 2 Capital	874,751
50% of investment in banking and financial subsidiary companies	24,750
50% of investment in other banking and financial institutions	850,001
Eligible Tier 2 Capital after adjustments	355,277
Total Capital	41,786,757
Tier I Capital Adequacy Ratio (minimum 8.5%)	52.60%
Total Capital Adequacy Ratio (minimum 12.5%)	53.05%

RISK MANAGEMENT REPORT

REPUTATIONAL RISK

Reputational risk is the potential damage to the company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the company or its actions. Reputational risk could arise from the failure of the company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, legal or other operational risks. Damage to the company's reputation could cause existing clients to reduce or cease to do business with the company and prospective clients to be reluctant to do business with the company. All employees are responsible for day-to-day identification and management of reputational risk. Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have mechanisms in our origination and credit processes to identify and assess social risks. We have also consciously not engaged in certain business lines to avoid social risks. A comprehensive list of legal and regulatory compliance is tabled at monthly board meetings. Compliance to rules and regulations by the subsidiary companies are obtained on a quarterly basis and tabled at IRMC meetings to manage reputational risk, which could arise from the activities of other group companies.

CORPORATE GOVERNANCE

“The corporate governance framework of Central Finance is specifically structured to facilitate effective and prudent management in enhancing and achieving sustainable shareholder value and the success of the Company.”

Corporate governance is the system that encompasses principles, policies, procedures and clearly defined responsibilities and accountabilities used by stakeholders to overcome the conflict of interest inherent in the principal-agent form of business corporates.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned objectives. The corporate governance framework guides the Company in formulating, communicating and achieving its corporate strategies and objectives. The Board of Directors is responsible for the governance of the Company and developing and establishing an effective governance framework in reviewing and streamlining systems and controls to provide transparency and accountability and, in ensuring adoption of best practices focusing on its stakeholders and in creating shareholder value.

The failure of a Company to establish an effective system of corporate governance represents a major risk to the Company and its investors. For shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices. As the highest decision making body and representative of stakeholders of Central Finance, the Board of Directors, takes the view that it requires a proactive approach to identify areas for improvement and a questioning of the current status quo to ensure that all elements of our governance framework are fit for purpose, enabling value creation and growth, whilst acknowledging the legitimate rights and responsibilities of key groups of stakeholders and preserving accountability.

The corporate governance framework of Central Finance (CF) is specifically structured to facilitate effective and prudent management in enhancing and achieving sustainable shareholder value and the success of the Company. We have established an exemplary corporate governance model to enable the Company to embed procedures, policies and control environments to

mitigate identified or anticipated operational, business, strategic and reputational risks. A well-structured corporate governance framework is presently in place to align business practices in the best interest of all our stakeholders ensuring transparency in business dealings, disclosure of information and proper financial reporting in compliance with voluntary and mandatory practices and applicable regulatory requirements. The Corporate Governance model adopted by CF is continuously reviewed and evaluated by the Board to achieve dynamic business performance and unfettered integrity.

In our endeavour to strengthen governance at CF, we have embraced and adopted selective aspects of voluntary requirements outlined in the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. The Company has also complied with the mandatory requirements of Direction No. 05 of 2021 Issued under Finance Business Act No. 42 of 2011 and amendments thereto on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka subject to transitional provisions provided therein and the Listing Rules of Colombo Stock Exchange.

We recognise that our strategy to be a consistent, stable and a strong financial service provider relies entirely on a foundation of good Corporate Governance as we endeavour to be at the forefront of the non-bank financial service sector.

The economic conditions in Sri Lanka have been challenging due to a variety of factors such as the COVID-19 pandemic, political instability, and rising debt levels. Central Finance, like the other financial institutions in Sri Lanka had to sail across the challenging economic environment to maintain the profitability and stability. The Central Bank of Sri Lanka has also taken several measures to strengthen the corporate governance of Finance Companies by introducing new regulations and guidelines aiming to enhance the transparency and accountability of Finance Companies. Whilst complying with the regulatory requirements

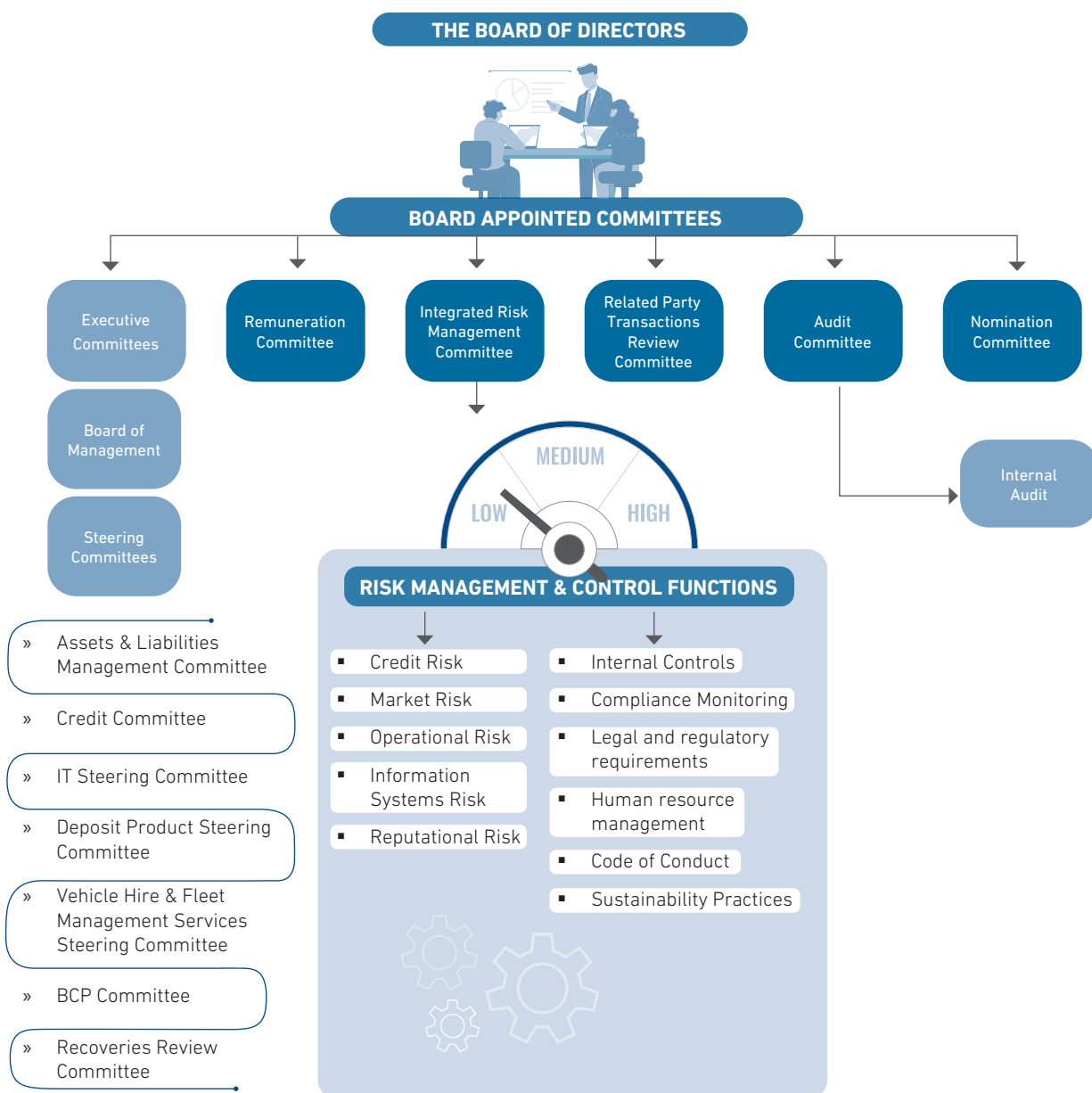
CORPORATE GOVERNANCE

of the regulator, the Company has initiated strategic action on multiple levels by realigning risk fundamentals, strengthening governance frameworks and reforming business models on need basis to enhance the Company's ability to tackle specific challenges.

In this year's report, we outline the ways in which our Corporate Governance framework operated, including the role and responsibilities of the Board and five of its Committees. The level of adoption and conformity with the rules and best practices embraced by your Company are disclosed in this report.

CORPORATE GOVERNANCE FRAMEWORK

CF operates and align with an integrated governance framework formulated after taking into consideration the Finance Business Act direction No. 05 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the listing rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The diagram below illustrates our approach to Corporate Governance and depicts the interactive nature of the elements we view as being fundamental in embracing the spirit of best practice of Corporate Governance principles.



As in the past, this year too we report our governance practices and initiatives in three sections.

SECTION ONE	➔ Covers the level of compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka subject to transitional provisions stated in Section 19 of the directions.
SECTION TWO	➔ Covers the level of adoption of the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka
SECTION THREE	➔ Covers the level of conformity with the Continuing Listing Rules - Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

SECTION ONE

FINANCE BUSINESS ACT DIRECTION NO. 05 OF 2021 ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA

The Central Bank of Sri Lanka issued a new Direction on Corporate Governance – Finance Business Act Direction No. 05 of 2021 which came into effect from 01.07.2022 (replacing Finance Companies Direction No. 03 of 2008 and subsequent amendments thereto), in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka subject to transitional provisions stated therein.

The above Direction comprises of sixteen (16) fundamental principles, namely:

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 Sub-committees
11. Internal Controls
12. Related Party Transactions
13. Group Governance
14. Corporate Culture
15. Conflicts of Interest
16. Disclosures

CORPORATE GOVERNANCE

The structures in place and the conformity with the requirements are tabulated below under the said sixteen fundamental principles.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
1. Board's Overall responsibilities		
1.1		
Approving and overseeing the Business Strategy and Governance Framework	1.1 1.2 a)-d)	Complied with Strategic objectives, governance framework, corporate values, overall business strategy and policies of the Company set by the Board are reviewed by the Board and are communicated to all levels of staff through Company meetings on need basis. The Board reviewed and approved the 3 Year Strategic Plan for the period 2023/24 - 2025/26 at the meeting held on 29th March 2023. The measurable financial objectives for the next three years have been set and will be reported to the Board on a monthly or quarterly basis as relevant. The Board has provided direction in the development of short, medium and long term strategy of the Company with the objective of promoting sustainable and profitable growth of the Company. The Strategy is reviewed and approved annually taking into consideration the changes in the macro- economic overview and potential for business growth. The Board ensures the effectiveness of the Governance Framework and practices of the Company is periodically assessed. A transparent process is followed for the selection, nomination and election of Directors and Key Management Personnel. Additionally, the Company has newly adopted a Group Governance Framework covering aspects specified under Section 13.1 of the Finance Business Act Direction No. 05 of 2021 which will be reviewed by the Board annually. The Group Governance Framework was reviewed and approved by the Board on 29th March 2023. A formal and transparent procedure is in place for appointment of Directors, Chairperson and Chief Executive Officer (CEO). All new Director appointments are recommended by the Nomination Committee and approved by the Board subject to prior approval of the Central Bank of Sri Lanka and the approval of the shareholders of the Company at the Annual General Meeting. The Board has appointed the Chairman and Managing Director/CEO. The roles and responsibilities of the CEO and Chairman are separated and defined in the Company Board Charter.
Corporate Culture and Values	1.3 a to 1.3 c	Complied with The Company has developed the Code of Conduct and Ethics for all employees, in line with corporate culture and values of the Company. The corporate values are posted on the intranet and all employees are guided by these values. The Board is mindful of its obligation to ensure that Directors avoid conflict of interests. The Directors make declarations on areas of interest at the time of appointment to the Board and subsequently as and when changes occur. Appropriate procedure is in place to ensure that conflict and potential conflict of interests are properly disclosed to the Board. Board of Directors periodically monitors the process adopted by the Company in relation to making awareness on the code of conduct and managing conflict of Interest.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		The strategic plan of the Company contains initiatives to promote sustainable finance whilst taking into account appropriate environmental, social and governance considerations.
Communication with Stakeholders	1.3 d	Complied with The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers. A Board approved Communication Policy is in place and reviewed, as and when required. The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.
1.4 Risk, Appetite, Risk Management and Internal Controls		
Risk Management	1.4 (a) 1.4 (b)	Complied with The Risk Appetite Statement (RAS) and Risk Goals are established in line with the Company's business strategy and governance framework. The set parameters and underlying drivers are reviewed by the management on a monthly basis and reported to the Integrated Risk Management Committee at quarterly meetings held during the year. The latest updates to the Risk Appetite Statement (RAS) and Risk Goals for 2022-23 were approved by the Board on 28th December 2022. The overall risk framework and risk management procedures and mechanism is aligned in line with the overall business strategy and governance framework of the Company and are regularly monitored by the Integrated Risk Management Committee which is under the purview of the main board. Overall risk parameters have been set and appropriate internal controls are implemented through the Board of Management (BoM) and Assets and Liabilities Management Committee (ALCO) together with the Integrated Risk Management Committee (IRMC). ALCO and BOM meet on a monthly basis and the IRMC meets every quarter or earlier if required. Minutes of all three committees are tabled at monthly Board Meetings for review by the members of the Board and for any further actions to be taken, if required. Integrated Risk Management Committee Report on pages 96 provides further insights in this regard.
Internal Control System and Management Information System	1.4 (c)	Complied with Continuous reviews are in place ensuring the adequacy and effectiveness of the Company's internal control systems and Management Information Systems by the Board Sub-committees/ Senior Management Executive Committees and recommendations are discussed and agreed at meetings for implementation. Company's internal control systems over financial reporting and management information systems are reviewed periodically by the Audit Committee. The Audit Committee minutes are submitted to the Board. Where necessary Audit Committee reports are also submitted to the Board for further action. Periodic External Reviews are also commissioned, as and when necessary, on specific areas by specialists.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Business Continuity and Disaster Recovery Plan	1.4 (d)	Complied with The Board reviewed and approved the business continuity and disaster recovery plan for the Company on 22nd February 2023 to ensure stability, financial strength, and to preserve critical operations and services under unforeseen circumstances. Additionally, continuity of the business is evaluated on a continuous basis by the management along with the IRMC and AC and reported to the Board.
1.5 Board Commitment and Competency		
Board Commitment and Competency	1.5 (a)	Complied with
	1.5 (b)	The board possesses necessary qualifications, skills, knowledge, and experience bringing with it a range of expertise in multiple sectors, perspectives and knowledge that reflect the broader requirements of various stakeholders. Profiles of the Directors are given in Pages 12 to 14 to the Annual report. The Board has defined the areas of authority and key responsibilities of the Board Members. In addition, Non-executive Directors have specific areas of responsibility through the various Sub Committees of the Board. All members of the Board actively participate in discussions at the board and devote sufficient time in dealing with the matters relating to affairs of the Company as evidenced through the minutes of the meetings. The attendance at Board Meetings is given on page 78.
Training and Development Needs	1.5 (c)	Complied with The Board regularly reviews and agrees the training and development needs of its members, along with the annual self-evaluation of Directors that is carried out. Training and development needs of the members are reviewed and regular updates pertinent to the regulatory and business environment are provided in a timely manner.
Self-assessment of Directors	1.5 (d)	Complied with Each Director performs an annual self-assessment of his own effectiveness as well as the effectiveness of the Board based on the criteria set by the Board and records are maintained of such assessments. The latest self-assessment of the Board was carried out in November 2022 and the results of the evaluation were discussed by the Chairman with the members of the Board at the Board Meeting held in November 2022. The mandatory sub-committee performance evaluations for the Audit Committee and the Integrated Risk Management Committee was conducted for 2022-23 and tabled at the Board meeting on 29th March 2023.
Seeking Independent Advice	1.5 (e)	Complied with The Board Charter empowers a Director seeking professional advice at the Company's expense, in order to discharge the duties and responsibilities effectively. This procedure is coordinated through the Company Secretary, as and when it is requested.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
1.6 Oversight of Senior Management		
Identifying and Designating Senior Management	1.6 (a)	Complied with Identification and designation of Senior Management - Key Management Personnel (KMP), who are in a position to significantly influence policy and other attributes are identified through an evaluation process. All Executive Directors and General Managers have been identified as KMPs. Company's Compliance Officer and Deputy General Manager – Internal Audit have also been designated as KMPs. All appointments of designated KMP are recommended by the Nomination Committee and approved by the Board. KMP are also defined in the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", as the persons who significantly influence policy, direct activities and exercise control over business activities, operations, and risk management. For financial reporting purposes, the Company defines KMP as the Board of Directors.
Defining the Areas of Authority and Key Responsibilities	1.6 (b)	Complied with Areas of authority and key responsibilities have been defined for Senior Management through their employment contracts and exigencies of evolving business needs. The delegated authority limits for KMPs have been reviewed and approved by the Board regularly. Senior Management has delivered the entrusted responsibilities at an adequate level under the defined area of authority during the year.
Qualifications, Skills, Experience and Knowledge	1.6 (c)	Complied with Necessary qualifications, skills, experience and knowledge of the Senior Management is assessed upon recruitment and during periodical performance assessment of the Senior Management to ensure whether they fit the position to achieve the Company's Strategic Objectives.
Oversight of Affairs of the Company by the Senior Management	1.6 (d)	Complied with The Board at its monthly meetings and Board of Management (BoM) at its detailed monthly review ensures that there is appropriate oversight of the Company's affairs by Senior Management and consistent with its Strategic Objectives and corporate values of the Company.
Succession Plan for Senior Management	1.6 (e)	Complied with A documented Succession Plan is in place for all Senior Management positions and training programs are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels of the Senior Management.
Regular Meetings with the Senior Management	1.6 (f)	Complied with The Board meets with Senior Management on a monthly basis in reviewing policies, monitoring progress towards Corporate Strategic Objectives and ensuring lines of communication. In addition, presentations are made to the Board as a whole or to individual Directors on matters of interest. The Board of Management (BOM), a committee comprising Executive Directors and Senior Management meets on a monthly basis to, review policies, procedures and to monitor the strategic initiatives and Company performance. Further, Senior Management members attend Board sub-committee meetings on invitation to facilitate effective review, monitoring and decision making.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
1.7 Adherence to the Existing Legal Framework		
Adherence to the Regulatory Environment	1.7 (a)	Complied with The Company acts responsibly giving due consideration to the interests of and obligations to, depositors, shareholders and other stakeholders. Compliance with related regulatory requirements is monitored by the Compliance Function on a continuous basis and the same is audited periodically. Any deviations noted on compliance with the Legal Framework are brought to the attention of the Board Sub-committees and subsequently to the Board.
	1.7 (b)	Complied with Director (Corporate Affairs), Head of Compliance and Company Secretary updates the Board Members on changes to the regulatory environment. Regular discussions, training and seminars are arranged for Directors and Senior Management to facilitate understanding the regulatory environment and to ensure compliance with relevant laws, regulations, directions and ethical standards. Compliance with related regulatory requirements is monitored by the Compliance Function on a continuous basis and the same is audited periodically. Any deviations noted on compliance with the Legal Framework are brought to the attention of the Board Sub-committees and subsequently to the Board.
	1.7 (c)	Complied with The management of the Company acts with due care and prudence, and with integrity. The Board and the Senior Management are always on alert and aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.
2. Governance Framework		
	2.1	Complied with Board has developed and implemented a Board Charter (which is reviewed from time to time as required) as part of the governance framework in line with the directions.
3. Composition of the board		
Board Composition and Number of Directors	3.1	Complied with During the year the Board comprised of Ten (10) Directors with a diverse mix of skills and expertise for effective oversight of the management of the Company. This mix of skills and experience was adequate to meet the requirements of the Company taking into consideration its size, complexity and risk profile. Transitional period until 01.07.2024 has been granted to comply with the new requirements under section 3.2 of the Finance Business Act Directions No. 05 of 2021 for the number of Directors to be not less than seven (7) and not more than thirteen (13) However, the Company is already in compliance with the requirement.
	3.2*	
Period of Service of Non-executive Directors	3.3 and 3.4	Complied with Non-executive Directors serving on the Board have not served on the Board for more than nine years.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Executive Directors	3.5 (a)*	Complied with This section is currently in compliance with the Section 4 (2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. There have been no new appointments of Executive Directors during the year. The total number of Executive Directors of the Company does not exceed one-half of the number of Directors of the Board as per the requirements under Finance Companies (Corporate Governance) Direction No. 03 of 2008. Transitional period until 01.07.2024 has been granted to comply with the new requirements under section 3.5 (a) of the Finance Business Act Directions No. 05 of 2021 to limit the number of executive Directors to 1/3rd of the Board .
Shareholding of Executive Directors	3.5 (b)	Complied with During the year there has not been any new appointment of Executive Directors or Senior Management Personnel who hold more than 10% of voting shares of the Company. The existing executive Directors with a contract of employment and functional reporting line and existing Senior Management are allowed to continue as Executive Director/Senior Management until the retirement age.
CEO	3.5 (c)	Complied with CEO is designated as Managing Director, and is one of the Executive Directors of the Company.
Reporting Lines	3.5 (d)	Complied with All Executive Directors have a functional reporting line in the organization structure of the Company.
	3.5 (e)	Complied with All executive Directors are reporting to the Board through the CEO.
Common Directorships	3.5 (f)	Complied with Executive Directors of the Company do not hold Executive Directorships or Senior Management Positions in any other entity. However appointments for the boards of Group companies exists to safeguard the interests of parent in a Non-executive capacity.
Credibility, Skills and Experience of Non-executive Directors	3.6 (a) 3.6 (b)	Complied with The Non-executive Directors possess skills and experience from a number of industries and business sectors, including the leadership of large multinational enterprises which helps to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct. Biographic details of the Directors are given on pages 12 to 14 Non-executive Directors do not get involved in day to day business operations of the Company and are not appointed or required to function as an Executive Director of the Company.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Independent Directors	3.7 *	Complied with This section is currently in compliance with the Section 4 (4) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. The Company has satisfied the requirement for Independent Directors, as out of 10 Directors, 4 Directors are independent and that is more than 1/4 of the total number of Directors. The Board reviews the independence of Non-executive Directors on an annual basis and as and when circumstances change, based on the self-declaration and as part of each Director's performance assessment. During the year there were no changes to the independence status of Directors. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 3.7 of the Finance Business Act Directions No. 05 of 2021 to ensure at least 1/3rd of the Board should be Independent Directors and the Company is already in compliant.
Alternative Director	3.8	Complied with There were no instances of appointing Alternate Directors for any of the members of the Board of Directors during the year.
Cooling off Period	3.9	Complied with There was no new appointment of Directors and CEO or changes to the independence status of any Director during the year to comply with the cooling off periods stipulated in the Direction.
Common Directorships	3.10 3.11	Complied with As at 31.03.2023, none of the Directors on the Board or Senior Management of the Company were nominated, elected or appointed as a director of another Finance Company. Further, none of the Directors hold Directorships in more than 20 Companies including the subsidiaries and associates companies of Central Finance Company PLC as at 31.03.2023.

4. Assessment of Fitness and Propriety Criteria

Assessment of Fitness and Propriety Criteria	4.1 4.2 4.3	Complied with All the Directors are qualifying as fit and proper persons to hold office as Directors of the Company in accordance with the Finance Business Act. CBSL by a letter dated 24.06.2022 granted approval for the continuation of Key Responsible Persons (KRP) in terms of Section 3.2 of the Finance Business Act No. 06 of 2021 on Assessment of Fitness and Propriety of KRP. None of the Directors serving on the Board as at 31.03.2023 has reached the age of seventy (70) years.
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5. Appointment and resignation of Directors and Senior Management

Appointment and resignation of Directors and Senior Management	5.1	Complied with The Board has a transparent process in place for appointments, resignations or removals of Senior Management and Directors. This is in accordance with the provisions of the Direction No. 06 of 2021 on Assessment of Fitness and Propriety of KRP.
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Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
6. The Chairperson and the CEO		
The Chairperson and the CEO	6.1	Complied with
	6.2	The Board has appointed the Chairman and Chief Executive Officer (CEO/MD). The roles of Chairman and CEO/MD are separated and the Board has defined and approved the functions and responsibilities of the Chairman and the CEO/MD in order to maintain a balance between the two roles. This is specifically set-out in writing in the Board Charter. Chairman of the Board is an Independent Non-executive Director. Hence, requirement of appointing a Senior Director did not arise as per the definition set out in the Corporate Governance Direction.
	6.3	
Responsibilities of the Chairperson	6.4	Complied with The Chairman is responsible to lead, direct and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory requirements. Responsibilities of the Chairman are set-out in the Board Charter, which is reviewed from time to time as required.
Responsibilities of the CEO	6.5	Complied with The Chief Executive Officer CEO/MD functions as the apex executive in charge of the day-to-day management of the Company's operations and business. The responsibilities of the CEO are defined in the board charter.
7. Meetings of the Board		
Meetings of the Board	7.1	Complied with The Board meets at monthly intervals, but meets more frequently whenever it is necessary. Circulation of written or electronic resolutions / Board papers to obtain Board's consent was minimized and approvals obtained through the circulation of resolutions / Board papers are subsequently ratified at the next Board Meeting. The Company has held 14 Board meetings during the year. Details of the meetings and individual attendance during the year 2022/23 are given on page 78
Inclusion of Proposals by all Directors in the Agenda	7.2	Complied with Procedures are in place to enable matters and proposals from all Directors to be included in the agenda for regular meetings as and when they arise.
Adequate Notice of Board Meetings and Contribution at Meetings	7.3	Complied with Directors are given adequate time and at least 7 days of notice for scheduled Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions. Directors have access to Key Management Personnel to clarify matters and to external specialists for independent advice, when required. All Directors who attended Board meetings have actively contributed by providing views and suggestions.
	7.4	
Quorum at Board Meetings	7.5	Complied with The meetings of the Board have always been constituted by fulfilling the quorum requirement, where at least one fourth (1/4) of the number of Directors constituting the quorum are Independent Directors. As per the attendance of the Board Meetings during the year 2022/23, the required quorum has been maintained at all Board Meetings. Details of the meetings and individual attendance during the year 2022/23 are given on page 78

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Meetings of Chairperson with the Non-executive Directors	7.6	Complied with The chairman of the Board has met the Non-executive Directors without the presence of the Executive Management twice during the year 2022/23.
Director Voting on Matters with Substantial Interest	7.7	Complied with Procedure is in place for Directors to abstain from voting on any Board Resolution, when the Director or any of his/her relatives or a concern, in which he/she has substantial interest, is interested and the Director is not counted for the quorum for the relevant agenda item. Further a Director does not participate in any discussion on a related party transaction for which he/she or any of his/her immediate family members are associated with and is required to provide all material information concerning the related party transactions to the Board.
Attendance of Directors at Board Meetings	7.8	Complied with All Directors have attended more than two-thirds of the meetings held during the year. No Director has been absent from attending three consecutive meetings held in 2022/23. Attendance at Board Meetings is given on page 78.
Scheduled Board Meetings and Ad Hoc Board Meetings	7.9	Complied with For the scheduled meetings the members are always encouraged to participate in person while for ad hoc meetings virtual meetings are held as and when required. During the earliest part of the year due to inevitable reasons the Company conducted its meetings through electronic means ensuring active participation of all Directors throughout the meeting. However, active physical participation by the members of the Board at scheduled meetings has been encouraged during the latter part of the year.

8. Company Secretary

Company Secretary	8.1 a 8.1 b*	Complied with This section is currently in compliance with the Section 3 (5) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. The Board has appointed M/s. Corporate Services (Pvt) Ltd., to handle the secretarial services to the Board to ensure that proper Board proceedings and other functions are followed in line with rules and regulations enforced by Statutes. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 8.1 (a) and (b) of the Finance Business Act Directions No. 05 of 2021 to have a qualified corporate secretary internally employed within the Senior Management of the Company.
Access to the Services of the Company Secretary	8.2	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the Company. The Board Secretary has provided the Board with support and advice relating to corporate governance matters, Board procedures and applicable laws, rules and regulations during the year.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Agenda for Board Meetings	8.3	Complied with The Board Secretary prepares the agenda, in consultation with the Chairman.
Maintenance of Minutes of the Board Meetings and Access to Directors	8.4 8.5 8.7	Complied with The Company Secretary maintains the minutes of the Board Meetings in an orderly manner and Directors have full access to inspect the Minutes of the Board Meetings at any reasonable time, at short notice. The Board Minutes are being maintained for a minimum period of 6 years by the Company Secretary.
Details of Minutes	8.6	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary as defined in the direction.

9. Delegation of Functions by the Board

Delegation of Functions by the Board	9.1	Complied with Article 127 of the Articles of Association of the Company empowers the Board to delegate its powers and the Board has established a formal procedure for delegation of powers, retaining the ability to discharge its functions as required. The Board periodically evaluates the delegated authority process to ensure that delegation of work does not materially affect the Board as a whole in discharging its functions. The Board periodically approved the delegated authority limits and keeps Senior Management informed of the matters that should be approved solely by the Board.
Board Sub-committees	9.2	Complied with There are five Board appointed Sub-committees, namely Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee. Minutes of the meetings of these Committees are circulated to the main board to ensure the functions stipulated under such committees based on the charter/terms of reference are conducted effectively.
Senior Management Level Sub-committees	9.3	Complied with The Board has appointed the following Senior Management level sub-committees to assist the Board in its decisions with appropriate Delegated Authority: ▪ Board of Management (BOM) ▪ Assets and Liability Management Committee (ALCO) ▪ Credit Committee ▪ IT Steering Committee ▪ Deposit Product Steering Committee ▪ Vehicle Hire and Fleet Management Services Steering Committee ▪ BCP Committee ▪ Recoveries Review Committee
Delegating of Matters to Sub-committees	9.4	Complied with The Board has not delegated any matters to a Board Sub-committee, Executive Directors or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Evaluation of Delegated Functions	9.5	Complied with The Board of Central Finance periodically evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.

10. Board Sub-committees

Board Appointed Sub-committees	10.1*	Complied with There are five Board appointed Sub-committees namely, Audit Committee (BAC), Remuneration Committee, Nomination Committee, Integrated Risk Management Committee (IRMC) and Related Party Transactions Review Committee (RPTRC). These committees meet on required intervals as per the Finance Companies Direction No. 03 of 2008 and subsequent amendments thereto. Please refer pages 93 to 99 for reports included in the Annual Report explaining composition, duties and functions of each Sub-committee. Each Board Sub-committee is having a Board approved written terms of reference specifying clearly its authority and duties. The Board presents a report on the performance of duties and functions of each Board Sub-committee at the Annual General Meeting. Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions are circulated to the Board by respective Secretaries of the Committees who also maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the Chairperson of the Committee. Each Sub-committee consists of a minimum three Board members who have skills, knowledge and experience relevant to the responsibilities of the committee. The board also considers occasional rotation of members and of the chairperson of Board Sub-committees, to avoid undue concentration of power and promote new perspectives. During the year, there were no changes in the composition of the members of Board Sub-committees.
Board Audit Committee	10.2 *	Complied with This section is currently in compliance with the Sections 8(2)(a) to 8(2)(q) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. (a) The Chairman of the Committee The Committee is chaired by Mr. M. H. de Silva who was appointed on 1st July 2020, a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom with considerable experience in the field of auditing and finance. (b) Composition of the Audit Committee As at the year end, the Board appointed Audit Committee comprised of two Independent Non-executive Directors including the Chairman and one Non-executive Director.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		(c) Recommendation to the Board on appointment, re-appointment and removal of External Auditor, related service period, fees, implementation of the CBSL guidelines issued to external auditors, application of accounting standards. The Audit Committee is empowered by the Board to recommend the appointment, re-appointment or removal of the External Auditor in compliance with the relevant statutes issued by the CSE and CBSL, and the best practice on Corporate Governance, the service period, audit fee and any resignation or dismissal of the auditor. The Committee reviewed the effectiveness of the audit process in accordance with applicable standards and best practices. The Audit Committee ensured that the engagement of an audit partner did not exceed five years and that the audit partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. (d) Monitoring and review of the External Auditors' independence, objectivity and effectiveness The Committee periodically reviews the independence, objectivity and effectiveness of the audit process in conformity with applicable standards and best practices. (e) Policy of engagement of External Auditor in non-audit services The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the external auditors' independence and objectivity. Policy on engagement of the external auditor to provide non-audit services had been reviewed and approved by the Committee on 17th March 2023. (f) Discussing and finalising the nature and scope of the audit with external auditor The Committee approved the terms of engagement and scope of the audit and reviewed and approved the annual audit plan to ensure that it is consistent with the scope of the audit engagement (g) Reviewing financial information of the Company The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders. The Committee reviewed the internal controls on financial reporting systems to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments. (h) Meeting with External Auditor with and without the presence of Executive Directors/KMPs The Committee met with the External Auditor at two meetings without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee. (i) Review of External Auditors' Management Letter The Committee reviewed External Auditors' Management Letter and Management's responses thereto.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		(j) Steps taken to review the Internal Audit functions and review major findings of Internal Audit and management responses thereto. Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the Company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme annually. The Committee annually reviewed the performance appraisal of Head of Internal Audit and Senior Staff Members of the Internal Audit Department. The Committee's approval is required for the appointment, termination or transfer of Head of Internal Audit, senior internal audit staff and outsourced service providers of the internal audit function. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. (k) Internal Investigations The Committee reviewed major findings of internal investigations with recommendations of the management. (l) Attendance at Committee Meetings The Chairman, Deputy Managing Director, GM (Finance), Chief Strategy Officer and other Senior Management team members also attended Committee meetings by invitation as and when required. On the invitation of the Audit Committee, Company's External Auditors attended five Committee meetings during the year. (m) Authority to investigate matters within Term of References The Committee possesses the authority to investigate internally any matter within the scope of the Audit Committee Charter relating to the financial and other related affairs of the Company. The Committee has the authority to access information and mobilize necessary resources including obtaining independent professional advice as necessary. (n) Committee Meetings The Audit Committee met 10 times during the year 2022/23 and notice of the meeting with the agenda items to be discussed was circulated prior to each meeting. The meeting minutes are approved by the Chairman Audit Committee. (o) Annual Report Disclosure Please refer the Audit Committee Report given in page 97 to 99 for details of activities, number of Audit Committee meetings and details of attendance of each member. (p) Audit Committee Meeting Minutes The Deputy General Manager – Internal Audit functions as Secretary to the Audit Committee and keeps record of detailed minutes of the Audit Committee meetings.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		(q) Code of Conduct of Employees The Committee obtained confirmation and reviewed whether the "Code of Conduct of Employees" was communicated to the employees. The Whistle Blowing procedure in relation to reporting of the possible improprieties in Financial Reporting, internal control or other matters by the employees was reviewed by the Audit Committee and approved by the Board during the year 2022/23. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 10.2 of the Finance Business Act Directions No. 05 of 2021 and the Company is in the process of complying with the requirements by the given timeline.
Board Integrated Risk Management Committee	10.3*	Complied with The Corporate Governance Principle in relation to the Integrated Risk Management Committee is currently in compliance with Sections 8(3)(a) to 8(3)(h) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. The Integrated Risk Management Committee (IRMC) comprises four Non-executive Directors and management representatives including CEO/MD, Executive Directors and other Management representatives. The IRMC has established quantitative and qualitative risk indicators and if such limit is exceeded prompt corrective action is taken. Further the risk grids of the Company and its significant Subsidiary Companies are periodically tabled and mitigation actions if any are discussed by the IRMC. The committee also has a process of reviewing the effectiveness of the IRMC related management level committees of the Company periodically. The IRMC met quarterly. Minutes of IRMC meetings including discussions and conclusions reached at such meetings and risk assessment reports are circulated electronically within 7 days of each meeting to the Board of Directors seeking their views, concurrence and specific directions. Head of Compliance reports on the compliance status of the Company. A Compliance Statement covering Directions, Rules and Regulations issued under the Finance Business Act No. 42 of 2011, Rules and Regulations of the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, Provisions contained in the Companies Act No. 07 of 2007, Inland Revenue Act No. 24 of 2017 and other various statutory requirements is submitted to the Board monthly. Please refer the Integrated Risk Management Committee Report given on page 96 for details. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 10.3 of the Finance Business Act Directions No. 05 of 2021 and the Company is in the process of complying with the requirements by the given timeline.

CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Nomination Committee	10.4*	As per the Code of Best Practice on Corporate Governance, a board appointed Nomination Committee is in place which recommends all new appointments to the Board, Board Sub-Committees and Key Management Personnel. Details of the Committee are given in the Nomination Committee report on page 93. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 10.4 of the Finance Business Act Directions No. 05 of 2021, and the Company is in the process of adopting the requirements.
Human Resource and Remuneration Committee	10.5*	As per the Code of Best Practice on Corporate Governance, a board appointed Remuneration Committee is in place to establish a compensation policy for the Senior Management and ensuring the effective implementation of the policy and make recommendations to the Board on remunerations of CEO, Executive Directors and Senior Members of the Management. Details of the Committee are given in the Remuneration Committee report on page 95. Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 10.5 of the Finance Business Act Directions No. 05 of 2021, and the Company is in the process of adopting the requirements.

11. Internal Controls

Internal Controls	11	Complied with Well-established internal control systems are in place which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks. The existing controls are designed to, ▪ promote effective and efficient operations ▪ provide reliable financial information ▪ safeguard assets ▪ minimize the operating risk of losses from irregularities, fraud and errors ▪ ensure effective risk management systems ▪ ensure compliance with relevant laws, regulations, directions and internal policies. All employees of the Company are given the responsibility for internal controls as part of their accountability for achieving objectives.
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12. Related Party Transactions

Related Party Transactions	12	Complied with Corporate Governance Principle in relation to the Related Party Transaction Review Committee is currently in compliance with Sections 9(2) to 9(4) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008. Board members are required to make declarations in respect of Related Parties at the time of appointment and subsequently on a quarterly basis. Each Director and KMP will notify the Board of Directors and the Company Secretary of any interests that such person or an immediate family member of such person has or may have in a Related Party Transaction and shall include a description of the transaction and the amount.
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Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		To further strengthen the monitoring mechanism of Related Party Transactions, a Board approved Related Party Transaction Policy and a Related Party Transactions Review Committee are in place. The objectives of which are to: 1. encourage transparency with a view to facilitating informed decisions 2. conform to disclosure requirements and exercise good governance on related party transactions, and 3. ensure that any financial transaction / benefit is on terms that are reasonable in the circumstances if the entity and the related party were dealing at arm's length. The Board approved Related Party Transaction Policy details the formal process to be followed on "dealing with conflict of interest" to avoid any conflict of interest that may arise from any transaction of the finance Company with a related party. Transitional period until 01.07.2024 has been granted to comply with the new requirements under section 12 of the Finance Business Act Directions No. 05 of 2021 and the Company is in the process of complying with the requirements by the given timeline.

13. Group Governance

Group Governance	13	Complied with The Company has a newly adopted Group Governance Framework covering aspects specified under section 13.1 of the Finance Business Act Direction No 05 of 2021. The policy was reviewed and approved by the Board. The Finance Company is the Parent of the Group and the Group Governance Framework addresses the corporate governance practices throughout CF Subsidiary Companies. The Framework ensures that the businesses have appropriate decision making processes and controls in place so that the interests of all stakeholders (shareholders, employees, suppliers, customers and community) are balanced. The framework addresses customer relationship buildup through quality of services/ products and compliance, safeguard of Company assets, employee development and safe work environment, avoidance of conflict of interest in terms of related party transactions and timely reporting of those transaction to the Parent Company, accurate and reliable financial reporting, fair and timely disclosure of transactions, prior approval of the Parent Company for structural changes, information security and confidentiality. The Board reviews the group compliance with laws and regulations through review of quarterly compliance statements and risk control matrix from key subsidiary companies being tabled and discussed for mitigations at Board Integrated Risk Management Committee.
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14. Corporate Culture

Code of Conduct	14.1	Complied with Company has developed a Code of Business Conduct for all employees including KMPs, which addresses confidentiality, conflict of interest, integrity of reporting, corporate opportunities, fair dealing with customers, protection and proper use of the Company's assets including information assets and compliance with applicable laws and regulations including insider trading laws and encouraging the reporting of any illegal or unethical behavior.
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CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Records of Breaches of Code of Conduct	14.2	Complied with Breaches of Code of Conduct are recorded and such breaches are addressed by the Human Resource Department, in a manner that upholds high standards of integrity.
Whistleblowing Policy	14.3	Complied with The Company has in place a Whistleblowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees can raise concerns about illegal, unethical or questionable practices in a confidential manner and without the risk of reprisal.

15. Conflicts of Interest

Conflicts of Interest	15.1	Complied with
	15.2	The existing Policy on Related Party stipulates that there are no relationships between the Directors to exercise undue influence or coercion. Adequate procedures are in place to ensure that conflict and potential conflict of interests are properly disclosed to the Board. Procedure is in place for Directors to abstain from voting on any Board Resolution when the Director or any of his/her relatives or a concern, in which he/she has substantial interest, is interested and such director is not counted in the quorum for the relevant agenda item in the Board meeting. The policy covering requirements of the direction in managing conflicts of interest was reviewed and approved by the board.

16. Disclosures

Disclosures in the Annual Report	16.1	Complied with The Board reviews the annual and periodical financial statements to ensure that those are in conformance with all rules and regulatory requirements of regulatory authorities and applicable Accounting Standards and have been published in all three languages in the newspapers. (i) Financial Statements - A statement to the effect that the 2022/23 annual audited financial statements have been prepared in line with applicable Accounting Standards and regulatory requirements has been given in the Statement on Directors' Responsibility for Financial Reporting on page 100. - A statement of responsibility of the Board in preparation and presentation of financial statements is given under the Statement of Financial position of the financial statement on page 111. (ii) Chairperson, CEO and Board related disclosures - Directors profiles are given on the pages 12 to 14 detailing the name, qualifications, brief profile Directorship status (executive, non-executive and/or Independent Director.), nature of expertise in relevant functional areas and names of board committees in which the director serves as the Chairperson or a member. Names of other Companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity is disclosed on pages 234 to 235.
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Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation																																						
		- Board and Board Sub-committee Meeting attendance details are disclosed in the page 78. - There is no relationship between the Chairperson and the CEO and among the members of the Board.																																						
		(iii) Appraisal of board performance An overview of how the performance evaluations of the Board and its committees have been conducted is disclosed on page 91 under Annual report of the Board of Directors. (iv) Remuneration - A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of Senior Management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) are disclosed under the Remuneration Committee Report on page 95 of the Annual Report. - The aggregate values of remuneration paid by the Company to KMPs are as follows <table><tr><th></th><th>Rs.'000</th></tr><tr><td>Short term employee benefits</td><td>367,873</td></tr><tr><td>Contributions to provident fund</td><td>37,080</td></tr><tr><td>Contributions to gratuity fund</td><td>11,183</td></tr></table> (The remuneration paid to Directors as disclosed in note 60.2.1 to the Financial Statements is included above.) (v) Related party transactions - There is no relationship between the Chairperson and the CEO and among the members of the Board. - The net accommodation granted and outstanding from the related parties as a percentage of capital funds is given below. <table><tr><th>Related Party Category</th><th>Net Accommodation Granted During the Year (Rs. '000)</th><th>Net Accommodation Outstanding as of 31 March 2023 (Rs.'000)</th><th>Net Accommodation Outstanding as a % of Capital Funds</th></tr><tr><td>1. Subsidiaries</td><td>900,000</td><td>-</td><td>-</td></tr><tr><td>2. Associates</td><td>46,162,559</td><td>1,327,816</td><td>3.20%</td></tr><tr><td>3. Key Management Personnel</td><td>2,840</td><td>2,371</td><td>0.01%</td></tr></table> - The aggregate value of transactions of the Company with its Senior Management during the financial year are as follows. <table><tr><th>Transaction</th><th>31.03.2023 (Rs.'000)</th></tr><tr><td>Financial liabilities at amortised cost –Deposits</td><td>1,081,379</td></tr><tr><td>Placement of deposits (Cash Flow)</td><td>183,050</td></tr><tr><td>Interest expense</td><td>106,416</td></tr><tr><td>Accommodation granted</td><td>3,040</td></tr><tr><td>Capital paid during the year</td><td>1,499</td></tr><tr><td>Interest Income</td><td>161</td></tr></table> Number of shares held by Senior Management as at 31 March 2023 – 37,237,022 Shares		Rs.'000	Short term employee benefits	367,873	Contributions to provident fund	37,080	Contributions to gratuity fund	11,183	Related Party Category	Net Accommodation Granted During the Year (Rs. '000)	Net Accommodation Outstanding as of 31 March 2023 (Rs.'000)	Net Accommodation Outstanding as a % of Capital Funds	1. Subsidiaries	900,000	-	-	2. Associates	46,162,559	1,327,816	3.20%	3. Key Management Personnel	2,840	2,371	0.01%	Transaction	31.03.2023 (Rs.'000)	Financial liabilities at amortised cost –Deposits	1,081,379	Placement of deposits (Cash Flow)	183,050	Interest expense	106,416	Accommodation granted	3,040	Capital paid during the year	1,499	Interest Income	161
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CORPORATE GOVERNANCE

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		(vi) Board appointed committees Board Subcommittee details are disclosed under each subcommittee reports from page 93 to 99. Attendance details are available on page 78. (vii) Group Structure The Group structure is disclosed on page 115. The Company is having a Group Governance Framework which was reviewed and approved by the board in 29th March 2023 is detailed in page 55. (viii) Directors' report The Annual Report of the Board of Directors on pages 86 to 92 of the Annual Report covers the following aspects: ▪ The Company has not engaged in any activity, which contravenes laws and regulations. ▪ The Directors have declared all Related Party Transactions with the Company and abstained from voting on matters in which they were materially interested. ▪ The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. ▪ The business is a going concern with supporting assumptions; and ▪ The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness. (ix) Statement on Internal Control ▪ Directors Report on effectiveness of the internal control system over financial reporting is given under the "Directors' Statement of Internal Control" on page 101. ▪ Independent Assurance Report is issued by the External Auditor on effectiveness of Internal Controls over Financial Reporting based on "SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Controls" issued by the institute of Chartered Accountants of Sri Lanka. Please refer External Auditor's Independent Assurance Report on the Directors' Statement on Internal Control on page 103. ▪ A statement on prudential requirements, regulations, laws and internal controls is given under the "Directors' Statement of Internal Control" on page 102.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
		(x) Corporate Governance Report The External Auditor has performed procedures set out in "Sri Lanka Related Services Practice statement 4752" issued by the Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive. External Auditors' findings presented in their report are consistent with the matters disclosed above and did not identify inconsistencies to those reported. (xi) Code of Conduct Company has developed a Code of Business Conduct that applies to all Directors, Key Management Personnel and employees. A certification by the Chairman that the Company has no violations of any provisions of this code is given under the Chairman's statement on page 06. (xii) Management report Management Discussion and Analysis on pages 16 to 19, Chairman's Statement on pages 4 to 6, Managing Director's Statement on pages 7 to 11 and Risk Management Report on pages 29 to 36 of the Annual Report covers the following: ▪ Industry structure and developments ▪ Opportunities and threats ▪ Risks and concerns ▪ Sustainable finance activities carried out by the Company ▪ Prospects for the future (xiii) Communication with shareholders ▪ Board approved communication policy is in place, which details the policy and methodology for communication with the shareholders. ▪ The Company Secretary will engage with the shareholders by means of the Annual report, Quarterly Reports, and by sending notifications to the shareholders.

* These areas of the Corporate Governance Direction No. 5 of 2021 have transitional period for implementation and until such time requirements under the Finance Companies (Corporate Governance) Direction No. 03 of 2008 shall apply.

CORPORATE GOVERNANCE

SECTION TWO

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

STATEMENT OF COMPLIANCE

The level of adoption of the above voluntary code which comprises of eight fundamental principles and conformance of the said principles by CF in summary form is disclosed below.

The Company	
Directors	The Company is led, directed and controlled by a Board of Directors with the skills, experience and knowledge complemented with a highest level of integrity and independent judgment. The Board is equipped with members having sufficient financial acumen and knowledge. CF has established a clear division of responsibilities between the Chairman and CEO/MD to ensure balance of power and authority, in such a way that no individual has unfettered powers of decision.
Directors' Remuneration	CF has a well-established, formal and transparent procedure for executive remuneration and fixing the remuneration packages of individual Directors. The level of remuneration of both Executive and Non-executive Directors is sufficient to attract and retain the Directors needed to manage the Company successfully.
Relations with Shareholders	Central Finance uses the Annual General Meeting to communicate with its shareholders and the Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Further during 2022/23, the Company had not engaged in or committed to any major and material transactions where the materially affected CF's net asset base.
Accountability and Internal Controls	The CF Board has presented a balanced and understandable assessment of the Company's financial position and performance during 2022/23. The Board has established a sound framework of risk management and internal controls. The Company has developed a Policy on Code of Conduct and Ethics applicable to all employees, and has also addressed conflict of interest, financial irregularities, IT system controls, receiving entertainment and gifts and confidentiality of information.
Shareholders	
Institutional Investors	The Board has encouraged the institutional shareholders to make considered use of their votes, ensure that their voting intentions are translated into practice and to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company.
Other Investors	The Company has encouraged individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions and to participate and exercise their voting rights at the General Meeting.
Internet of Things and Cyber security	Prevailing risks related to information security has been taken in to consideration by the Board in formulating the IT risk management policy.
Environment, Society and Governance (ESG)	The Company has created long-term stakeholder value by embracing opportunities, managing risks and impact on business activities from economic, environmental and social developments through ESG reporting.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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THE COMPANY

A. DIRECTORS

A.1 The Board

Central Finance is headed by a well-balanced Board of Directors with local and multinational experience drawn from different backgrounds inter alia banking, insurance, accounting, management, marketing and economics. All Directors possess the skills, experience and knowledge complemented with a high degree of integrity and independent judgment. The Board provides leadership in setting strategic direction and a sound control framework to successfully achieve the objectives of CF set out in the strategic plan and the annual budget to satisfy the expectations of stakeholders. The Board has also appointed Board Sub Committees to assist its collective responsibilities.

Board Meetings	A 1.1 Adopted	The regularity of the board meetings and the structure and process of submitting information have been pre- agreed by the Board. The Board meets at monthly intervals, but meets more frequently whenever it is necessary. During the year, the Board met 14 times, at approximately monthly intervals. A monthly Board pack is presented to the Board members comprising financial and operational performance compared to previous periods, prevailing risks and mitigation factors, forecasts, regulatory compliances and any other matters that the Board should be aware of. Circulation of Board papers to obtain Board's consent was minimised and confirmations ratified at the subsequent Board meeting. Details of the Board meetings and individual attendance are given on page 78
Board Responsibilities	A 1.2 Adopted	The Board of Directors is responsible for setting sound business strategy, ensuring the execution of strategies, monitoring performance and oversight of the Company's affairs. The Board is chaired by an Independent Non-executive Director and the Board has put in place a Corporate Management team led by the MD/ CEO equipped with the required skills, experience and knowledge to implement the business strategy of the Company. A comprehensive succession planning for the MD/CEO, executive directors and key management personnel has been documented for a seamless operation. The non-executive directors possess experience from a number of industries and business sectors, including the leadership of large multinational enterprises. The Board determined the matters expressly reserved to the Board and the aspects delegated to the management including limits of authority and financial delegations. The Board takes necessary steps towards safeguarding the depositors, securing integrity of information, prudent management of risks, implementing an effective internal control system, ensuring good governance and compliance with rules and regulations.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
		Processes have been established to monitor the progress on strategy implementation, budgets, plans and related risks and to ensure the corporate reporting, on a quarterly basis, through the Board appointed subcommittees. The Board is responsible to ensure that the interest of all stakeholders is taken into consideration in the corporate decision making process and that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and complying with laws, regulations and ethical standards.
Compliance with laws of the country and access to independent professional advice	A 1.3 Adopted	Procedures and processes are in place to ensure compliance with all applicable laws and regulations of the country. A procedure is in place for Directors to seek independent and collective professional advice, in furtherance of their duties, at the Company's expense, as and when it is necessary.
Access to the Services of the Company Secretary	A 1.4 Adopted	Access to the services of the Company Secretary, M/s Corporate Services (Pvt) Ltd. is available for all Board Members, including Non-executive Directors, as and when required. The Company Secretary provides support and advise to the Chairman and the Board on all Corporate Governance matters, duties and responsibilities, Board procedures and in particular, compliance with Company Law and other applicable laws and regulations including but not limited to CBSL, CSE and SEC regulations. Removal of the Company Secretary, if it arises, would be a matter that would be considered by the Board as a whole.
Insurance cover for the Board/KMPs		The Company has obtained a comprehensive insurance cover for CF Board members and its KMPs for 2022 /23.
Independent judgment of Directors	A 1.5 Adopted	All Directors including Non-executive Directors, in discharging their responsibilities and duties, bring to bear independent judgment and scrutiny on decisions taken by the Board on matters relating to strategy, performance, resources, risk management, internal controls and standards of business conduct.
Dedication of adequate time and effort by Directors	A 1.6 Adopted	All Directors dedicate adequate time for the fulfillment of their duties as Directors of the Company, to execute and discharge their duties and responsibilities satisfactorily. In addition to attending Board Meetings, they attend Sub-committee Meetings and contribute effectively to decisions made. Adequate time has been allocated by Directors for familiarization with business operations, risks and controls to effectively discharge their duties. Board papers are made available to the Directors providing sufficient time for review and to request additional information and clarification for effective participation. Any issue arising consequent to a meeting are also followed up. Approvals obtained through circulation of resolutions are ratified at the subsequent Board Meeting.
Calling for resolution by one third of Directors	A 1.7 Not applicable	No such incidents had arisen during the year.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Training for Directors	A 1.8 Adopted	Directors have recognised the need for continuous training and expansion of knowledge for professional development which would assist them in the discharge of their duties. Training and development needs for directors are regularly reviewed and agreed on by the Board. All Directors have undergone necessary training both in the general aspects of directorship and matters specific to the financial services industry.

A.2 Chairman and Chief Executive Officer (CEO/MD)

Clear division of responsibilities between the Chairman and CEO/MD has been established to ensure the balance of power and authority, in such a way that no individual has unfettered powers of decision. The Chairman is responsible for leading the Board effectively to discharge all responsibilities and CEO/MD is responsible for management of the Company's business operation with the assistance of the Corporate Management Team.

Division of responsibilities of Chairman and CEO/MD	A 2.1 Adopted	The roles of the Chairman and CEO/MD are separated in line with best practices to ensure that no individual is vested with unfettered powers of decision making. The Chairman leads and guides the Board to effectively discharge Board's responsibilities and CEO/MD leads the Company's business operation effectively with the assistance of the Board of Management Team.
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A.3 Chairman's Role

The Chairman is responsible for providing effective leadership to the Board in preserving sound Corporate Governance and orders, and facilitating effective discharge of Board functions.

Role of the Chairman	A 3.1 Adopted	The Chairman is responsible for leading the Board and creating conditions for the effectiveness of the overall Board and the individual directors. The Chairman is not responsible for the executive matters of the Company and the direct supervision of the management.
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A.4 Financial Acumen

Board should ensure the availability of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. CF's Board is equipped with members having sufficient financial acumen and knowledge.

Availability of sufficient financial acumen and knowledge	A 4 Adopted	The Board comprises of members with academic and professional qualifications in Accounting, Business Finance and Management with experience gained in different enterprises. The Board includes two Fellow Members of the Institute of Chartered Accountants of Sri Lanka and both of them are also Fellow Members of the Chartered Institute of Management Accountants of UK. In addition, the Board also includes three other members who are Members of the Chartered Institute of Management Accountants of UK. These Members of the Board have the ability to offer guidance on matters of finance to the Board. The details of their qualifications and experience have been set out on pages 12 to 14
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CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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A.5 Board Balance

Maintaining a balanced Board between Executive Directors and Non-executive Directors is required as per the Code to ensure that no individual or small group of individuals can dominate the Board's decision making. Half the CF Board members are Non-executive Directors and each of them bring wide experience to the Board and ability to exercise independent judgment when taking informed decisions.

Presence of a strong team of Non-executive Directors on the Board	A 5.1 Adopted	The Board includes a strong presence of Non-executive Directors and no individual or small group of individuals can dominate its decision making. The roles of the Chairman and CEO/MD are not vested in one person. As per the criteria defined to determine an independent Director in A.5.5 of CA Sri Lanka code, Chairman is determined as independent non-executive director. Half the Board Members are Non-executive Directors which is more than the requirement of the code and majority of them are independent.
Independent Directors	A 5.2 Adopted	More than two third of the Non-executive Directors are Independent which is above the minimum requirement prescribed by this Code.
Evaluation of independence of Non-executive Directors	A 5.3 Adopted	The Board considers Non-executive Directors' independence on the basis that an independent Director is independent of management and hence free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment which could impair their independence. Using the annual declaration the Board reviews the independence of each Non-executive Director.
Annual declaration of the Non-executive Directors	A 5.4 Adopted	Non-executive Directors have made written submissions annually as to their Independence or non-independence against the specified criteria as set out by the Company in line with requirements specified in schedule K of the code. Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this Code.
Determination of Independence of the Directors by the Board	A 5.5 Adopted	The Board has reviewed the independence of each Non-executive Director during the year 2022/23 and has determined that the submission of the declaration by the Non-executive Directors, as to their independence is a fair representation and will continue to evaluate this annually. All criteria set out in the code in determining independence, were met. The names of the Independent Non-executive Directors are given on page 12 to 14.
Alternate Director	A 5.6 Adopted	The alternate director appointment has not been taken place during 2022/23.
Requirement of Senior Independent Director and availability for confidential discussions	A 5.7 and A 5.8 Not Applicable	The requirement to appoint a Senior Independent Director does not arise under this code as the roles of Chairman and CEO /MD are separated and the Chairman is determined as an independent Non-executive Director as per this Code.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Meetings with Non-executive Directors	A 5.9 Adopted	The Chairman met with the Non-executive Directors without the presence of the Executive Directors twice during the year.
Recording of concerns in Board minutes	A 5.10 Not Applicable	Circumstances have not arisen where Directors have had concerns on matters that were not unanimously resolved for such instances to be recorded in the minutes. All matters taken up for discussion were resolved through consensus at Board Meetings.

A.6 Supply of Information

The Board should be provided appropriate and timely information in a form and of a quality appropriate to enable them to discharge their duties effectively. Financial and non-financial information are analysed and presented to the Board for accurate and effective decision making.

Appropriate and timely information to the Board by the Management	A 6.1 Adopted	The Management provides timely and appropriate information to the Board by way of Board Papers and Proposals. The Directors are free to raise queries for additional information as and when necessary. Presentations have been made to the Directors on important matters relating to strategy, risk management, recoveries, IT infrastructure developments, key updates in financial reporting and new legal developments. The Chairman ensures that all Directors are briefed on issues arising at Board Meetings.
Adequate time for Board Meetings	A 6.2 Adopted	The Board Papers are sent to the Directors well in advance of, at least seven days before the respective Board Meetings, giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at Board Meetings.

A.7 Appointment to the Board

A Formal and transparent procedure is in place for the appointment of new Directors to the Board as required by this code.

Nomination Committee	A 7.1 Adopted	The Board appointed Nominations Committee recommends selection of new Directors for the approval of the Board. Details of the committee members are given in the Nomination Committee Report on page 93. Meeting of the Nomination Committee was held on the 24 th of March 2023. Committee member attendance of the Nomination Committee is given on page 78. There were no changes to the board composition during the year 2022/ 2023. Biographic details of the Directors are given on pages 12 to 14.
Assessment of Board composition	A 7.2 Adopted	The Board carries out continuous reviews of the structure, size, composition, skills and knowledge of the Board, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands and key risks faced by the Company. Findings of the assessment of the Board are considered for new appointments and re-election of Directors. Also a process has been established to determine that the proposed Board appointees are fit and proper for the requirement.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Disclosure of details of new Directors to shareholders	A 7.3 Adopted	Appointment of new Directors are disclosed to the Shareholders, with a brief resume of each such Director including their expertise in relevant functional areas and names of companies in which the Director holds directorships, by way of public announcements as well as in the Annual Report. Approval for appointment of new Directors is obtained from the CBSL and notice on new appointments is given to CSE for public information. All new appointments and continuing directorships are reviewed by the Board as a whole.

A.8 Re-election

Code requires all Directors to submit themselves for re-election at regular intervals of at least once in three years.

Appointment of Non-executive Directors	A 8.1 Adopted	The Company's Articles of Association provides that at every Annual General Meeting of the Company, one-third of the Non-executive Directors shall retire from office. These Directors are eligible to stand for re-election by the shareholders at the annual general meeting. Period of service of Non-executive Directors shall not exceed nine years. Directors retire from the Board prior to reaching the age of 70 years.
Election of Directors by the shareholders	A 8.2 Adopted	Re-appointment of all Non-executive Directors including the Chairman of the Board is subject to election by shareholders at the Annual General Meeting. Re-election of Directors is at three year intervals and details as per code A 7.3 are submitted for shareholders to make informed decisions on their election. Proposed re-election is subject to prior review by the Board as defined in code A.7.2.
Resignation of directors	A 8.3 Adopted	There were no resignations during the year 2022/2023

A.9 Appraisal of Board Performance

Board should appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged. The Board has periodically reviewed its performance against the pre-set criteria ensuring adherence to the code.

Appraisal of Board performance and annual self-evaluation of the Board and its Committees	A 9.1 and A 9.2 Adopted	The Self Evaluation of the Board has been concluded for the year 2022/23. The outcome of such assessments was discussed at Board level, and action taken as required. The Audit Committee and the IRMC also carry out a self-assessment process annually, in accordance with the pre-set criteria, to ensure that the committee functions effectively and efficiently.
Process of reviewing the Directors at the re-election	A 9.3 Adopted	Participation, contribution and engagement of each Director is taken into consideration when each Director are recommended for re-election by the Board.
Method of Board and Sub-committee Performance appraisal	A 9.4 Adopted	Method of evaluating the Board and its Sub-committee performance are stated in Section A 9.1 and A 9.2 above and Annual report of the Board of Directors on pages 86 to 92.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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A.10 Disclosure of Information in respect of Directors Details of all Directors should be disclosed in the Annual Report for Shareholder's information

Details in respect of Directors	A 10.1 Adopted	The details pertaining to each Director is disclosed as follows. a) Brief profile with expertise and experience – pages 12 to 14. b) Status of independence – pages 12 to 14. c) Other business interests – page 232. d) Attendance at Board Meetings and Sub-committee Meetings - page 78.
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A.11 Appraisal of the Chief Executive Officer (CEO /MD)

The Code requires the Board to assess the performance of MD /CEO at least annually to ascertain the achievement of pre-set Financial and Non-financial targets.

Financial and Non-financial targets for MD /CEO	A 11.1 Adopted	At the commencement of the financial year, reasonable financial and non financial targets for MD /CEO are set by the Board in consultation with MD/ CEO in line with the short, medium and long term objectives of the Company.
Evaluation of the Performance of the MD/ CEO	A 11.2 Adopted	There is an ongoing process to evaluate the performance of MD/CEO to assess whether the financial and non-financial targets set by the Board have been achieved during the financial year.

B. DIRECTORS' REMUNERATION

B.1 Remuneration Procedure

The Code requires that the Company should establish a formal and transparent procedure for developing an effective policy on executive remuneration and remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration.

Remuneration Committee	B 1.1 Adopted	The Remuneration Committee is responsible for; - Assisting the Board with regard to the remuneration policy for the Executive Directors and other senior level staff members. - Reviewing strategic human resource policies that can impact the business and recommending appropriate measures. - Determining and agreeing with the Board, the broad policy framework for the remuneration of the Executive Directors. - Deciding remuneration of the senior level staff members in order to recruit, retain and motivate them. - Reviewing / monitoring evaluation of performance of KMPs and their management developments and succession planning. - Communicating with shareholders on the remuneration policy and the committee's work on behalf of the Board through remuneration committee report.
Composition of the Remuneration Committee	B 1.2 and B 1.3 Adopted	As at the year-end majority of the members including the Chairman of the Remuneration Committee are Independent Non-executive Directors. The Chairman of the Committee is appointed by the Board. Committee meetings, composition, scope, policy and other details given in the remuneration committee report given on page 95 for details.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Remuneration of the Non-executive Directors	B 1.4 Adopted	The Board as a whole decides on the remuneration of the Non-executive Directors. The Non-executive Directors receive a fee for serving on the Board and its Sub-Committees. The Non-executive Directors fee structure is reviewed and revised by the Board as a whole, as and when necessary.
Consultation of the Chairman and / or CEO/MD and access to professional advice	B 1.5 Adopted	Chairman of the Board is also the Chairman of the Remuneration Committee. External professional advice is obtained where necessary in determining the remuneration of the Executive Directors and senior level staff members. MD's (CEO) input is obtained in determining the remuneration of other Executive Directors and senior level staff members.

B.2 Level and make-up of the Remuneration

The Code requires the Board to establish the levels of remunerations for both Executive and Non-executive Directors which should be sufficient to attract and retain the Directors needed to manage the Company successfully. A proportion of the Executive Directors remuneration should be structured to link rewards to corporate and individual performance.

Level and make-up of the remuneration of Executive Directors for long-term success of the Company	B 2.1 and B 2.2 Adopted	The Board is mindful of the fact that remuneration of Executive Directors should reflect the market expectations and is sufficient to attract and retain the eminence of Directors needed to achieve the Company's objectives. The remuneration framework of the Executive Directors is designed by the Remuneration Committee to create and enhance value for all stakeholders and to ensure that there is strong alignment between them for the long term success of the Company.
Comparison of remuneration with other companies	B 2.3 Adopted	The Remuneration Committee in deciding the remuneration of the Directors and senior level staff takes into consideration the level of remuneration paid by other comparable companies and is also mindful of the performance and risk factors entailed.
Comparison of Remuneration with other companies in the Group	B 2.4 Not Adopted	The size and scale of Central Finance is not comparable with other Companies in the Group.
Performance related elements of remuneration to Executive Directors	B 2.5 Adopted	Please refer code B 2.1 and B 2.2 above.
Executive share options	B 2.6 Not Applicable	There are no share option plans available for executives.
Designing the Executive Directors remuneration	B 2.7 Adopted	The Remuneration Committee considered Schedule E to this code in deciding performance-related remuneration schemes of the Executive Directors.
Early termination of Directors	B 2.8 Adopted	Executive Directors are employees of the Company and their terms of reference are governed by the contract of employment. The Remuneration Committee has considered the compensation commitments given in the contracts of employment of Executive Directors, if any.
Early termination not included in the initial contract	B 2.9 Adopted	Refer the code B 2.8 above.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Remuneration of the Non-executive Directors	B 2.10 Adopted	Non-executive Directors receive fees in line with market practices taking into consideration the time commitment and responsibilities of their roles. No share option plans were offered as remuneration of Non-executive Directors for their service to the Company.

B.3 Disclosure of Remuneration

The Company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.

Disclosure of remuneration	B 3.1 Adopted	The Remuneration Committee's Report setting out the policy and composition of the Committee is given on page 95. The remuneration paid to the Board of Directors is disclosed in aggregate in Note no 60.2 to the financial statements on page 225.
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C. RELATIONS WITH SHAREHOLDERS

C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.

The Code requires the Board to use the Annual General Meeting to communicate with Shareholders and encourage their active participation.

Notice of the AGM	C 1.1 Adopted	Notice of the meeting and related papers are sent to the shareholders as determined by the Companies Act No. 7 of 2007 and other statutes.
Separate resolution for all substantially separate issues	C 1.2 Adopted	The Company proposes a separate resolution for all substantially separate issues to provide shareholders with the opportunity to vote on each issue separately. This mechanism assures transparency in all activities of the Company. Adoption of annual report and financial statements is considered as a separate resolution. Proxy appointment forms are provided to shareholders for each resolution with the option to direct their proxy accordingly. The Company is mindful to disregard the votes withheld at the calculation of the proportion of the votes for and against the resolution.
Use of proxy votes	C 1.3 Adopted	The Company has in place an effective mechanism to record all proxy votes and proxy votes lodged on each resolution.
Availability of all Board Sub Committee Chairmen at the AGM	C 1.4 Adopted	The Chairman of the Board ensures that Chairmen of all Sub Committees namely, Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are present at the Annual General Meeting (AGM) to respond to any questions of shareholders. Requirement of Senior Independent Director will not arise as Chairman of the Board is independent according to the code.
Adequate notice of the AGM and procedures of voting at General Meeting	C 1.5 Adopted	All shareholders irrespective of their voting status are encouraged to attend the AGM. Notice of the meeting is given as per the requirements of the Companies Act No. 7 of 2007. The Annual Report including financial statements and the Notice of the Meeting detailing the summary of procedures governing the voting at the AGM and business to be transacted at General Meetings are sent to shareholders at least 15 working days prior to the date of the AGM for effective participation.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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C.2 Communication with Shareholders

The Code requires the Board to establish effective communication with shareholders.

Channel to reach all shareholders of the Company	C 2.1 Adopted	The primary modes of communication are the Annual Report and AGM. Information provided to the shareholders well in advance of the AGM to give them an opportunity to raise any issues relating to the business of the Company. CF also publishes Annual Reports, interim reports, stock exchange announcement, general meetings and other notices to the holders of its securities in the CF web-site to enable effective communication with the stakeholders.
Policy and Methodology for communication with Shareholders	C 2.2 Adopted	The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of information provided. A Board approved Communication Policy is in place to communicate with all stakeholders including shareholders, borrowers, depositors and creditors.
Implementation of the Policy and Methodology	C 2.3 Adopted	As defined by the Board approved Communication Plan, the Company adopts open communication with shareholders. Chairman, MD/CEO and the Company Secretary are contactable with short notice.
Contact person in relation to Shareholders matters	C 2.4 and C 2.6 Adopted	Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Senior Management of the Company. Such questions, requests and comments shall be addressed to the Company Secretary. Authorised spokespersons of CF are identified in the company communication policy.
Process to make all Directors aware of major issues and concerns of shareholders	C 2.5 Adopted	The Company Secretary maintains all correspondence received and will deliver as soon as practicable, such correspondence to the Board or individual Director/s as applicable.
The process for responding to shareholder matters	C 2.7 Adopted	Appropriate response will be provided to all validly received shareholder correspondence by the Board or individual Directors, as applicable, and Company Secretary will be directed to send immediate responses to the particular shareholder. Disclosure process of responding to shareholders is specified in the company communication policy.

C.3 Major and Material Transactions

Further to complying with the requirements under statutes and regulators, Directors should disclose to shareholders all proposed material transactions which would materially alter/ vary the net assets position of the Company/Group, if entered into

Major transactions	C 3.1 Adopted	There were no major transactions during 2022/23.
Disclosure requirements and shareholder approvals for special resolutions in PLCs	C 3.2 Adopted	CF has complied with all required disclosures and shareholder approvals has also obtained for special resolutions as required by the rules and regulations which have been established for public listed companies by the SEC / CSE.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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D. ACCOUNTABILITY AND AUDIT

D.1 Financial and Business Reporting (The Annual Report)

The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.

Statutory and Regulatory Reporting	D 1.1 and D 1.2 Adopted	The Board is aware of its responsibility to present balanced and understandable financial statements in compliance with statutory and regulatory requirements. In the preparation of quarterly and annual financial statements for the year ended 31st March 2023, Central Finance has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and presented in conformity with Sri Lanka Accounting Standards and complied with the reporting requirements prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and Colombo Stock Exchange.
Declaration on financial Statements	D 1.3 Adopted	Prior to obtaining the Board approval for financial statements, Chief Financial Officer submits a declaration for quarterly and annual financial statements confirming that financial records of the Company have been properly maintained and financial statements/ disclosures comply with appropriate and required Sri Lanka Accounting Standards and give a true and fair view of the financial position and performance of the Company and effectiveness of the internal controls established by the management.
Directors' report in the Annual Report	D 1.4 Adopted	The Directors have made all declarations in the "Annual Report of the Board of Directors" as given on pages 86 to 92 which includes the following; - the Company has not involved in any activity which contravenes the laws and regulations. - the Directors have placed great emphasis on instituting and maintaining effective corporate governance practices - the property, plant and equipment of the Company are reflected at fair value and deviations have been properly disclosed. - the Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. - instituting of an effective and comprehensive internal controls covering financial operations, compliances and risk management - the Company has made all endeavours to ensure the equitable treatment of shareholders.
Statement of Directors', and Auditor's responsibility for financial statements and report on Internal Controls	D 1.5 Adopted	The Statement setting out the responsibilities of the Board for preparation and presentation of financial statements is included in "Directors' Responsibility for Financial Reporting" and given on page 100 of the Annual Report. Auditor's reporting responsibility is given in their report on the financial statements on pages 104 to 108. The Directors' Statement on Internal Controls is given on page 101 and Auditor's report on "The Directors' Statement on Internal Controls" is given on pages 103.
Management Discussion and Analysis	D 1.6 Adopted	The "Management Discussion and Analysis" report discussing the key aspects identified in this code is given on pages 16 to 19.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Summoning an EGM to notify serious loss of capital	D 1.7 Not Applicable	Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Disclosure of related party transactions	D 1.8 Adopted	The Board has established an effective and comprehensive process for identifying, recording and disclosure of related party transactions. Steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties. The Board ensures that any financial transaction is on terms that are reasonable if the Company and the related party were dealing at arm's length in the ordinary course of business. As an effort to strengthen the monitoring mechanism of related party transactions, Board has established a Related Party Transactions Review Committee (RPTRC). All related party transactions as defined in Sri Lanka Accounting Standard Colombo Stock Exchange and similar regulations on "Related Party Transactions" are disclosed in note 60 to the Financial Statements on pages 225 to 229.

D.2 Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the principal risks that will be taken in achieving the strategic objectives. The Board should have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and Company's assets.

Annual evaluation of risk management systems and the effectiveness of the internal control system	D 2.1 and D 2.2 Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls and monitoring its' effectiveness on a continuous basis. Through such an effective framework, CF manages business risks and ensures that the Company's assets are safeguarded. Potential risks of the Company and effectiveness of the system of internal controls related to financial, operational and compliance are reviewed at least annually by the Company. Robust assessment of the principal risks faced by the Company including the factors that would threaten the business model, future performance. The Directors' Statement on internal controls is given on page 101. The Auditor's report on same is given on page 103.
Internal audit function	D 2.3 Adopted	The Internal Audit function is carried out by the Internal Audit Department of the Company.
Review of process and effectiveness of risk management and internal controls	D 2.4 Adopted	CF Internal Audit Division carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors and reviews the Internal Control issues and risk management measures identified by the Internal Audit Division and evaluate the adequacy and effectiveness of risk management and internal control system of the Company. The Board was satisfied with the effectiveness of the internal control system as referred to in the "Directors' Statement on Internal Control" on page 101.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
Responsibilities of Directors in maintaining a sound internal control system	D 2.5 Adopted	The Directors' responsibilities for maintaining a sound system of internal control are given in the "Directors' Statement on Internal Controls" on page 101. The External Auditor has independently reviewed the report as indicated on page 103 of the Annual Report.

D.3 Audit Committee

The Code requires the Board to have a formal and transparent arrangement in selecting and applying Accounting policies for financial reporting, determining the structure and content of the corporate reporting, implementing internal control and risk management principles and maintaining an appropriate relationship with the Company's Auditor

Composition of the Audit Committee	D 3.1 Adopted	As at the year end, the Audit Committee comprised of two Independent Non-executive Directors and one Non-independent Non-executive Director. The Chairman of the Audit Committee is an Independent Non-executive Director. The said Committee met 10 times during the year 2022/23. The Deputy General Manager - Internal Audit functions as the Secretary to the Audit Committee. Chairman, Deputy Managing Director, Chief Operating Officer, Chief Strategy Officer, GM-Finance/CFO, General Manager IT, Senior management team representatives, Manager – Internal Audit, Manager – IT Audit, External Auditor and other outsourced professional service providers appointed by the Audit Committee attend meetings by invitation.
Terms of reference of the Audit Committee	D 3.2 Adopted	The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the Audit Committee. The Charter was reviewed for 2022/23 in line with the Code of Best Practices on Audit Committees of CA Sri Lanka. The Duties and Responsibilities of the Committee include, ▪ Assisting the Board to ensure preparation and presentation of Financial Statements in conformity with Sri Lanka Accounting Standards and other laws and regulations. The committee reviews the annual and quarterly financial statements with management and the External Auditor. ▪ Assessing the compliance of regulatory requirements and Company's ability to continue as a going concern in the foreseeable future. ▪ Monitoring and reviewing the effectiveness of the Internal Audit function. ▪ Reviewing the internal control system. ▪ Making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor and to approve the remuneration and terms of engagement of the external auditor. ▪ Discussion of external audit plan, key audit issues and management responses with management and the Auditor. ▪ Assisting the Board in assessing the independence and objectivity and effectiveness of the audit process.

CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
		- The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking into account, relevant ethical and regulatory guidance regarding the provision of non-audit services by the external audit firm. The Audit Committee reviewed and approved the policy for engagement of the External Auditor to provide non-audit services during 2022/2023. - Separate periodic meetings with management, external auditor and the internal auditors - Reporting regularly to the Board of Directors.
Disclosures of the Audit Committee	D 3.3 Adopted	A review of the scope of the Audit Committee, results of the Audit and the effectiveness in discharging its duties during 2022/23 are described in the Audit Committee report on pages 97 to 99.

D.4 Related Party Transactions review committee

The code requires the Board to ensure that a procedure has been established to avoid any conflict of interest that may arise, in transacting with related parties.

Related parties and related party transactions	D 4.1 Adopted	All related parties and related party transactions are identified in conformity with LKAS 24.
Related party transaction review committee	D 4.2 Adopted	The Board has established a Related Party Transaction Review Committee which comprises independent Non-executive directors and executive directors, with the majority being Non-executive directors and chaired by an independent Non-executive director. Executive directors are also included in the membership of the committee in line with the CSE's listing rule requirements.
Related Party Transactions (RPT) Review committee terms of reference		The RPT Review committee is directed by the Board approved terms of reference which sets out authority and responsibility of the Committee. It has addressed: 1. Ensuring that policies and procedures are in place to review the related parties and related party transactions of the Company in line with LKAS 24 CSE listing rules, Corporate Governance Direction No 03 of 2008 and periodic review of the same. 2. Procedure to identify and for Directors to report recurrent and non-recurrent related party transactions as defined in the CSE listing rules. 3. Ensuring that interested Director or KMPs shall not participate in any discussion of proposed related party transactions unless such person is requested to do so by the Committee for the purpose of providing information concerning the related party transaction. 4. Procedures to be followed in a situation where conflicts arise. 5. Reviewing the availability of procedures in making disclosures related to financial reporting and ensuring that it is in accordance with the Code and Sri Lanka Accounting standards. 6. Reviewing and recommending to the Board the related party disclosures to be made in the annual report.

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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D.5 Code of business conduct and ethics

The Company should develop a Code of Business Conduct and Ethics to be adhered to by all Directors, Key Management Personnel and all other employees including but not limited to: dealing with shares of the Company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behavior be promptly reported to those charged with governance.

Code of business conduct and ethics	D 5.1 Adopted	Central Finance has developed a Code of Business Conduct for all staff members, which addresses conflict of interest, receiving gifts or any other benefit, accurate accounting and record keeping, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets including information assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behavior. The code of business conduct and ethics has been adhered to in all respects by the Directors and Key Management Personnel.
Price sensitive information	D 5.2 Adopted	Communication policy is in place defining the procedure to identify and report material and price sensitive information in accordance with the relevant regulations.
A process of monitoring and disclosing of share purchases	D 5.3 Adopted	A process is in place to monitor and disclose the purchasing and selling of shares by Directors and Key Management Personnel.
Affirmation of the code of conduct and ethics	D 5.4 Adopted	The communication policy which includes code of conduct and ethics and the procedure for disseminating, monitoring and compliance with the code have been introduced Company wide and the Chairman confirms that he is not aware of any material violations of the Code of Conduct.

D.6 Corporate Governance Disclosures

The Company should disclose the extent of adoption of best practices in Corporate Governance

Corporate Governance Report	D 6.1 Adopted	This report satisfies the requirement of the code.
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SHAREHOLDERS

E. INSTITUTIONAL INVESTORS

E.1 Shareholder voting

The Code requires the institutional shareholders to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.

Communication with Institutional shareholders	E 1.1 Adopted	The Annual General Meeting is used for effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management, in order to ensure that the views are properly communicated and acted upon.
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CORPORATE GOVERNANCE

Corporate Governance Principles	CASL Code Reference/Adoption status	Extent of Adoption by CF
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E.2 Evaluation of Governance Disclosures

The Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company.

Evaluation of the Corporate Governance initiatives	E 2 Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weightage to all relevant factors particularly in the Board structure and composition.
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F. OTHER INVESTORS

F.1 Investing/Divesting Decisions

The Code requires individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions.

Other Investors	F 1 Adopted	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on investing or divesting decisions.
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F.2 Shareholder Voting

Individual shareholders should be encouraged to participate and exercise their voting rights in General Meetings

Individual shareholders voting	F 2 Adopted	Individual shareholders are encouraged to participate at General Meetings and exercise their voting rights. The Company communicates with all shareholders by ensuring that they are duly informed by dispatching necessary Notices.
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G. INTERNET OF THINGS AND CYBERSECURITY

Prevailing risks related to information security has been taken in to consideration by the Board in formulating a cyber-security risk management policy.

Effective cyber-security risk management process	Principle G.1 - Principle G.5	Prevailing risks related to information security has been taken in to consideration in developing the Information Security Management System policy which includes a robust cyber-security risk management process, incident response system, disaster recovery plan and governance structure to monitor effective implementation and reporting.
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H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

H.1 ESG Reporting

ESG factors create long-term stakeholder value by embracing opportunities, managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity.

ESG reporting is the practice of recognizing, measuring, disclosing and being accountable to all stakeholders for organizational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity. Hence, the Code requires to maintain Policies and Procedures to develop a sustainable business environment and make adequate disclosures on this regard in the Annual Report.

Information on ESG reporting	H 1.1 Adopted	Please refer the "Corporate Social Responsibility Report" on pages 79 to 83 for details.
Environment factors	H 1.1 Adopted H 1.2 Adopted	
Social factors	H 1.3 Adopted	
Governance	H 1.4 Adopted	
Board's role on ESG factors	H 1.5 Adopted	

SECTION THREE

CONTINUING LISTING RULES SECTION 7.10 ON CORPORATE GOVERNANCE OF THE COLOMBO STOCK EXCHANGE

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates Companies listed on the Colombo Stock Exchange to publish a Table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses the following areas:

- Non-executive Directors
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- Audit Committee

Corporate Governance Principles	CSE Rule Reference	Compliant status	Level of Compliance
Non-executive Directors	7.10.1 (a) Composition	Compliant	Half the Board Members are Non-executives, which is more than the requirement of the rule.
	7.10.2 (a) Independent Directors	Compliant	Half the Board Members are Non-executives and more than one third of them are independent as per the Listing Rule.
	7.10.2 (b) Declaration	Compliant	All Non-executive Directors have submitted their independence declaration as per the requirements.
Disclosures relating to Directors	7.10.3 (a) Determining independence	Compliant	Declarations of Independence by the Directors were assessed by the full Board. The Directors who are independent are disclosed on pages 12 to 14
	7.10.3 (b)	Compliant	Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this rule.
	7.10.3 (c) Biography	Compliant	Please refer pages 12 to 14 for the brief biography of each Director.
	7.10.3 (d) New appointments	Compliant	Information relating to new appointments to the Board is disclosed to the Colombo Stock Exchange, when appointments are made.
Remuneration Committee	7.10.5 (a) Composition	Compliant	The Remuneration Committee solely comprises of Non-executive Directors.
	7.10.5 (b) Function	Compliant	Please refer to the Remuneration Committee report on page 95 for details of the functions of the Committee.
	7.10.5 (c) Disclosure in the annual report	Compliant	The report of the Remuneration Committee is given on page 95 and the remuneration paid to Directors is given in note no. 60.2 to the financial statements on page 225.
Audit Committee	7.10.6 (a) Composition	Compliant	As at the year end, the Audit Committee comprises of three Non-executive Directors and majority of them are independent.
	7.10.6 (b) Function	Compliant	Functions of the Audit Committee are given in detail in the Audit Committee Report on pages 97 to 99.
	7.10.6 (c) Disclosures in the Annual Report	Compliant	The names of the Directors comprising the Audit Committee and the basis of determination of independence of the Auditor are given in the Audit Committee report on pages 97 to 99.

CORPORATE GOVERNANCE

MEETINGS

In 2022/23, fourteen (14) Board Meetings were scheduled and individual attendance by Directors at these meetings and Sub-committee Attendance is shown in the following table.

Names	Directorship Status	Board	Chairman's meeting with Non-executive Directors	Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
Number of meetings held		14	2	10	4	1	1	4
Mr. A. D. B. Talwatte	Chairman/Independent Non-executive Director	14/14	2/2	7/10*	3/4*	1/1	1/1	4/4
Mr. E.H. Wijenaike	Managing Director	14/14	-	1/10*	4/4	1/1*	1/1*	4/4
Mr. A.K. Gunaratne	Deputy Managing Director/ Deputy Chief Executive Officer	14/14	-	9/10*	4/4	-	1/1*	4/4
Mr. D.P. de Silva	Director/ Chief Operating Officer	14/14	-	3/10*	3/4	-	-	-
Dr. (Mrs.) A.D.N. de Zoysa	Independent Non-executive Director	14/14	2/2	10/10	4/4	1/1	1/1	-
Mr. A. R. Fernando	Non-executive Director	14/14	2/2	10/10	4/4	1/1	1/1	-
Mr. C.K. Hettiarachchi	Director (Marketing)	14/14	-	-	3/4	-	-	-
Mr. K.B. Herath	Independent Non-executive Director	14/14	2/2	-	3/4	-	-	4/4
Mr. M.H. de Silva	Independent Non-executive Director	13/14	2/2	10/10	4/4	-	1/1	4/4
Mr. C.S. Hettiarachchi	Director (Corporate Affairs)	14/14	-	-	4/4	-	-	-

* Attended by invitation

CORPORATE SOCIAL RESPONSIBILITY

“Creating a work environment for employees where, their career objectives are aligned with the corporate objective is an integral part of the CF’s Human Resources Management strategy.”

The Company makes a conscious effort to integrate corporate social responsibility into its business activities whenever possible and allow the key stakeholders to prosper together with the Company. By actively engaging in CSR initiatives, we aim to build trust, create shared values, and establish lasting partnerships with the communities we operate in.

The social, economic and political landscape underwent a series of turbulent developments in the country resulting in significant macro-economic uncertainty, increased cost of living and financial distress to the customers. The Company took early initiatives to engage with the adversely impacted customers and offer flexible repayment plans to service their debts in a sustainable manner.

Despite the significant challenges faced in 2022-2023, the Company has continued to

invest in customer welfare and awareness programmes, health and safety of employees, employee training and development, educational needs, health care sector and the environment.

SISU ATHWELA EDUCATIONAL PROGRAMME

The Company continues to contribute to the educational requirements of students from rural areas through the "Sisu Athwela" educational support programme which was established in 2016. The students selected for the programme are provided with an annual supply of stationery, books, uniforms, shoes and a monthly financial grant for the entirety of their schooling period.

Currently a total of 185 students from over 160 schools island wide are attached to the "Sisu Athwela" educational support

programme, ranging from Grade 7 to Advanced Level. The project has been a tremendous success, enabling CF to foster relationships with not only the children and their families but also to form strong bonds with the surrounding community.

During the year we were honoured to support and reward four Ordinary Level Students, from Batticaloa, Trincomalee and Polonnaruwa who achieved extraordinary results of 9 A's in their exams despite the numerous challenges they have faced during the year.

During the year we also welcomed on board a former student benefitted from this scheme as an employee upon completion of her Advanced Level examination.

FOOD AID FOR LOW INCOME FAMILIES

The company contributed to "Diwiyata Diriyak" the emergency relief programme, spearheaded by the Ceylon Chamber of Commerce, providing emergency relief in the form of 10,000 essential dry ration packs to vulnerable families in the Kegalle and Colombo districts.

The company also distributed dry ration packs of essential food supplies to families of the students benefitted from the Sisu Athwela programme.



CORPORATE SOCIAL RESPONSIBILITY

TRAINING AND DEVELOPMENT FOR SMALL AND MEDIUM BUSINESS OWNERS

During the year, the company in partnership with International Finance Corporation (IFC) launched a series of training programmes to provide knowledge and advice to customers engaged in a wide variety of business sectors. The training, which is developed and delivered by IFC certified trainers, aims to enhance customer knowledge on topics such as post pandemic business recovery and development, effective branding and financial management. Consequent to the training sessions, the customers were also provided with an individualised one-on-one advisory session. During the year, CF and IFC were able to provide training to over 200 small and medium business owners attached to 24 branches island wide.

EMPLOYEE WELLBEING

With the reduction of Covid cases during the year 2022, the country faced its worst economic crisis post-independence. This brought on new challenges to the organisation and its human resources.

Working from home, flexible working hours and roster working arrangements were a few options introduced to minimise interruptions and to keep our branches open to our valuable customers. As in the



past virtual meetings were held with the support of online platforms.

STAFF TRAINING AND DEVELOPMENT

Although the situation was challenging, the Company has made several initiatives to keep its employees engaged and motivated. The Digital Learning Hub was a new addition for the staff training and development unit and all the mandatory training programs were uploaded for the employees to learn and update themselves at their own pace and convenience. This being the first year of implementation, the response by the staff to embrace this new technology was a tremendous success. Whilst the mandatory courses were completed by

the staff in the Digital Learning Hub, new courses were also launched where staff could gain more insight into other topics related to work.

Launch of regular knowledge sharing sessions for all employees was another new innovation undertaken during the year. This involved a series of online presentations and discussions by industry specialist on a variety of interesting topics conducted on a monthly basis. This included sessions such as "How to manage your money, Wellness and Yoga at Home, Defensive Driving, Diet and Nutrition, Effective Parenting" and many more

In 2022 we conducted the first ever online Mastermind Quiz for our Branch network. Maradana Branch emerged as winners and this was a wonderful new experience for all our branch staff.

Meanwhile, to minimise the disruption to the performance management system due to the remote work arrangement, new qualitative targets were incorporated to the 2022/23 performance review cycle.

The company was also able to support employees financially through insurance schemes and the Central Finance Benefit Fund.





In addition to these learning interventions, Central Finance initiated the very first development center assessment process in the history of the Company, with a view to identify and groom the company's top talent for higher management roles. 35 exceptional performers were selected, based on their potential and performance, to undergo a series of assessments in order to determine their level of alignment with the company's desired competency levels. This is followed up with a training and development plan for each of the candidates to improve their competencies to the required level.

The Company also made a conscious effort in developing the leadership

pipeline by initiating several employee development programs such as, Aspiring Leaders Program and the Young Leaders Program in 2023 aimed at the junior management and executive level employees.

We were privileged to have been able to obtain the services of a reputed external consultant to conduct a residential program for our Regional Managers. The experience, skill and passion to share knowledge by the resource person was well recognised by the participants.

Credit management qualifications for employees was also introduced as an additional significant learning

intervention by the Company. This was done in affiliation with the Sri Lanka Institute of Credit Management and a fully customised certification course was developed for a selected group of Branch Managers with a view to strengthen their credit knowledge and recognize their outstanding performance.

COMPETITIVE REMUNERATION

Creating a work environment for employees where, their career objectives are aligned with the corporate objective is an integral part of the CF's Human Resources Management strategy. The Company strives to provide a robust work environment for employees where, they can find the opportunity to realise their potential for personal and professional growth.

The Company provides competitive rewards and employee benefit schemes, and conducts an annual market survey on compensation and benefits in order to benchmark employee remuneration against the industry. As part of our ongoing efforts to improve the benefits offered to our employees in par with the market, we grant annual salary increments based on the cost of living index and reward staff for good performance in the form of bonuses and incentive schemes.



EMPLOYEE BENEFIT SCHEMES

The Company offers several employee support benefits for staff and their families such as financial support and performance grants for children of staff members upon Grade 1 admission and also admission to government universities. Grants are also provided to children of staff who are top achievers of the Year 5 Scholarship and G.C.E Ordinary and Advanced Level Examinations. CF also provides a book grant for the purchasing of school books for children at the beginning of each year.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATIONAL GRANTS

Continuous professional development of employees has always been a key element of the Company's corporate culture. The company offers an educational grant, which is available for employees who wish to pursue higher education, receive membership from a recognized professional body or to obtain postgraduate qualification from both local and overseas institutions. These initiatives are mutually beneficial to both the organisation and the staff member with respect to their career progression.

THE CHAIRMAN'S RELIEF FUND

While employees are provided with a comprehensive insurance cover for hospitalisation, the Chairman's Relief Fund further extends a helping hand to compensate any expenses that go beyond the limits of the insurance cover. This fund is also available to employees who seek financial assistance for critical illnesses. Over the years, the fund has assisted many CF employees and their family members to manage their major medical expenses with minimum impact on their personal finances.

LONG SERVICE AWARDS

Long Service Awards are aimed at recognizing employees with 25 years

of dedicated service with the company. This is an important event in CF's annual calendar and to date, 232 employees have received this award.

Age Distribution as at 31. 03.2023

Age (Yrs)	No of Employees	%
18-20	8	0.51
21-25	164	10.37
26-30	335	21.18
31-35	308	19.47
36-40	268	16.94
41-45	206	13.00
46-50	124	7.84
51-55	103	6.51
56-60	36	2.28
Above 60	30	1.90
Total	1,582	100.00

DIVERSITY AND INCLUSION

The company provides equal opportunities to its employees irrespective of gender and an excellent working environment at all times. We aim to foster a culture that supports and encourages females in the workplace to utilise their skills and grow their talent.

As at 31st March 2023, CF's total workforce reached 1,582 employees of which 28% were female.

Gender Distribution as at 31.03.2023

Gender	No of Employees	%
Male	1,135	71.74
Female	447	28.26
Total	1,582	100.00

PERFORMANCE MANAGEMENT

The company has set competitive rewards and employee benefit schemes which includes attractive remuneration packages determined by the remuneration committee based on an effective employee evaluation scheme, individual competencies, and employee performances in par with the market.

The company's approach to performance management aims to motivate and reward employees for their efforts towards driving the Company's strategic objectives. Annual target setting is the first step of our performance management mechanism, followed by the year-end performance appraisal to evaluate employee performance against pre-determined targets. This process applies to all CF's employees without exception. The success of CF's performance management system is based on regular constructive feedback and open communication between managers and team members.

HEALTH SECTOR SUPPORT

The health sector faced one of the biggest crisis situations during the year with serious drugs and essential equipment shortages as a result of the adverse economic situation in the country.

In commemoration of its 5th year in operation, the Central Finance Athurugiriya branch undertook a project to provide much needed medical supplies to the Athurugiriya Divisional Hospital. Due to the shortages experienced in the country during the year, the hospital was critically in need of essential drugs and equipment in order to provide basic care facilities to



patients. The hospital treats over 400-600 approx. patients daily in its primary care facility and clinics and manage inpatient wards with 40 beds capacity and serves mostly the low income residents of the surrounding areas. The company was able to support by donating urgently needed equipment including glucose meters, auroscopes and nebuliser kits to benefit a large number of patients seeking medical assistance at this hospital.

The company has provided much needed supplies of the Dormicum injections, which is a lifesaving drug for children with fits and seizures, to the Lady Ridgeway Hospital, Colombo, which is the largest tertiary care hospital in Sri Lanka and exclusively treating and managing children from all parts of the Country.

FOOD SECURITY PROJECT

In appreciation of the food security drive initiated by the Government of Sri Lanka, encouraging home gardening as a means of combating escalating costs and inflation, as well as food shortages, the company embarked on a project to cultivate essential food crops at its branch premises.

66 branches with adequate land area suitable for the cultivation were able to

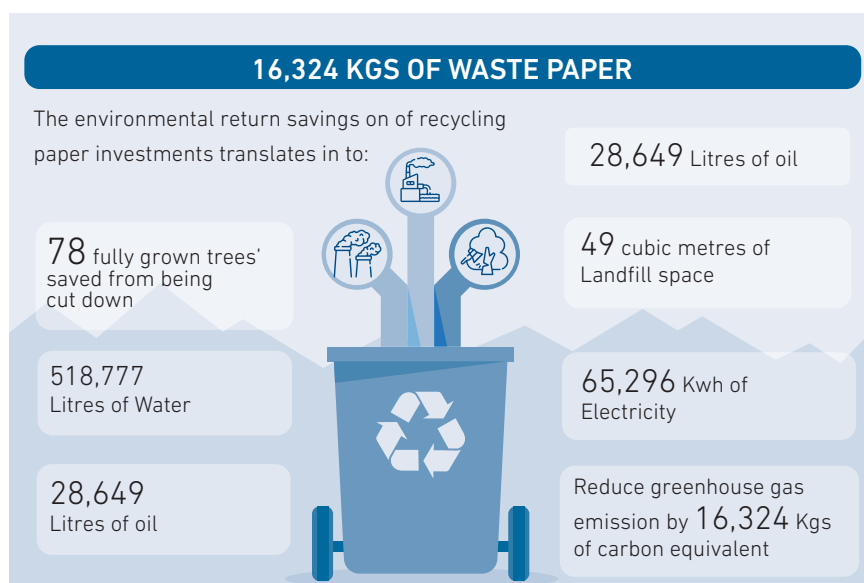
grow and harvest a variety of vegetable crops using organic farming methods. The land area of Company's vehicle yard at Pugoda was utilized for the purpose of planting Manioc. The harvest was shared among staff members and their families. Staff members with educational expertise on agriculture were also able to conduct several awareness sessions and provided guidance right throughout the project.

ENVIRONMENTAL SUSTAINABILITY

The solar panels installed at Vauxhall Street city office premises, head office Kandy and Dematagoda Fleet Management yard have generated 207 MWh electricity, thereby reducing CO2 emissions by 147 MT during the year.

Recycling of waste paper is another green initiative that the Company has been pursuing over the years. During the year, 16,324 Kgs of waste paper has been collected and recycled from branches located island wide.

During the year, the company has taken initiatives to streamline its business processes to minimize the use of printed documents by introducing e-statements, SMS receipts and electronic communications with customers.



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FINANCIAL CALENDAR 2022/23

First Quarter Results 2022/23	15th August 2022
Final Dividend 2021/22- Cash dividend paid	08th July 2022
Second Quarter Results 2022/23	15th November 2022
Interim Dividend 2022/23 - Cash dividend paid	27th December 2022
Third Quarter Results 2022/23	09th February 2023
Fourth Quarter Results 2022/23	22nd May 2023
Annual Report 2022/23	07th June 2023
65th Annual General Meeting	30th June 2023
Final Dividend 2022/23 - proposed and to be paid	11th July 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to the members their report together with the audited financial statements of Central Finance Company PLC, and the audited financial statements of the Group for the year ended 31st March 2023.

Central Finance Company PLC (the "Company") is a public limited liability company, incorporated in Sri Lanka on 05th December 1957, quoted on the Colombo Stock Exchange in 1969, registered as a finance company under the Finance Business Act No. 42 of 2011, registered under the Finance Leasing Act No. 56 of 2000, and the Companies Act No. 07 of 2007.

The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The Board of Directors approved these financial statements on 19th May 2023.

PRINCIPAL BUSINESS ACTIVITIES AND REVIEW OF OPERATIONS-COMPANY

The principal business activities of the Company are leasing, loans, operating leases, deposit mobilisation, and provision of other financial services.

SUBSIDIARIES

Name of the Company	Principal business activities
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings.
CF Insurance Brokers (Private) Limited	Insurance broking
The Kandy Private Hospitals Limited	Provision of healthcare services
Dehigama Hotels Company Limited	Renting of commercial property
CF Growth Fund Limited	Investment company
Central Mineral Industries (Private) Limited	Manufacture of mineral products
Central Transport and Travels Limited	Hiring of vehicles
Central Developments Limited	Investment company
Central Homes (Private) Limited	Property development and sale of real estate
Expanded Plastic Products (Private) Limited	Investment company
Hedges Court Residencies (Private) Limited	Construction and sale of apartments
Central Construction and Development (Private) Limited	Investment company

ASSOCIATES

Name of company	Principal business activities
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Processing Green leaves purchased from tea small holders and the sale of processed black tea

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

REVIEW OF BUSINESS

A review of the Company and Group operations during the year, with comments on the financial results and future developments is contained in the Managing Director's report on pages 07 to 11 and the management discussion and analysis on pages 16 to 19 of the Annual Report, which form an integral part of the Directors' Report.

FINANCIAL STATEMENTS

The financial statements of the Group and the Company are given on pages 109 to 231 of the Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of financial statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these

financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Inland Revenue Act No.24 of 2017 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The detailed report is given on page 100 of the Annual Report.

AUDITOR'S REPORT

The auditor's report on the financial statements is given on pages 104 to 108 of the Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company prepare the financial statements in accordance with Sri Lanka Accounting Standards (LKASs/SLFRSs). Significant accounting policies adopted in the preparation of the financial statements are given on pages 115 to 231 of the Annual Report.

GOING CONCERN

The Board of Directors is satisfied that the Company and Group have adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept details of which are given in Note 2.6 to the financial statements.

INCOME

Income of the Group excluding associates during the year was Rs. 24,473.97 Million (2021/22 – Rs. 24,580.23 Million), an analysis of which is given in note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

Total comprehensive income of the Company was Rs.4,649.25 Million (2021/22 – Rs.5,352.21 Million) whilst the Group comprehensive income attributable to equity holders of the parent was Rs. 7,314.02 Million (2021/22 – Rs.6,619.78 Million)

A detailed description of the results and appropriations are given below:

	2022/23 Rs.'000	2021/22 Rs.'000
Group profit for the year before income tax after payment of all expenses, provision for depreciation, taxes on financial services and impairment on loans and other credit losses	10,311,818	9,649,482
Provision for taxation	(2,752,818)	(2,373,343)
Group profit after taxation	7,559,000	7,276,139
Other comprehensive income net of income tax		
Actuarial gains/(losses) on defined benefit plans	(31,674)	7,369
Deferred tax impact on revaluation reserve due to change of income tax rate	(453,286)	-
Share of other comprehensive income of associates	514,237	(386,450)
Total comprehensive income for the year	7,588,277	6,897,058
Non-controlling interest	(274,262)	(277,275)
Attributable to equity holders of the company	7,314,015	6,619,783
Other comprehensive income net of tax relating to :		
Revaluation reserve	371,082	(38,532)
Fair Value reserve	(498,520)	426,030
	7,186,577	7,007,281
Un-appropriated profit brought forward at the beginning of the year	21,989,452	16,266,493
Charge relating to surcharge tax	(2,587,313)	-
Reversal of revaluation surplus on disposal of land	-	156,611
Acquisition of non-controlling interest of a subsidiary	-	72
Unclaimed dividends written back	6,186	20,010
Payment of forfeited dividends	(1)	-
Transfer from revaluation reserve	7,858	8,104
Balance available for appropriation	26,602,759	23,458,571
Appropriations		
Transfer to reserve fund	(249,000)	(344,000)
Dividends distributed during the year	(1,023,096)	(1,125,119)
Un-appropriated profit to be carried forward	25,330,663	21,989,452

ANNUAL REPORT OF THE BOARD OF DIRECTORS

RESERVES

The total Group reserves as at 31st March 2023 amounted to Rs. 57,314.96 Million (31st March 2022 - Rs. 53,605.16 Million) details of which are given in notes 50 to 55 to the financial statements.

CORPORATE DONATIONS

During the year, the Company made donations amounting to Rs. 2.26 Million (2021/22 Rs. 5.35 Million) in terms of the resolution passed at the last annual general meeting ("AGM"). This includes donations of Rs.1 Million made to Government approved charities (2021/22 Rs.5.33 Million made to the Government approved charities). Total donations of the Group during the year amounted to Rs. 3.32 Million (2021/22- Rs. 5.86 Million) of which Rs. 1 Million was made to Government approved charities. (2021/22 Rs.5.33 Million to Government approved charities).

STATUTORY PAYMENTS

The Directors are satisfied that statutory payments due to the Government and in relation to the employees have been made in full and on time to the best of their knowledge and belief.

DIVIDENDS

The Directors recommend the payment of a final dividend of Rs. 1.75 per share payable by cash for the year ended 31st March 2023 (2021/22 - Rs.2.00 per share payable by cash) subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting. The total dividend pay-out amounts to Rs. 966.26 Million for the year (2021/22 -Rs.795.74 Million).

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the final dividend proposed.

Finance Companies are required to obtain prior approval of the Central Bank of Sri Lanka for the payment of dividends. The directors confirm that they have obtained the approval of the Central Bank of Sri Lanka prior to recommending the final dividend of Rs.1.75 per share for the year ended 31st March 2023.

PROPERTY, PLANT AND EQUIPMENT

The total capital expenditure in regard to property, plant and equipment, intangible assets and capital work-in progress of the Company and the Group amounted to Rs. 642.22 Million and Rs.767.40 Million respectively. (2021/22 - Company Rs. 590.58 Million and Group Rs. 759.19 Million) details of which are given in notes 37 and 39 to the financial statements. The value of capital commitments as at year end is disclosed in note 57 to the financial statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The value of freehold properties owned by the Group as at 31st March 2023 is included in the accounts at Rs. 7,475.25 Million (31st March 2022 - Rs. 7,472.39 Million) based on valuations carried out by Chartered Valuers /Licensed Surveyors in March 2019.

The value of investment property owned by the Group as at 31 March 2023 is included in the accounts at Rs. 78.8 Million (31st March 2022-Rs. 78.8 Million) based on valuations carried out by Chartered Valuers /Licensed Surveyors in March 2023.

Details of the location, extent, valuations and number of buildings are provided in note 37 and 36 to the financial statements.

The Directors are of the opinion that this value is not in excess of the current market value.

EVENTS AFTER THE REPORTING DATE

No events of a material nature have occurred subsequent to the date of the statement of financial position requiring adjustments to the financial statements, other than those disclosed in note 59 to the financial statements.

STATED CAPITAL AND DEBENTURES

The Company did not raise funds through a public issue, rights issue or a public placement during the year ended 31st March 2023. The stated capital of the Company as at 31st March 2023 was Rs. 2,230.28 Million (Rs. 2,230.28 Million as at 31st March 2022) consisting of 227,354,462 ordinary voting shares (227,354,462 ordinary voting shares as at 31st March 2022).

The Company did not make any debenture issues during the year ended 31st March 2023. The Company had issued listed debentures amounting to Rs.6.5 Billion (2013- Rs.4 Billion and 2015-Rs.2.5 Billion) which were fully paid off by June 2020.

SHAREHOLDINGS

As at 31st March 2023, there were 4,215 registered shareholders and the distribution of shareholding is indicated on page 241.

INFORMATION ON SHARES

Information relating to earnings, dividends, net assets and market value per share is given under financial highlights on page 02.

Information pertaining to trading in the Company's shares is given on pages 241 to 243 of the annual report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st March 2023 together with an analysis of the shareholdings are given on page 242.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times made all endeavours to ensure that all stakeholders in particular depositors and shareholders are treated in fair and equitable manner.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consists of ten directors with wide financial and commercial knowledge and experience.

The qualifications and experience of the Directors are given on pages 12 to 14 of the Annual Report.

The following were the Directors of the Company as at the financial year ended 31st March 2023:

Mr. A.D.B. Talwatte (Independent Non-Executive Chairman)
Mr. E. H. Wijenaike (Managing Director/CEO)
Mr. A. K. Gunaratne (Deputy Managing Director/Deputy CEO)
Mr. D. P. De Silva (Chief Operating Officer/Executive Director)
Dr. (Mrs) A. D. N. de Zoysa (Independent Non-Executive Director)
Mr. A. R. Fernando (Non-Executive Director)
Mr. C. K. Hettiarachchi (Executive Director)
Mr. K. B. Herath (Independent Non-Executive Director)
Mr. M.H. de Silva (Independent Non-Executive Director)
Mr. C.S.Hettiarachchi (Executive Director)

RETIREMENTS / NEW APPOINTMENTS DURING THE FINANCIAL YEAR

There was no change in the composition of the Board of Directors during the year ended 31st March 2023.

RECOMMENDATIONS FOR RE-ELECTION OF DIRECTORS AT THE ANNUAL GENERAL MEETING

A.R.Fernando and Dr.(Mrs.) A.D.N.de Zoysa retire by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered themselves for re-election at the forthcoming Annual General Meeting.

The Board with the participation of members of the Nominations Committee, having considered the performance and contribution made by each of the Directors seeking election as described herein towards the overall discharge of the responsibilities of the Board, unanimously resolved that A.R.Fernando and Dr.(Mrs.) A.D.N.de Zoysa be recommended for re-election at the next Annual General Meeting of the Company with the approval of the Central Bank of Sri Lanka.

Accordingly, the Company has submitted requisite documents under the above direction to the Central Bank of Sri Lanka (CBSL) twenty working days prior to the date of the Annual General Meeting seeking the approval for above re-elections.

APPOINTMENT OF DIRECTORS TO THE BOARD IN ACCORDANCE WITH THE FINANCE BUSINESS ACT DIRECTION NO. 06 OF 2021 – ASSESSMENT OF FITNESS & PROPRIETY OF KEY RESPONSIBLE PERSONS

Determination whether all Directors are fit and proper persons to hold office, as specified in the Finance Business Act Direction No.6 of 2021, and the appointment of Directors to the Board in accordance with the Finance Business Act Direction No. 06 of 2021.

The Board noted that the Nomination Committee having assessed the fitness and propriety of each of the existing Directors as required by the Finance Business Act Direction No.6 of 2021, and taking into consideration the knowledge, work specialization and experience of each Director has recommended that they are fit and proper persons to hold office as Directors of the Company.

Accordingly, the Company has submitted requisite documents under the above direction to the Central Bank of Sri Lanka (CBSL) twenty working days prior to the date of the Annual General Meeting seeking the approval for appointment of Directors to the Board in accordance with the Finance Business Act Direction No. 06 of 2021.

LIST OF DIRECTORATES OF SUBSIDIARIES AND ASSOCIATES

Details of the Directors of the subsidiaries and associates of the Company are given on the pages 236 to 238 of the Annual Report.

BOARD SUB-COMMITTEES

The Board of Directors of the Company has formed the following sub committees;

AUDIT COMMITTEE

Mr. M.H. de Silva (Chairman) - Independent Non-executive Director
Dr. (Mrs) A.D.N. de Zoysa - Independent Non-executive Director
Mr. A.R. Fernando - Non-executive Director

The report of the Audit Committee is given on pages 97 to 99 of the Annual Report.

REMUNERATION COMMITTEE

Mr. A.D.B. Talwatte (Chairman) - Independent Non-executive Director
Dr. (Mrs) A.D.N. de Zoysa - Independent Non-executive Director
Mr. A.R. Fernando - Non-executive Director

The report of the Remuneration Committee is given on page 95 of the Annual Report.

INTEGRATED RISK MANAGEMENT COMMITTEE

Mr. A.R. Fernando(Chairman) - Non-executive Director
Dr. (Mrs) A. D. N. de Zoysa - Independent Non-executive Director
Mr. K.B. Herath - Independent Non-executive Director
Mr. M.H. de Silva - Independent Non-executive Director
Mr. E.H. Wijenaike - Managing Director/CEO
Mr. A.K. Gunaratne - Deputy Managing Director/ Deputy CEO
Mr. D.P. de Silva - Executive Director/Chief Operating Officer
Mr. C.K. Hettiarachchi - Executive Director - Marketing
Mr. C.S.Hettiarachchi - Executive Director - Corporate Affairs

The report of the Integrated Risk Management Committee is given on page 96 of the Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. A.D.B. Talwatte (Chairman)	- Independent Non-executive Director
Mr. K.B. Herath	- Independent Non-executive Director
Mr. M.H. de Silva	- Independent Non-executive Director
Mr. E.H. Wijeanike	- Managing Director/CEO
Mr. A.K. Gunaratne	- Deputy Managing Director/ Deputy CEO

The report of the Related Party Transactions Review Committee is given on page 94 of the Annual Report.

NOMINATION COMMITTEE

Mr. A.D.B. Talwatte (Chairman)	- Independent Non-executive Director
Dr. (Mrs) A.D.N. de Zoysa	- Independent Non-executive Director
Mr. M.H. de Silva	- Independent Non-executive Director
Mr. A.R. Fernando	- Non-executive Director

The report of the Nomination Committee is given on page 93 of the Annual Report.

INTERESTS REGISTER

The interests register is maintained by the Company, as required under the Companies Act No. 07 of 2007. All directors have made declarations as provided for in Section 192 (1) and (2) of the Companies Act No. 07 of 2007. The related entries were made in the interests register during the year under review.

DIRECTORS' INTERESTS IN SHARES

The Directors of the Company and its subsidiaries who have relevant interest in the shares of the respective companies have disclosed their shareholdings and any acquisitions/disposals to their respective Boards in compliance with Section 200 of the Companies Act No. 7 of 2007. The shareholdings of the Directors and their spouses who own shares of the Company at the beginning and at the end of the year were as follows:

	31st March 2023	31st March 2022
E.H. Wijenaikie	35,039,742	35,039,742
A.K. Gunaratne	1,810,661	1,810,661
D.P. de Silva	225,117	225,117
C.K. Hettiarachchi	134,399	134,399
C.S.Hettiarachchi	27,093	27,093
Spouses		
A.J. Wijenaikie	7,091,476	7,091,476
W.W.P.N.Wegiriya	215	215

Given below are the Directors' shareholdings in Group companies as at 31st March 2023

	31st March 2023	31st March 2022
Central Industries PLC		
E.H. Wijenaikie	42,752	39,694
Nations Trust Bank PLC		
Voting shares		
E.H. Wijenaikie	12,516	11,800
A.K. Gunaratne	45,492	42,887
Convertible non-voting shares		
E.H. Wijenaikie	2,166	2,050
A.K. Gunaratne	3,974	3,761
Tea Smallholder Factories PLC		
E.H. Wijenaikie	10,000	10,000
Kandy Private Hospitals Ltd.		
E.H. Wijenaikie	7,000	7,000

RELATED PARTY TRANSACTIONS

The Directors have disclosed such transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, and details of the transactions are given in note 60 to the financial statements forming part of the Annual Report of the Board of Directors.

The Directors confirm that the transactions carried out with the related parties during the year ended 31.03.2023 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and such transactions have been reviewed by the Related Party Transactions Review Committee of the Company and observations of the Committee have been communicated to the Board. The Directors further confirm that there were no non-current related party transactions exceeding 10% of the equity or 5% of the total assets of the Company, whichever is lower, as per the latest audited financial statements of the Company, which need to be disclosed in the Annual Report. Details of the recurrent related party transactions which exceed 10% of the consolidated gross revenue/income of the Group as per the latest audited financial statements of the Company are given in note 60 of the financial statements. The Directors further confirm that they have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested in.

TRANSFER PRICING REGULATIONS

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these regulations is given under certificate produced under Section 107 (2) (a) of the said Act. The Directors believe that the transactions entered into with related parties during the period 01.04.2022 to 31.03.2023 are at arm's length and not prejudicial to the interests of the Company and the related party. The transactions are entered into on the basis of a transfer pricing policy adopted by the Company.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group and the Company for the financial year ended 31st March 2023 is given in Note 18 to the financial statements.

APPRAISAL OF BOARD & SUB COMMITTEE PERFORMANCE

The Company has established an annual self-assessment scheme for the appraisal of the Board of Directors. Responses to the self-assessment questionnaire are evaluated by the Chairman and recommendations or concerns are discussed with the Board of Directors and actions taken accordingly where deemed appropriate.

The Company's main Board Sub-Committees annual self-assessment is being carried out by the members of the Committees and evaluated by the Board.

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in Section 192 (1) and (2) of the Companies Act No. 07 of 2007. Particulars of those transactions are set out on pages 232 to 233 of the Annual Report.

INSURANCE AND INDEMNITY

The Company has a Directors' and Officers' Liability insurance policy from Fairfirst Insurance Limited up to a limit of Rs. 350 Million.

CORPORATE GOVERNANCE

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of the management and operations of the Company. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency. The corporate governance report is given on pages 37 to 78 of the annual report.

INTERNAL CONTROLS

The Directors have instituted an effective and comprehensive system of internal controls covering financial operations, compliance, control and risk management required to carry on the business of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

DIRECTORS STATEMENT OF INTERNAL CONTROL

The Directors have issued a report on the internal control mechanism of the Company as per paragraph 16.1 (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance issued by Central Bank of Sri Lanka. The Directors have confirmed that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

The above report is given on pages 101 to 102 of the Annual Report. The Directors have also obtained an assurance report from the external auditor on directors' statement of internal control which is given on page 103 of the Annual Report.

ENVIRONMENT

The Company has not engaged in any activities detrimental to the environment. The Company has used its best efforts to comply with the environmental laws and regulations.

HUMAN RESOURCES

Employment policies of the Company are based on recruiting the best available people, training them to enhance their skills and offering equal career opportunities regardless of gender, race or religion. There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which needs to be disclosed.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activities contravening laws and regulations. All officers responsible for ensuring compliance with the provisions of various laws and regulations confirm their compliance to the Board of Directors on a monthly basis.

AUDITOR

The Audit Committee reviews the appointment of the auditor, its effectiveness, independence and relationship with the Group.

The auditor, KPMG was paid Rs. 4.69 Million as audit fees and related expenses (2021/22 –Rs.3.37 Million). In addition, they were paid Rs. 1.28 Million (2021/22 –Rs.1.17 Million) for permitted non-audit related services.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Audits of the group companies are handled by KPMG, Ernst & Young and SJMS Associates. Total fees paid to them during the year for audit and permitted non-audit related services amounted to Rs. 1.78 Million and Rs. 0.28 Million respectively (2021/22 – Rs.1.37 Million and Rs.0.23 Million).

The auditors have confirmed that they do not have any relationships with or interests in the Company or subsidiaries other than with regard to audit and permitted non-audit services.

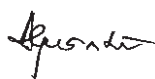
ANNUAL GENERAL MEETING

The sixty fifth Annual General Meeting of the Company will be held on 30th June 2023 at 11.00 a.m. at Grand Kandyan Hotel, No.89/10, Lady Gordon's Drive, Kandy. The relevant notice of meeting is given on page 252

For and on behalf of the Board



E.H.Wijenaike
Managing Director



A.K.Gunaratne
Deputy Managing Director



Corporate Services (Pvt) Ltd.
Company Secretary

19th May 2023

NOMINATION COMMITTEE REPORT

The Nomination Committee appointed by the Board of Directors is responsible for making recommendations to the Board on all new Board, Board Sub-committee and Key Management Personnel appointments. The Committee also reviews the Board and Key Management Succession Plan to ensure its adequacy to meet the Company's requirements.

COMPOSITION

The Nomination Committee, appointed by the Board of Directors, comprises of 4 Non-executive Directors.

Mr. A. D. B. Talwatte
(Chairman/Independent Non-executive Director)

Dr. (Mrs.) A. D. N. De. Zoysa
(Independent Non-executive Director)

Mr. A. R. Fernando
(Non-executive Director)

Mr. M. H. de Silva
(Independent Non-executive Director)

Individual committee member attendance at the meeting is given on page 78.

SCOPE

The functions of the committee are as follows:

- ◇ Ensuring the board approved process is followed for the appointment and re-election of Directors to the Board.
- ◇ Regular review of the skills, competency and experience of the Board and Key Management positions to ensure that adequate expertise is available at the Corporate Management Level.
- ◇ Ensuring that Board and Key Management are fit and proper persons to hold office as required by the Central Bank of Sri Lanka.
- ◇ Regular Review of the succession plan for the Board and Key Management Positions with a view of providing recommendations and advice to the Board regarding such appointments.
- ◇ No member of the Nomination Committee participates in deliberations relating to his or her own appointment.

COMMITTEE MEETINGS

The Committee met once during the year on the 24th March 2023.

The Committee reviewed the Company's succession plan for key senior positions as well as the development plan for the identified successors.

The Committee also reviewed and ratified the Key Management Personnel of the Company.

The recommendations made by the committee were approved by the Board of Directors.



A. D. B. Talwatte
Chairman

Nomination Committee
19th May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Related Party Transactions Review Committee (RPTRC) is a board appointed Sub-Committee. The Committee has been established in compliance with the Section 9 of the Continuing Listing Rules of the Colombo Stock Exchange. The objective of the Committee is to review all related party transactions other than those transactions explicitly exempted by the rule.

COMPOSITION OF THE COMMITTEE

The Committee is comprised of a combination of Non-executive and Executive directors.

The members of the RPTRC are as follows:

Mr. A. D. B. Talwatte - (Independent Non-executive Director) / (Chairman of the Committee)

Mr. K. B. Herath - (Independent Non-executive Director)

Mr. M. H. de. Silva - (Independent Non-executive Director)

Mr. E. H. Wijenaikie - (Managing Director)

Mr. A. K. Gunaratne - (Deputy Managing Director)

COMMITTEE MEETINGS

The Committee meetings were held on a quarterly basis in the current financial year and met four times to review related party transactions and communicated the comments/observations to the Board of Directors through the minutes of the committee meetings. Details of individual member attendance at the meetings are given on page 78.

Policies and Procedures adopted by the Committee.

- ◇ The Committee identified Key Management Personnel (KMPs) and entities that are related to the reporting entity in compliance with the regulations
- ◇ The Committee reviewed comprehensive list of related parties identified through quarterly declaration statements obtained from Directors and Key Management Personnel (KMPs) to ensure all related parties are reported and reviewed in accordance with the rule.
- ◇ The Committee reviews inter-company transactions with related entities and transactions with related individuals for compliance with the rules through management quarterly reporting of related party transactions. The review is conducted through benchmarking against the terms and conditions offered to comparable non-related transactions

- ◇ The Committee ensures that written policies and procedures of the company are in conformity with rules and regulations governing related party transactions. The Committee reviewed the "Terms of Reference" and "Related Party Transaction Policy & Procedure" in consistent with the LKAS 24 - Related Party Disclosure, CSE Listing Rules - Section 9, Code of Best Practices on Corporate Governance 2017 issued by Institute of Chartered Accountants Sri Lanka and Corporate Governance Directions issued by Central Bank of Sri Lanka and adopted by the Board.
- ◇ The Committee ensures that any director or key management personnel who is a related party, does not participate in any discussion of proposed related party transactions unless such person is requested to do so by the Committee for the purpose of providing information concerning the related party transaction.
- ◇ The Committee also ensures that immediate market disclosure, shareholder approval and annual report disclosure of any related party transactions are made in accordance with the applicable rules of the Colombo Stock Exchange.

DECLARATION BY THE BOARD OF DIRECTORS

During the year, the company did not have any related party transactions which required the approval of the shareholders or immediate market disclosure under the Listing Rules. The related party transactions and details are disclosed in note 60 on pages 225 to 229 of the financial statements.



A. D. B. Talwatte

Chairman

Related Party Transactions Review Committee

Colombo

19th May 2023

REMUNERATION COMMITTEE REPORT

The Remuneration Committee appointed by the Board of Directors is responsible for establishing the company's compensation policy for the senior management and overseeing its implementation. The Committee reviews performance and makes recommendations to the Board in respect of the remuneration of the Chief Executive Officer/Managing Director, Executive Directors, Non-executive Directors and Senior Members of the management.

No Director is involved in deciding his own remuneration.

The Committee also reviews significant human resources policies that could influence the company's performance.

COMPOSITION

The Remuneration Committee, appointed by the Board of Directors, comprises of three Non-Executive Directors.

Mr. A. D. B. Talwate
(Chairman) / (Independent Non-executive Director)

Dr. (Mrs.) A. D. N. De. Zoysa
(Independent Non-executive Director)

Mr. A. R Fernando
(Non executive Director)

Individual committee member attendance at the meeting is given on page 78.

SCOPE

The Committee reviews all significant strategic policies and initiatives relating to human resources. The Committee deliberates and recommends to the Board of Directors, annual increments, bonuses and incentives of Executive Directors and the senior management team based on individual and corporate performance. The Committee also reviews salary structures and terms and conditions of service to ensure compatibility with the market. The Managing Director / Chief Executive Officer who is responsible for the overall management of the company attends meetings by invitation and participates in the deliberations except when his own interest, performance and compensation are discussed. An annual market survey is commissioned through Ernst and Young, in order to obtain information on compensation and benefits in comparable companies, to aid in determining remuneration of Directors and other senior management.

POLICY

The policies on compensation and benefits are formulated to ensure that members of the Executive management of the company are provided with appropriate compensation to encourage superior performance. The policy is designed to

recognize and reward individual contributions based on its impact on the performance of the company and to ensure that the whole basis of rewards is fair and equitable. The policy aims to attract, motivate and retain talent with the appropriate professional managerial and operational expertise necessary to achieve the objectives of the company over the foreseeable future. The company's remuneration framework for the Executive Directors and the senior management team is aligned with the long term interests of the company and thereby create and enhance value for all stakeholders of the company.

FEES AND REMUNERATION

All Non-executive Directors receive a fee for attending meetings and serving on sub-committees. The Non-Executive Director fee structure is reviewed and revised as necessary.

Aggregate remuneration paid to Non-executive Directors and Executive Directors is disclosed in note 18 to the financial statements on page 161 as per the requirements of section 16 (1) (iv) of the Finance Business Act Direction No. 5 of 2021 issued under the Finance Business Act No. 42 of 2011.

COMMITTEE MEETINGS

The Committee met once during the year under review on 30th March 2023.

The committee reviewed the annual market remuneration survey conducted for the year 2022 and made recommendations to the board on the increments and salary structures applicable to the executive directors and the senior management.

The committee also evaluated the performance of the executive directors and key senior management of the company against their objectives and targets.

The proposals of the committee were ratified by the Board of Directors.



A. D. B. Talwate
Chairman

Remuneration Committee
19th May 2023

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Integrated Risk Management Committee is a Sub-Committee of the Board of Directors established to oversee the risk management aspects of the Company. The Committee composition during the financial year was as follows;

Mr. A. R. Fernando – Chairman – (Non-executive Director)

Dr. (Mrs.) A. D. N. De Zoysa – (Independent Non-executive Director)

Mr. K. B. Herath – (Independent Non-executive Director)

Mr. M. H. de. Silva – (Independent Non-executive Director)

The following Management representatives attend meetings;

Mr. E. H. Wijenaik – Managing Director

Mr. A. K. Gunaratne – Deputy Managing Director

Mr. D. P. de Silva – Director / Chief Operating Officer

Mr. C. K. Hettiarachchi – Director (Marketing)

Mr. C. S. Hettiarachchi – Director (Corporate Affairs)

Mr. K. O. V. S. M. S. Wijesinghe – Chief Strategy Officer

Mr. A. K. Kaluhendiwela- General Manager (Branches)

Ms. W.M.T.W. Weerasinghe – Chief Financial Officer

Mr. M.A.M. Farook – General Manager (IT)

Mr. R.E.S. George – General Manager (HR)

Mr. L. L. D. Prasanga – General Manager (Recoveries)

Mr. R. Tillekeratne – Head of Compliance

Mr. G.A. Bandaranayake – Deputy General Manager (Head Office)

Ms. A.R. Wijenaik – Assistant General Manager (Credit & Operations)

Ms. S.L.P. Fernando – Manager (Risk)

Brief profiles of the Directors representing the committee are given on pages 12 to 14 of the Annual Report

TERMS OF REFERENCE

The Terms of Reference set out by the Board of Directors, include the following;

- ◇ Ensuring that the Company has a risk management framework including risk guidelines and risk management procedures in place relative to the Company's activities and risk profile.
- ◇ To review the effectiveness of the Company's risk management systems and monitor the management's assessment of all risk types, including but not limited to credit, market, liquidity, operational, information and communication technology related risk, digital risk, human resource risk, fraud risk, money laundering and terrorism financing risk, strategic and corporate reputation risk of the Company through appropriate risk indicators and management information.

- ◇ To review and recommend to the Board of Directors for approval the Company's risk appetite and risk goals.
- ◇ To review risks under stress scenarios and monitor the capacity of the Company's capital and liquidity to withstand such risks.
- ◇ To ensure that the Board of Directors is continuously informed of the Company's risk exposures and risk indicators.

During the year under review, the activities of the Committee included the following;

- ◇ Reviewing the Company's and Divisional risk grids taking into consideration material changes in the external environment and the Company's risk profile and providing necessary guidance and recommendations to further strengthen the risk management function.
- ◇ Reviewing and monitoring the Company's risk goals, risk management strategies and related risk reports on a regular basis.
- ◇ Continuously assessing the impact of the unfavourable macroeconomic conditions in the Country on the Company's operations and the risk management framework in the areas of credit, liquidity, market, operational, fraud, human resources, investment, digital, strategic and information technology and providing guidance and recommendations to mitigate the impact to the Company. Reviewing and monitoring reports in relation to the compliance function inclusive of AML/CFT regulatory compliance.
- ◇ The effectiveness of the Committee was evaluated by the Board members and the feedback received is being used to further strengthen the risk framework of the Company.

MEETINGS

The Committee met four times during the year and the attendance of the Directors at the meetings is given on page 78 of the Annual Report. Only the Non-executive Directors carry voting rights.

The discussions and conclusions reached at the meetings are recorded in minutes and circulated to the Board of Directors for information and guidance.



A.R. Fernando

Chairman

Integrated Risk Management Committee

Colombo

19th May 2023

AUDIT COMMITTEE REPORT

The Board appointed Audit Committee is delegated with the authority from the Board to provide oversight of the Company's financial reporting, internal control systems, and independence and performance of the external auditors and the internal audit function.

COMMITTEE COMPOSITION

The Board appointed Audit Committee comprises two Independent Non-executive Directors and one Non-independent Non-executive Director. The Committee is chaired by Mr. M. H. de Silva, a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom with considerable experience in the field of finance.

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

Mr. M. H. de Silva (IND/NED) - Chairman

Dr.(Mrs). A. D. N. de Zoysa (IND/NED)

Mr. A. R. Fernando (NED)

(IND - Independent Director, NED - Non-executive Director)

Brief Profiles of the members are given on pages 12 to 14 of the Annual Report. The Head of Internal Audit functions as Secretary to the Audit Committee.

MEETINGS

The Audit Committee held 10 meetings during the financial year ended 31st March 2023.

The attendance of the members at Audit Committee Meetings is as follows:

Member	No. of Meetings
Mr. M. H. de Silva	10/10
Dr. (Mrs.). A. D. N. de Zoysa	10/10
Mr. A. R. Fernando	10/10

The Chairman, Deputy Managing Director, GM (Finance), Chief Strategy Officer and other senior management team members also attended these meetings by invitation as and when required. On the invitation of the Audit Committee, Company's External Auditors attended five Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

AUDIT COMMITTEE CHARTER

The terms of reference of the Audit Committee are clearly defined in the Audit Committee Charter which is reviewed and revised annually. The Charter was last reviewed in March 2023. This process ensures that new developments and concerns are adequately addressed.

During the year, the Committee updated its Charter to comply with the requirements under the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

ROLE OF THE AUDIT COMMITTEE

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

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

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

AUDIT COMMITTEE REPORT

FINANCIAL REPORTING

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

The Committee reviewed the Company's interim and annual Financial Statements prior to submission to the Board and recommended issuance to shareholders.

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

The Audit Committee has continuously reviewed the assessments carried out by the management in terms of the adequacy of Expected Credit Loss (ECL) provisions in Financial Statements, considering the adverse economic conditions of the country and their potential impact on customer behaviour and business operations. The Committee also placed particular focus on the appropriateness of the judgements made in stressed scenarios used as post model adjustments under the management overlay process. Additionally, the Committee appraised the input data for the model to reflect changes in market conditions, ensuring that the Company's ECL provisions accurately reflect its specific circumstances and risks.

EXTERNAL AUDIT

The Audit Committee is empowered by the Board to recommend the appointment of the External Auditors in compliance with the relevant statutes issued by the CSE and CBSL, and the best practice of Corporate Governance. The committee also notes and recommends the service period, audit fee and any resignation or dismissal of the External Auditor. The committee was satisfied that there was no conflict of interests between the Company and the Auditor and that there was no cause to compromise the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit process in accordance with applicable standards and best practices. The Audit Committee

ensured that the engagement of an audit partner did not exceed five years and that the audit partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term as per Section 10.2 (d) (ii) Finance Business Act Directions No. 05 2021 on Corporate Governance.

The annual Financial Statements 2022/23 was reviewed and recommended for the approval of the Board.

The External Auditors' Engagement and Management Letters and Management's responses thereto were also reviewed. The Committee also met with the External Auditor at two meetings without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

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

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

INTERNAL CONTROL

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

Additionally, the Committee reviewed the effectiveness of the Company's internal controls over financial reporting as at 31st March 2023 which was validated by internal audit, as required by the Finance Business Act Directions No. of 05 2021 on Corporate Governance, based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Controls" issued by the Institute of Chartered Accountants of Sri Lanka. The result of the assessment is given on pages 101 to 102 "Directors' Statement on Internal Control" in the Annual Report.

The committee also reviewed the IT Security status presented by the third party IT security auditors.

The External Auditor has issued an Independent Assurance Report on the Directors' Statement on Internal Control on page 103.

INTERNAL AUDIT

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

REGULATORY COMPLIANCE

The Audit Committee closely scrutinizes the compliance of mandatory statutory requirements and systems and procedures in place to ensure the compliance of such requirements. The Committee conducts regular assessments, reviewing policies and procedures, and monitoring the implementation of necessary changes through the Internal Audit Department in ensuring compliance with the new requirements under the CBSL direction on Corporate Governance.

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

COMMITTEE EVALUATION

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



M. H. de Silva

Chairman - Audit Committee

Colombo
19th May 2023

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of Central Finance Company PLC (the "Company") are responsible for the preparation and presentation of the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act No.07 of 2007(the "Companies Act"), Finance Business Act No.42 of 2011(the "Finance Business Act") and other statutes, which are applicable in the preparation of financial statements. The financial statements comprise of the statement of financial position as at 31st March 2023, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended together with notes thereto.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2023, incorporated in this report have been prepared in accordance with the Companies Act, Finance Business Act, Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange and certified by the Chief Financial Officer of the Company and signed by two (02) directors as required by the Companies Act.

The directors consider that, in preparing the financial statements exhibited on pages 109 to 231 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

The directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of the records.

The directors are of the view that the Company and its subsidiaries have adequate resources to continue operations in the foreseeable future and have applied the going concern basis in the preparation of these financial statements.

To the best of the knowledge and belief of the directors, the Company's auditors M/s KPMG, Chartered Accountants have carried out reviews and sample checks on the effectiveness of the system of internal controls, as they consider appropriate and necessary in providing their opinion on the financial statements. M/s KPMG has examined the financial statements made available together with all other financial records, minutes of shareholders' and directors' meetings and related information, and have expressed their opinion which appears on pages 104 to 108 of the annual report.

The directors have provided the auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the discharge of their responsibilities.

Further, as per the provisions of the Guideline No. 01 of 2013 and Subsequent Guideline on Declaration of Dividends and Repatriation of Profits dated 31st January 2023 issued by the Central Bank of Sri Lanka, the Company has obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions prior to distribution of dividends to the shareholders during the year. The Board of Directors confirms that they have authorised distribution of dividends upon being satisfied that the Company satisfies the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act, prior to recommending a final dividend of Rupee One and Cents Seventy-Five (Rs.1.75) per share by way of a cash dividend for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2023. As required by Section 56(2) of the Companies Act, solvency certificate will be obtaining from the auditor prior to distribution.

The directors confirm that, to the best of their knowledge, all taxes, levies and financial obligations of the group have been either paid or adequately provided for in the financial statements.

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

By Order of the Board



Corporate Services (Pvt) Limited
Secretaries

Colombo
19th May 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors presents this Statement of Internal Control in compliance with paragraph 16.1 (ix). of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance issued by the Central Bank of Sri Lanka.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of Central Finance Company PLC's ("the Company") system of Internal Controls. Such a system is designed to manage the Company's key areas of risk within an acceptable risk profile in achieving the policies and business objectives of the Company, rather than eliminating the risk of failure. Accordingly, the System of Internal Controls can only provide reasonable, but not absolute, assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the System of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Company and in the design, operation and monitoring of suitable Internal Controls to mitigate and control these risks.

Based on this process the Board is of the view that the System of Internal Controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the System of Internal Controls in regard to financial reporting include the following:

- ❖ Board has introduced policies and procedures for adoption within the Company and reviewed on a periodic basis.
- ❖ Sub-committees are established to assist the Board in ensuring the effectiveness of the Company's daily operations in accordance with the corporate objectives, strategies, annual budget, policies and procedures and the business directions that have been approved by the Board.
- ❖ Internal Audit Division of the Company checks for compliance with policies and procedures and the

effectiveness of the Internal Control System on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any noncompliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective reporting. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the Internal Audit Division are submitted to the Audit Committee for review at their periodic meetings and the status of the opened items are followed-up with the management and reported to Audit Committee on a quarterly basis.

- ❖ Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Division, Regulatory Authorities and Management, and evaluates the adequacy and effectiveness of the Internal Control System. They also review the Internal Audit function with particular emphasis on scope, findings and the quality of audits performed. The minutes of the Audit Committee Meetings are tabled for the information of the Board at the subsequent Board Meeting.
- ❖ In assessing the Internal Control System, identified officers of the Company update all procedures and controls that are connected with significant accounts and disclosures in the financial statements. The Internal Audit Division checks for suitability of design and effectiveness of these procedures and controls on an ongoing basis during their audit process.

The Board Integrated Risk Management Committee (IRMC) is established to assist the Board to oversee the overall management of principal areas of risks of the Company.

Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business operations.

The Company adopted SLFRS 9 - "Financial Instruments" on 1 April 2018 which became applicable for financial reporting periods beginning on or after 1 January 2018. During the year the Company continued to refine the statistical model used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9.

Since the adoption of this standard, progressive improvements on processes to comply with the requirements of classification, estimation of Expected Credit Losses (ECL) and disclosure were made whilst, further strengthening of processes continue to support estimation of expected credit losses and financial statement disclosures. The Company has documented procedures relating to these requirements and updated the expected credit loss impairment policy and impairment computation procedure as and when necessary with the approval of the Board with recommendation of the Audit Committee for the changes made to the documented policy and procedure.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

During the year, the Company further refined the existing models to ensure that the potential implications of macro-economic conditions are captured in the expected credit loss model through adjustments made to macro-economic factors and scenario based stress testing techniques. The Company continued to build management overlays as post model adjustments to address the unprecedented economic uncertainty and the approach adopted will be re-evaluated at each reporting period to reflect the subsequent changes to the economic environment.

The Board ensures that processes and controls are put in place for use of management information systems and validation of information extracted to comply with SLFRS 9.

The Company continues to focus on strengthening the review and testing process of the said model and the Internal Audit Department reviews these refinements made to the model and the management overlay incorporated in the computation of ECL based on the estimates and judgement.

The Company took initiatives to ensure the compliance with Finance Business Act Direction No 01 of 2020, Classification and Measurement of Credit Facilities which came in to effect from 01st April 2022 and sets out the minimum requirements for classification and measurement of credit facilities granted by LFCs with the adoption of SLFRS-9.

The recommendations made by the external auditor in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement those.

CONFIRMATION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

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

External Auditor's report on the statement of Internal Control over Financial Reporting is given on page 103 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

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

There were no supervisory concerns reported by the Director-SNBFI of a significant nature required by the Monetary Board to be disclosed to the Public on the Company's risk management, compliance with the Finance Business Act and rules and directions issued by the Central Bank of Sri Lanka.

For and on behalf of the Board



A.D.B. Talwatte
Chairman



M.H. de Silva
Chairman - Audit Committee



E. H. Wijenaik
Managing Director / Chief Executive Officer

Colombo
19th May 2023

INDEPENDENT ASSURANCE REPORT



KPMG
(Chartered Accountants)
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TO THE BOARD OF DIRECTORS OF CENTRAL FINANCE COMPANY PLC

We were engaged by the Board of Directors of Central Finance Company PLC ("Company") to provide assurance on the Directors' Statement on Internal Control Over Financial Reporting ("Statement") included in the Annual Report for the year ended 31 March 2023.

MANAGEMENT'S RESPONSIBILITY FOR THE STATEMENT ON INTERNAL CONTROL

Management is responsible for the preparation and presentation of the Statement in accordance with paragraph 16.1 (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

SCOPE OF THE ENGAGEMENT IN COMPLIANCE WITH SLSAE 3051

Our responsibility is to issue a report to the Board on the statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

SUMMARY OF WORK PERFORMED

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- (a) Inquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- (b) Reviewed the documentation prepared by the Directors to support their statement made.

- (c) Related the statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.
- (d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- (e) Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- (f) Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- (g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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

OUR CONCLUSION

Based on the procedures performed, (which did not cover the "Statement On Prudential Requirements, Regulations and Law") nothing has come to our attention that causes us to believe that the Statement included on pages 101 to 102 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

Chartered Accountants
Colombo

19 May 2023

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C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyrathne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF CENTRAL FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Central Finance Company 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 31st March 2023, and the income statement, statement of profit or loss and 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 a summary of significant accounting policies as set out on pages 115 to 231 of this Annual Report.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements 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.

Allowance for Impairment of Loans and Receivables from Customers and Net Investment in Leases and Hire Purchases

Refer to Note 3 (Significant accounting judgments, estimates and assumptions), Note 17 (Impairments and other credit losses), Note 30 (Financial assets at amortised cost- Loans and receivables from customers) and Note 31 (Financial assets at amortised cost- Net investment in leases and hire purchase) to these financial statements.

Risk Description	Our Responses
As disclosed in Note 30 & 31 to these financial statements, the Company has recorded financial assets at amortised cost against loans and receivables from customers and net investment in leases and hire purchase of Rs.6,225 Mn and Rs.46,090 Mn respectively as at 31st March 2023.	Our audit procedures to assess impairment of loans and advances to customers included the following: Understanding and testing key controls of the Company in relation to:
High degree of complexity and judgment are involved in estimating Expected Credit Loss (ECL) of Rs.961 Mn and Rs.5,026 Mn against loans and receivables from customers and net investment in leases and hire purchase respectively as at the reporting date.	- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems; - Key IT system controls which record loans and leases days past due, and non-performing loan and lease classification.

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Risk Description	Our Responses
Allowance for expected credit losses (ECL) is a key audit matter due to the significance of the loans and receivables and net investment in leases and hire purchase balances to these financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models used to determine the ECL include significant judgement in assumptions used to determine when a significant increase in credit risk (SICR) has occurred, impact of multiple macroeconomic scenarios, applying a probability weighting to different scenarios and identifying and calculating adjustments to model output (post model adjustments). SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loans and lease portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results. Additional subjectivity and judgement have been introduced in the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon. The allowances for individually significant loans and leases 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 loans and lease receivables. The disclosures regarding the Company's application of SLFRS 9 are key to explain the key judgements and material inputs to the SLFRS 9 ECL results.	Assessing the adequacy of collectively assessed provisions We tested key controls of the Company in relation to: • Obtaining an understanding of the Company's processes to determine ECL allowances, evaluating the Company's ECL model methodologies against established market practices and criteria in the accounting standards; • The ECL model governance and validation processes involved in the assessment of model performance; • The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of Company's considerations of the economic uncertainty relating to key economic indicators. In addition to controls testing, our audit procedures included the followings; • Working with our Financial Risk Management (FRM) specialist in; ◦ Challenging the Company's 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 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 deteriorating and extremely volatile economic scenarios caused by prevailing economic conditions; • Assessing the completeness of additional allowance of overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment; • Reviewing the deliverables submitted by the component auditors (other KPMG audit teams) as per the Group Audit Instructions to assess the reasonableness of the considerations of the prevailing economic conditions to assess any implications that could arise at the Group level stemming from issues at subsidiary/associate level including adequacy of allowances for ECL as at reporting date; Assessing impairment for individually significant customers Selecting a sample (based on quantitative thresholds) of larger customers where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans and leases, focusing on larger exposures assessed by the Company as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the potential implications of prevailing economic conditions).

INDEPENDENT AUDITOR'S REPORT



Risk Description	Our Responses
	Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions, or lack of, were appropriate. This included the following procedures: - Evaluating management's assessment of forecasted cash flows by comparing them to the historical performance of the customers and the expected future performance where applicable; - Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and approved business plans and challenging key assumptions in the valuations; - For a sample of customer loans and leases which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and from our own view whether any impairment indicators were present. Assessing the adequacy of post model adjustments We challenged key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. This included: - Assessing post-model adjustments against the Company's ECL model and data deficiencies identified by the Company's ECL model validation processes, particularly in light of the significant volatility in economic scenarios; - Comparing underlying data used in concentration risk and economic cycle allowances to underlying loans and lease portfolios characteristics of recent loss experience, current market conditions and exposure to risk elevated sectors in the Company's loan/ lease portfolios; - Assessing certain post-model adjustments identified by the Company against internal and external information; - Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Company's assessment. We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

IT systems and controls over financial reporting	
Risk Description	Our Responses
The Company' businesses utilise many interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are critical to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Company's financial position and performance.	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes.



Risk Description	Our Responses
The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.	Our further audit procedures included: General IT controls design, observation and operation - Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, review and awareness, and IT Risk Management practices; - Obtaining an understanding and testing operating effectiveness the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access, system change management, monitoring system integrity, program development and computer operations; and - Assessing the Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate these financial statements. Application controls - On sample basis, re-performed selected automated computations and compared our results with those from the system and the General Ledger. User access controls operation - Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights; - Assessing the management's evaluation of access rights granted to applicants relevant to financial accounting and reporting systems and; - Evaluating the design and operating effectiveness of IT controls, including those related to user access and change management.

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 will not express any form of assurance conclusion thereon.

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

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.

INDEPENDENT AUDITOR'S REPORT



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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- 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 ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is FCA 2294.

Chartered Accountants
Colombo, Sri Lanka

19 May 2023

INCOME STATEMENT

For the year ended 31st March	Notes	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Income	10	24,473,972	24,580,234	19,571,547	17,500,569
Interest income	11	17,911,950	14,219,402	17,511,736	14,163,102
Interest expenses	12	(4,828,502)	(3,782,899)	(4,876,421)	(3,819,396)
Net interest income		13,083,448	10,436,503	12,635,315	10,343,706
Net income from financial instruments at FVTPL	13	67,093	678,734	55,902	599,436
Net other revenue	14	1,909,638	1,766,920	-	-
Operating lease income	15	1,026,926	1,055,079	1,032,832	1,058,806
Other income	16	719,079	1,466,942	971,077	1,679,225
Total operating income		16,806,184	15,404,178	14,695,126	13,681,173
Impairment and other credit losses	17	(843,425)	(286,966)	(696,644)	(273,087)
Net Operating Income		15,962,759	15,117,212	13,998,482	13,408,086
Operating expenses	18				
Personnel expenses	19	(2,851,023)	(2,705,000)	(2,477,206)	(2,359,720)
Premises, equipment, establishment and other expenses		(3,007,143)	(2,851,961)	(2,449,070)	(2,281,091)
		(5,858,166)	(5,556,961)	(4,926,276)	(4,640,811)
Operating profits before share of profit of equity accounted investees		10,104,593	9,560,251	9,072,206	8,767,275
Share of profit of equity accounted investees, net of tax	20	1,886,915	1,388,131	-	-
Operating profit before taxes on financial services		11,991,508	10,948,382	9,072,206	8,767,275
Taxes on financial services	21	(1,679,690)	(1,298,900)	(1,679,690)	(1,298,900)
Profit before tax		10,311,818	9,649,482	7,392,516	7,468,375
Income tax expense	22	(2,752,818)	(2,373,343)	(2,427,449)	(2,112,956)
Profit for the year		7,559,000	7,276,139	4,965,067	5,355,419
Profit attributable to :					
Equity holders of the parent		7,226,880	7,002,787	4,965,067	5,355,419
Non-controlling interest		332,120	273,352	-	-
Profit for the year		7,559,000	7,276,139	4,965,067	5,355,419
Basic and diluted earnings per share -Rs.	23	31.79	30.80		
Dividend per share	24	4.25	3.50		

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit for the year		7,559,000	7,276,139	4,965,067	5,355,419
Other comprehensive income/(expense) to be reclassified to income statement					
Fair value gain/(loss) on debt securities at fair value through other comprehensive income					
Share of equity accounted investee, net of tax	52	498,520	(426,030)	-	-
Total other comprehensive income/(expense) to be reclassified to income statement		498,520	(426,030)	-	-
Other comprehensive income/(expense) not to be reclassified to income statement					
Actuarial gains / (losses) on defined benefit plans	19.2	(45,247)	8,883	(52,660)	(4,228)
Tax effect	22.2	13,573	(1,514)	15,798	1,015
		(31,674)	7,369	(36,862)	(3,213)
Share of equity accounted investee, net of tax		(8,111)	1,048	-	-
Revaluation of land & buildings					
Gain on revaluation of land & buildings					
Share of equity accounted investee, net of tax	51	66,546	38,532	-	-
Deferred tax impact on revaluation reserve due to change of income tax rate	22.2	(453,286)	-	(278,959)	-
Deferred tax impact on revaluation reserve due to change of income tax rate - Share of equity accounted investee	51	(42,718)	-	-	-
Total other comprehensive income/(expense) not to be reclassified to income statement		(469,243)	46,949	(315,821)	(3,213)
Other comprehensive income/(expense) for the year (net of tax)		29,277	(379,081)	(315,821)	(3,213)
Total comprehensive income for the year		7,588,277	6,897,058	4,649,246	5,352,206
Total comprehensive income Attributable to:					
Equity holders of the parent		7,314,015	6,619,783	4,649,246	5,352,206
Non-controlling interest		274,262	277,275	-	-
Total comprehensive income for the year		7,588,277	6,897,058	4,649,246	5,352,206

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at	Notes	Group		Company	
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Cash and cash equivalents	26	992,061	1,199,681	528,494	697,234
Fair value through profit or loss financial assets	27	649,071	1,655,884	377,996	968,093
Securities bought under repurchase agreements	28	3,409,480	5,201,821	3,409,480	5,201,821
Financial assets at amortised cost- Debt and other financial instruments	29	28,039,980	22,310,336	26,332,972	20,933,341
Financial assets at amortised cost- Loans and receivables from customers	30	5,263,446	4,724,669	5,263,546	4,727,838
Financial assets at amortised cost- Net investment in leases and hire purchase	31	41,064,140	53,901,589	41,064,140	53,901,589
Trade receivables	32	1,074,527	1,589,992	-	-
Investments in subsidiaries	33	-	-	381,614	333,614
Investments in equity accounted investees	34	11,121,423	9,221,337	1,654,509	1,538,020
Inventories and other stocks	35	1,386,916	1,626,322	79,202	54,436
Investment properties	36	78,800	78,800	78,800	78,800
Property, plant and equipment	37	12,246,039	12,433,609	9,840,721	10,082,958
Right of use assets	38	429,616	457,818	497,414	559,516
Intangible assets	39	314,727	85,792	314,024	84,809
Current tax assets	40	34	1,127	-	-
Deferred tax asset	42	20,269	15,196	-	-
Other assets	43	633,201	1,096,721	388,155	873,135
Real estate held for sale	44	5,155	5,155	5,155	5,155
Assets held for sale	41	-	100	-	-
Total assets		106,728,885	115,605,949	90,216,222	100,040,359
LIABILITIES					
Bank overdrafts	26	225,173	224,369	170,584	215,438
Financial liabilities at amortised cost -Deposits	45	38,228,102	48,715,464	38,532,558	49,024,182
Financial liabilities at amortised cost -Interest bearing borrowings	46	74,226	708,465	38,922	88,329
Lease liabilities	38	416,352	425,001	501,736	542,760
Employee benefit obligations	47	2,072,381	1,778,128	1,922,762	1,632,666
Current tax liabilities	40	1,517,316	1,773,149	1,284,886	1,597,150
Deferred tax liability	42	1,400,623	1,765,957	937,912	1,438,012
Other liabilities	48	1,348,992	2,744,039	904,182	1,035,641
Liabilities directly associated with the assets held for sale	41	-	1,224	-	-
Total liabilities		45,283,165	58,135,796	44,293,542	55,574,178
EQUITY					
Stated capital	49	2,230,286	2,230,286	2,230,286	2,230,286
Statutory Reserve fund	50	2,964,000	2,715,000	2,964,000	2,715,000
Revaluation reserve	51	4,597,308	4,976,248	3,299,945	3,584,888
Fair value reserve	52	100,028	(398,492)	-	-
Loan loss reserve	53	920,000	920,000	920,000	920,000
General reserve	54	23,402,957	23,402,957	23,391,776	23,391,776
Retained earnings	55	25,330,663	21,989,452	13,116,673	11,624,231
Total equity, excluding non-controlling interest		59,545,242	55,835,451	45,922,680	44,466,181
Non-controlling interest	33.2	1,900,478	1,634,702	-	-
Total equity		61,445,720	57,470,153	45,922,680	44,466,181
Total liabilities and equity		106,728,885	115,605,949	90,216,222	100,040,359
Net asset value per share - Rs.		261.90	245.59	201.99	195.58

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

W.M.T.W. Weerasinghe

W.M.T.W. Weerasinghe
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.

E. H. Wijenaik

E. H. Wijenaik
Managing Director

A.K. Gunaratne

A.K. Gunaratne
Deputy Managing Director

19th May 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

Group	Notes	Attributable to equity holders of the Company							Non-controlling interest	Total
		Stated capital	Statutory reserve fund	Revaluation reserve	Fair value reserve	Loan loss reserve	General reserves	Retained earnings		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2021		1,961,597	2,371,000	5,102,431	27,538	920,000	23,402,957	16,266,493	50,052,016	1,453,433
Total comprehensive income										51,505,449
Profit for the year		-	-	-	-	-	-	7,002,787	7,002,787	273,352
Other comprehensive income		-	-	38,532	(426,030)	-	-	4,494	(383,004)	3,923
	33.2/ 51/ 52/ 55	-	-	38,532	(426,030)	-	-	7,007,281	6,619,783	277,275
Total comprehensive income										6,897,058
Transactions with equity holders of the Company and other transfers , recognised directly in equity										
Depreciation on revaluation surplus	51	-	-	(8,104)	-	-	-	8,104	-	-
Reversal of revaluation surplus on disposal of land	51	-	-	(156,611)	-	-	-	156,611	-	-
Unclaimed dividends written back		-	-	-	-	-	-	20,010	20,010	262
Acquisition of non-controlling interest of a subsidiary	33.5	-	-	-	-	-	-	72	72	(972)
Transfers during the year	50	-	344,000	-	-	-	-	(344,000)	-	-
Dividends - Scrip/cash	24/49	268,689	-	-	-	-	-	(1,125,119)	(856,430)	(27,234)
Divestment of a subsidiary company	33.4	-	-	-	-	-	-	-	-	(68,062)
Total contributions from and distribution to equity holders and other transfers		268,689	344,000	(164,715)	-	-	-	(1,284,322)	(836,348)	(96,006)
Balance as at 31st March 2022		2,230,286	2,715,000	4,976,248	(398,492)	920,000	23,402,957	21,989,452	55,835,451	1,634,702
Balance as at 01st April 2022		2,230,286	2,715,000	4,976,248	(398,492)	920,000	23,402,957	21,989,452	55,835,451	1,634,702
Charge relating to Surcharge Tax	22.4/55	-	-	-	-	-	-	(2,587,313)	(2,587,313)	(2,031)
Balance as at 1st April 2022 (Adjusted)		2,230,286	2,715,000	4,976,248	(398,492)	920,000	23,402,957	19,402,139	53,248,138	1,632,671
Total comprehensive income										54,880,809
Profit for the year		-	-	-	-	-	-	7,226,880	7,226,880	332,120
	33.2/ 51/ 52/ 55	-	-	-	-	-	-	(40,303)	87,135	(57,858)
Other comprehensive income		-	-	(371,082)	498,520	-	-	-	-	29,277
Total comprehensive income		-	-	(371,082)	498,520	-	-	7,186,577	7,314,015	274,262
Transactions with equity holders of the Company and other transfers , recognised directly in equity										
Depreciation on revaluation surplus	51	-	-	(7,858)	-	-	-	7,858	-	-
Unclaimed dividends written back		-	-	-	-	-	-	6,186	6,186	393
Payment of forfeited dividends		-	-	-	-	-	-	(1)	(1)	-
Transfers during the year	50	-	249,000	-	-	-	-	(249,000)	-	-
Dividends - Scrip/ Cash	24	-	-	-	-	-	-	(1,023,096)	(1,023,096)	(6,848)
Total contributions from and distribution to equity holders and other transfers		-	249,000	(7,858)	-	-	-	(1,258,053)	(1,016,911)	(6,455)
Balance as at 31st March 2023		2,230,286	2,964,000	4,597,308	100,028	920,000	23,402,957	25,330,663	59,545,242	1,900,478

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Company	Notes	Stated capital Rs.'000	Statutory reserve fund Rs.'000	Revaluation reserve Rs.'000	Loan loss reserve Rs.'000	General reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 01st April 2021		1,961,597	2,371,000	3,747,729	920,000	23,391,776	7,558,554	39,950,656
Total comprehensive income								
Profit for the year		-	-	-	-	-	5,355,419	5,355,419
Other comprehensive income		-	-	-	-	-	(3,213)	(3,213)
Total comprehensive income	55	-	-	-	-	-	5,352,206	5,352,206
Transactions with equity holders of the Company and other transfers, recognised directly in equity								
Depreciation on revaluation surplus	51	-	-	(6,230)	-	-	6,230	-
Reversal of revaluation surplus on disposal of land	51	-	-	(156,611)	-	-	156,611	-
Unclaimed dividends written back		-	-	-	-	-	19,749	19,749
Transfers during the year	50	-	344,000	-	-	-	(344,000)	-
Dividends - Scrip/cash	24/49	268,689	-	-	-	-	(1,125,119)	(856,430)
Total contributions from and distribution to equity holders and other transfers		268,689	344,000	(162,841)	-	-	(1,286,529)	(836,681)
Balance as at 31st March 2022		2,230,286	2,715,000	3,584,888	920,000	23,391,776	11,624,231	44,466,181
Balance as at 01st April 2022		2,230,286	2,715,000	3,584,888	920,000	23,391,776	11,624,231	44,466,181
Charge relating to Surcharge Tax	22.4/55	-	-	-	-	-	(2,175,436)	(2,175,436)
Balance as at 1st April 2022 (Adjusted)		2,230,286	2,715,000	3,584,888	920,000	23,391,776	9,448,795	42,290,745
Total comprehensive income								
Profit for the year		-	-	-	-	-	4,965,067	4,965,067
Other comprehensive income		-	-	(278,959)	-	-	(36,862)	(315,821)
Total comprehensive income	51/55	-	-	(278,959)	-	-	4,928,205	4,649,246
Transactions with equity holders of the Company and other transfers, recognised directly in equity								
Depreciation on revaluation surplus	51	-	-	(5,984)	-	-	5,984	-
Unclaimed dividends written back		-	-	-	-	-	5,786	5,786
Transfers during the year	50	-	249,000	-	-	-	(249,000)	-
Payment of forfeited dividends		-	-	-	-	-	(1)	(1)
Dividends - Cash	24	-	-	-	-	-	(1,023,096)	(1,023,096)
Total contributions from and distribution to equity holders and other transfers		-	249,000	(5,984)	-	-	(1,260,327)	(1,017,311)
Balance as at 31st March 2023		2,230,286	2,964,000	3,299,945	920,000	23,391,776	13,116,673	45,922,680

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended 31st March	Notes	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Interest receipts		15,503,748	13,112,282	15,266,207	13,044,725
Interest payments		(2,301,236)	(2,024,683)	(2,333,129)	(2,059,234)
Recoveries on bad debts previously written off		344,757	844,914	344,757	844,914
Receipts from other operating activities		6,904,101	8,744,642	1,162,126	1,628,641
Cash payments to employees and suppliers		(9,297,416)	(9,884,475)	(4,130,336)	(3,802,479)
Operating profit before changes in operating assets		11,153,954	10,792,680	10,309,625	9,656,567
(Increase) / decrease in operating assets:					
Securities with bank and non-bank financial institutions		(1,565,164)	(3,735,115)	(1,565,164)	(3,735,115)
Loans to customers		(15,943,315)	(29,703,636)	(16,818,085)	(29,711,835)
Customer repayments		27,606,464	36,013,094	28,489,586	36,027,142
Others		(218,585)	(681,207)	(37,946)	(617,442)
Increase / (decrease) in operating liabilities:					
Net cash effect on deposits		(11,771,180)	(4,457,307)	(11,790,101)	(4,584,138)
Net cash from operating activities before taxes on financial services		9,262,174	8,228,509	8,587,915	7,035,179
Taxes on financial services		(1,666,097)	(1,372,889)	(1,666,097)	(1,372,889)
Net cash on operating activities before income tax		7,596,077	6,855,620	6,921,818	5,662,290
Income tax paid	40	(3,692,632)	(2,408,676)	(3,427,809)	(2,202,426)
Surcharge tax paid	22.4	(2,185,438)	-	(2,175,436)	-
Net cash generated from operating activities		1,718,007	4,446,944	1,318,573	3,459,864
Cash flows from investing activities					
Dividends received from subsidiaries		-	-	26,724	43,643
Dividends received from equity accounted investees		47,652	31,247	45,718	-
Dividends received from other companies		30,344	9,177	25,045	-
Proceeds from divestment of a subsidiary company	33.4	-	270,776	-	186,353
Proceeds from disposal of investment property	36	-	215,625	-	215,625
Proceeds on liquidation of an associate company	34.3	-	46,509	-	30,828
Acquisition of non-controlling interest of a subsidiary	33.5	-	(900)	-	-
Acquisition of financial investments		(5,506,600)	(2,575,754)	-	-
Proceeds from sale of financial investments		5,723,460	2,168,306	-	-
Purchase of property, plant and equipment		(598,739)	(1,149,253)	(475,306)	(980,643)
Disposal of property, plant and equipment		168,331	53,328	168,121	49,495
Net cash used in investing activities		(135,552)	(930,939)	(209,698)	(454,699)
Cash flows from financing activities					
Proceeds from borrowings	46	279,340	2,429,881	-	-
Repayment of borrowings	46	(926,297)	(3,398,843)	(62,125)	(1,006,465)
Lease installment settlement	38.4	(115,129)	(117,055)	(147,505)	(146,230)
Dividends paid to equity holders of the parent		(1,023,095)	(856,430)	(1,023,095)	(856,430)
Dividends paid to non-controlling interest		(5,661)	(25,636)	-	-
Net cash used in financing activities		(1,790,842)	(1,968,083)	(1,232,725)	(2,009,125)
Net increase/(decrease) in cash and cash equivalents		(208,387)	1,547,922	(123,850)	996,040
Cash and cash equivalents at the beginning of the year		975,489	(466,976)	481,971	(514,069)
Cash and cash equivalents of subsidiary disposed of	33.4	-	(105,457)	-	-
Cash and cash equivalents at the end of the year		767,102	975,489	358,121	481,971
Cash and cash equivalents	26	992,061	1,199,681	528,494	697,234
Bank overdrafts		(225,173)	(224,369)	(170,584)	(215,438)
Impairment provision for cash equivalents		214	177	211	175
Cash and cash equivalents at the end of the year	26	767,102	975,489	358,121	481,971

Notes to the financial statements from pages 115 to 231 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate information

Central Finance Company PLC is a public limited liability company incorporated on 5th December 1957 and domiciled in Sri Lanka. Its registered office and principal place of business is at No. 84, Raja Veediya, Kandy. The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The financial information of the Company and its subsidiaries are together referred to as "the Group".

Total staff strength of the Company and the Group on 31 March 2023 were as follow:

Group	2,091 (31 March 2022 - 2,304)
Company	1,582 (31 March 2022 - 1,741)

1.2 Consolidated financial statements

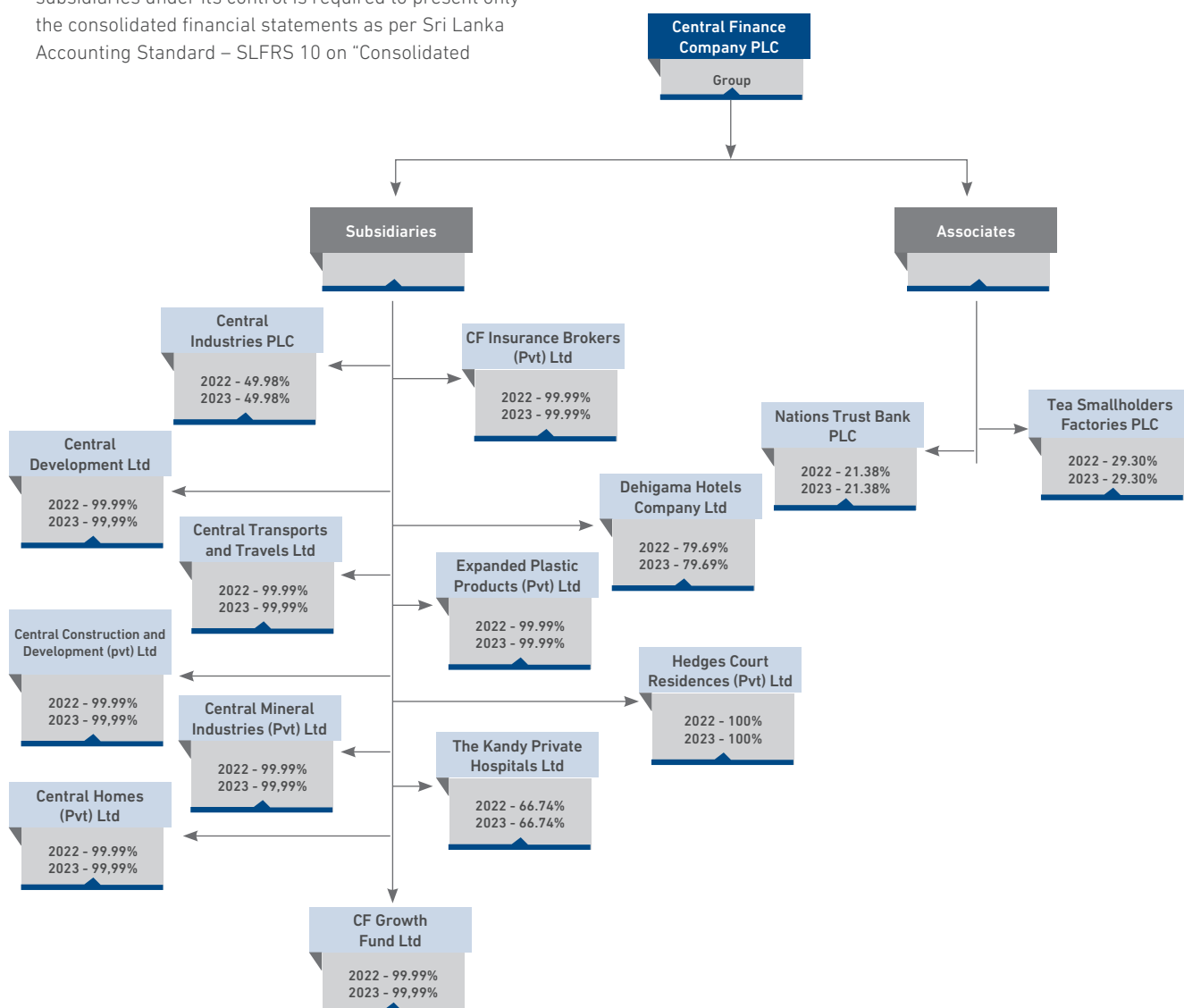
Central Finance Company PLC as the parent of subsidiaries under its control is required to present only the consolidated financial statements as per Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated

Financial Statements" and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures". In addition to the consolidated financial statements, separate financial statements are also presented as per the requirements of Companies Act, No. 07 of 2007 and amendments thereto.

1.3 Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent of its own. The Company is the ultimate parent of the Group companies.

1.4 Principal business activities, nature of operations and ownership of the Group in its subsidiaries and associates



NOTES TO THE FINANCIAL STATEMENTS

A summary of principal activities of the Company, its subsidiary companies and associate companies are as follows:

Entity	Principal Business Activity
Central Finance Company PLC	Leasing, loans, operating leases, deposit mobilization, and provision of other financial services
Subsidiaries	
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings
Central Mineral Industries (Private) Limited	Manufacture of mineral products
Central Construction and Development (Private) Limited	Investment company
Expanded Plastic Products(Private) Limited	Investment company
Central Homes (Private) Limited	Property development and sale of real estate
Mark Marine Services (Private) Limited	Hydropower generation (Company investments divested in September 2021)
Central Developments Limited	Investment company
CF Insurance Brokers (Private) Limited	Insurance broking
Central Transport and Travels Limited	Hiring of vehicles
Hedges Court Residencies (Private) Limited	Construction and sale of apartments
Dehigama Hotels Company Limited	Renting of commercial property
CF Growth Fund Limited	Investment company
The Kandy Private Hospitals Limited	Provision of healthcare services
Associates	
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Processing green leaves purchased from tea smallholders and the sale of processed black tea
Capital Suisse Asia Ltd.	Investment company (Liquidated in April 2021)

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

1.5 Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the annual report.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company, which comprise the statement of financial position, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

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

These financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Details of the Group's significant accounting policies followed during the year are given on Note 4 to 60 on pages 119 to 229.

These financial statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Group and the Company for the year under review; (Refer pages 109 and 110).
- Statement of Financial Position providing information on the financial position of the Group and Company as at the year end; (Refer page 111).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and Company; (Refer pages 112 and 113).
- a Statement of Cash Flows providing information to the users, on the ability of the Group and Company to generate cash and cash equivalents and the needs of the entity to utilize those cash flows; (Refer page 114).

- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 115 to 231)

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 22.4 on Income Taxes.

2.2 Approval of the financial statements by the Board of Directors

The financial statements as at and for the year ended 31st March 2023 were authorized for issue by the Board of Directors on 19th May 2023.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for the following material items, which are measured on an alternative basis on each reporting date:

Item	Basis of measurement	Note	Page
Financial assets measured at fair value through profit or loss	Fair value	27	172
Defined benefit obligations	Liability for defined benefit obligations is recognised at present value of the defined benefit obligation less fair value of the plan assets	47	215
Land and buildings	Measured at cost at the time of acquisition and subsequently measured at fair value	37	194
Investment properties	Fair value	36	192

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

2.5 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. 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".

2.6 Going concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future and, do not foresee a need for liquidation or cessation of business. The assessment took into consideration the current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factors that cause uncertainties regarding the application of this principle relate to the unstable economic environment in the Country. The Board 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 continue to be prepared on the going concern basis.

The high degree of uncertainty that characterizes the internal economic environment led to deterioration in the creditworthiness of corporates and individuals, to an increase of non performing loans/ leases and therefore to the recognition of higher impairment losses by the Company. The Company adopt very cautious and selective lending approach with robust credit risk assessment and will continue to strengthen the recovery effort through timely identification of stressed credit facilities. Based on the above and taking into account the Company's capital adequacy, excess liquid funds and the ability of the Group to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

Therefore, the financial statements continue to be prepared on the going concern basis.

2.7 Rounding

The amounts in the financial statements have been rounded off to the nearest rupees thousands except where otherwise indicated, as permitted by the Sri Lanka Accounting Standard - LKAS 1 on "Presentation of Financial Statements

2.8 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which Group operates (Group's functional currency). All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless otherwise stated, as permitted by LKAS 01 - Presentation of Financial Statements.

There was no change in the Group's presentation and functional currency during the year under review.

The information presented in US Dollars on pages 246 and 247 does not form part of the financial statements and is solely for the information of stakeholders.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Estimates and underlining assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgement/estimates involved.

High degree of uncertainty that characterizes the internal economic environment followed by the economic crisis in the Country has led to a significant deterioration in the

creditworthiness of corporates and individuals. Therefore additional impairment losses recognised for the potential increase of non performing loans as management overlay by the Company.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the significant deterioration in the macro-economic indicators along with uncertainty and volatility prevailing in the country on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimates and uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows.

Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

Significant Judgements	Note Reference
Establishing the criteria for determination of whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of Expected credit losses(ECL) and the selection and approval of models used to measure Expected credit loss.	Note 17 page 154
Determination of control over investees	Note 33,34, page 180 to 189
Classification of financial assets and assessment of the business model within which the assets are held	Note 4.3.3, page 122
Classification of investment properties	Note 36, page 192
Determination of fair value of financial instruments when there is no observable market data.	Note 8.3, page 143

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2023 is included in the following notes.

Significant assumption and estimations uncertainties	Note Reference
Impairment of financial instruments : determination of inputs into the Expected Credit Loss (ECL) measurement model including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information	Note 17 page 154
Measurement of the fair value of financial instruments with significant unobservable inputs	Note 8.3 page 143
Measurement of defined benefit obligations: key actuarial assumptions	Note 47 page 215
Recognition of deferred tax assets	Note 42 page 209
Determining the fair value of investment property and freehold land and buildings on the basis of significant unobservable inputs	Note 36,37,39 page 192,194,207
Impairment losses on non-financial assets	Note 4.4 page 124
Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources	Note 58 page 223
Useful life time of property, plant and equipment, investment properties and intangible assets	Note 36,37,39 page 192,194,207
Right-of-Use assets and operating lease liability	Note 38 page 203

4. SIGNIFICANT ACCOUNTING POLICIES

Application of Accounting Policies

The Group has consistently applied the accounting policies for all periods presented in the financial statements. Further the changes in accounting policies due to adoption of new standards and interpretations or adoption of new accounting policies have been presented in Note 5 to the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements. These significant accounting policies have been applied consistently to all periods presented in the financial statements of the Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policy	Note No	Page number
Basis of Consolidation	4.1	120
Foreign currency	4.2	121
Financial instruments - Initial recognition, classification and subsequent measurement	4.3	122
Impairment of non-financial assets	4.4	124
Provisions	4.5	125
Gross Income	10	150
Interest Income	11	150
Interest Expense	12	151
Net income from financial instruments at FVTPL	13	152
Other Revenue	14	152
Operating Lease Income	15	153
Other Income	16	154
Impairments and other credit losses	17	154
Operating expense	18	161
Personnel expense	19	162
Taxes on financial services	21	163
Income tax expense	22	164
Cash and cash equivalents	26	171
Financial assets measured at fair value through profit or loss	27	172
Investments in subsidiaries	33	180
Investments in equity accounted investees	34	186
Investment properties	36	192
Property, plant and equipment	37	194
Right of use assets	38	203
Intangible assets	39	207
Real estates held for sale	44	213
Employee benefit obligations	47	215
Contingent liabilities	58	223

4.1 Basis of consolidation

The Group's financial statements comprise the consolidation of the financial statements of the Company, its subsidiaries in terms of the Sri Lanka Accounting Standard - SLFRS 10 on "Consolidated Financial Statements".

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set 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 assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, 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.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies controlled by the Group. Control is achieved when the Group is exposed, 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Generally, there is a presumption that a majority of voting rights results in control. When the

Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangements with the other shareholders of the investee and the rights arising from other contractual arrangements.

Non - controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly, are disclosed separately as "Non- controlling Interest". Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit. The accounting policies of the subsidiaries are changed when necessary to align them with the policies adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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 income statement 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 or

when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those enterprises in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. Investments in associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of gains and losses accounted under the equity method from the date significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is derecognized 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.

Transactions eliminated on consolidation

Intra-group transactions and balances, income, expenses and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are eliminated only to the extent that there is no evidence of impairment.

Accounting period

Consolidated financial statements are prepared to a common financial year ending 31st March. All subsidiaries in the Group other than CF Insurance Brokers (Pvt) Ltd., have a common financial year ending 31st March. The financial year end for CF Insurance Brokers (Pvt) Ltd., is 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March. The audited consolidated financial statements of Nations Trust Bank PLC is drawn up to 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March.

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. 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

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value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

4.3 Financial instruments – Initial recognition, classification and subsequent measurement

4.3.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, the date that the Company becomes a party to the contractual provisions of the instrument.

4.3.2 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. All financial instruments are initially measured at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the income statement.

4.3.3 Classification and Subsequent Measurement of Financial Assets

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

These assets are measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost.

4.3.3.a Business Model Assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

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

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

4.3.3.b 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 the financial assets to identify whether they meet the SPPI test.

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

Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during the particular period of time and for other basic lending risks and costs, as well as profit margin.

When carrying out the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

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

4.3.3.c Classification of Financial Assets

Financial asset classification	Criteria
Financial assets measured at amortised cost	A financial asset is measured at amortised cost if both of the following conditions are met and is not designated as at FVTPL. - The contractual terms of The financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the Principal amount outstanding.
Financial assets measured at fair value through other comprehensive income	A debt instrument is measured at Fair Value through Other Comprehensive Income (FVOCI) when both of the following conditions are met: - The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets - The contractual terms of The financial asset meet The SPPI test Upon initial recognition, the Group may elect to classify irrecoverably some of its equity investments held for strategic and statutory purposes as equity instruments measured at fair value through other comprehensive income.
Financial assets measured at fair value through profit or loss	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 liability classification	Criteria
Financial liabilities measured at amortised cost	Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost

4.3.3.d 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.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision 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 while the losses arising from impairment are recognised in impairment charges for loans and other losses in the income statement.

The amortised cost of a financial asset or a 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 (EIR) method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (ECL).

Financial assets measured at amortised cost of the Group comprise of cash and cash equivalents, debt and other financial instruments, loans and receivables from customers, net investment in leases and hire purchase, securities bought under repurchase agreements, trade receivables and other financial instruments.

4.3.3.e Fair value through profit or loss (FVTPL)

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charged to profit or loss. Financial assets measured at FVTPL are subsequently recorded in the statement of financial position at fair value. Changes in fair value, gains/(losses) from trading and dividend income are recognised in the income statement under net income from financial instruments at FVTPL.

No impairment loss is recognised on equity instruments classified as financial assets measured at FVTPL.

4.3.4 Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group's financial liabilities comprise of bank overdrafts, deposits from customers, interest bearing borrowings, other liabilities and lease liabilities.

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4.3.5 Reclassification of financial assets and liabilities

When the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains or losses (including impairment losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

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

Reclassification is at the discretion of management, and is determined on an instrument-by-instrument basis. Further the Group does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it had been designated as fair value through profit or loss.

The Group did not reclassify any of its financial assets or liabilities during the year ended 31.03.2023.

Group's associate Company reclassification of debt instruments classified as fair value through other comprehensive income financial assets to amortised cost is detailed in note 52 to the financial statements.

4.3.6 De-recognition of financial assets and liabilities

4.3.6.a Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The right to receive cash flows from the asset has expired.
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset

obtained less any new liability assumed) is recognised in the income statement.

When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained."

4.3.6.b Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

4.3.7 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions.

4.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the recoverable amount of an asset is below its carrying amount the asset is considered impaired, and is reduced to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset except for property previously revalued and the revaluation surplus was credited to equity. In such case, the impairment is recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Previously recognised impairment losses other than in respect of goodwill are reversed only if there has been an increase in the recoverable amount of such asset. Such increased carrying amount of an asset attributable to reversal of an impairment loss is recognised only up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.5 Provisions

In accordance with Sri Lanka Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets, recognition of a provision in the statement of financial position is made when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new accounting standards/ amendments to accounting standards

The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

6 STANDARDS ISSUED BUT NOT YET ADOPTED

The following new accounting standards and amendments/improvements to the existing standards were issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). A number of new standards are effective for annual periods beginning after 1 April 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on these financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1 April 2023.
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1 April 2023.
- Definition of Accounting Estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 1 April 2023.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12
- SLFRS 17 - Insurance Contracts - effective for annual reporting periods beginning on or after 1 April 2025

7 FINANCIAL RISK REVIEW AND CAPITAL MANAGEMENT

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

7.1 Introduction and Overview

The Group/Company has exposure to the following key risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk;

This note presents information about the Group/ Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing such risks.

7.2 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for identifying, managing and controlling risks in executing the business strategy.

The Integrated Risk Management Committee (IRMC) provides the Board, the assurance that risk management strategies, policies and processes are in place to manage events / outcomes that have the potential to impact significantly on earnings performance, reputation and capital.

The risk management policies are established to identify and analyse the risks faced by the Group/Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group/Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation

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to the risks faced by the Group/Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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7.3 Credit Risk

Credit risk is the risk of financial loss to the Group/Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Company's loans and advances to customers, balances held in banks and other investment in debt securities.

7.3.1 Management of Credit Risk

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the management of credit risk. There is a clear segregation of duties between transaction originators in the business units and approvers in the credit function. All credit exposure limits are approved within a delegated credit approval authority framework. Risk indicators are also set by the Group/Company and monitored through the ALCO, BoM and IRMC on a monthly and quarterly basis.

7.3.2 Consideration of current economic conditions on credit risk

Company continued to conduct in-depth analysis of the credit products and customer segments which have been affected and the scale of impact on Company's lending portfolio, through various stress testing techniques including stage shift assessment of portfolios. Uncertainties relating to the economic conditions in Sri Lanka stressed the importance of scenario assessments and resultant post model adjustments which in turn would ensure the resilience of the Company in the economic environment of this nature. The Company is comfortable with the existing composition of its loan book, continuous monitoring and proactive measure taken to engage customers, cautious risk management strategies adopted and post model adjustments which have been incorporated in assessing expected credit loss as of 31st March 2023.

Credit policies

Company-wide credit policies and procedures are considered and approved by the Board with inputs from Credit and Recoveries Departments. The Board of Management (BoM) also oversees the delegation of credit approvals and the loan impairment assessment processes through regular reviews. These policies are adequate to reflect the different risk environments and portfolio characteristics of the Group/Company. The Board approves changes to the delegated authority levels pertaining to credit as considered necessary.

Credit approvals

Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the designated officers under the delegated approving limits set by the Board, with input from BoM. The credit approving limits in place are structured based on the need of delegation required to manage the network of branches, without compromising the risk appetite of the Group/Company.

7.3.3 Credit quality analysis

The table below sets out an analysis of the lease, loan and receivables from customers and net investment in leases and hire purchase portfolio between those that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

As at 31st March 2022	Group		Company	
	2023 (Rs. '000)	2022 (Rs. '000)	2023 (Rs. '000)	2022 (Rs. '000)
Neither past due nor individually impaired loans and leases	20,424,243	30,825,393	20,424,343	30,836,038
Past due but not individually impaired loans				
- Up to 30 days past due	10,935,954	12,535,156	10,935,954	12,527,680
- 31-60 days past due	8,364,449	6,679,027	8,364,449	6,679,027
- 61-90 days past due	4,156,556	3,048,044	4,156,556	3,048,044
- 91-120 days past due	3,424,603	2,191,530	3,424,603	2,191,530
- Over 120 days	3,985,570	8,310,813	3,985,570	8,310,813
Individually impaired loans	1,023,539	1,020,473	1,023,539	1,020,473
Provision for Individually significant impairment	(706,286)	(721,592)	(706,286)	(721,592)
Provision for Individually not significant impairment	(5,281,042)	(5,262,586)	(5,281,042)	(5,262,586)
Total loans and advances & leases	46,327,586	58,626,258	46,327,686	58,629,427
Of which held at fair value through profit or loss amounts to;	None	None	None	None

7.3.4 Maximum exposure to credit risk

The table below represents the Group/Company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31st March 2023, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

Maximum exposure to credit risk - Group

On Balance sheet exposure Collateral Type wise	Group			
	Amortised cost 2023 (Rs. '000)	Net Exposure 2023 (Rs. '000)	Amortised cost 2022 (Rs. '000)	Net Exposure 2022 (Rs. '000)
Cash at banks (Clean)	591,046	591,046	712,789	712,789
Securities bought under repurchase agreements	3,409,480	-	5,201,821	-
Financial assets at amortised cost - Debt and other financial instruments	28,039,980	26,673,864	22,310,336	21,753,396
Loans and receivables - Cash Backed	1,021,409	-	922,333	-
Loans and receivables - Equipment	84,697	-	209,068	-
Loans and receivables - Others	1,365,834	1,218,999	1,112,883	1,027,770
Loans and receivables - Properties	742,529	-	379,505	-
Loans and receivables - Vehicles	43,113,117	-	56,002,469	-
Trade & Other receivable (Clean)	1,707,728	1,707,728	2,686,713	2,686,712
	80,075,820	30,191,637	89,537,917	26,180,667

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Maximum exposure to credit risk - Company

On Balance sheet exposure Collateral Type wise	Company			
	Amortised cost	Net Exposure	Amortised cost	Net Exposure
	2023 (Rs. '000)	2023 (Rs. '000)	2022 (Rs. '000)	2022 (Rs. '000)
Cash at banks (Clean)	129,848	129,848	210,611	210,611
Securities bought under repurchase agreements	3,409,480	-	5,201,821	-
Financial assets at amortised cost - Debt and other financial instruments	26,332,972	24,966,856	20,933,341	20,376,401
Loans and receivables - Cash Backed	1,032,495	-	932,978	-
Loans and receivables - Equipment	84,697	-	209,068	-
Loans and receivables - Others	1,354,848	1,218,999	1,105,407	1,027,770
Loans and receivables - Properties	742,529	-	379,505	-
Loans and receivables - Vehicles	43,113,117	-	56,002,469	-
Trade & Other receivable (Clean)	388,155	388,155	873,134	873,134
	76,588,141	26,703,858	85,848,334	22,487,917

Contingencies and Commitment related exposures - Collateral type wise

As at 31st March 2022	Instrument	Group		Company	
		2023	2022	2023	2022
		(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Collateral types					
Lease receivables	Letters of Credit	-	5,325	-	5,325
Guarantees	Cash backed	18,250	29,165	18,250	29,165

7.3.5 Collateral held and other credit enhancements

Most of our lending activities are secured by tangible assets with the majority being motor vehicles and equipment. Hence, the Company has a fall back in the event of default. Collaterals obtained are supported by enforceable documentation. The main types of collaterals obtained are Vehicles, Equipment, Properties, Machinery, Treasury bills and Bonds, Deposits, Trade receivable and, Corporate and Personal Guarantees. The Company does not hold any collateral where it is permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. There have not been any change to the quality of collaterals obtained due to change in the policy of collaterals. The Company has not assessed impairment on Securities bought under repurchase agreements due to the fact these are secured by sovereign bills and bonds. Loans which are collateralised by deposits with netting agreements are given under maximum exposure to credit risk as Loans and Receivables - Cash Backed. The total amount of cash backed collateral is Rs. 1,808 Mn. (2022- Rs. 1,704 Mn)

The collaterals held as security for Stage-3 credit facilities and average Loan to Value (LTV) ratio for each collateral type are as follows,

Collateral Type (Stage -3 Lending Portfolio)	Amortised Cost Rs'000	Average LTV Ratio
Immovable Properties	435,556	46%
Vehicles and Machinery	4,536,841	65%
Other Securities	14,351	100%
Personal and Corporate Guarantees	277,068	0%
Unsecured Loans	75,640	0%
	5,339,456	

LTV - Facility Amount/ Collateral Value

Collateral value of individually significant credit impaired contracts amounts to Rs. 538 Mn (2022- Rs 360 Mn).

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations. The total repossessed vehicles held by the Company by taking possession of collateral held as security against leases and held at 31 March 2023 amounted to Rs.447.46 Million (2022- Rs. 169.87 Million)

7.3.6 Concentration of Credit Risk

Credit concentration

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty or groups of connected counterparties, asset type, industry sectors, etc. Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the Group/Company are reviewed accordingly.

The Company/Group monitors concentration of credit risk by geographic locations and by sector.

Top 20 Concentration of the lending portfolio

As at 31st March	Group		Company		Group		Company	
	2023				2022			
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
Top 20	2,820,308	5.39%	2,820,308	5.39%	2,490,336	3.85%	2,490,336	3.85%
Balance Portfolio	49,494,607	94.61%	49,494,707	94.61%	62,120,100	96.15%	62,123,269	96.15%
Total Portfolio (Gross carrying amount)	52,314,915	100.00%	52,315,015	100.00%	64,610,436	100.00%	64,613,605	100.00%

Geographical Analysis of the Lending Portfolio

As at 31st March	2023				2022			
	Group		Company		Group		Company	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
Province								
Western	19,645,595	42.41%	19,645,695	42.41%	23,640,348	40.32%	23,643,517	40.32%
Central	6,525,261	14.09%	6,525,261	14.09%	8,617,414	14.70%	8,617,414	14.70%
North Western	5,705,835	12.32%	5,705,835	12.32%	7,491,864	12.78%	7,491,864	12.78%
Sabaragamuwa	3,859,940	8.33%	3,859,940	8.33%	5,299,652	9.04%	5,299,652	9.04%
Southern	3,140,650	6.78%	3,140,650	6.78%	4,107,254	7.01%	4,107,254	7.01%
North Central	2,692,613	5.81%	2,692,613	5.81%	3,464,723	5.91%	3,464,723	5.91%
Uwa	2,174,971	4.69%	2,174,971	4.69%	2,850,159	4.86%	2,850,159	4.86%
Eastern	1,625,116	3.50%	1,625,116	3.50%	2,048,812	3.50%	2,048,812	3.49%
Northern	957,605	2.07%	957,605	2.07%	1,106,032	1.90%	1,106,032	1.90%
Total	46,327,586	100.00%	46,327,686	100.00%	58,626,258	100.00%	58,629,427	100.00%

Sector-Wise Concentration of the Lending Portfolio

Group

As at 31st March	2023		2022	
	(Rs. '000)	%	(Rs. '000)	%
Agriculture	1,745,050	3.77%	1,385,595	2.36%
Construction	763,487	1.67%	760,760	1.30%
Industry	1,237,513	2.67%	881,524	1.50%
Services	944,229	2.01%	4,799,102	8.19%
Tourism	318,025	0.69%	491,435	0.84%
Trading	1,474,305	3.18%	1,863,173	3.17%
Transport	32,705,758	70.60%	33,750,543	57.57%
Others	7,139,219	15.41%	14,694,126	25.07%
Total Portfolio	46,327,586	100.00%	58,626,258	100.00%

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Company

As at 31st March	2023		2022	
	(Rs. '000)	%	(Rs. '000)	%
Agriculture	1,745,050	3.77%	1,385,595	2.36%
Construction	774,573	1.67%	760,760	1.30%
Industry	1,236,590	2.67%	881,524	1.50%
Services	934,166	2.01%	4,799,102	8.19%
Tourism	318,025	0.69%	491,435	0.84%
Trading	1,474,305	3.18%	1,863,173	3.18%
Transport	32,705,758	70.60%	33,750,543	57.57%
Others	7,139,219	15.41%	14,697,296	25.07%
Total Portfolio	46,327,686	100.00%	58,629,427	100.00%

7.3.7 Amount Arising from ECL

Credit Monitoring and Measurement

We regularly monitor credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends. Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the management. The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which CF is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the use of a model. The model we use comprises of three core elements;

- Probability of default (PD) – the likelihood of a borrower not being able to honour his obligations.
- Exposure at default (EAD) – the exposure to a borrower who is unable to honour his obligations, at the point of default.
- Loss given default (LGD) – the historical loss associated with a delinquent loan or defaulted borrower.

In addition to the above three elements, the company also uses forward looking information including macro-economic information to arrive at the expected credit losses.

SLFRS- 9 proposes that Significant increase in credit risk is presumed to have occurred when contractual payments are more than 30 days past due and default is presumed at 90 days past due. For leases and other loans, we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120 days to align these parameters to the Company's business model, internal risk management practices, the recovery monitoring & follow-up procedure adopted by the Company. We have re-evaluated the rebuttal of the assumptions based historical behavioral analysis of the lease and other loans credit portfolio and observed that significant curing happens in the 91-120 days risk bucket based on Company pursued strategic recovery initiatives and regulatory definition for NPLs at 120 days past due with effect from 01st April 2022 (180 days past due for 2021-22). The curing + static % of the lease and other loans contracts within 31-60 Days risk bucket and 91-120 Days risk buckets category represented 70.12% and 80.33% as of 31st March 2023 including customer settlements of credit contracts during the year under review. The curing % of 91-120 Days risk buckets represented 64.79% while > 120 Days risk buckets (defaulted credit contracts) represented 56.56% which supported the rebuttable of the default definition during the year under review.

For Term and Business loans the Company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the Company. The curing % of > 90 Days risk bucket (defaulted credit contracts) represented 13.43% during the year under review.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired..

The methodology adopted was used consistently at each reporting date. The impairment based on the expected credit loss model computed for individually significant loans and individually not significant loans for identified risk categories is given in notes 17 to the financial statements on pages 154 to 161. The total interest income on impaired financial assets accrued for the year 2022/23 amounts to Rs.349 Mn. (2021/22 - Rs. 589 Mn).

Modified Financial Assets

When a loan has been renegotiated and modified, a re-assessment is performed to see whether there's a significant increase in credit risk based on the qualitative risk factors and cumulative days past due at the date of re-negotiated credit contract. All the re-scheduled contracts days past due represent in aggregate, the period of time the credit facility was in arrears before re-scheduling and after re-scheduling unless upgraded based on servicing of the loan satisfactorily for the specific watch out periods specified in Finance Business Act Direction No 01 of 2020 - Classification & Measurement of Credit Facilities.

The gross carrying amount of loans whose terms have been modified and being measured at an amount equal to 12 months expected credit loss (Stage 1) amounts to Rs.1, 243 Mn as of 31st March 2023 (2022 - 204 Mn). The modified loans assessed as significantly increased credit risk or defaulted (Stage 2 & 3) amounted to Rs. 1,071 Mn (2022 - Rs. 1,080 Mn) and life time impairment of such modified loans amounted to Rs. 521 Mn (2022 - Rs. 561 Mn). On such loans, life time impairment is computed considering them as having significant increase in credit risk and at subsequent reporting periods if those loans are no longer considered to have experienced a significant increase in credit risk, impairment on such loans is assessed for 12 months. During the year, the Company has upgraded such modified assets amounting to Rs.131.28 Mn to Stage 1 at 12 months expected credit loss and the impairment made against such loans as of 31st March 2022 amounting to Rs. 21.49 Mn reduced to Rs. 6.2 Mn by 31st March 2023. There were no gains or losses recognized during the year in modifying these contracts.

The Company/ Group's individually significant loans are categorised into two broad categories and the following factors were considered in determining the impairment of those assets;

- Loan servicing history of the borrower
- Borrower's with legal and regulatory compliance
- Financial standing of the borrower
- Other general economic conditions affecting the borrower's repayment ability

In assessing the Expected Credit Loss (ECL) for the year ended 31 March 2023, Company has taken into consideration the potential losses in loan and lease portfolios due to significant deterioration in the macro-economic indicators and increased level of uncertainties. Due to lack of historic data to address the current economic conditions, the Company continued to built management overlays for the potential impairment arising from the loan and lease portfolios, outside the Expected Credit Loss model by using various scenario based stress testing technique to ensure adequate provision for impairment is recognized in the financial statements as of 31 March 2023.

For impairment assessment of individual significant customers, Company has identified the customers showing distress signs in identifying SICR. As part of management overlay, the projected recovery cash flows extended to reflect the current market conditions. Collective impairment assessment has been carried out by using ECL model which has been refined with revised assumptions to reflect the prevailing economic conditions. As part of management overlay, the exposures outstanding from the customers that have been classified as "stage 1" and "stage 2" have specifically been stressed on potential downgrade to reflect the impact of macro-economic uncertainty in relation to the business/customers and resultant additional impairment provisions have been recognised in these financial statements. The Company has also used various scenario based macro economic factor assessment including the qualitative indicators relating to forward looking macro economic environment with the objective of capturing the potential impact of the deteriorating economic conditions.

Credit Risk Exposure and Impairment Stage Wise (Leases, Loans and Debt & Other Instruments)

As at 31st March	Group			
	2023		2022	
	Amortized Cost	Impairment	Amortized Cost	Impairment
Stage 1	70,982,780	2,176,006	79,069,320	1,878,252
Stage 2	6,634,085	1,235,475	4,778,402	678,373
Stage 3	2,859,970	2,826,756	6,177,088	3,525,599
	80,476,835	6,238,237	90,024,809	6,082,224

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As at 31st March	Company			
	2023		2022	
	Amortized Cost	Impairment	Amortized Cost	Impairment
Stage 1	67,946,571	2,171,874	75,379,468	1,830,082
Stage 2	6,314,338	1,235,475	4,778,401	678,373
Stage 3	2,725,878	2,638,952	6,177,088	3,525,599
	76,986,787	6,046,301	86,334,957	6,034,054

The following tables show reconciliations from the opening to the closing balance of the amortised cost and loss allowance of loans and lease receivables. The basis for determining transfers due to changes in credit risk is given in the accounting policy on note 17.

Group Credit Exposure Movement - ECL Stage-wise-lending portfolios - loans/leases

As at 31st March	Group			
	2023			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	49,480,354	5,456,776	9,673,306	64,610,436
Transfer to Stage 01	2,644,073	(1,610,096)	(1,033,977)	-
Transfer to Stage 02	(5,099,735)	6,267,305	(1,167,570)	-
Transfer to Stage 03	(977,334)	(593,575)	1,570,909	-
New Assets Originated or Purchased	16,926,512	561,335	85,837	17,573,684
Financial Assets Derecognized or Repaid	(23,548,224)	(2,531,932)	(3,189,974)	(29,270,131)
Write-offs	-	-	(599,074)	(599,074)
As at the End of the Year	39,425,646	7,549,813	5,339,456	52,314,915

As at 31st March	Group			
	2022			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	45,090,721	10,573,926	15,170,876	70,835,522
Transfer to Stage 01	3,257,806	(1,774,698)	(1,483,108)	-
Transfer to Stage 02	(3,040,749)	3,800,041	(759,292)	-
Transfer to Stage 03	(1,710,648)	(2,781,608)	4,492,256	-
New Assets Originated or Purchased	28,411,816	826,941	181,146	29,419,903
Financial Assets Derecognized or Repaid	(22,528,592)	(5,187,826)	(7,367,100)	(35,083,517)
Write-offs	-	-	(561,472)	(561,472)
As at the End of the Year	49,480,354	5,456,776	9,673,306	64,610,436

Company Credit Exposure Movement - ECL Stage-wise-lending portfolios - loans/leases

As at 31st March	Company			
	2023			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	49,483,523	5,456,776	9,673,306	64,613,605
Transfer to Stage 01	2,644,073	(1,610,096)	(1,033,977)	-
Transfer to Stage 02	(5,099,735)	6,267,305	(1,167,570)	-
Transfer to Stage 03	(977,334)	(593,575)	1,570,909	-
New Assets Originated or Purchased	16,926,541	561,335	85,837	17,573,713
Financial Assets Derecognized or Repaid	(23,551,323)	(2,531,932)	(3,189,974)	(29,273,229)
Write-offs	-	-	(599,074)	(599,074)
As at the End of the Year	39,425,746	7,549,813	5,339,456	52,315,015

As at 31st March	Company			
	2022			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	45,098,200	10,573,926	15,170,876	70,843,001
Transfer to Stage 01	3,257,806	(1,774,698)	(1,483,108)	-
Transfer to Stage 02	(3,040,749)	3,800,041	(759,292)	-
Transfer to Stage 03	(1,710,648)	(2,781,608)	4,492,256	-
New Assets Originated or Purchased	28,411,816	826,941	181,146	29,419,903
Financial Assets Derecognized or Repaid	(22,532,902)	(5,187,826)	(7,367,100)	(35,087,827)
Write-offs	-	-	(561,472)	(561,472)
As at the End of the Year	49,483,523	5,456,776	9,673,306	64,613,605

Impairment charge/(reversal) on the lending portfolios - loans/leases

As at 31st March	Group/Company	
	2023	2022
	(Rs. '000)	(Rs. '000)
Stage 01	327,985	1,314,446
Stage 02	557,101	68,734
Stage 03	(284,746)	(1,157,113)
Impairment charge on the lending portfolios (Note 17)	600,340	226,067

Impairment charges recognised against loans and advances include the post model adjustments made in Stage 1 and 2 outside ECL model using various stress testing techniques in order to address the potential implications of uncertain macroeconomic conditions.

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Stage Movements in Allowance for Impairment Losses on lending portfolios - loans/leases

As at 31st March	Company/Group			
	2023			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	1,809,428	678,373	3,496,376	5,984,177
Transfer to Stage 01	336,516	(182,767)	(153,749)	-
Transfer to Stage 02	(196,520)	356,950	(160,430)	-
Transfer to Stage 03	(36,133)	(78,721)	114,854	-
New Assets Originated or Purchased	417,159	134,844	97,824	649,827
Net remeasurement of impairment	(21,755)	476,556	438,154	892,955
Financial Assets Derecognized or Repaid	(171,281)	(149,760)	(619,515)	(940,556)
Write-offs	-	-	(599,074)	(599,074)
As at the End of the Year	2,137,414	1,235,475	2,614,440	5,987,329

As at 31st March	Company/Group			
	2022			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Amortised cost as at the Beginning of the Year	494,984	609,639	5,216,364	6,320,988
Transfer to Stage 01	783,711	(173,451)	(610,261)	-
Transfer to Stage 02	(39,205)	289,781	(250,576)	-
Transfer to Stage 03	(40,946)	(258,263)	299,209	-
New Assets Originated or Purchased	1,042,032	120,042	82,074	1,244,148
Net remeasurement of impairment	(304,428)	152,162	1,127,008	974,741
Financial Assets Derecognized or Repaid	(126,721)	(61,536)	(1,805,970)	(1,994,228)
Write-offs	-	-	(561,472)	(561,472)
As at the End of the Year	1,809,428	678,373	3,496,376	5,984,177

Impairment Provision by Class of Financial Instruments of the Group

As at 31st March	Impairment as at 01.04.2022 Rs'000	12 months ECL for the year Rs'000	lifetime ECL not credit- impaired Rs'000	lifetime ECL credit- impaired Rs'000	Impairment as at 31.03.2023
Cash and cash equivalents	177	37	-	-	214
Financial assets at amortised cost - Debt and other financial instruments	40,179	16,949	-	(5,000)	52,128
Loan and receivables from customers	1,030,010	43,687	12,572	(124,987)	961,282
Net investment in lease and hire purchase	4,954,168	284,298	544,529	(756,948)	5,026,047
Trade and other receivables	57,690	-	-	140,876	198,566
Total	6,082,223	344,971	557,101	(746,059)	6,238,237

As at 31st March	Impairment as at 01.04.2021 Rs'000	12 months ECL for the year Rs'000	lifetime ECL not credit- impaired Rs'000	lifetime ECL credit- impaired Rs'000	Impairment as at 31.03.2022
Cash and cash equivalents	178	(1)	-	-	177
Financial assets at amortised cost - Debt and other financial instruments	35,144	10,035	-	(5,000)	40,179
Loan and receivables from customers	967,535	96,756	(25,997)	(8,285)	1,030,010
Net investment in lease and hire purchase	5,353,452	1,217,688	94,732	(1,711,704)	4,954,168
Trade and other receivables	53,327	6,031	-	(1,668)	57,690
Total	6,409,637	1,330,509	68,734	(1,726,657)	6,082,224

Impairment Provision by Class of Financial Instruments of the Company

As at 31st March	Impairment as at 01.04.2022 Rs'000	12 months ECL for the year Rs'000	lifetime ECL not credit- impaired Rs'000	lifetime ECL credit- impaired Rs'000	Impairment as at 31.03.2023
Cash and cash equivalents	175	36	-	-	211
Financial assets at amortised cost - Debt and other financial instruments	39,228	13,771	-	(5,000)	47,999
Loan and receivables from customers	1,030,010	43,687	12,572	(124,987)	961,282
Net investment in lease and hire purchase	4,954,168	284,298	544,529	(756,948)	5,026,046
Trade and other receivables	10,473	-	-	289	10,762
Total	6,034,054	341,792	557,101	(886,646)	6,046,301

As at 31st March	Impairment as at 01.04.2021 Rs'000	12 months ECL for the year Rs'000	lifetime ECL not credit- impaired Rs'000	lifetime ECL credit- impaired Rs'000	Impairment as at 31.03.2022
Cash and cash equivalents	151	25	-	-	175
Loan and receivables from banks	34,847	9,381	-	(5,000)	39,228
Loan and receivables from customers	967,526	96,756	(25,997)	(8,285)	1,030,010
Net investment in lease and hire purchase	5,353,462	1,217,688	94,732	(1,711,704)	4,954,168
Trade and other receivables	14,668	(2,527)	-	(1,668)	10,473
Total	6,370,654	1,321,322	68,734	(1,726,657)	6,034,054

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Sensitivity of ECL to Future Economic Conditions

The uncertainty and volatility of prevailing economic conditions has introduced significant estimation uncertainty in relation to the measurement of allowance for expected credit losses. The uncertainty of the macro-economic environment and business and consumer responses in relation to same could result in significant adjustments to the allowance for expected credit losses in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

	Sensitivity effect on statement of Financial position Rs. 000's (Closing Impairment)				Sensitivity effect on Income Statement (Impairment Charge)
	Stage 1	Stage 2	Stage 3	Total	
10% increase of PD	60,793	40,741	-	101,534	101,534
10% decrease of PD	(60,793)	(40,741)	-	(101,534)	(101,534)
1% increase of LGD	40,064	34,700	34,853	109,618	109,618
1% decrease of LGD	(40,064)	(34,700)	(34,853)	(109,618)	(109,618)
Change in Economic Factor					
Worse case 5% increase and best case 5% decrease, base case constant	6,276	5,057	-	11,333	11,333
Worse case 5% decrease and best case 5% increase, base case constant	(6,276)	(5,057)	-	(11,333)	(11,333)

7.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations.

7.4.1 Management of liquidity risk

Policy, framework and governance

The Company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the Company always maintains sufficient, eligible and appropriate financial resources to meet its future financial commitments as they fall due. The Statement of Financial Position and liquidity have remained strong and surpass the regulatory liquidity thresholds comfortably. It is the Company's policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due. Customer deposits provide stable funding to support the majority of our lending. The Company also has a contingency funding plan by way of undrawn approved bank lines. The analysis of maturing contractual financial liabilities is given below.

Liquidity measurement and monitoring

The Company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. ALCO is the monitoring body responsible for overseeing the liquidity management policies. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities are done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Management is closely monitoring the developments related to significant volatility in market interest rates and has continued to keep its risk management measures under review to readily respond to changing circumstances. The Company is satisfied with its existing buffer of liquid assets and other short term financial instruments.

7.4.2 II. Maturity analysis for financial liabilities

The following tables set out the remaining contractual maturities of the Company's financial liabilities

As at 31st March	Up to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Company												
Interest bearing liabilities:												
Bank overdrafts	170,584	215,438	-	-	-	-	-	-	-	-	170,584	215,438
Financial liabilities at amortised cost												
-Interest bearing borrowings	13,933	14,239	29,802	40,233	-	38,245	-	-	-	-	43,735	92,717
Financial liabilities at amortised cost												
-Deposits	14,284,358	13,193,874	15,808,402	27,675,518	9,067,810	9,942,155	7,290,365	1,673,563	-	-	46,450,934	52,485,110
Lease liabilities	36,327	34,537	153,896	136,485	242,410	294,453	143,210	135,410	108,525	125,561	684,368	726,446
Total interest bearing liabilities	14,505,202	13,458,088	15,992,100	27,852,236	9,310,220	10,274,852	7,433,575	1,808,973	108,525	125,561	47,349,621	53,519,711
Group												
Bank overdrafts	225,173	224,369	-	-	-	-	-	-	-	-	225,173	224,369
Financial liabilities at amortised cost												
-Interest bearing borrowings	18,951	541,366	44,309	110,093	19,000	60,229	-	-	-	-	82,260	711,688
Financial liabilities at amortised cost												
-Deposits	14,268,429	13,156,624	15,519,883	27,419,457	9,067,810	9,942,155	7,290,365	1,673,563	-	-	46,146,487	52,191,799
Lease liabilities	24,451	23,740	118,268	104,095	194,905	199,443	143,210	135,409	108,525	125,561	589,359	588,248
Total interest bearing liabilities	14,537,004	13,946,099	15,682,460	27,633,645	9,281,715	10,201,827	7,433,575	1,808,973	108,525	125,561	47,043,278	53,716,104

The detailed maturity analysis is given in Note 61

Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Company maintains agreed lines of credit with banks and holds short term assets that can be converted to cash with short notice.

As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Liquid assets available against the minimum requirement		
The required minimum amount of liquid assets	3,906,962	4,972,380
Total liquid assets	24,519,533	20,964,406
Surplus/(deficit)	20,612,571	15,992,026
The required minimum amount of approved securities	3,733,174	4,025,795
The available amount of approved securities	14,220,520	6,248,745
Surplus/(deficit)	10,487,346	2,222,950

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7.5 Market Risk

Market risk is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The group/company does not have any exposure to foreign currency risk as there are no foreign currency assets or liabilities as at 31.03.2023.

7.5.1 Management of market risks

Organisation and Structure

The Board approves the appetite for market risks and the framework of limits applicable for same. The company has a strong control environment facilitated by a well-structured organization which has enabled it to strengthen segregation of duties in respect of critical functions. The group is exposed to the following market risks.

- interest rate risk: arising from changes in yield curves and credit spreads
- equity price risk, arising from changes in the prices of equities and equity price indices

7.5.2 Equity price risk

The Group/Company is exposed to market movements in equity price fluctuations through the quoted Fair Value through Profit or Loss Investments portfolio. The IRMC and ALCO continually review the relevant exposure limits. A comprehensive evaluation process is also carried out prior to investment decisions. Regular monitoring of price levels is done through the Investment function to mitigate adverse movements in the stock market.

Equity price sensitivity

Sensitivity analysis measures the sensitivity of the current portfolio to defined market risk factor movements. The table below gives the sensitivity analysis of the market risks, the company is exposed to.

Assumption	Impact to Profit and Equity			
	2023		2022	
	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000
Increase/ decrease in equity price by 10%	41,387	26,915	44,362	23,768
Increase/ decrease in equity price by 20%	82,774	53,830	88,724	47,537

Interest Rate Sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities. This sensitivity analysis was performed on the net interest margin for the year and the methodology adopted is consistent with the previous years' methodologies

Net interest income sensitivity

Assumption	Impact to Profit and Equity		Impact to Profit and Equity	
	2023		2022	
	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000
Increase/ decrease in Interest margin by 1%	388,344	368,263	371,725	355,214
Increase/ decrease in Interest margin by 2%	776,688	736,527	743,450	710,430

7.6 Capital Management

The Company's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The Company maintains a strong capital base to support the risks inherent in its business. For regulatory purposes, the company's capital base is divided into two main categories, namely Core Capital (Tier 1) and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2023 is provided in the table below. The figures reported here may differ from the figures reported in the statement of financial position as the above are based on the prudential regulatory requirements. It is the regulatory Statement of Financial Position, and not the financial accounting Statement of Financial Position, which forms the basis for the calculation of regulatory capital requirements.

Item	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Tier I capital	42,620,255	42,369,303
Stated capital	2,230,286	2,230,286
Reserve fund	2,964,000	2,715,000
Audited retained earnings/(losses)	13,116,676	11,624,233
(less) Revaluation gains/surplus of investment property	2,482	3,192
General and other disclosed reserves	24,311,775	25,802,975
Adjustments to Tier I capital	1,188,775	896,521
Other intangible assets (net)	314,024	84,809
50% of investment in banking and financial subsidiary companies	24,750	24,750
50% of investment in other banking and financial institutions	850,001	786,961
Tier I Capital (after adjustments)	41,431,480	41,472,782
Revaluation gains	1,230,028	1,337,814
Eligible Tier 2 Capital	1,230,028	1,337,814
Total Adjustments to eligible Tier 2 Capital	874,751	811,711
50% of investment in banking and financial subsidiary companies	24,750	24,750
50% of investment in other banking and financial institutions	850,001	786,961
Eligible Tier 2 Capital after adjustments	355,277	526,103
Total Capital	41,786,757	41,998,885
Tier I Capital Adequacy Ratio - minimum 8.5% (31.3.2022-8%)	52.60%	44.32%
Total Capital Adequacy Ratio - minimum 12.5% (31.3.2022-12%)	53.05%	44.89%

NOTES TO THE FINANCIAL STATEMENTS

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Accounting Policy

Fair value measurement

'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. The fair value of a liability reflects its non-performance risk.

If there's no quoted price 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 best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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.

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair Value Hierarchy

The Group measures the fair values of financial instruments using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1

When available, the fair values of financial instruments are determined using quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted equities are valued under Level 1 by referring to published market prices.

Level 2 - Fair value measurement using significant observable inputs

In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. These include discounted cash flow analysis, effective interest rate calculations and forecasted future cash flow calculations using recent arm's length transactions between knowledgeable and willing parties. These valuation techniques make maximum use of market inputs, incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Investments in unit trusts are valued under level 2 by referring to prices published by the unit trusts managers.

Level 3 - Fair value measurement using significant unobservable inputs

Financial instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. Fair value of such instruments are determined using a valuation model that has been tested against prices or inputs to actual market transactions and best estimates of the most appropriate model assumptions. Fair value of unquoted equity securities are determined using net assets value as an approximation of its fair value.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities recorded in the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements.

UNCERTAIN MACRO ECONOMIC CONDITIONS

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

The majority of valuation models the Group uses only observable market data as inputs. The Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of economic conditions on the classification of exposures in the fair value hierarchy.

For certain financial instruments, the company may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value.

NOTES TO THE FINANCIAL STATEMENTS

8.1 Financial assets and financial liabilities measured at fair value - Fair value hierarchy

The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard- SLFRS 9 Financial Instruments.

As at 31st March	Group			
	2023			
	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Fair value through profit or loss financial assets				
Investments in quoted securities	413,870	-	-	413,870
Unquoted equities	-	-	111,156	111,156
Investments in units	-	124,045	-	124,045
	413,870	124,045	111,156	649,071

As at 31st March	Group			
	2022			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Fair value through profit or loss financial assets				
Investments in quoted securities	443,619	-	-	443,619
Unquoted equities	-	-	104,794	104,794
Investments in units	-	1,107,471	-	1,107,471
	443,619	1,107,471	104,794	1,655,884

As at 31st March	Company			
	2023			
	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Fair value through profit or loss financial assets				
Investments in quoted securities	269,151	-	-	269,151
Unquoted equities	-	-	108,845	108,845
	269,151	-	108,845	377,996

As at 31st March	Company			
	2022			
	Stage 01 Rs'000	Stage 02 Rs'000	Stage 03 Rs'000	Total Rs'000
Fair value through profit or loss financial assets				
Investments in quoted securities	237,676	-	-	237,676
Unquoted equities	-	-	102,817	102,817
Investments in units	-	627,600	-	627,600
	237,676	627,600	102,817	968,093

8.2 Level 3 fair value measurements

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in level 3 of the fair value hierarchy.

As at	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	104,794	104,335	102,817	102,337
Changes in fair value during the year	6,362	459	6,028	480
Balance at the end of the year	111,156	104,794	108,845	102,817

Level 03 valuations have been determined using valuation techniques which approximate the fair value.

There have been no transfers among level 01 level 02 and level 03 in 2022/23 and 2021/22.

8.3 Unobservable inputs used in measuring fair value

As at	Fair value as at 31.03.2023		valuation technique Level 3	Fair value measurement sensitivity to unobservable inputs
	Group Rs.'000	Company Rs.'000		
Investment in unquoted equities	111,156	108,845	Net asset value per share	Increase in net asset value by 10% would increase the fair value by 10%.

As at	Group	
	2022/23 Net asset value per share (Rs.)	2021/22 Net asset value per share (Rs.)
Credit Information Bureau of Sri Lanka	22,319.86	21,068.15
Finance Houses Consortium (Pvt) Ltd.	55.36	56.03
Rajawella Holdings Ltd.	42.32	36.20
Telshan Network (Pvt)Ltd.	-	-

NOTES TO THE FINANCIAL STATEMENTS

8.4 Fair value of financial assets and liabilities not measured at fair value -Group

As at 31st March 2023	2023				
Description	Amortised cost	Fair Value			Total
	Rs'000	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Rs'000
Cash and cash equivalents	992,061	-	992,061	-	992,061
Securities bought under repurchase agreements	3,409,480	-	3,407,961	-	3,407,961
Financial assets at amortised cost- Debt and other financial instruments	28,039,980	-	27,114,754	-	27,114,754
Financial assets at amortised cost- Loans and receivables from customers	5,263,446	-	4,827,187	-	4,827,187
Financial assets at amortised cost- Net investment in leases and hire purchase	41,064,140	-	41,064,140	-	41,064,140
Trade receivables	1,074,527	-	1,074,527	-	1,074,527
Other financial assets	91,487	-	91,487	-	91,487
Total financial assets	79,935,121	-	78,572,117	-	78,572,117
Bank overdrafts	225,173	-	225,173	-	225,173
Financial liabilities at amortised cost -Deposits	38,228,102	-	37,678,751	-	37,678,751
Financial liabilities at amortised cost -Interest bearing borrowings	74,226	-	69,439	-	69,439
Lease liabilities	416,352	-	397,193	-	397,193
Other financial liabilities	648,414	-	648,414	-	648,414
Total financial liabilities	39,592,267	-	39,018,969	-	39,018,969
As at 31st March 2022	2022				
Description	Amortised cost	Fair Value			Total
	Rs'000	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Rs'000
Cash and cash equivalents	1,199,681	-	1,199,681	-	1,199,681
Securities bought under repurchase agreements	5,201,821	-	5,111,201	-	5,111,201
Financial assets at amortised cost- Debt and other financial instruments	22,310,336	-	21,397,154	-	21,397,154
Financial assets at amortised cost- Loans and receivables from customers	4,724,669	-	4,494,546	-	4,494,546
Financial assets at amortised cost- Net investment in leases and hire purchase	53,901,589	-	53,901,589	-	53,901,589
Trade receivables	1,589,992	-	1,589,992	-	1,589,992
Other financial assets	67,667	-	67,667	-	67,667
Total financial assets	88,995,755	-	87,761,830	-	87,761,830
Bank overdrafts	224,369	-	224,369	-	224,369
Financial liabilities at amortised cost -Deposits	48,715,464	-	49,010,033	-	49,010,033
Financial liabilities at amortised cost -Interest bearing borrowings	708,465	-	697,388	-	697,388
Lease liabilities	425,001	-	423,788	-	423,788
Other financial liabilities	1,952,999	-	1,952,999	-	1,952,999
Total financial liabilities	52,026,298	-	52,308,577	-	52,308,577

8.4 Fair value of financial assets and liabilities not measured at fair value -Company

As at 31st March 2023		2023			
Description	Amortised cost Rs'000	Fair Value			Total Rs'000
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	
Cash and cash equivalents	528,494	-	528,494	-	528,494
Securities bought under repurchase agreements	3,409,480	-	3,407,961	-	3,407,961
Financial assets at amortised cost- Debt and other financial instruments	26,332,972	-	25,543,379	-	25,543,379
Financial assets at amortised cost- Loans and receivables from customers	5,263,546	-	4,827,287	-	4,827,287
Financial assets at amortised cost- Net investment in leases and hire purchase	41,064,140	-	41,064,140	-	41,064,140
Other financial assets	93,902	-	93,902	-	93,902
Total financial assets	76,692,534	-	75,465,163	-	75,465,163
Bank overdrafts	170,584	-	170,584	-	170,584
Financial liabilities at amortised cost -Deposits	38,532,558	-	37,983,207	-	37,983,207
Financial liabilities at amortised cost -Interest bearing borrowings	38,922	-	38,991	-	38,991
Lease liabilities	501,736	-	405,841	-	405,841
Other financial liabilities	493,537	-	493,537	-	493,537
Total financial liabilities	39,737,337	-	39,092,160	-	39,092,160

As at 31st March 2022		2022			
Description	Amortised cost Rs'000	Fair Value			Total Rs'000
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	
Cash and cash equivalents	697,234	-	697,234	-	697,234
Securities bought under repurchase agreements	5,201,821	-	5,111,201	-	5,111,201
Financial assets at amortised cost- Debt and other financial instruments	20,933,341	-	20,020,159	-	20,020,159
Financial assets at amortised cost- Loans and receivables from customers	4,727,838	-	4,497,715	-	4,497,715
Financial assets at amortised cost- Net investment in leases and hire purchase	53,901,589	-	53,901,589	-	53,901,589
Other financial assets	76,805	-	76,805	-	76,805
Total financial assets	85,538,628	-	84,304,703	-	84,304,703
Bank overdrafts	215,438	-	215,438	-	215,438
Financial liabilities at amortised cost -Deposits	49,024,182	-	49,318,751	-	49,318,751
Financial liabilities at amortised cost -Interest bearing borrowings	88,329	-	88,158	-	88,158
Lease liabilities	542,760	-	541,547	-	541,547
Other financial liabilities	617,316	-	617,316	-	617,316
Total financial liabilities	50,488,025	-	50,781,210	-	50,781,210

NOTES TO THE FINANCIAL STATEMENTS

Fair values of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Financial assets measured at amortised cost - loans and receivables from customers

The loans and receivables from customers comprise of long term and short term loans, sub loans and micro finance loans, loans against fixed deposits and loans to employees granted at fixed rates. The carrying value of short term loans generally approximates the fair value due to the short term nature, while the fair value of long term loans and receivables from customers are determined by discounting the expected future cash flows using the lending rates prevailed at the reporting dates.

Financial assets measured at amortised cost - debt and other instruments

These comprise of investments in fixed deposits with banks and financial institutions, commercial and securitization papers debentures.

The fair values of debentures, deposits with banks and financial institutions and investments in commercial and securitization papers are estimated at the present value of future cash flows expected to be received from such investments calculated based on interest rates at the reporting date for similar instruments.

Financial liabilities measured at amortised cost - Deposits

The fair value of customer deposits which are repayable on demand or have a remaining contractual maturity of less than one year, approximates to the carrying value of such deposits.

The fair value of customer deposits with a contractual maturity of more than one year, is estimated as the present value of future cash flows expected from such deposits calculated based on interest rates at the reporting date for similar types of deposits.

Financial liabilities at amortised cost - Interest bearing borrowings

The fair value of interest bearing borrowings is determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments.

Other financial assets and liabilities

The carrying values of assets and liabilities listed below are reasonable approximation of their fair values since, those are short term in nature or re-priced to current market rates frequently:

Assets	Liabilities
Cash and cash equivalents	Bank overdrafts
Securities bought under repurchase agreements	Other financial liabilities
Trade receivables	
Other financial assets	

Accounting policy

A segment is a distinguishable component of the group that is engaged in providing an individual product or service (business segment) or in providing services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. In accordance with Sri Lanka Accounting Standard (SLFRS 8) - Operating Segments, segmental information is presented for identifiable operative units of the group. Inter-segment transfers are accounted for at competitive fair market prices charged to inter- company counterparts for similar services and such services are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Unallocated items comprise mainly corporate assets, expenses, tax assets and liabilities.

No revenue from transactions with a single external customer or counter party amounted to 10% or more of the Group's total revenue in 2022/23 and 2021/22.

Basis for Segmentation

Group's activities have been segregated into seven segments according to the nature of products or services rendered. These business segments comprise of leasing hire purchase and advances, medical services, power generation, manufacturing, insurance broking, investments and real estate.

The disposal of investment held in Mark Marine Services (Private) Limited during the year 2021/22 resulted in discontinuation of operations in the "power generation" on 30th September 2021. The said disposal has not been identified as discontinued operations separately in the consolidated income statements based on the materiality.

Segment performance is evaluated based on operating income, profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements.

Income taxes are not allocated to operating segments. Other expenses which cannot be directly identified against a particular business segment have been treated as consolidation adjustments.

The Group's management reviews internal management reports from each division at least monthly.

NOTES TO THE FINANCIAL STATEMENTS

9.1 Information about reportable segments

Segment information is presented in respect of the Group's business segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Business Segment Information

All figures in Rs.000	Leasing, hire purchase and other advances		Medical services		Power generation	
For the year ended 31st March	2023	2022	2023	2022	2023	2022
Revenue						
Interest income	12,061,606	13,085,709	19,162	1,100	-	-
Other revenue	-	-	148,642	102,196	-	52,213
Net income from financial instruments at FVTPL	106	4,329	(17,428)	5,150	-	-
Operating lease income	1,026,926	1,055,079	-	-	-	-
Other income	710,021	1,277,175	1,704	586	-	-
Income from external customers	13,798,659	15,422,292	152,080	109,032	-	52,213
Inter - segment income	54,871	26,612	1	1	-	1,487
Total income	13,853,530	15,448,904	152,081	109,033	-	53,700
Expenses						
Interest expenses	(4,580,900)	(3,575,903)	-	-	-	-
Depreciation & amortisation	(555,550)	(621,697)	(9,870)	(10,217)	-	-
Cost of sales	-	-	(71,407)	(49,365)	-	(11,448)
Impairment and other credit losses	(687,884)	(273,789)	1	9	-	-
Other operating and administrative expenses	(4,320,526)	(3,967,227)	(49,345)	(45,568)	-	(933)
	(10,144,860)	(8,438,616)	(130,621)	(105,141)	-	(12,381)
Inter - segment expenses	(80,881)	(66,592)	(1,420)	-	-	(1,236)
Total expenses	(10,225,741)	(8,505,208)	(132,041)	(105,141)	-	(13,617)
Segment results	3,627,789	6,943,696	20,040	3,892	-	40,083
Share of profit of equity accounted investees						
Operating profit before taxes on financial services						
Taxes on financial services						
Profit before tax						
Income tax expense						
Profit for the year						
Non-controlling interest						
Profit attributable to equity holders of the parent						

As at 31st March	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022
Segment assets	57,275,413	70,323,793	664,006	642,623	-	-
Investments in equity accounted investees	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	-
Total assets	57,275,413	70,323,793	664,006	642,623	-	-
Segment liabilities	38,097,384	48,053,143	159,153	78,924	-	-
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	38,097,384	48,053,143	159,153	78,924	-	-

For the year ended 31st March	2023	2022	2023	2022	2023	2022
Additions to non-current assets	373,748	568,753	1,973	6,993	-	-
Additions to intangible assets	268,476	21,822	-	-	-	-
Additions to right of use assets	109,005	154,575	-	-	-	-
Cash flows from operating activities	(1,856,443)	5,221,125	24,908	5,180	-	110,555
Cash flows from investing activities	(260,264)	(716,213)	(21,484)	(6,145)	-	-
Cash flows from financing activities	(1,242,456)	(2,009,125)	-	-	-	(6,000)

Geographic information

The Group function in one geographic location. Accordingly, geographic information is not presented in the financial statements.

* The disposal of investment held in Mark Marine Services (Pvt) Ltd in September 2021 resulted in discontinuation of operations in the "power generation" segment.

Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
65,245	3,360	269,463	47,128	5,491,366	1,081,974	5,108	131	-	-	17,911,950	14,219,402
4,355,856	6,748,114	244,426	257,554	-	-	-	-	-	-	4,748,924	7,160,077
22,997	38,319	4,408	24,943	56,676	606,014	334	(21)	-	-	67,093	678,734
-	-	-	-	-	-	-	-	-	-	1,026,926	1,055,079
4,707	3,100	52,645	121,797	217,528	331,357	1,562	1,889	(269,088)	(268,962)	719,079	1,466,942
4,448,805	6,792,893	570,942	451,422	5,765,570	2,019,345	7,004	1,999	(269,088)	(268,962)	24,473,972	24,580,234
41	29	8,551	11,947	98,462	112,904	51,904	49,707	(213,830)	(202,687)	-	-
4,448,846	6,792,922	579,493	463,369	5,864,032	2,132,249	58,908	51,706	(482,918)	(471,649)	24,473,972	24,580,234
-	-	-	-	(254,075)	(213,426)	(4,337)	(7,587)	10,810	14,017	(4,828,502)	(3,782,899)
(55,729)	(54,213)	(19,998)	(16,002)	(13)	(13)	(2,475)	(2,475)	51,412	47,607	(592,223)	(657,010)
(2,717,220)	(5,283,737)	-	-	-	-	-	-	-	-	(2,788,627)	(5,344,550)
(143,598)	(13,250)	(3,150)	(598)	(22,209)	18	(15)	446	13,430	198	(843,425)	(286,966)
(761,312)	(765,142)	(111,721)	(102,146)	(436)	(727)	(10,354)	(10,744)	(62,908)	(56,071)	(5,316,602)	(4,948,558)
(3,677,859)	(6,116,342)	(134,869)	(118,746)	(276,733)	(214,148)	(17,181)	(20,360)	12,744	5,751	(14,369,379)	(15,019,983)
-	-	(48,561)	(23,977)	(1,713)	(1,119)	(75)	(1,494)	132,650	94,418	-	-
(3,677,859)	(6,116,342)	(183,430)	(142,723)	(278,446)	(215,267)	(17,256)	(21,854)	145,394	100,169	(14,369,379)	(15,019,983)
770,987	676,580	396,063	320,646	5,585,586	1,916,982	41,652	29,852	(337,524)	(371,480)	10,104,593	9,560,251
-	-	-	-	-	-	-	-	-	-	1,886,915	1,388,131
-	-	-	-	-	-	-	-	-	-	11,991,508	10,948,382
-	-	-	-	-	-	-	-	-	-	(1,679,690)	(1,298,900)
-	-	-	-	-	-	-	-	-	-	10,311,818	9,649,482
-	-	-	-	-	-	-	-	-	-	(2,752,818)	(2,373,343)
-	-	-	-	-	-	-	-	-	-	7,559,000	7,276,139
-	-	-	-	-	-	-	-	-	-	332,120	273,352
-	-	-	-	-	-	-	-	-	-	7,226,880	7,002,787

As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022	As at 31.03.2023	As at 31.03.2022
4,189,834	5,392,846	3,106,066	2,514,273	33,881,502	30,333,797	932,156	933,504	(5,284,033)	(4,538,267)	94,764,944	105,602,569
-	-	-	-	-	-	-	-	-	-	11,121,423	9,221,337
-	-	-	-	-	-	-	-	-	-	842,518	782,043
4,189,834	5,392,846	3,106,066	2,514,273	33,881,502	30,333,797	932,156	933,504	(5,284,033)	(4,538,267)	106,728,885	115,605,949
867,381	2,643,963	382,743	295,900	2,036,410	2,772,365	437,812	461,622	(843,278)	(837,949)	41,137,605	53,467,968
-	-	-	-	-	-	-	-	-	-	4,145,560	4,667,828
867,381	2,643,963	382,743	295,900	2,036,410	2,772,365	437,812	461,622	(843,278)	(837,949)	45,283,165	58,135,796

2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
123,103	156,216	100	4,601	-	-	-	-	-	-	498,924	736,563
-	806	-	-	-	-	-	-	-	-	268,476	22,628
-	-	-	16,663	-	-	-	-	-	(16,663)	109,005	154,575
-	-	-	-	-	-	-	-	-	-	-	-
249,203	614,791	154,549	129,764	3,134,443	(1,750,106)	26,548	37,992	(43,886)	77,643	1,718,007	4,446,944
252,191	(141,785)	(139,518)	(134,191)	102,394	248,796	5,459	(8,362)	(45,645)	(173,039)	(135,552)	(930,939)
(584,903)	(3,478)	(20,665)	(13,746)	-	-	(32,349)	(31,130)	89,531	95,396	(1,790,842)	(1,968,083)

" As the post tax profit of discontinued operations are insignificant to the Group, the said disposal has not been identified as discontinued operations separately in the Consolidated Income Statement for the year ended 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

10 INCOME

Gross 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. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Interest income (Note 11)	17,911,950	14,219,402	17,511,736	14,163,102
Other revenue (Note 14)	4,748,924	7,160,077	-	-
Operating lease income (Note 15)	1,026,926	1,055,079	1,032,832	1,058,806
Net income from financial instruments at FVTPL (Note 13)	67,093	678,734	55,902	599,436
Other income (Note 16)	719,079	1,466,942	971,077	1,679,225
	24,473,972	24,580,234	19,571,547	17,500,569

11 INTEREST INCOME

Accounting Policy

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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 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.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income reverts to a gross basis, if the credit risk of the asset improves.

Overdue interest

Overdue interest on leases, hire purchase, loans and other advances is recognised on cash basis.

Interest income calculated using the effective interest method presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Net investment in leases and hire purchase	11,106,720	12,565,798	11,106,720	12,565,798
Loans and receivables from customers	934,885	519,067	950,221	518,663
Financial assets at amortised cost -debt and other financial instruments	5,269,408	847,526	4,853,858	791,630
Securities bought under repurchase agreements	600,937	287,011	600,937	287,011
	17,911,950	14,219,402	17,511,736	14,163,102

The entirety of the interest income is derived from financial instruments held at amortised cost.

12 INTEREST EXPENSES

Accounting Policy

Refer Note 11

Interest expense presented in the income statement includes financial liabilities measured at amortised cost and interest expense on lease liabilities

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Financial liabilities at amortised cost -Deposits	4,732,335	3,714,968	4,769,444	3,737,448
Financial liabilities at amortised cost -Interest bearing borrowings	43,499	21,404	43,499	21,404
Interest on lease liabilities	52,668	46,527	63,478	60,544
	4,828,502	3,782,899	4,876,421	3,819,396

Interest expenses of the Group other than the parent Company are categorised under premises, equipment, establishment and other expenses.

NOTES TO THE FINANCIAL STATEMENTS

13 NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTPL

Accounting policy

Net income from financial instruments at FVTPL relates to results arising from trading activities including all gains and losses from realised and unrealised fair value changes, related capital gains and losses and dividend income.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Equity investments - Quoted				
Dividend income	19,227	34,472	12,571	23,105
Fair value gains(losses)	(10,080)	(70,976)	25,717	(83,128)
Equity investments - Unquoted				
Dividend income	11,585	11,585	11,585	11,585
Fair value gains(losses)	6,364	460	6,029	480
Unit trusts - Unquoted				
Fair value gains(losses)	39,997	703,193	-	647,394
	67,093	678,734	55,902	599,436

14 OTHER REVENUE

Accounting Policy

Other revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the other revenue and associated costs incurred or to be incurred can be reliably measured. Other revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of other revenue.

Insurance broking

Commission income on insurance broking is recognised on an accrual basis and matched with related costs and expenses.

Manufacturing and trading

The revenue is recognised when a customer obtains control of the goods or services – determining the timing of the transfer of control – at a point in time or overtime requires judgement.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes and after eliminating sales within the Group.

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with trade returns and trade discounts.

Medical services

Revenue from hospital services is recognised once all significant performance obligations have been provided. The timing of the delivery of service depends on the individual service contracts. Service income is recognised by reference to the stage of completion of the transactions at the end of the reporting period.

Rendering of services – power generation

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board and delivery of electrical energy is completed when electrical energy meeting the specifications as set out in the Power Purchase Agreement is received at the metering point. The Mark Marine Services (Private) Limited divested in September 2021.

	Group	
	2022/23 Rs.'000	2021/22 Rs.'000
Manufacturing and trading income	4,355,856	6,748,114
Insurance broking	244,426	257,554
Medical services	148,642	102,196
Power generation (up to September 2021)	-	52,213
Total other revenue	4,748,924	7,160,077
Cost of sales	2,839,286	5,393,157
Net other revenue	1,909,638	1,766,920

15 OPERATING LEASE INCOME

Accounting policy

Income from operating leases is recognised on a straight-line basis over the lease term and accounted under operating lease income.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Operating lease income	1,026,926	1,055,079	1,032,832	1,058,806
	1,026,926	1,055,079	1,032,832	1,058,806

16 OTHER INCOME

Accounting policy

Fees and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

Dividend income

Dividend income from investment other than FVTPL instruments is recognised in the income statement on the date the Group's right to receive payment is established. Usually, this is the ex-dividend date for quoted equity securities.

Real estate held for sale

Real estate income is recognised on an accrual basis.

Rental income on rent-purchase facilities for real estate

Rental income on rent-purchase facilities provided on sale of real estate is recognised on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

Profit/loss from sale of property, plant, and equipment

Profit/loss from sale of property, plant and equipment is recognised in the period in which the sale occurs.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Service charges	89,955	161,811	89,955	161,811
Recovery of bad debts written off	377,773	918,713	377,773	918,713
Profit on sale of property, plant and equipment	163,910	115,352	163,863	111,670
Dividend income from subsidiaries	-	-	74,723	98,355
Dividend income from associates (equity accounted investees)	-	-	155,353	119,718
Other fee income	18,518	41,835	18,518	41,835
Gain on disposal of a subsidiary company(Note33.4)	-	181,324	-	158,774
Gain on liquidation of an associate company (Note 34.3)	-	(1,226)	-	1,824
Gain on winding up of a fully owned subsidiary of a subsidiary (Note 41)	751	-	-	-
Loss on disposal of an investment property (Note 36)	-	(15,844)	-	(15,844)
Profit on real estate operations	1,562	1,889	1,562	1,889
Profit on maintenance of vehicles	4,498	6,514	4,498	6,514
Others	62,112	56,574	84,832	73,966
	719,079	1,466,942	971,077	1,679,225

17 IMPAIRMENTS AND OTHER CREDIT LOSSES

Accounting policy

The Group recognises impairment provisions for financial assets in accordance with Sri Lanka Accounting Standard SLFRS 9 - "Financial Instruments". These financial assets include cash and cash equivalents, placements with banks, financial assets measured at amortised cost - loans and advances to customers, debt and other financial assets carried at amortised cost, debt instruments and other financial assets carried at fair value through other comprehensive income and loan commitments and financial guarantee contracts. Further, Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments issued.

No impairment loss is recognised on equity investments other than subsidiary investments

The ECL approach is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the impairment is based on the 12 months' expected credit loss (12 month ECL).

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12 month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12 month ECL is recognised are referred to as stage 1 financial instruments.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as Stage 2 financial instruments.

Both LTECLs and 12 month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Company categorises its loans and advances and net investments in leases and hire purchase into Stage 01 (12 month ECL), Stage 2 (Lifetime ECL - not credit impaired) and Stage 3 (Life time ECL - credit impaired).

Impairment charges recognised against loans and advances include the post model adjustments made outside ECL model using various stress testing techniques in order to address the potential implications of prevailing adverse economic conditions and continuing implications of COVID 19 outbreak and the resultant moratorium schemes introduced by the government.

Loans and advances that have been assessed individually and not attracting an ISL provisions and all individually insignificant loans and advances are then assessed collectively, by categorising those into groups of assets with similar credit risk characteristics, to determine whether a provision should be made due to expected loss events. These exposures are grouped into smaller homogeneous portfolios, based on product type and customer segment etc.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations)

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

1. a quantitative test based on movement in PD;
2. qualitative indicators; and
3. a backstop of 30 days past due for loans and 60 days past due for leases.

The quantitative and qualitative factors considered in assessing more lagging criterion in determining significant increase in credit risk for lease and other loans portfolio is disclosed in Note 7.3.7 to the financial statements.

COVID-19 initiatives

For facilities subject to the COVID-19 repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined based on various measures of the customer's current financial position, future earnings capacity and the sectors in which the customers operate from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Based on the risk categorisation, facilities have been stress tested and required allowance overlays have been made.

NOTES TO THE FINANCIAL STATEMENTS

Generating the term structure of PD

The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Credit impaired financial assets/ Definition of default

At each reporting date, the Group assesses, whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due for loans and 120 days past due for leases on any material credit obligation to the Company.

The quantitative and qualitative factors considered in assessing more lagging criterion in determining default for lease and other loans portfolio is disclosed in Note 7.3.7 to the financial statements.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower
- A breach of contract such as a default or past due event
- The restructuring of a loan or advance by the group on terms that the group would not consider otherwise
- It is becoming probable that the borrower will enter bankruptcy or other financial renegotiation or
- The disappearance of an active market for a security because of financial difficulties

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. When a loan has been renegotiated and modified but not derecognised, a re-assessment is performed to see whether there's a significant increase in credit risk based on the qualitative risk factors and cumulative days past due of the renegotiated credit contract. All the re-scheduled contracts days past due represent in aggregate, the period of time the credit facility was in arrears before re-scheduling and after re-scheduling unless upgraded based on servicing of the loan satisfactorily for specific watch-out periods specified in Finance Business Act Direction No 01 of 2020. The modified financial assets measured at 12 months expected credit loss and lifetime expected credit loss depending on whether there's a significant increase in credit risk is disclosed under Note 7.3.7 "modified financial assets".

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using a variety of external actual and forecasted information.

The Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables credit risk and credit losses.

The economic variables used by the Company based on the statistical significance include the followings:

- Unemployment Rate
- Interest Rate
- GDP Growth Rate
- Inflation Rate
- Exchange Rate

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Calculation of ECL

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

NOTES TO THE FINANCIAL STATEMENTS

Key elements of the ECL calculations are:

Probability of default (PD)

The probability of default is an estimation of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

Exposure at default (EAD)

The exposure at default is an estimation of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from past due contracts.

Loss given default (LGD)

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

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

Calculations of ECLs for individually significant loans and individually not significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired (not in stage 3), it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with financial asset's current carrying amount.

The impairment on individually significant accounts is reviewed on a regular basis. Individually assessed impairment is only reversed when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised on the net carrying value of the asset.

For all customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant, the Group calculates ECL on an individual basis. For all other asset classes, the Group calculates ECL on a collective basis. The Group categorises these exposures into smaller portfolios, based on a combination of internal and external characteristics of the loans such as product type, type of collateral, past due status industry of the borrower and whether the loan is restructured or rescheduled.

Collateral valuation

The collateral comes in various forms, such as vehicles, real estate, inventories, and other non-financial assets. The fair value of collateral affects the calculation of ECLs. The Group uses active market data, to the extent possible to value financial assets held as collateral. Non-financial collateral, such as vehicles and real estate, are valued based on data provided by third parties such as independent valuation specialists to the extent it is practically possible.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Write-offs

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Company's internal processes and when all reasonably expected recoverable amounts have been collected. The timing and extent of write-offs may involve some element of subjective judgment. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that part or the entire advance, is beyond realistic prospect of recovery. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death of the borrower. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty. Assets that are written off may be subject to enforcement activity and if there is any recovery on such assets that is recognised as other income in the income statement. The contractual amount outstanding on financial assets that were written off during the year ended 31st March 2023 and that are still subject to enforcement activity is Rs. 493 Million (2022-453 Million).

Reversals of impairment

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

Purchase of credit-impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition.

Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Regulation issued by Central Bank of Sri Lanka ("CBSL")

CBSL issued various circulars after the outbreak of COVID-19 relating to moratorium/debt relief/credit support to customers and industries schemes offered by the Government to support recovery of the economy. These circulars had/expected to have impact on recognition of interest income, stage-wise classification of facilities and computation of expected credit loss.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS-Impairment losses on financial assets (Expected credit losses (ECL) on financial assets)

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL, the Company determines whether the credit risk of a financial asset has increased significantly since initial recognition. In regard to this, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessments including forward-looking information based various assumptions. The Company has provided relief measures such as deferment of repayment terms of credit facilities for the affected businesses and individuals due to COVID-19 in line with the directions issued by the Central Bank of Sri Lanka. Given the high degree of uncertainty and unprecedented circumstances in the short term economic outlook, the management exercised judgements in the assessment of the impact of prevailing economic conditions on the loans and advances portfolio. In response to prevailing economic conditions, the Company's expectations of economic impacts, key assumptions used in the Company's calculation of expected credit losses have been revised. As at the reporting date, the expected impacts of the economic conditions have been captured via the modelled outcome as well as an additional provision as the post model adjustments computed outside the model using various scenario based stress testing techniques reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of macro-economic uncertainty. Although the inputs and assumptions used in the ECL model, including forward looking macroeconomic assumptions, have been revised in response to prevailing economic conditions, the fundamental credit model mechanics and methodology underpinning the Company's calculation of ECL have remained consistent with prior periods.

NOTES TO THE FINANCIAL STATEMENTS

Judgement Assumptions	Description	Consideration for 31 March 2023
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, lease, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from 12 month ECL to life time ECL.	For leases and other loans we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120 days to align these parameters to the internal risk management practices of the Company. For Term and Business loans the Company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the Company. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired.
Measuring 12 month expected credit losses and lifetime expected credit losses"	"The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) credit risk parameters used in determining ECL are point-in time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to Company's policy on impairment assessment.
Probability weighting of each economic scenario (base case, best case and worse case scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	"The key consideration for probability weightings in the current period is the prevailing significant deterioration of macro-economic indicators. In addition to the base case forecast which reflects the negative economic consequences of the certain macro-economic conditions a greater weightage has been applied to the worse case scenario given the Group's assessment of downside risks. The assigned probability weightages are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected."
Post Model Adjustments	Temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Group's lending portfolio due to emerging local or global macroeconomic uncertainty and resultant volatility in the business environment that are not incorporated into the current parameters. The use of management overlay may impact the amount of ECL recognised.	Management has applied a various scenario based assessments to assess the potential loss of the customers primarily due to the uncertainty associated with significant deterioration of macro-economic indicators and continued to built in management overlay outside the expected credit loss model due to lack of historical data to address prevailing economic conditions.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Impairment and other credit losses				
Charge / (write back) on individually significant loans (Note 30.1 (a) & 31.3(a))	71,101	168,603	71,101	168,603
Charge / (write back) on individually not significant loans (Note 30.1 (b) & 31.3 (b))	529,239	57,464	529,239	57,464
	600,340	226,067	600,340	226,067
Charge / (write back) on other credit losses (Note 30.2 & 44.1)	1,324	(1,831)	1,324	(1,831)
Charge / (write back) on other assets (Note 43.1)	289	(93)	289	(93)
Charge / (write back) on trade receivable (Note 32.1)	143,602	13,250	-	-
Charge / (write back) on other financial assets (Note 26.1 & 29.1)	11,986	5,034	8,807	4,405
Net loss arising from derecognition of financial assets measured at amortised cost	85,884	44,539	85,884	44,539
	843,425	286,966	696,644	273,087

Net loss arising from derecognition of financial assets measured at amortised cost represents the net losses incurred on contracts after realisation of collateral of defaulted clients. This has been included under impairments and other credit losses to present the total credit losses for better presentation.

18 OPERATING EXPENSES

Accounting policy

Expenses

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenses incurred in the running of the business and in maintaining property, plant and equipment in a state of efficiency are charged to the income statement while interest and other expenses payable are recognised on an accrual basis.

Crop insurance levy

Section 14 of the Finance Act No. 12 of 2013 imposed a crop insurance levy on institutions under the purview of:

- Banking Act No. 30 of 1988.
- Finance Business Act No. 42 of 2011
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, the Company is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1 April 2013.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Operating expenses include the following:				
Directors' emoluments	308,638	260,030	271,112	238,790
Legal expenses	15,951	10,489	14,346	9,892
Depreciation (Note 37.1)	415,475	483,533	345,182	414,638
Amortisation of intangible assets (Note 39.1)	39,541	37,610	39,261	37,293
Amortisation of right of use assets (Note 38.1)	137,207	135,867	171,107	169,766
Audit and related fees and expenses	6,472	4,740	4,693	3,366
Non-audit fees and expenses	1,561	1,402	1,281	1,171
Donations	3,319	5,857	2,258	5,352

NOTES TO THE FINANCIAL STATEMENTS

19 PERSONNEL EXPENSES

Accounting Policy

See accounting policy in Note 47

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Employees' Provident Fund and Employees' Trust Fund are post-employment benefit plans under which an entity pay fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts,

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the Statement of comprehensive income when incurred.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contributions respectively. All employees of the Group are members of the Employees' Provident Fund.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Salaries and other benefits	2,268,077	2,254,766	1,967,981	1,971,900
Contributions to defined benefit pans (Note 19.1)	333,709	216,151	304,749	196,814
Contributions to defined contribution plans (Note 19.3)	249,237	234,083	204,476	191,006
	2,851,023	2,705,000	2,477,206	2,359,720

Contributions to defined benefit pans - Employee retirement benefit expenses

19.1 Amounts recognised in the income statement

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Current service cost(Note 47)	96,261	86,859	84,339	75,636
Interest cost(Note 47)	238,236	136,617	221,198	127,559
Past service cost(Note 47)	-	(6,072)	-	(5,128)
Expected return on assets(Note 47)	(788)	(1,253)	(788)	(1,253)
	333,709	216,151	304,749	196,814

19.2 Amounts recognised in the other comprehensive income

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Gains /(losses) due to changes in assumptions	39,666	57,381	27,576	38,653
Actuarial gains/(losses) due to experience adjustments	(83,925)	(47,464)	(79,248)	(41,847)
Actuarial gains/(losses) on retirement benefit obligation	(44,259)	9,917	(51,672)	(3,194)
Actuarial gains/(losses) on plan assets	(988)	(1,034)	(988)	(1,034)
	(45,247)	8,883	(52,660)	(4,228)

19.3 Contributions to defined contribution plans

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Employer's contribution to employees' provident fund	200,377	188,314	164,567	153,850
Employer's contribution to employees' trust fund	48,860	45,769	39,909	37,156
	249,237	234,083	204,476	191,006

19.4 Amendments to the provisions of Minimum Age of Workers Act No 28 of 2021

With the implementation of the provisions of Minimum Age of Workers Act No 28 of 2021, the Company revised the minimum retirement age of its employees as follows.

Age of employee (As at 17th November 2021)	Minimum Retirement Age
54 or above and below 55 years	57 Years
53 or above and below 54 years	58 Years
52 or above and below 53 years	59 Years
Below 52 years	60 Years

The above revision was captured as planned amendment in accordance with LKAS-19 in the actuarial valuation as at 31st March 2022 and resulted in a past service benefit of Rs.5.13 Million and Rs.6.07 Million for Company and the Group respectively which is recognised in the income statement during the year ended 31.03.2022.

20 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE, NET OF TAX

See accounting policies in Note 34.

	Group	
	2022/23 Rs.'000	2021/22 Rs.'000
Nations Trust Bank PLC	1,805,316	1,383,645
Tea Smallholder Factories PLC	81,599	4,486
	1,886,915	1,388,131

21 TAXES ON FINANCIAL SERVICES

Accounting policy

Value added tax on financial services

The value base for Value Added Tax (VAT) for the Company is the adjusted accounting profit before tax and employee emoluments. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates as per the VAT Act. Value Added Tax Act No. 14 of 2002 (VAT Act) amended as passed in Parliament on March 24, 2022 & VAT rate on the supply of financial services by a specified institution or other person has been increased from 15% to 18% with effect from January 01, 2022.

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) Act No 25 of 2022 enacted on 20th September 2022 and the liable turnover is subjected to 2.5% SSCL tax with effect from 1st October 2022. As per the Act 100% of the value addition attributable for Financial Services will be liable for further SSCL tax of 2.5%.

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Value Added Tax on financial services	1,572,932	1,298,900	1,572,932	1,298,900
Social Security contribution levy on financial services	106,758	-	106,758	-
	1,679,690	1,298,900	1,679,690	1,298,900

NOTES TO THE FINANCIAL STATEMENTS

22 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the income statement, except to the extent it relates to items recognised directly in Other Comprehensive Income (OCI), in which case it is recognised in OCI. The Group applied IFRIC 23 "Uncertainty Over Income Tax Treatment" (IFRIC 23) in determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Group to provide additional disclosures in the financial statements.

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 treatments, do not meet the definition of income taxes, and these are disclosed in note 58.

Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current income tax relating to items recognised directly in equity, is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns, with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgement on the application of tax law including transfer pricing regulation involving identification of associated undertaking, estimation of respective arm's length prices and selection of appropriate pricing mechanism.

Taxable profit is determined in accordance with the provisions of Inland Revenue Act No 10 of 2006 (amended) and Inland Revenue Act No 24 of 2017 and amendments there to .

Current tax assets and liabilities are offset only if certain criteria are met.

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 or 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, associates and joint arrangements 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 the 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 improves.

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 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 this 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.

As per Inland Revenue Act No. 24 of 2017, which became effective from 01st April 2018, capital assets will attract tax at applicable rates on the gains at the time of disposal.

Deferred tax assets and liabilities are offset only if certain criteria are met.

22.1 Amount recognised in profit or loss

Current tax expenses

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Current tax charge for the year (Note 22.5)	3,437,245	2,861,096	3,106,263	2,602,318
Under (over) provision for previous years	78,361	(53,862)	84,447	(56,117)
Withholding tax on dividends of equity accounted investees	47,332	-	-	-
	3,562,938	2,807,234	3,190,710	2,546,201
Deferred tax expense				
Deferred tax liabilities (Note 42)				
Reversal of temporary differences during the year	(173,001)	(228,784)	(175,034)	(227,801)
Effect of change in tax rate	285,937	-	251,248	-
	112,936	(228,784)	76,214	(227,801)
Deferred tax assets (Note 42)				
Originated during the year	(729,748)	(205,107)	(669,476)	(205,444)
Effect of change in tax rate	(193,008)	-	(169,999)	-
	(923,056)	(205,107)	(839,475)	(205,444)
	(810,120)	(433,891)	(763,261)	(433,245)
Tax expenses	2,752,818	2,373,343	2,427,449	2,112,956

22.2 Amount recognised in OCI

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Deferred tax impact on revaluation reserve due to change of income tax rate (Note 42)	(453,286)	-	(278,959)	-
Deferred tax impact on gain/ (loss) on remeasurement of defined benefit liability(Note 42)	13,573	(1,514)	15,798	1,015
Total deferred tax expense recognised in OCI	(439,713)	(1,514)	(263,161)	1,015

22.3 The Inland Revenue (Amendment) Act No 45 of 2022 was certified by the Speaker on 19th December 2022. The standard rate of Income Tax has been increased to 30% from 24% w.e.f. 1st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company/ Group has computed the current tax payable on a pro rata basis (i.e. 50% for first six months and balance 50% for second six months) for the Year of Assessment 2022/23.

As per Part I : Sec. (I) of the Gazette notification issued on 25 October 2022 under Inland revenue act, No. 24 of 2017, Sub section (2) and (3) of Section 66 , the impairment charges of Stage 3 credit facilities classified as per the Sri Lanka Accounting Standards (SLFRS 9) have been considered as allowable deduction (after adjusting for specifications given under Sec 1 of Schedule 1 of the said Gazette notification).

As the standard rate of Income Tax has been increased to 30% from 24% w.e.f. 1st October 2022, deferred tax asset/liability has been computed at 30% .

NOTES TO THE FINANCIAL STATEMENTS

	New tax rate w.e.f. 01.10.2022- %	Previous tax rate rate -%
Company		
Central Finance Co PLC and subsidiaries (except for Mark Marine Services (Pvt) Ltd., Central Industries PLC, Central Mineral Industries (Pvt)Ltd., and Kandy Private Hospitals Ltd)	30	24
Mark Marine Services (Pvt) Ltd.(up to 30.09.2021)		
Operating income	N/A	14
Other income	N/A	24
Central Industries PLC		
Operating income	30	18
Other income	30	24
Central Mineral Industries (Pvt)Ltd.		
Operating income	30	18
Other income	30	24
Kandy Private Hospitals Ltd		
Operating income	30	14
Other income	30	24

Dividend income of the Group is liable for withholding tax at 15% with effect from 01st October 2022 (14% income tax prior to 01st October 2022).

- 22.4** As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 th April 2022, the Company is liable for the surcharge tax of Rs. 2,175.44 million out of the taxable income of Rs. 8,701.75 million pertaining to the year of assessment 2020/21.

The Group is liable for surcharge tax of Rs. 2,589.34 million out of the taxable income of Rs. 10,357.35 million pertaining to the year of assessment 2020/21.

According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

	Company Rs'000 2020/21	Group Rs'000 2020/21
Profit after Tax for the year ended 31/3/2021	4,135,971	5,779,968
Surcharge tax levied under Surcharge Tax Act	(2,175,436)	(2,589,344)
Comparable Profit for the year 2020/2021	1,960,535	3,190,624

The tax attributable to the Group arising from associate Company amounting to Rs. 404 million had been accounted against investments in equity accounted investee.

22.5 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Profit before tax	10,311,818	9,649,482	7,392,516	7,468,375
Share of profit equity accounted investees	(1,886,915)	(1,388,131)	-	-
Other consolidation adjustments	399,430	378,190	-	-
Accounting profit chargeable for income tax	8,824,333	8,639,541	7,392,516	7,468,375
Tax effect on chargeable profits				
30%	1,347,595	-	1,096,358	-
24%	935,448	1,863,491	877,088	1,727,828
18%	15,248	150,205	-	-
14% & 15%	13,972	49,235	11,622	34,568
10%	-	3,226	-	2,218
	2,312,263	2,066,157	1,985,068	1,764,614
Tax effect on allowable credits	(96,929)	(153,010)	(79,102)	(77,362)
Tax effect on exempt profits	(99,022)	(35,148)	(98,922)	(37,667)
Tax effect on non- deductible expenses	1,198,902	898,236	1,176,582	857,114
Tax effect on gains / (losses) on disposals	122,637	95,619	122,637	95,619
Tax effect on losses claimed	(606)	(10,758)	-	-
Charged to income statement (Note 22.1, 22.6)	3,437,245	2,861,096	3,106,263	2,602,318
Under (over) provision for previous years	78,361	(53,862)	84,447	(56,117)
Temporary differences reversed during the year -deferred tax liability (Note 42)	112,936	(228,784)	76,214	(227,801)
Temporary differences originated during the year -deferred tax asset (Note 42)	(923,056)	(205,107)	(839,475)	(205,444)
Withholding tax on inter-company dividends	47,332	-	-	-
	2,752,818	2,373,343	2,427,449	2,112,956
Effective tax rate (excluding deferred tax)	38.95	33.12	42.02	34.84

22.6 Current Tax on Profit for the year

	Group	
	2022/23 Rs.'000	2021/22 Rs.'000
Central Finance Company PLC	3,106,263	2,602,318
Central Industries PLC	174,128	175,894
Central Developments Ltd.	5,674	2,663
Dehigama Hotels Company Ltd.	12,986	10,424
Expanded Plastic Products (Pvt) Ltd.	656	215
Central Transport & Travels Ltd.	6,294	2,453
The Kandy Private Hospitals Ltd.	10,573	1,728
CF Insurance Brokers (Pvt) Ltd.	108,849	54,691
Central Mineral Industries (Pvt) Ltd.	-	(4)
Central Construction & Development (Pvt) Ltd.	-	268
Central Homes (Pvt) Ltd.	1,639	728
Mark Marine Services (Pvt) Ltd.	-	5,197
Hedges Court Residencies (Pvt) Ltd.	104	31
CF Growth Fund	10,079	4,490
	3,437,245	2,861,096

NOTES TO THE FINANCIAL STATEMENTS

22.7 Tax Losses Brought Forward and Utilised during the Year

	Group	
	2022/23 Rs.'000	2021/22 Rs.'000
Balance as at the beginning of the year	11,879	56,115
Losses originated during the year	2,819	-
Reassessment of previous tax losses	-	1,316
Tax losses utilised during the year	(2,018)	45,552
Tax losses carried forward	12,680	11,879

23 EARNINGS PER SHARE

Accounting Policy

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

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees as per Sri Lanka Accounting Standard - LKAS 33 on "Earnings per Share".

23.1 Basic Earnings per Share

	Group	
	2022/23	2021/22
Profit attributable to equity holders of the parent (Rs.000)	7,226,880	7,002,787
Weighted average number of ordinary shares used as denominator ('000)	227,354	227,354
Basic and diluted Earnings per Share (Rs.)	31.79	30.80
Weighted average number of ordinary shares for earnings per share	31.03.2023	31.03.2022
Number of shares at the beginning of the year	227,354,462	227,354,462
Weighted average number of shares at the end of the year	227,354,462	227,354,462

23.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1

24 DIVIDEND PER SHARE

	Group	
	2022/23 Rs.'000	2021/22 Rs.'000
Dividends		
Paid:		
2022/23 -Rs.2.50 (2021/22 -Rs.1.50)	568,386	341,032
Proposed:		
2021/22 Final Rs.2.00	-	454,709
2022/23- Final Rs.1.75	397,870	-
	966,256	795,741
Dividend per share (Rs.) - Paid and proposed	4.25	3.50

Proposed Dividends

The Directors recommend that a final dividend of Rs. 1.75 per share be paid in cash for the financial year ended 31st March 2023. (2021/22 - a cash dividend of Rs. 2.00 per share.)

The final dividend is to be approved at the Annual General Meeting of the Company to be held on 30th June 2023. In accordance with Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”, this final dividend has not been recognised as a liability as at 31st March 2023. The final dividend proposed amounts to Rs.397.87 Million. (2021/22 -Rs.454.71 Million)

NOTES TO THE FINANCIAL STATEMENTS

25 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

The carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" under headings of the statement of financial position are summarised below.

Classification of financial assets

The Group used judgements when assessing of the business model within which the assets are held.

25 (a) Analysis of Financial Instruments by Measurement Basis - Company

	2023			2022		
	Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Total Carrying Amount Rs 000	Fair Value through Profit or Loss Rs 000	Amortised Cost Rs 000	Total Carrying Amount Rs 000
Assets						
Cash and cash equivalents	-	528,494	528,494	-	697,234	697,234
Fair value through profit or loss financial assets	377,996	-	377,996	968,093	-	968,093
Securities bought under repurchase agreements	-	3,409,480	3,409,480	-	5,201,821	5,201,821
Financial assets at amortised cost- Debt and other financial instruments	-	26,332,972	26,332,972	-	20,933,341	20,933,341
Financial assets at amortised cost- Loans and receivables from customers	-	5,263,546	5,263,546	-	4,727,838	4,727,838
Financial assets at amortised cost- Net investment in leases and hire purchase	-	41,064,140	41,064,140	-	53,901,589	53,901,589
Other financial assets	-	93,902	93,902	-	76,805	76,805
Total financial assets	377,996	76,692,534	77,070,530	968,093	85,538,628	86,506,721
Liabilities						
Bank overdrafts	-	170,584	170,584	-	215,438	215,438
Financial liabilities at amortised cost -Deposits	-	38,532,558	38,532,558	-	49,024,182	49,024,182
Financial liabilities at amortised cost -Interest bearing borrowings	-	38,922	38,922	-	88,329	88,329
Lease liabilities	-	501,736	501,736	-	542,760	542,760
Other financial liabilities	-	493,537	493,537	-	617,316	617,316
Total financial liabilities	-	39,737,337	39,737,337	-	50,488,025	50,488,025

25 (b) Analysis of Financial Instruments by Measurement Basis - Group

	2023			2022		
	Fair Value through Profit or Loss	Amortised Cost	Total Carrying Amount	Fair Value through Profit or Loss	Amortised Cost	Total Carrying Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents	-	992,061	992,061	-	1,199,681	1,199,681
Fair value through profit or loss financial assets	649,071	-	649,071	1,655,884	-	1,655,884
Securities bought under repurchase agreements	-	3,409,480	3,409,480	-	5,201,821	5,201,821
Financial assets at amortised cost- Debt and other financial instruments	-	28,039,980	28,039,980	-	22,310,336	22,310,336
Financial assets at amortised cost- Loans and receivables from customers	-	5,263,446	5,263,446	-	4,724,669	4,724,669
Financial assets at amortised cost- Net investment in leases and hire purchase	-	41,064,140	41,064,140	-	53,901,589	53,901,589
Trade Receivable	-	1,074,527	1,074,527	-	1,589,992	1,589,992
Other financial assets	-	91,487	91,487	-	67,667	67,667
Total financial assets	649,071	79,935,121	80,584,192	1,655,884	88,995,755	90,651,639
Liabilities						
Bank overdrafts	-	225,173	225,173	-	224,369	224,369
Financial liabilities at amortised cost -Deposits	-	38,228,102	38,228,102	-	48,715,464	48,715,464
Financial liabilities at amortised cost -Interest bearing borrowings	-	74,226	74,226	-	708,465	708,465
Lease liabilities	-	416,352	416,352	-	425,001	425,001
Other financial liabilities	-	648,414	648,414	-	1,952,999	1,952,999
Total financial liabilities	-	39,592,267	39,592,267	-	52,026,298	52,026,298

26 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash in hand, demand placements with banks and highly liquid financial assets with original maturities within three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Refer Note 17 for the accounting policy on Expected Credit Loss.

NOTES TO THE FINANCIAL STATEMENTS

26 CASH AND CASH EQUIVALENTS

Statement of cash flows

The statement of cash flow has been prepared using the direct method in accordance with Sri Lanka Accounting Standard 7 - Statement of Cash Flows. Cash and cash equivalents comprise cash in hand and balances with banks net of outstanding bank overdrafts.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Cash in hand	401,015	486,892	398,646	486,623
Cash at bank	172,098	511,948	95,897	109,768
Savings deposits	419,162	201,018	34,162	101,018
Expected credit loss allowance (Note 26.1)	(214)	(177)	(211)	(175)
	992,061	1,199,681	528,494	697,234
Bank overdrafts	(225,173)	(224,369)	(170,584)	(215,438)
Cash and cash equivalents	766,888	975,312	357,910	481,796
Expected credit loss allowance	214	177	211	175
Cash and cash equivalents as per cash flow statement	767,102	975,489	358,121	481,971

26.1 Movement in expected credit loss allowance

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	177	178	175	151
Charge /(write back) to income statement during the year	37	(1)	36	24
Balance at the end of the year	214	177	211	175

26.2 Credit and Market risk

Information about the Group's credit and market risks for financial assets are included in Note 07 to the financial statements.

Cash at Bank and Savings Deposits are held in Licensed Commercial Banks rated A+ (lka) to BBB-(lka) rating watch negative by the external rating agencies.

27 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

See accounting policies in Note 4.3

Financial assets measured at FVTPL are measured initially at fair value and subsequently recorded in the statement of financial position at fair value. Changes in fair value are recognised in income statement.

Significant judgment is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Quoted securities (27.1)	413,870	443,619	269,151	237,676
Unquoted equities (27.2)	111,156	104,794	108,845	102,817
Investment in units (27.3)	124,045	1,107,471	-	627,600
	649,071	1,655,884	377,996	968,093

27.1 Investments in quoted securities

	Group						Company					
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
	31.03.2023	31.03.2023	31.03.2023	31.03.2022	31.03.2022	31.03.2022	31.03.2023	31.03.2023	31.03.2023	31.03.2022	31.03.2022	31.03.2022
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Banks												
Commercial Bank of Ceylon PLC	1,088,386	98,760	69,221	1,048,519	95,615	65,742	1,088,386	98,760	69,221	1,048,519	95,615	65,742
Commercial Bank of Ceylon PLC (Non-voting)	85,103	8,769	4,604	81,818	8,524	4,983	85,103	8,769	4,604	81,818	8,524	4,983
Hatton National Bank PLC	275,258	47,000	35,646	270,387	46,324	29,540	275,258	47,000	35,646	270,387	46,324	29,540
National Development Bank PLC	252,953	31,592	11,358	237,666	30,522	13,238	252,953	31,592	11,358	237,666	30,522	13,238
Sampath Bank PLC	254,913	22,643	13,383	254,913	22,643	11,675	254,913	22,643	13,383	254,913	22,643	11,675
		208,764	134,212		203,628	125,178		208,764	134,212		203,628	125,178
Capital goods												
ACL Cables PLC	60,000	3,302	4,938	320,000	1,6516	18,240	-	-	-	-	-	-
Hayleys PLC	146,500	19,105	10,548	146,500	19,105	11,266	-	-	-	-	-	-
Hemas Holdings PLC	1,040,295	99,172	67,619	1,040,295	99,172	48,062	779,000	74,183	50,635	779,000	74,183	35,990
John Keells Holdings PLC	123,852	19,953	17,339	90,322	15,715	13,097	80,502	14,106	11,270	80,502	14,106	11,673
Lanka Tiles PLC	102,000	7,726	4,396	117,745	8,800	7,029	-	-	-	-	-	-
Lanka Walltiles PLC	125,000	9,914	6,012	190,000	15,442	13,244	-	-	-	-	-	-
Royal Ceramics Lanka PLC	334,586	15,521	9,234	541,000	25,225	22,019	-	-	-	-	-	-
Valibel One PLC	200,000	15,370	7,320	200,000	15,370	8,040	-	-	-	-	-	-
		190,063	127,406		215,345	140,997		88,289	61,905		88,289	47,663
Consumer durables and apparel												
Hela Apparel Holdings PLC	3,800	57	30	3,800	57	49	-	-	-	-	-	-
Diversified financials												
Peoples Leasing & Finance PLC	1,344,138	20,398	10,619	1,242,310	19,777	10,063	1,344,138	20,398	10,619	1,242,310	19,777	10,063
LOLC Holdings PLC	37,984	21,435	14,245	51,084	35,474	30,523	-	-	-	-	-	-
Sarvodaya Development Finance PLC	100	2	1	40,300	886	503	-	-	-	-	-	-
		41,835	24,865		56,137	41,089		20,398	10,619		19,777	10,063
Energy												
Lanka IOC PLC	10,000	2,915	1,715	-	-	-	-	-	-	-	-	-
Food Beverage & Tobacco												
Ceylon Cold Stores PLC	510,000	36,784	20,400	510,000	36,784	19,839	510,000	36,784	20,400	510,000	36,784	19,839
Melstacorp PLC	115,000	6,960	6,314	-	-	-	-	-	-	-	-	-
Browns Investments PLC	1,055,000	11,149	6,330	3,305,000	37,002	24,481	-	-	-	-	-	-
		54,893	33,044		73,786	44,320		36,784	20,400		36,784	19,839
Materials												
CIC Holdings PLC(non-voting)	-	-	-	41,475	2,139	1,037	-	-	-	-	-	-
Tokyo Cement Company (Lanka) PLC	385,458	30,511	19,273	385,458	30,511	13,067	385,458	30,511	19,273	385,458	30,511	13,067
Tokyo Cement Company (Lanka) PLC (Non- voting)	250,000	16,283	11,375	250,000	16,283	6,575	-	-	-	-	-	-
		46,794	30,648		48,933	20,679		30,511	19,273		30,511	13,067
Telecommunication Services												
Dialog Axiata PLC	2,186,733	27,063	22,742	2,186,733	27,063	21,866	2,186,733	27,063	22,742	2,186,733	27,063	21,866
Transportation												
Expolanka Holdings PLC	284,114	48,990	39,208	239,000	33,655	49,441	-	-	-	-	-	-
		621,374	413,870		658,604	443,619		411,809	269,151		406,052	237,676

27.2 Unquoted equities

	Group				Company				
	No. of Shares	Cost 31.03.2023 Rs.'000	Market Value 31.03.2023 Rs.'000	No. of Shares	Cost 31.03.2022 Rs.'000	Market Value 31.03.2022 Rs.'000	No. of Shares	Cost 31.03.2022 Rs.'000	Market Value 31.03.2022 Rs.'000
Credit Information Bureau of Sri Lanka.	4,827	637	107,738	4,827	637	101,696	4,827	637	101,696
Finance Houses Consortium (Pvt) Ltd.	20,000	200	1,107	20,000	200	1,121	20,000	200	1,121
Rajawella Holdings (Pvt) Ltd.	54,600	546	2,311	54,600	546	1,977	-	-	-
Telshan Network (Pvt) Ltd.	972,000	9,720	-	972,000	9,720	-	972,000	9,720	-
		11,103	111,156		11,103	104,794		10,557	102,817

Fair value of unquoted investments is based on net asset value per share basis based on the valuation performed as per the latest financial statements of the respective companies.

The above fair value through profit or loss financial assets are measured at fair value through profit or loss upon initial recognition.

27.3 Investment in units

	Group				Company				
	No. of Units	Cost	Market Value	No. of Units	Cost	Market Value	No. of Units	Cost	Market Value
	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000	31.03.2023 Rs.000
Unit Trusts									
First Capital Money Market Fund.	-	-	-	2,286	4,500	4,759	-	-	-
Capital Alliance Limited Income Fund.	-	-	-	46,027,297	978,360	1,020,772	-	-	-
Capital Alliance Limited Investment Grade Fund.	-	-	-	2,171,210	43,291	46,872	-	-	-
Capital Alliance Fixed Income Opportunities Fund.	937,096	24,864	26,284	-	-	-	-	-	-
Asia Securities Money Market Fund	-	-	-	2,566,154	22,208	28,147	-	-	-
JB Vantage Money Market Fund.	1,978,928	70,176	73,043	-	-	-	-	-	-
NDB Wealth Money Plus Fund.	152,214	2,489	4,558	183,261	3,049	4,617	-	-	-
NDB Wealth Money Fund.	735,794	20,111	20,160	104,283	2,300	2,304	-	-	-
		117,640	124,045		1,053,708	1,107,471		610,891	627,600

The Group/Company has not pledged any investments in quoted and unquoted securities measured at FVTPL as at 31.03.2023 and 31.03.2022.

The above fair value through profit or loss financial assets are measured at fair value through profit or loss upon initial recognition

28 SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS

Accounting Policy

See accounting policies in Note 4.3

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "interest income" and is accrued over the life of the agreement using the EIR.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
At amortised cost	3,409,480	5,201,821	3,409,480	5,201,821
	3,409,480	5,201,821	3,409,480	5,201,821

Above investments have maturities within one year.

28.2 Credit and Market risk

Information about the Group's credit and market risks for financial assets are included in Note 7.3-7.5 to the financial statements.

29 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

Accounting Policy

See accounting policies in Note 4.3 and 17.

As per SLFRS 9 – "Financial Investments" are measured at amortised cost if it meets both of the following conditions and is not designated 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.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision 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" while the losses arising from impairment are recognised in "impairment and other credit losses" in the Income Statement.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Deposits with banks at amortised cost	10,651,246	16,728,836	10,385,023	15,625,073
Deposits with financial institutions at amortised cost	-	36,928	-	-
Investment in treasury bills at amortised cost	11,450,376	1,047,041	10,811,040	1,047,041
Debentures at amortised cost	3,293,562	3,094,126	2,851,785	2,856,871
Securitised and commercial papers at amortised cost	2,696,924	1,443,584	2,333,123	1,443,584
	28,092,108	22,350,515	26,380,971	20,972,569
Expected credit loss allowance (Note 29.1)	(52,128)	(40,179)	(47,999)	(39,228)
	28,039,980	22,310,336	26,332,972	20,933,341

NOTES TO THE FINANCIAL STATEMENTS

29.1 Movement in expected credit loss allowance

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	40,179	35,144	39,228	34,847
Charge / (write back) to income statement during the year	11,949	5,035	8,771	4,381
Balance at the end of the year	52,128	40,179	47,999	39,228
Receivable within one year	24,629,264	19,256,389	23,359,903	18,115,698
Receivable after one year	3,462,844	3,094,126	3,021,068	2,856,871
	28,092,108	22,350,515	26,380,971	20,972,569

29.2 Credit and Market risk

Information about the Group's credit and market risks for financial assets are included in Note 7 to the financial statements.

30 FINANCIAL ASSETS AT AMORTISED COST- LOANS AND RECEIVABLES FROM CUSTOMERS

Accounting Policy

See accounting policies in Notes 4.3 and 17.

Loans to and receivables from customers include loans and advances of the Group. The accounting policy pertaining to financial assets measured at amortised cost - loans and advances to customers has been given in Note 4.3.3.d to the financial statements.

Financial assets measured at amortised cost - loans and advances to customers include loans and advances and lease receivables of the Company. As per SLFRS 9, loans and advances to customers are assets that are;

- Held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows, that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Principal amount of loans and advances are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans are written-off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction for impairment or uncollectibility.

Loans and receivables from other customers are normally written off, either partially or in full, when there is no realistic prospect of recovery and all possible steps have been executed in recovering dues. Where loans are secured, this is generally after receipt of any proceeds from the realisation of the security. If the write-off is later recovered, the recovery is credited to other income.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Term loans	5,051,940	4,742,538	5,051,940	4,742,538
Loans against fixed deposits	1,021,409	922,333	1,032,495	932,978
Housing and real estate receivables	4,544	4,696	4,544	4,696
Loans to employees	146,836	85,112	135,850	77,636
	6,224,729	5,754,679	6,224,829	5,757,848
Impairment for individually significant loans (Note 30.1 (a))	(528,505)	(503,044)	(528,505)	(503,044)
Impairment for individually not significant loans (Note 30.1 (b))	(428,518)	(524,590)	(428,518)	(524,590)
Other credit losses (Note 30.2)	(4,260)	(2,376)	(4,260)	(2,376)
	5,263,446	4,724,669	5,263,546	4,727,838
Receivable within one year	3,991,462	3,744,318	3,993,521	3,741,027
Receivable after one year	2,233,267	2,010,361	2,231,308	2,016,821
	6,224,729	5,754,679	6,224,829	5,757,848

30.1 (a) Movement in impairment for individually significant loans

Balance at the beginning of the year	503,044	346,862	503,044	346,862
Charge /(write back) to the income statement during the year	25,961	166,400	25,961	166,400
Write off of impaired loans	(500)	(10,218)	(500)	(10,218)
Balance at the end of the year	528,505	503,044	528,505	503,044

(b) Movement in impairment for individually not significant loans

Balance at the beginning of the year	524,590	616,893	524,590	616,893
Charge /(write back) to the income statement during the year	(12,213)	(71,890)	(12,213)	(71,890)
Write off of impaired loans	(83,859)	(20,413)	(83,859)	(20,413)
Balance at the end of the year	428,518	524,590	428,518	524,590
Total impairment provision	957,023	1,027,634	957,023	1,027,634

30.2 Other credit losses

Balance at the beginning of the year	2,376	3,780	2,376	3,780
Charge / (write back) to the income statement during the year	1,884	(1,404)	1,884	(1,404)
Balance at the end of the year	4,260	2,376	4,260	2,376

Refer Note 7.3.7 for the movement in gross loans and receivables during the year allocated to each stage.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL ASSETS AT AMORTISED COST - NET INVESTMENT IN LEASES AND HIRE PURCHASE

See accounting policies in Notes 4.3 and 17.

Net investments in leases and hire purchases include lease and hire purchase receivables of the Group.

When the Group is the lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to the ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Lease receivables (Note 31.1)	46,078,427	58,839,264	46,078,427	58,839,264
Hire purchase receivables (Note 31.2)	11,759	16,493	11,759	16,493
	46,090,186	58,855,757	46,090,186	58,855,757
Impairment for individually significant loans (Note 31.3(a))	(177,782)	(158,687)	(177,782)	(158,687)
Impairment for individually not significant loans (Note 31.3(b))	(4,848,264)	(4,795,481)	(4,848,264)	(4,795,481)
	41,064,140	53,901,589	41,064,140	53,901,589

31.1 Lease receivables

Gross rental receivables	56,261,224	72,923,138	56,261,224	72,923,138
Unearned interest income	(13,965,569)	(17,572,515)	(13,965,569)	(17,572,515)
	42,295,655	55,350,623	42,295,655	55,350,623
Amounts receivable from lessees	4,154,206	3,991,855	4,154,206	3,991,855
Rentals received in advance	(371,434)	(503,214)	(371,434)	(503,214)
	46,078,427	58,839,264	46,078,427	58,839,264

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
31.2 Hire purchase receivables				
Gross rental receivable	-	1,630	-	1,630
Unearned interest income	-	(75)	-	(75)
	-	1,555	-	1,555
Amounts receivable from hirers	11,759	14,938	11,759	14,938
	11,759	16,493	11,759	16,493

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Rentals receivable on lease and hire purchase				
Not later than one year				
Gross rentals receivables	27,764,411	31,237,209	27,764,411	31,237,209
Unearned interest income	(7,227,623)	(8,408,455)	(7,227,623)	(8,408,455)
Rentals received in advance	(34,866)	(47,693)	(34,866)	(47,693)
	20,501,922	22,781,061	20,501,922	22,781,061
Later than one year and not later than five years				
Gross rentals receivables	32,544,350	45,376,125	32,544,350	45,376,125
Unearned interest income	(6,731,956)	(9,136,678)	(6,731,956)	(9,136,678)
Rentals received in advance	(293,012)	(384,418)	(293,012)	(384,418)
	25,519,382	35,855,029	25,519,382	35,855,029
Later than five years				
Gross rentals receivables	118,428	318,227	118,428	318,227
Unearned interest income	(5,990)	(27,457)	(5,990)	(27,457)
Rentals received in advance	(43,556)	(71,103)	(43,556)	(71,103)
	68,882	219,667	68,882	219,667
Total receivables on leases and hire purchase	46,090,186	58,855,757	46,090,186	58,855,757
Maturity analysis of lease and hire purchase receivables on undiscounted basis				
Not later than one year	27,764,411	31,237,210	27,764,411	31,237,210
More than one year not later than two years	16,476,193	20,374,277	16,476,193	20,374,277
More than two years not later than three years	10,098,989	13,540,015	10,098,989	13,540,015
More than three years not later than four years	5,088,607	7,798,006	5,088,607	7,798,006
More than four years not later than five years	880,561	3,663,827	880,561	3,663,827
More than five years	118,429	318,227	118,429	318,227
Total	60,427,190	76,931,562	60,427,190	76,931,562
31.3 (a) Movement in impairment for individually significant leases				
Balance at the beginning of the year	158,687	169,285	158,687	169,285
Charge / (write back) to the income statement during the year	45,140	2,203	45,140	2,203
Write off of impaired loans	(26,045)	(12,801)	(26,045)	(12,801)
	177,782	158,687	177,782	158,687
31.3 (b) Movement in impairment for individually not significant leases				
Balance at the beginning of the year	4,795,481	5,184,167	4,795,481	5,184,167
Charge / (write back) to the income statement during the year	541,452	129,354	541,452	129,354
Write off of impaired loans	(488,669)	(518,040)	(488,669)	(518,040)
	4,848,264	4,795,481	4,848,264	4,795,481
Total impairment provision	5,026,046	4,954,168	5,026,046	4,954,168

NOTES TO THE FINANCIAL STATEMENTS

32 TRADE RECEIVABLES

See accounting policies in Not 4.3 and 17.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Trade receivables	1,262,331	1,637,209	-	-
Expected credit loss allowance(Note 32.1)	(187,804)	(47,217)	-	-
	1,074,527	1,589,992	-	-

32.1 Movement in expected credit loss allowance

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	47,217	38,659	-	-
Charge / (write back) to income statement during the year	143,602	13,250	-	-
Write off during the year	(3,015)	(4,692)	-	-
Balance at the end of the year	187,804	47,217	-	-

The impairment provisions of Rs. 143.6 million (Rs. 13.25 million for the year ended 31st March 2022) made against long outstanding trade debtors of the subsidiary companies.

Trade receivables have maturities within one year

33 INVESTMENTS IN SUBSIDIARIES

Accounting Policy

See accounting policies in Note 4.1

Recognition and measurement

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right 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 commenced until the date on which control ceases.

Investments in subsidiaries are recognized at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

Principal business activities	Principal place of business	% Holding				No. of Shares				Cost		Market Value/ Directors' Valuation	
		Group		Company		Company		Company		Company		Directors' Valuation	
		31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	Rs.'000	Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Quoted investments													
	Manufacture and distribution of PVC pipes and fittings	49.98%	49.98%	44.06%	44.06%	10,339,414	9,599,828	163,035	115,035	871,613	941,743		
Unquoted investments													
	Central Developments Limited	99.99%	99.99%	39.79%	39.79%	5,289,972	5,289,972	52,900	52,900	132,682	132,308		
	Dehigama Hotels Company Limited	79.69%	79.69%	79.69%	79.69%	659,854	659,854	7,443	7,443	442,327	476,434		
	Expanded Plastic Products (Private) Limited	99.99%	99.99%	40.00%	40.00%	2,559,967	2,559,967	25,600	25,600	32,557	31,961		
	Central Mineral Industries(Private) Limited.	99.99%	99.99%	39.99%	39.99%	139,979	139,979	1,400	1,400	33,658	39,364		
	Central Transport and Travels Limited	99.99%	99.99%	39.64%	39.64%	1,169,000	1,169,000	11,690	11,690	55,423	48,804		
	Central Construction and Development(Private) Limited	99.90%	99.90%	0.10%	0.10%	5	5	-	-	-	-		
	CF Growth Fund Limited	99.99%	99.99%	39.87%	39.87%	6,500,000	6,500,000	65,000	65,000	515,200	370,999		
	The Kandy Private Hospitals Private Limited	66.74%	66.74%	37.00%	37.00%	203,700	203,700	2,363	2,363	186,809	208,584		
	CF Insurance Brokers (Private) Limited	99.99%	99.99%	40.00%	40.00%	4,949,997	4,949,997	49,500	49,500	1,089,329	887,348		
	Central Homes (Private) Limited	99.99%	99.99%	38.48%	38.48%	1,315,000	1,315,000	13,151	13,151	20,568	18,944		
	Hedges Court Residences (Private) Limited	100.00%	100.00%	40.00%	40.00%	2,000,000	2,000,000	20,000	20,000	-	-		
								412,082	364,082	3,380,165	3,156,490		
	Provision for impairment in investments in subsidiaries (Note 33.1)							(30,468)	(30,468)				
	Net investment in subsidiary companies							381,614	333,614				

* Central Industries PLC, a quoted public company listed on the Colombo Stock Exchange, is consolidated as a subsidiary company with a Group equity investment of 49.98% taking into account the fact that the Group possesses power over the investee and is able to decide the variable return of the investee.

** Fair value of unquoted investments is based on net asset value per share basis based on audited financial statements of respective companies.

*** There are no significant restrictions on the ability of the subsidiaries to transfer funds to the other entities within the Group in the form of cash dividends or repayment of loans and advances. All subsidiaries of the Group as at the reporting date have been incorporated in Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

33.1 Provision for impairment in investments in subsidiaries

	Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Hedges Court Residencies (Private) Limited	20,000	20,000
Expanded Plastic Products (Private) Limited	7,000	7,000
Central Homes (Private) Limited	3,468	3,468
	30,468	30,468

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2023. Based on the assessment, except for the above companies, no impairment provision was required to be made in the financial statements as at the reporting date.

33.2 Non-controlling interest (NCI) in subsidiaries

Subsidiary	% of ownership and voting rights held by NCI		Share of income of NCI		Share of other comprehensive income of NCI	
	As at		For the year ended		For the year ended	
	31.03.2023	31.03.2022	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Central Industries PLC	50.02%	50.02%	321,723	251,148	(28,030)	3,703
Mark Marine Services (Private) Limited	-	-	-	14,662	-	-
Dehigama Hotels Company Limited	20.31%	20.31%	7,144	6,851	(6,995)	-
Kandy Private Hospitals Limited	33.26%	33.26%	3,253	691	(22,833)	220
			332,120	273,352	(57,858)	3,923

33.3 Summarised financial information of subsidiaries

Subsidiary	Revenue		Profit/(loss) after tax		Other comprehensive income/Expense	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
For the year ended						
Central Industries PLC	4,333,998	6,731,883	643,189	502,094	(56,037)	7,405
Central Developments Limited	21,824	12,283	910	8,459	25	33
Dehigama Hotels Company Limited	43,186	43,186	736	33,734	-	-
Expanded Plastic Products (Private) Limited	2,491	1,006	1,703	679	(213)	(10)
Central Mineral Industries(Private) Limited.	21,858	16,231	(387)	150	(13,882)	(20)
Central Transport and Travels Limited	24,353	10,536	16,756	7,490	(60)	24
Central Construction and Development (Private) Limited	8	284	(8)	-	-	-
CF Growth Fund Limited	98,944	62,712	88,637	57,652	273,056	(158,504)
The Kandy Private Hospitals Private Limited	148,643	102,196	9,745	1,643	(68,650)	659
CF Insurance Brokers (Private) Limited	244,426	257,554	293,946	264,499	211,005	(147,843)
Central Homes (Private) Limited	6,020	3,189	4,211	2,312	-	-
*Mark Marine Services (Private) Limited	-	53,700	-	33,933	-	-
Hedges Court Residencies (Private) Limited	378	131	(2,490)	(1,868)	-	-

*Mark Marine Services (Private) Limited divested on 30th September 2021.

Share of total comprehensive income of NCI		Adjustment through equity statement		Non -controlling interest (NCI)		Cash dividends to NCI	
For the year ended		For the year ended		As at		For the year ended	
31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
293,693	254,851	385	262	1,619,831	1,325,788	35	20,758
-	14,662	-	(68,062)	-	-	-	-
149	6,851	(2,031)	-	112,735	121,429	6,813	6,476
(19,580)	911	8	(972)	167,912	187,485	-	-
274,262	277,275	(1,638)	(68,772)	1,900,478	1,634,702	6,848	27,234

Total comprehensive income		Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
587,152	509,499	152,718	582,677	349,113	(109,251)	(583,717)	(669)
935	8,492	(5,292)	(3,821)	3,465	(12,900)	-	-
736	33,734	18,817	33,201	12,346	(3,314)	(32,349)	(31,130)
1,490	669	(520)	(288)	556	15	-	-
(14,269)	130	(396)	(766)	(6)	512	(1,166)	(2,947)
16,696	7,514	(5,687)	(1,675)	8,841	1,581	(2)	-
(8)	-	-	-	-	-	-	-
361,693	(100,852)	(10,076)	16,474	(11,340)	(17,669)	-	-
(58,905)	2,302	24,908	5,587	(21,484)	(5,376)	-	(1,175)
504,951	116,656	18,425	82,771	(5,496)	(245,938)	(20,487)	1,746
4,211	2,312	(1,178)	(832)	2,360	1,104	-	(5)
-	33,933	-	110,555	-	-	-	(6,000)
(2,490)	(1,868)	(827)	(736)	1,055	736	-	-

NOTES TO THE FINANCIAL STATEMENTS

Subsidiary As at	Current assets		Non-current assets		Total assets	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Central Industries PLC	2,966,985	4,238,722	1,094,067	1,025,672	4,061,052	5,264,394
Central Developments Limited	188,489	185,463	158,835	158,738	347,324	344,201
Dehigama Hotels Company Limited	59,955	64,336	699,000	699,000	758,955	763,336
Expanded Plastic Products (Private) Limited	18,177	16,241	63,671	63,765	81,848	80,006
Central Mineral Industries (Private) Limited	6,497	5,139	122,287	123,314	128,784	128,453
Central Transport and Travels Limited	72,386	118,201	69,848	6,120	142,234	124,321
Central Construction and Development (Private) Limited	-	-	-	-	-	-
CF Growth Fund Limited	185,054	148,258	1,110,896	786,444	1,295,950	934,702
The Kandy Private Hospitals Limited	177,214	147,928	486,792	494,694	664,006	642,622
CF Insurance Brokers (Private) Limited	257,383	224,594	2,845,190	2,289,066	3,102,573	2,513,660
Central Homes (Private) Limited	54,280	49,518	-	-	54,280	49,518
*Mark Marine Services (Private) Limited	-	-	-	-	-	-
Hedges Court Residencies (Private) Limited	36,234	36,695	-	-	36,234	36,695

33.4 Disposal of a Subsidiary

In September 2021, the Group sold its power generation segment. Management committed to a plan to sell 56.79% investment in Mark Marine Services (Pvt) Ltd. held through the parent company together with the fully owned subsidiary, CF Insurance Brokers (Pvt) Ltd. for a consideration of Rs.270.77 Million and entered into a share sales and purchase agreement with Hatton Plantations PLC in June 2021. Subsequent to entering into the share sales and purchase agreement and receipt of cash consideration, divestment was completed on 30th September 2021.

	Central Finance Company PLC	CF Insurance Brokers (Pvt) Ltd.
Number of shares disposed of	1,712,237	775,691
Holdings (%)	39.09	17.70
Sale proceeds (Rs.000)	186,353	84,423
Cost of investment (Rs.000)	(27,579)	(13,187)
Profit on disposal (Rs.000)	158,774	71,236
	Group	
Number of shares disposed of		2,487,928
Holdings (%)		56.79
Sale proceeds (Rs.000)		270,776
Equity of Mark Marine Services (Pvt)Ltd. excluding non -controlling interest as at 30.09.2021		(89,452)
Profit on disposal (Rs.000)		181,324

The company made announcements to the Colombo Stock Exchange with regard to the above on 21.06.2021 and 30.09.2021.

Current liabilities		Non current liabilities		Total liabilities		Equity	
31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
612,410	2,417,512	210,284	196,374	822,694	2,613,886	3,238,358	2,650,508
13,643	11,532	244	172	13,887	11,704	333,437	332,497
31,666	27,685	172,200	137,760	203,866	165,445	555,089	597,891
370	102	84	-	454	102	81,394	79,904
9,878	7,016	34,749	23,012	44,627	30,028	84,157	98,425
2,247	1,152	173	51	2,420	1,203	139,814	123,118
60	51	-	-	60	51	(60)	(51)
3,694	4,138	1	1	3,695	4,139	1,292,255	930,563
24,070	12,930	135,084	65,995	159,154	78,925	504,852	563,697
296,689	222,844	82,560	72,444	379,249	295,288	2,723,324	2,218,372
828	284	-	-	828	284	53,452	49,234
-	-	-	-	-	-	-	-
(199,931)	197,900	-	-	(199,931)	197,900	(163,696)	(161,205)

As the post-tax profit of the power generation segment is insignificant to the Group, the disposal has not been identified and classified as a discontinued operation separately in the consolidated income statement.

	31.03.2022
	Rs.'000
Revenue	53,700
Expenses	(13,617)
Results from operating activities	40,083
Tax	(6,150)
Results from operating activities, net of tax	33,933
Gain on sale of discontinued operation	181,324
Income tax on gain on sale of discontinued operation (Capital Gain Tax)	(3,226)
Profit (loss) from discontinued operations, net of tax	212,031
Basic and diluted earnings per share - Rs.	0.93

The profit from the above discontinued operation amounting to Rs. 197.36 Million attributable entirely to the equity holders of the Company.

Cash Flows from/used in discontinued operation	2021/22
	Rs.'000
Net Cash used in operating activities	110,555
Net Cash from investing activities	270,285
Net Cash from financing activities	(6,000)
Net Cash Flows for the year	374,840

NOTES TO THE FINANCIAL STATEMENTS

Effect on disposal on the financial position of the Group	2021/22 Rs.'000
Right of Use Asset	63
Trade Debtors & Other Receivables	64,204
Cash and Cash Equivalents	105,457
Retirement Benefit Liabilities	(6,894)
Lease Liability on Right of Use Asset	(68)
Current tax Liability	(4,734)
Trade & Other Payable	(510)
Net assets value of the Company	157,514
Impact to Group financial position	157,514
Consideration received in cash	270,776
Cash & Cash equivalents disposed of	(105,457)
Net Cash Inflows	165,319

33.5 Acquisition of non-controlling interest of a subsidiary

In November 2021, Central Transport & Travels Ltd., a Subsidiary Company of the Group acquired an additional 0.16% of Kandy Private Hospitals Ltd. increasing Group ownership from 66.58% to 66.74%. The carrying amount of the Non-Controlling Interest acquired amounts to Rs. 0.97 Million for a consideration of Rs. 0.9 Million.

34 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

Accounting Policy

See accounting policies in Not 4.1

Equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment losses in the separate financial statements. Provision for impairment is made where the decline in value is other than temporary and such impairment is made for investments individually.

Transactions eliminated on consolidation

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Company's/Group's investments in associates

Investor	Investee	Principal place of business	Principal business activities	% Holding		No. of shares		Cost		Market Value	
				31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023 Rs. 000	31.03.2022 Rs. 000	31.03.2023 Rs. 000	31.03.2022 Rs. 000
Central Finance Company PLC	Quoted investments	Sri Lanka	Processing green leaves purchased from tea small holders and the sale of processed black tea								
	Tea Smallholder Factories PLC										
				22.85%	22.85%	6,854,814	6,854,814	99,337	99,337	301,612	185,765
				9.84%	9.84%	27,187,092	25,630,053	845,235	758,041	1,739,974	1,155,915
	Nations Trust Bank PLC (voting)	Sri Lanka	Licensed commercial bank	20.98%	20.98%	9,099,276	8,611,027	709,937	680,642	516,839	517,351
	Nations Trust Bank PLC (convertible non –voting)										
Company investment in associates											
								1,654,509	1,538,020	2,558,425	1,859,030
CF Growth Fund Ltd.	Quoted investments										
	Tea Smallholder Factories PLC	6.45%	6.45%	1,933,678	1,933,678	30,361	30,361	85,082	52,403		
	Nations Trust Bank PLC (voting)	4.92%	4.92%	13,601,900	12,822,902	402,805	359,181	870,522	578,313		
	Nations Trust Bank PLC (convertible non –voting)	5.43%	5.43%	2,356,615	2,230,164	183,276	175,689	133,856	133,988		
CF Insurance Brokers (Pvt) Ltd.	Quoted investments										
	Nations Trust Bank PLC (voting)	4.96%	4.96%	13,694,732	12,910,418	519,248	475,100	876,463	582,260		
	Nations Trust Bank PLC (convertible non –voting)	5.47%	5.47%	2,372,699	2,245,385	184,301	176,889	134,769	134,903		
	Group's investment in associates										
	Adjustment on sale of shares within the Group							2,974,500	2,755,240	4,659,116	3,340,898
								(224,844)	(224,844)	-	-
Group's investment in associates											
								2,749,656	2,530,396		
Group's share of associate companies' retained assets											
	Tea Smallholder Factories PLC							373,487	343,240		
	Nations Trust Bank PLC							7,998,280	6,347,701		
	Group's investment in associates (equity basis)							11,121,423	9,221,337		

NOTES TO THE FINANCIAL STATEMENTS

Year ended	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Investment in associates (at cost) at the beginning of the year	2,530,396	2,362,470	1,538,020	1,454,646
Investment made during the year (scrip dividend)	219,260	212,416	116,489	112,864
Effect due to liquidation of Capital Suisse Asia Ltd.	-	(44,490)	-	(29,490)
Investment in associates (at cost) at the end of the year	2,749,656	2,530,396	1,654,509	1,538,020

No impairment provision has been made for decline in market value of non-voting shares of Nations Trust Bank PLC at the company level as the market value of total investment in voting and non-voting shares is higher than the cost of the investment.

	Nations Trust Bank PLC		Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Group's investment in associates at cost at the beginning of the year	2,400,698	2,188,282	129,698	129,698	-	44,490	2,530,396	2,362,470
Investment made during the year (scrip dividends)	219,260	212,416	-	-	-	-	219,260	212,416
Liquidation of an associate company during the year	-	-	-	-	-	(44,490)	-	(44,490)
Investment in associates (at cost) at the end of the year	2,619,958	2,400,698	129,698	129,698	-	-	2,749,656	2,530,396
Group's share of equity accounted investees retained earnings at beginning of the year	6,347,700	5,587,132	343,240	323,330	-	3,978	6,690,941	5,914,440
For the year ended								
Share of profit / (loss) of equity accounted investees (net of tax)	1,805,316	1,383,645	81,599	4,486	-	-	1,886,915	1,388,131
Effect due to liquidation	-	-	-	-	-	(3,978)	-	(3,978)
Share of other comprehensive income (net of tax)	506,970	(410,661)	7,267	24,212	-	-	514,237	(386,449)
Share of surcharge tax	(403,906)	-	-	-	-	-	(403,906)	-
Gross dividends received	(257,800)	(212,416)	(58,619)	(8,787)	-	-	(316,419)	(221,203)
	10,618,238	8,748,398	503,185	472,939	-	-	11,121,423	9,221,337

- 34.1** The group held 20% ownership interest in Nations Trust Bank PLC (NTB) until end February 2018 and with the issuance of convertible non-voting shares, the group's ownership interest increased to 21.10% from March 2018. The ownership interest further increased to 21.38% from 01st January 2020 with the purchase of convertible non-voting shares from the secondary market. The group holds 19.72% voting shares in NTB as at 31.03.2023. Central Bank of Sri Lanka has issued guidelines restricting the amount of voting rights that can be held by a single party/group in NTB and, accordingly, the group's voting rights in NTB are restricted to 10% with effect from 31.03.2018. CF group as a promoter shareholder continue to hold board positions at NTB, since the incorporation of the bank in 1999. In addition to the ability to participate in policymaking decisions, the CF nominee –directors serve on the Board Supervisory Committee, Board Nomination Committee, Board Credit Committee and Board Information Technology Advisory Committee of NTB. The group's share of profit or loss of NTB and changes in the equity have been accounted for at 20% up to end February 2018 and 21.10% from March 2018 up to 31.12.2019 and at 21.38% from 01st January 2020, having taken into consideration the combination of our economic interest of 21.38% in the entity, continuing support towards the bank's capital calls as a promoter shareholder and our ability to exercise significant influence on the operating and financial policies of NTB as evidenced by the representation and participation in all policy and decision making committees of the Bank at the apex level. Having considered the above, the company has concluded it has significant influence over NTB irrespective of the restriction on the voting rights.

34.2 Summarised financial information of associates

	Nations Trust Bank PLC		Tea Smallholder Factories PLC		Total	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Current assets	285,138,444	305,210,186	654,701	545,503	285,793,145	305,755,689
Non-current assets	127,663,783	130,939,728	1,650,382	1,338,106	129,314,165	132,277,834
Total assets	412,802,227	436,149,914	2,305,083	1,883,609	415,107,310	438,033,523
Current liabilities	331,586,754	337,112,124	362,976	218,809	331,949,730	337,330,933
Non-current liabilities	32,085,291	58,653,165	323,242	149,129	32,408,533	58,802,294
Total liabilities	363,672,045	395,765,290	686,218	367,938	364,358,263	396,133,228
Equity	49,130,182	40,384,625	1,618,865	1,515,671	50,749,047	41,900,296
For the year ended					-	
Revenue	74,010,198	40,806,330	3,743,939	2,018,797	77,754,137	42,825,127
Profit after tax	8,443,949	6,471,679	278,495	15,311	8,722,444	6,486,990
Other comprehensive income	2,371,236	(1,940,592)	24,801	82,636	2,396,037	(1,857,956)
Total comprehensive income	10,815,185	4,531,087	303,296	97,947	11,118,481	4,629,034
Total comprehensive income attributable to equity holders of the company	10,815,185	4,531,087	303,296	97,947	11,118,481	4,629,034

Receipt of dividends

Year ended	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Company	116,489	112,864	38,863	6,854	155,352	119,717
Group	219,260	212,416	49,826	8,787	269,086	221,203

There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

However, CBSL has issued restrictions on discretionary payments of Licensed Commercial Banks through Banking Act Direction No.01 of 2023 on 02nd February 2023 which is applicable to associate company, Nations Trust Bank PLC. Accordingly, every Licensed Commercial Bank (LCBs) shall give due consideration to the requirements of the Banking Act Direction No 01 of 2016 on capital requirements under Basel III for Licensed Banks, expected assets growth, business expansion and potential impact of prevailing macro-economic conditions when deciding the payments of cash dividends and repatriation of profits. LCBs shall defer the payment of cash dividends for year 2023 until the financial statements/interim financial statements for the year 2023 are finalised and audited by its external auditor.

The Company has neither contingent liabilities nor capital and other commitments towards its associate companies.

34.3 Capital Suisse Asia Ltd. was liquidated in April 2021 and the details related to the liquidation are as follows:

	Central Finance Company PLC	CF Insurance Brokers (Pvt) Ltd.	Group
Number of shares held	2,949,003	1,500,000	4,449,003
Holdings (%)	16.29	8.29	24.58
Proceeds received as at 31.03.2022 (Rs.000)	30,828	15,681	46,509
Proceeds receivable as at 31.03.2022 (Rs.000)	486	247	733
Cost of investment (Rs.000)	29,490	15,000	44,490
Share of associate companies retained assets (Rs.000)	-	-	3,978
Profit/(loss) on liquidation (Rs.000)	1,824	928	(1,226)

NOTES TO THE FINANCIAL STATEMENTS

35 INVENTORIES AND OTHER STOCKS

Accounting Policy

Inventories are valued at the lower of cost and net realisable value under the weighted average cost method. The cost of raw materials is determined at purchase price including all expenses incurred in sourcing. The cost of work-in-progress is the value of raw material transferred to production. The cost of finished goods includes raw material cost and all direct and indirect expenses incurred in production. Vehicles, spare parts and other stocks are valued at cost or net realisable value whichever is lower. Net realisable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale. Inventories are regularly assessed for impairment and provisions are made accordingly.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Vehicles	40,518	44,618	40,518	44,618
Raw materials	762,265	737,182	-	-
Work - in - progress	13,927	30,041	-	-
Finished goods	482,690	695,835	-	-
Machinery & vehicle spare parts	68,238	46,542	47,948	28,247
Others	41,251	22,599	26,181	14,026
Goods-in-transit	93,317	115,965	-	-
	1,502,206	1,692,782	114,647	86,891
Specific provision for stock obsolescence (Note 35.1)	(115,290)	(66,460)	(35,445)	(32,455)
Net carrying amount	1,386,916	1,626,322	79,202	54,436

35.1 Provision for stock obsolescence

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	66,460	69,258	32,455	36,693
Provision made during the year	48,830	1,440	2,990	-
Released to income statement during the year	-	(4,238)	-	(4,238)
Balance at the end of the year	115,290	66,460	35,445	32,455

35.2 The amount recognised in the Profit and Loss as Expense

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Inventories recognised as an expense during the year	2,732,884	5,024,371	196,580	147,104
Impairment provision /(write back)	48,830	(2,798)	2,990	(4,238)
Write down/(write back) of inventories to net realisable value	(4,232)	5,289	800	900

Inventories pledged as security for banking facilities as at 31.03.2023 amounted to Rs.7.50 million (Rs.7.50 million as at 31.03.2022).

Facilities available from banks against a negative pledge over the inventories of subsidiary company, Central Industries PLC.

Bank	Facilities available	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Nations Trust Bank PLC	Short term loan, overdraft, import loan and guarantee facilities	500,000	500,000
Hatton National Bank PLC	Short term loan, overdraft, import loan and guarantee facilities	950,000	550,000
Commercial Bank of Ceylon PLC	Short term loan, overdraft, import loan and guarantee facilities	1,620,000	1,664,000
Sampath Bank PLC	Overdraft, import loan and guarantee facilities	500,000	500,000
Seylan Bank PLC	Import loan and guarantee facilities	1,100,000	1,165,000
People's Bank	Import loan and guarantee facilities	420,000	420,000
Pan Asia Banking Corporation PLC	Import loan and guarantee facilities	270,000	270,000
		5,360,000	5,069,000

Inventories carried at net realisable value as at 31st March 2023 amounted to Rs 5.07 million for the Company and Rs. 52.53 million for the Group (as at 31.03.2022 Rs.12.16 million for the Company and Rs.47.35 million for the Group).

NOTES TO THE FINANCIAL STATEMENTS

36 INVESTMENTS PROPERTIES

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 initially measured at cost and the fair value model is used for subsequent measurement in accordance with Sri Lanka Accounting Standard (LKAS 40) –Investment Property. The cost of the investment property comprises of its purchase price and any directly attributable expenditure. Fair valuations of the properties are carried out by independent valuer/ valuers having appropriate professional qualifications.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant & equipment is sold any related amounts included in the revaluation reserve is transferred to retained earnings.

When an item of property, plant and equipment is transferred to investment property following a change in its use, the difference between the carrying amount of the item immediately prior to the date of transfer and its fair value is recognised directly in equity under revaluation reserve, if it is a gain. If it is a decline in value, the decrease is charged against revaluation reserve to the extent that it was previously credited and any decrease beyond such value is charged to the income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the lease.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS-

Classification of investment properties

Management judgment is required to determine whether a property qualifies as an investment property. Properties held to earn rentals or for capital appreciation or both and which generate cash flows largely independently of the other assets held by the Group are accounted for as investment properties. On the other hand, properties used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as standalone assets are accounted for under property, plant and equipment. The Group assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties.

Fair value measurement of investment properties

Investment properties of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of the investment properties, management uses observable market data and the services of a qualified external valuer.

Market based valuation

Market based valuation method considers the selling price of a similar property within a reasonable 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 adjustment for differences in size,nature,location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

	Group & Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	78,800	303,800
Disposals during the year	-	(225,000)
Balance at the end of the year	78,800	78,800

Property held at 167/121, Hekiththa Road,Wattala was disposed during the year 2021/22 for a consideration of Rs. 215,625 (000's) & loss on sale amounted to Rs.15,844 (000's) net of directly attributable transaction cost.

Information of investment properties

Location	Method of valuation	Range of estimates for unobservable inputs Price per perch for land Rs.'000	Extent Perches	Group & Company	
				Fair value	
				31.03.2023 Rs.'000	31.03.2022 Rs.'000
Sarasavigama Road, Hindagala	Market based valuation	52.37	1,050.40	55,000	55,000
Mahiyangana Road,Diganawatte	Market based valuation	50.49	356.50	18,000	18,000
Mahaberiyatenna,Digana	Market based valuation	75.62	76.70	5,800	5,800
				78,800	78,800

36.1 Measurement of fair values

The investment properties are revalued regularly to ensure that the carrying values do not differ materially from the fair values of such properties. The investment properties were revalued by Mr. Anuradha Seneviratne an independent Qualified Valuer on comparison method in March 2023 and it was concluded that there is no material change in the fair value of such properties compared to the carrying values,hence no fair value adjustments were made during the current financial year.

The valuer has considered the potential impact of COVID 19 and current macro-economic conditions in his report when arriving at the market rate.

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

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

36.2 Income from Investment Property

These investment properties are held for capital appreciation ', as such no rent income was received during the current and preceding financial years.

Direct operating expenses (including maintenance) of investment properties amounts to Rs. 0.29 million in 2022/23 financial year,(2021/22 financial year -Rs.0.81 million).

36.3 There are no restrictions on the realisability of the investment properties.

36.4 There are no contractual obligations to construct or develop investment properties or for repairs,maintenance or enhancements.

NOTES TO THE FINANCIAL STATEMENTS

37 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure directly attributable to acquisition of the asset and subsequent costs excluding the costs of day-to-day servicing. The cost of self-constructed assets includes the cost of materials, 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 and capitalised borrowing costs.

Cost model

The Group applies the cost model to all property, plant and equipment except freehold land and freehold buildings and records them at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment charges.

Revaluation model

The Group applies the revaluation model for the entire class of freehold land and freehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of revaluation.

When an asset is revalued, any increase in the carrying value is recognised in other comprehensive income and accumulated in equity under revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously expensed. A decrease in the carrying value arising on the revaluation is recognised in the income statement and any decrease that offsets a previous surplus on the same asset is recognised in other comprehensive income to the extent of any credit balance available in the revaluation surplus in respect of that asset and any excess is recognised as an expense in the income statement. The difference in depreciation based on the revalued carrying amount and cost is transferred from revaluation reserve to retained earnings through equity statement. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

When Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements and accounted for as per Sri Lanka Accounting Standard (LKAS 16) - Property, Plant and Equipment.

Subsequent costs

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognised in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Capital work in progress

These are expenses of a capital nature directly incurred in the construction of buildings awaiting capitalisation. Capital work in progress will be transferred to the relevant assets once ready for the intended use.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in the income statement in the year in which the asset is derecognised.

Depreciation

Provision for depreciation is calculated using the straight-line method on the cost or other amount substituted for cost of all property, plant and equipment other than freehold land in order to allocate depreciable amounts over the estimated useful lives of such assets. The estimated useful lives of assets are as follows:

Assets category	Years
Freehold buildings	12-40
Furniture & office equipment	10
Motor vehicles and lifts	5
Plant, machinery & other equipment	8
Air conditioners & computer servers	8
Generators	15
Computers	5
Other assets	10

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction, or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset, in accordance with Sri Lanka Accounting Standard 23 - Borrowing Costs.

Operating lease assets

Operating lease assets are classified under property, plant and equipment at cost less accumulated depreciation and impairment losses, if any. Cost of the asset net of residual value is depreciated over the estimated useful life. Residual value is the estimated net amount that the Company would expect from disposal of the asset at the end of its estimated useful life, calculated based on the current market prices of similar classes of vehicles, and are subject to annual review. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash generating unit is the smallest identifiable assets group that generate cash flows that are largely independent from other assets and groups.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation/amortisation of property, plant and equipment are reviewed at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods and therefore they are subject to uncertainty.

Impairment losses on property, plant and equipment

The Group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows and discount rates to be used in determining the value in use.

Fair value measurement of Property, plant and equipment

Freehold land and buildings of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value, management uses observable market data and the services of a qualified external valuer.

NOTES TO THE FINANCIAL STATEMENTS

37.1 Reconciliation of carrying amount

Group

	Land and Buildings	Furniture and office equipment	Motor vehicles	Operating lease assets	Plant, machinery and other equipment	Capital work-in- progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation							
As at 01.04.2021	7,548,586	397,672	1,126,298	4,837,978	2,175,546	5,757	16,091,837
Additions	12,991	7,037	26,930	471,960	120,606	97,039	736,563
Transfers	6,327	-	112,765	(112,765)	-	(6,327)	-
Write offs	-	(9,997)	-	-	(197)	-	(10,194)
Disposals	-	(2,057)	(62,939)	(169,361)	(8,047)	-	(242,404)
As at 31.03.2022	7,567,904	392,655	1,203,054	5,027,812	2,287,908	96,469	16,575,802
Additions	10,134	4,524	7,770	69,380	319,204	87,912	498,924
Transfers	25,135	-	103,685	(103,685)	51,369	(76,504)	-
Write offs	-	(130)	-	-	(2,498)	-	(2,628)
Disposals	-	(3,401)	(54,423)	(366,588)	(12,198)	-	(436,610)
As at 31.03.2023	7,603,173	393,648	1,260,086	4,626,919	2,643,785	107,877	16,635,488
Accumulated depreciation							
As at 01.04.2021	63,555	264,520	666,038	1,302,340	1,486,636	-	3,783,089
Charge for the year	31,960	26,730	91,052	175,881	157,910	-	483,533
Transfers	-	-	33,322	(33,322)	-	-	-
Write off	-	(9,997)	-	-	(343)	-	(10,340)
On disposals	-	(1,163)	(47,195)	(59,998)	(5,733)	-	(114,089)
As at 31.03.2022	95,515	280,090	743,217	1,384,901	1,638,470	-	4,142,193
Charge for the year	32,410	24,226	92,112	110,866	155,861	-	415,475
Transfers	-	-	26,684	(26,684)	-	-	-
Write offs	-	(125)	-	-	(2,493)	-	(2,618)
On disposals	-	(2,968)	(37,838)	(112,748)	(12,047)	-	(165,601)
As at 31.03.2023	127,925	301,223	824,175	1,356,335	1,779,791	-	4,389,449
Net book value							
As at 31.03.2021	7,485,031	133,152	460,260	3,535,638	688,910	5,757	12,308,748
As at 31.03.2022	7,472,389	112,565	459,837	3,642,911	649,438	96,469	12,433,609
As at 31.03.2023	7,475,248	92,425	435,911	3,270,584	863,994	107,877	12,246,039

Company

	Land and Buildings	Furniture and office equipment	Motor vehicles	Operating lease assets	Plant, machinery and other equipment	Capital work-in- progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation							
As at 01.04.2021	5,564,738	365,895	1,097,912	4,837,978	1,206,880	5,757	13,079,160
Additions	12,991	6,248	26,930	471,960	49,138	1,486	568,753
Transfers	-	-	112,765	(112,765)	-	-	-
Disposals	-	(2,052)	(62,570)	(169,361)	(6,314)	-	(240,297)
As at 31.03.2022	5,577,729	370,091	1,175,037	5,027,812	1,249,704	7,243	13,407,616
Additions	10,134	3,737	7,770	69,380	282,227	500	373,748
Transfers	5,602	-	103,685	(103,685)	-	(5,602)	-
Disposals	-	(2,602)	(54,282)	(366,588)	(8,284)	-	(431,756)
As at 31.03.2023	5,593,465	371,226	1,232,210	4,626,919	1,523,647	2,141	13,349,608
Accumulated depreciation							
As at 01.04.2021	38,808	243,424	637,957	1,302,340	799,636	-	3,022,165
Charge for the year	19,534	25,161	90,983	175,881	103,079	-	414,638
Transfers	-	-	33,322	(33,322)	-	-	-
On disposals	-	(1,162)	(46,826)	(59,998)	(4,159)	-	(112,145)
As at 31.03.2022	58,342	267,423	715,436	1,384,901	898,556	-	3,324,658
Charge for the year	19,672	22,657	92,043	110,866	99,944	-	345,182
Transfers	-	-	26,684	(26,684)	-	-	-
On disposals	-	(2,375)	(37,697)	(112,748)	(8,133)	-	(160,953)
As at 31.03.2023	78,014	287,705	796,466	1,356,335	990,367	-	3,508,887
Net book value							
As at 31.03.2021	5,525,930	122,471	459,955	3,535,638	407,244	5,757	10,056,995
As at 31.03.2022	5,519,387	102,668	459,601	3,642,911	351,148	7,243	10,082,958
As at 31.03.2023	5,515,451	83,521	435,744	3,270,584	533,280	2,141	9,840,721

Operating Leases

Property, plant and equipment includes assets given under operating leases on short and long term basis. An analysis of the rentals to be received on such operating leases are as follows:

	Group & Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Receivable within one year	750,095	752,458
Receivable within 1-5 years	566,322	628,034
	1,316,417	1,380,492
Undiscounted maturity analysis of operating lease assets		
Not later than one year	750,095	752,458
More than one year not later than two years	418,647	374,760
More than two years not later than three years	113,538	175,726
More than three years not later than four years	27,905	62,482
More than four years not later than five years	6,232	15,066
	1,316,417	1,380,492

NOTES TO THE FINANCIAL STATEMENTS

Information on the freehold land and buildings of the Company and the Group as at 31.03.2023

Revaluations

Freehold land and buildings of the Group are revalued regularly (once in five years) to ensure that the carrying amounts do not differ materially from the fair values of such properties. The freehold land and buildings of the Company and the subsidiaries, Kandy Private Hospitals Ltd., Dehigama Hotels Company Ltd., Central Mineral Industries (Pvt) Ltd. and Central Industries PLC were revalued in March 2019 by Mr. Anuradha Seneviratha, an Independent, Qualified Valuer/Licensed Surveyor resulting in the carrying amounts being increased by Rs.2,784.26 million and Rs.3,758.34 million respectively. The valuations were carried out under the "Comparison" and "Contractor's" methods on the basis that the land and buildings are of freehold ownership and are free from any restrictions in regard to titles. These revaluations were carried out under "level 3" of the fair value hierarchy.

Group

Location/Address	Range of estimates for unobservable inputs							Total value	Accumulated depreciation	Net book value
	Price per perch for land	Price per square foot for building	Depreciation rate	Extent (Perches)	Cost / revaluation of land	Cost / revaluation of buildings				
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	Rs.'000				
Central Finance Company PLC										
City Office										
No.270, Vauxhall Street, Colombo 02.	7,944.08	3.36	2.50	117.32	932,000	121,000	1,053,000	12,100	1,040,900	
No.268, Vauxhall Street, Colombo 02.	7,983.39	14.0	2.50	21.67	173,000	254,000	427,000	25,400	401,600	
Branches										
No.62, Maithripala Senanayake Mawatha, Anuradhapura	3,756.22	6.07	2.50	40.20	151,000	34,000	185,000	3,400	181,600	
No.367, Main Street, Negombo.	3,482.76	2.00	2.86	29.00	101,000	8,400	109,400	961	108,439	
No.38, Mihindu Mawatha, Kurunegala.	3,093.82	1.75	2.86	54.63	169,000	9,763	178,763	663	178,100	
No.04, Udaya Raja Mawatha, Badulla.	3,197.03	1.75	2.86	26.90	86,000	7,200	93,200	824	92,376	
No.78, Kumarathunga Mawatha, Matara.	2,882.24	2.00	2.86	125.25	361,000	13,000	374,000	1,487	372,513	
No.21, Kurunegala Road, Dambulla.	2,247.62	3.25	2.86	21.00	47,200	11,007	58,207	606	57,601	
No.143, Colombo Road, Moragahayata, Ratnapura	3,887.84	3.20	2.86	42.44	165,000	10,000	175,000	1,144	173,856	
No.312, Highlevel Road, Nugegoda.	6,988.47	4.75	2.50	13.86	97,000	32,000	129,000	3,200	125,800	
No.215, Maradana Road, Colombo 10	7,429.51	2.50	2.50	39.37	292,500	24,500	317,000	2,450	314,550	
No.254, 254/1, Katugastota Road, Kandy.	3,043.70	3.14	2.50	83.24	179,000	43,415	222,415	4,335	218,080	
Vehicle Yards										
No.249, Katugastota Road, Kandy.	2,920.40	0.85	2.86	137.31	401,000	7,800	408,800	892	407,908	
No.313, Koholwila Road, Kelaniya.	238.16	1.29	5.56	348.50	83,000	17,000	100,000	3,781	96,219	
No.49/4 Batalahenawatte Road, Gonawala, Kelaniya.	148.11	-	2.5	189.05	28,000	850	28,850	340	28,510	
No.258/3, Katugastota Road, Kandy.	1,988.53	-	-	52.30	104,000	-	104,000	-	104,000	
No.210, Siri Dhamma Mawatha, Colombo 10.	2,857.14	1.56	3.33	121.45	347,000	31,000	378,000	4,129	373,871	
No.313, Madawala Road, Katugastota.	1,457.33	0.80	8.33	167.43	244,000	1,600	245,600	533	245,067	
Kirindiwela Road, Pugoda.	24.18	3.50	4.00	1,600.00	38,680	2,320	41,000	372	40,628	
No.309/1,Koholwila Road, Gonawala, Kelaniya	480.47	-	2.5	32.62	15,673	10,029	25,702	21	25,681	
Other properties										
No.244, Vauxhall Street, Colombo 02.	9,008.33	3.50	2.50	13.21	119,000	37,000	156,000	3,700	152,300	
326, D.S.Senanayaka Veediya, Kandy	7,533.49	3.00	5.00	10.90	82,115	3,885	86,000	777	85,223	
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	4,509.70	3.00	2.50	38.14	172,000	18,000	190,000	1,800	188,200	
No.25, Sri Rahula Road, Nuwaraeliya.	896.91	4.50	2.50	194.00	174,000	24,000	198,000	2,400	195,600	
Indibedda, Moratuwa.	497.81	3.20	2.50	251.10	125,000	28,507	153,507	2,675	150,832	
55,Farm Road, Bandarawela	18.76	0.21	2.50	173.00	3,246	775	4,021	24	3,997	
Car Parks										
Yatinuwara Veediya, Kandy.	5,000.00	-	-	14.00	70,000	-	70,000	-	70,000	
No.267 & 269, Vauxhall Street, Colombo 02.	7,992.20	-	-	10.26	82,000	-	82,000	-	82,000	
Total for the Company					4,842,414	751,051	5,593,465	78,014	5,515,451	

Group companies

Location/Address	Range of estimates for unobservable inputs								
	Price per perch for land	Price per square foot for building	Depreciation rate	Extent (Perches)	Cost / revaluation of land	Cost / revaluation of buildings	Total value	Accumulated depreciation	Net book value
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dehigama Hotels Company Ltd.									
No.84, Raja Veediya, Kandy.	7,058.82	2.66	2.50	85.00	600,000	99,000	699,000	9,900	689,100
Kandy Private Hospitals Ltd.									
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	2,141.45	2.87	2.86	127.25	272,500	81,007	353,507	8,886	344,621
No. 35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	1,870.08	2.05	3.33	38.10	71,250	25,750	97,000	3,433	93,567
Kirillagodawatta, off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	1,500.00	-	-	20.00	30,000	-	30,000	-	30,000
Central Mineral Industries (Pvt) Ltd.									
Diganatenna Estate, Gonawala, Rajawella, Digana	60.16	0.84	4.00	1,916.25	115,288	4,712	120,000	963	119,037
Central Industries PLC									
Factory									
No.195/4, Kerawalapitiya Road, Hendala, Wattala.	600.12	1.29	4.00	522.00	313,260	89,650	402,910	13,669	389,241
Udathuthiripitiya, Yakkala	44.71	2.59	2.50	1,400.00	62,596	97,857	160,453	7,976	152,477
Head office									
No.312, Nawala Road, Rajagiriya.	5,333.33	3.50	2.50	18.00	96,000	50,838	146,838	5,084	141,754
Total for the Group					6,403,308	1,199,865	7,603,173	127,925	7,475,248

Description of the above valuation techniques together with narrative description of the fair value measurement to changes in significant unobservable inputs are given below:

Valuation techniques	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Comparison method for valuation of land 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. Contractor's method assesses all the cost of providing modern equivalent property, and thereafter adjusting it to the age of the subject property.	Price per perch for land. Price per square foot for building and depreciation rate for building.	Estimated fair value would get increased/(decreased) if, price per perch get higher/(lower). Price per square foot get higher / (lower) and depreciation rate for building get lower/(higher).

	Group		Company	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Number of buildings owned by the Group and Company	48	48	25	25

NOTES TO THE FINANCIAL STATEMENTS

The details of the revaluations carried out in March 2019 are given below.

Location/Address		Valuation Method	Carrying Value before Revaluation Rs.'000	Revalued Amount Rs.'000	Revaluation Surplus/ (deficits) Rs.'000
Central Finance Company PLC					
Offices					
No.270, Vauxhall Street, Colombo 02.	Land	Comparison	320,500	932,000	611,500
	Building	Contractor's	92,313	121,000	28,687
No.268, Vauxhall Street, Colombo 02.	Land	Comparison	65,000	173,000	108,000
	Building	Contractor's	237,828	254,000	16,172
Branches					
No.62, Maithripala Senanayake Mawatha, Anuradhapura	Land	Comparison	50,250	151,000	100,750
	Building	Contractor's	33,182	34,000	818
No.367, Main Street, Negombo	Land	Comparison	43,500	101,000	57,500
	Building	Contractor's	6,294	8,400	2,106
No.38, Mihindu Mawatha, Kurunegala	Land	Comparison	97,350	169,000	71,650
	Building	Contractor's	2,271	4,300	2,029
No.04, Udaya Raja Mawatha, Badulla	Land	Comparison	36,800	86,000	49,200
	Building	Contractor's	3,600	7,200	3,600
No.78, Kumarathunga Mawatha, Matara	Land	Comparison	145,200	361,000	215,800
	Building	Contractor's	5,828	13,000	7,172
No.143, Colombo Road Moragahayata, Ratnapura	Land	Comparison	79,878	165,000	85,122
	Building	Contractor's	5,477	10,000	4,523
No.312, Highlevel Road, Nugegoda	Land	Comparison	47,000	97,000	50,000
	Building	Contractor's	21,875	32,000	10,125
No.21, Kurunegala Road, Dambulla	Land	Comparison	20,000	47,200	27,200
	Building	Contractor's	4,375	5,300	925
No.254, Katugastota Road, Kandy	Land	Comparison	89,660	179,000	89,340
	Building	Contractor's	30,756	43,000	12,244
215,Maradana Road,Colombo 10.	Land	Comparison	135,985	292,500	156,515
	Building	Contractor's	21,971	24,500	2,529
Vehicle Yards					
No.249, Katugastota Road, Kandy.	Land	Comparison	200,447	401,000	200,553
	Building	Contractor's	6,368	7,800	1,432
No.313, Koholwila Road, Kelaniya.	Land	Comparison	36,500	83,000	46,500
	Building	Contractor's	8,303	17,000	8,697
No.49/4, Batalahenawatte Road, Gonawala, Kelaniya	Land	Comparison	23,750	28,000	4,250
	Building	Contractor's	753	850	97
No.210, Siri Dhamma Mawatha Colombo 10	Land	Comparison	173,576	347,000	173,424
	Building	Contractor's	17,880	31,000	13,120
No.313, Madawala Road, Katugastota	Land	Comparison	120,000	244,000	124,000
	Building	Contractor's	583	1,600	1,017
No.258/3, Katugastota Road, Kandy Kirindiwela Road,Pugoda	Land	Comparison	52,000	104,000	52,000
	Building	Contractor's	21,200	38,680	17,480
			2,215	2,320	105

Location/Address		Valuation Method	Carrying Value before Revaluation Rs.'000	Revalued Amount Rs.'000	Revaluation Surplus/ (deficits) Rs.'000
Other properties					
No.244,Vauxhall Street,Colombo 02.	Land	Comparison	40,000	119,000	79,000
	Building	Contractor's	28,000	37,000	9,000
326,D.S.Senanayake Veediya,Kandy.	Land	Comparison	55,730	82,115	26,385
	Building	Contractor's	3,953	3,885	(68)
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	Land	Comparison	76,000	172,000	96,000
	Building	Contractor's	12,250	18,000	5,750
No.25, Sri Rahula Road Nuwareliya	Land	Comparison	106,600	174,000	67,400
	Building	Contractor's	11,725	24,000	12,275
Indibedda, Moratuwa	Land	Comparison	75,250	125,000	49,750
	Building	Contractor's	21,656	25,000	3,344
Car Parks					
Yatinuwara Veediya, Kandy.	Land	Comparison	42,000	70,000	28,000
No.267 & 269, Vauxhall Street, Colombo 02.	Land	Comparison	30,750	82,000	51,250
Sub total	Land		2,184,926	4,823,495	2,638,569
	Building		579,456	725,155	145,699
Total for the Company			2,764,382	5,548,650	2,784,268

NOTES TO THE FINANCIAL STATEMENTS

Location/Address	Valuation Method	Net Book Value before Revaluation Rs.'000	Revalued Amount Rs.'000	Revaluation Surplus/ (deficits) Rs.'000
Kandy Private Hospitals Ltd.				
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	112,900	272,500	159,600
	Building	37,800	50,500	12,700
No.35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	35,600	71,250	35,650
	Building	20,815	25,750	4,935
Kirillagodawatta, off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	10,000	30,000	20,000
Central Mineral Industries (Pvt) Ltd.				
Diganatenna Estate, Gonawala, Rajawella, Digana	Land	63,100	115,288	52,188
	Building	4,657	4,712	55
Central Industries PLC				
Factory				
Kerawalapitiya	Land	130,525	313,260	182,735
	Building	55,931	83,323	27,392
Udathuththiripitiya, Yakkala	Land	36,861	62,595	25,734
	Building	73,281	78,324	5,043
Head office				
Nawala	Land	40,000	96,000	56,000
	Building	38,542	50,837	12,295
Dehigama Hotels Company Ltd.				
No.84, Raja Veediya, Kandy.	Land	244,000	600,000	356,000
	Building	75,250	99,000	23,750
Total for the Group				
	Land	2,857,912	6,384,388	3,526,476
	Building	885,732	1,117,601	231,869
		3,743,644	7,501,989	3,758,345

Where properties have fallen in value, the decreases have been charged against revaluation reserve to the extent that it was credited previously and any decrease beyond such value was charged to the income statement during the year of such revaluations.

The carrying value of freehold land and buildings of the Group, if carried at cost less accumulated depreciation and impairment, would amount to Rs. 823.32 million as at 31.03.2023 (as at 31.03.2022 - Rs.821.72 million).

The cost of fully depreciated assets of the Group and Company which are still in use amounted to Rs.5,142.79 million and Rs.4,855.01 million respectively as at 31.03.2023 (Group Rs. 4,513.09 million and Company Rs. 4,207.82 million as at 31.03.2022).

Property, plant and equipment pledged as security for banking facilities

The carrying value of land and buildings pledged as security for banking facilities obtained amounted to Rs.2,476.22 million and Rs.1,442.50 million for the Group and Company as at 31.03.2023 respectively (Group - Rs.2,490.28 million and Company Rs.1,451.87 million as at 31.03.2022).

There were no temporary idle property, plant and equipment as at 31.03.2023 (31.03.2022- Nil).

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the financial year 2022/23 (2021/22 - Nil).

There were no restrictions on the title of property, plant and equipment of the Group as at the year end.

No compensation was received or due from third parties for items of property, plant and equipment that were impaired, lost or given up.

The Board compared the carrying value of land and buildings with comparable market prices and concluded that there is no adjustment required for impairment of property, plant and equipment.

38 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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. This policy is applied to contracts entered into, on or after 1 April 2019.

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.

The Group recognises 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 or payable at 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 on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers 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, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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 the Company's internal records (weighted average cost of funds) to reflect the terms of the lease and type of the asset leased.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 standalone 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 of 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, then 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.

The Group applies the derecognition 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 recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Right of use assets and incremental borrowing rate

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

38.1 Movement in Right of use assets

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Cost				
Balance at the beginning of the year	904,517	750,025	1,074,014	919,439
Additions/renewals of operating leases during the year	109,005	154,575	109,005	154,575
Effect due to disposal of a subsidiary	-	(83)	-	-
Balance at the end of the year	1,013,522	904,517	1,183,019	1,074,014

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Accumulated Depreciation				
Balance at the beginning of the year	446,699	310,852	514,498	344,732
Amortisation for the year (Note 38.3)	137,207	135,867	171,107	169,766
Effect due to disposal of a subsidiary	-	(20)	-	-
Balance at the end of the year	583,906	446,699	685,605	514,498
Carrying value as at end of the year	429,616	457,818	497,414	559,516
Maturity analysis of right of use assets				
Less than one year	121,527	122,305	155,426	153,379
01 to 5 years	240,006	247,288	273,905	317,912
More than 5 years	68,083	88,225	68,083	88,225
	429,616	457,818	497,414	559,516

38.2 Lease liability

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	425,001	390,449	542,760	537,314
Additions/renewals of operating leases during the year	109,005	154,575	109,005	154,575
Effect due to disposal of a subsidiary	-	(68)	-	-
Interest expenses (Note 38.3)	52,668	46,527	63,478	60,544
Payments to lease creditors (Note 38.4)	(170,322)	(166,482)	(213,507)	(209,673)
Balance at the end of the year	416,352	425,001	501,736	542,760
Maturity analysis of lease liabilities				
Less than one year	99,500	87,010	139,967	116,557
01 to 5 years	228,684	233,316	273,601	321,528
More than 5 years	88,168	104,675	88,168	104,675
	416,352	425,001	501,736	542,760

NOTES TO THE FINANCIAL STATEMENTS

38.3 The following are the amounts recognised in the income statement

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Amortisation on right of use assets	137,207	135,867	171,107	169,766
Interest expenses on lease liability	52,668	46,527	63,478	60,544

38.4 Amounts recognised in statement of cash flows

The Company/ Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company/ Group
- short-term lease payments and payments for leases of low-value assets as operating activities.

Year ended	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Capital repayments	115,129	117,055	147,505	146,230
Interest payments	55,193	49,427	66,002	63,443
	170,322	166,482	213,507	209,673

38.5 Extension Options

Some property leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in no material increase in lease liability

38.6 The amount expensed during the year on lower value leases-Rs.0.51 million(4.24 million -2021/22)

Accounting Policy**Recognition and measurement**

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

Internally generated intangible assets, excluding capitalized development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is de-recognised.

Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives and carried at its cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programs are recognised as expense incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortized over the useful lives.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Statement of Profit or Loss as incurred.

Amortisation

Amortisation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows;

Software license 5 years

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.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**Useful lives of intangible assets**

The useful lives, residual values and methods of depreciation/amortisation of intangible assets are reviewed at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods and therefore they are subject to uncertainty.

Impairment losses on intangible assets

The Group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows and discount rates to be used in determining the value in use.

NOTES TO THE FINANCIAL STATEMENTS

39.1 Reconciliation of carrying amount

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Computer software at cost				
At the beginning of the year	477,299	454,671	471,701	449,879
Additions	268,476	22,628	268,476	21,822
At the end of the year	745,775	477,299	740,177	471,701
Amortisation				
At the beginning of the year	(391,507)	(353,897)	(386,892)	(349,599)
Charge for the year	(39,541)	(37,610)	(39,261)	(37,293)
At the end of the year	(431,048)	(391,507)	(426,153)	(386,892)
Carrying value at the end of the year	314,727	85,792	314,024	84,809

The cost of fully depreciated intangible assets which are currently in use as at 31.03.2023 at the Group and Company amounted to Rs.322.97 million and Rs.319.05 million respectively (Group - Rs.293.85 million and Company Rs. 290.09 million as at 31.03.2022).

There were no capitalised borrowing costs related to acquisition of intangible assets during the financial year 2022/23 (2021/22 - Nil).

Assessment of Impairment of Intangible Assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company/ Group as at the reporting date.

Intangible Assets pledged as Security

There are no intangible assets pledged as security for banking facilities as at 31.03.2023 (31.03.2022- Nil).

Acquisition of intangible assets during the year

During the financial year, the Group acquired intangible assets to the aggregate value of Rs.268.47 million (2021/22 - Rs.22.63 million). Cash payments amounting to Rs.10.44 million (2021/22 - Rs.279.42 million) were made during the year.

Amount of contractual commitments for the acquisition of intangible assets

There are no contractual commitments for the acquisition of Intangible Assets as at the reporting date.

40 CURRENT TAX ASSETS /LIABILITIES

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	1,772,022	1,378,098	1,597,150	1,253,375
Provision for the year (Note 22.1)	3,437,245	2,861,096	3,106,263	2,602,318
Under/(over) provision for previous years (Note 22.1)	78,361	(53,862)	84,447	(56,117)
Liabilities associated with disposal of subsidiary	-	(4,734)	-	-
Reclassification of current tax assets under assets held for sale	-	100	-	-
Income tax paid	(3,692,632)	(2,408,676)	(3,427,809)	(2,202,426)
Withholding tax claimed	(77,714)	-	(75,165)	-
Balance at the end of the year	1,517,282	1,772,022	1,284,886	1,597,150
Current tax assets	34	1,127	-	-
Current tax liabilities	(1,517,316)	(1,773,149)	(1,284,886)	(1,597,150)
	(1,517,282)	(1,772,022)	(1,284,886)	(1,597,150)

41 ASSET HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

The Board of Directors of Subsidiary Company, Central Industries PLC recommended to wind-up the fully owned subsidiary of the Company, Central Industries Marketing (Private) Limited by voluntary liquidation as of 31st March 2022 & classified as assets held for sale. Consequentially the Company was liquidated as of 31st March 2023 & the gain on liquidation of Subsidiary amounting to Rs. 751 (000's) has been recognized to Other Income in the Consolidated Financial Statements.

	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Assets held for sale		
Current tax assets	-	100
Liabilities directly associated with the assets held for sale		
Other Payables	-	1,224

The gain on liquidation of Subsidiary has been recognized to Other Income in the Consolidated Financial Statements.

	31.03.2023 Rs.'000
Current tax assets	163
Other Payables	1,190
Net Liability at liquidation	1,027
Net expense incurred by the Group for the year	276
Gain on subsidiary liquidation	751

42 DEFERRED TAX ASSETS AND LIABILITIES

Accounting Policy

See accounting policies in Note 22

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS- Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these credits/losses can be utilised. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Net deferred tax assets (Note 42.1 .b)	20,269	15,196	-	-
Net deferred tax liability (Note 42.1.a)	1,400,623	1,765,957	937,912	1,438,012
	1,380,354	1,750,761	937,912	1,438,012
42.1.a Deferred tax liability				
At the beginning of the year	2,475,455	2,704,239	2,118,010	2,345,811
Temporary differences originated/(reversed) during the year	(173,001)	(228,784)	(175,034)	(227,801)
Effect of change in tax rate	285,937	-	251,248	-
Total amount charged/(reversed)to income statement	112,936	(228,784)	76,214	(227,801)
Transfer to / (from) statement of other comprehensive income	453,286	-	278,959	-
At the end of the year	3,041,677	2,475,455	2,473,183	2,118,010
	-	-	-	-
Offset against deferred tax assets	(1,641,054)	(709,498)	(1,535,271)	(679,998)
Net deferred tax liability	1,400,623	1,765,957	937,912	1,438,012

NOTES TO THE FINANCIAL STATEMENTS

42.1.b Deferred tax assets

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
At the beginning of the year	724,694	521,101	679,998	473,539
Originated during the year	729,748	205,107	669,476	205,444
Effect of change in tax rates	193,308	-	169,999	-
Total amount reversed to income statement	923,056	205,107	839,475	205,444
Transfer to /(from) statement of other comprehensive income	13,573	(1,514)	15,798	1,015
At the end of the year	1,661,323	724,694	1,535,271	679,998
Offset against deferred tax liability	(1,641,054)	(709,498)	(1,535,271)	(679,998)
Net deferred tax asset	20,269	15,196		

42.2 Group

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	3,038,524	2,475,052	110,186	227,537	453,286	-
Fair value changes in unquoted investments and investment properties	3,153	403	2,750	1,247	-	-
	3,041,677	2,475,455	112,936	228,784	453,286	-
Deferred tax assets						
Defined benefit plans	(620,965)	(421,672)	(185,720)	(44,432)	(13,573)	(1,514)
On bad debts provisions/impairment	(976,585)	(270,206)	(706,379)	244,099	-	-
Revaluation loss on repossessed stocks	(6,936)	(5,518)	(1,418)	(553)	-	-
On inventories	(23,954)	(6,121)	(17,833)	259	-	-
Tax losses	(1,769)	(861)	(908)	(114)	-	-
On right of use assets	(31,114)	(20,316)	(10,798)	5,848	-	-
	(1,661,323)	(724,694)	(923,056)	205,107	(13,573)	(1,514)
Deferred tax income / (expense)			(810,120)	433,891	439,713	(1,514)
Net deferred tax liability	1,380,354	1,750,761				

42.3 Company

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	2,470,030	2,117,607	(73,464)	226,554	(278,959)	-
Fair value changes in unquoted investments and investment properties	3,153	403	(2,750)	1,247	-	-
	2,473,183	2,118,010	(76,214)	227,801	(278,959)	-
Deferred tax assets						
Defined benefit plans	(576,829)	(391,840)	169,191	(42,090)	15,798	1,015
Revaluation loss on repossessed stocks	(6,936)	(5,518)	1,418	(553)	-	-
On right of use assets	(31,114)	(20,316)	10,798	5,848	-	-
On bad debt provision/impairment	(920,392)	(262,324)	658,068	242,239	-	-
	(1,535,271)	(679,998)	839,475	205,444	15,798	1,015
Deferred tax income / (expense)			763,261	433,245	(263,161)	1,015
Net deferred tax liability	937,912	1,438,012				

Recoverability of Deferred Tax assets

During the year ended 31 March 2023, the Group has recognised a deferred tax asset amounting to Rs. 1.76 million (2021/22 -Rs.0.86 million) arising from tax losses as at 31 March 2023 after assessing the availability of future taxable profits for utilization. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may be written off, if required.

The unused tax losses for which deferred tax assets have not been recognised as at 31.03.2023 amounts to Rs. 6.8 million (31.03.2022- Rs.6.8 million).

Impact due to corporate income tax rate change

As provided for in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realized or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date. The tax rate change and the impact on deferred tax is detailed in Note 22.3.

Deferred tax liability on revaluation gains

Having discussed internally and based on market practices, the Group is of the view that the investment property falls under the category "Investment Assets" and accordingly the Group will be liable for capital gain tax at a rate of 30% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017 and Deferred tax liability assessed at 30% as of 31st March 2023.

NOTES TO THE FINANCIAL STATEMENTS

43 OTHER ASSETS

See accounting policy in Notes 4.3 and 17.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Impairment loss on accounts receivable and other assets

The Group reviews accounts receivable, and other assets on an individual basis to assess any indications of impairment and if a provision for impairment should be recorded in the consolidated statement of profit or loss and comprehensive income, such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty, and actual results may differ resulting in future changes to such provisions.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Financial assets				
Refundable deposits	10,613	14,415	5,736	5,656
Dividends receivables	17,618	22,090	6,655	20,156
Other receivables	74,018	41,635	70,500	39,666
Due from subsidiaries	-	-	21,773	21,800
	102,249	78,140	104,664	87,278
Provision for impairment	(10,762)	(10,473)	(10,762)	(10,473)
	91,487	67,667	93,902	76,805
Non financial assets				
Payments in advance/ pre-payments	452,295	946,160	235,521	740,424
Salary advances	46,693	32,153	42,352	28,506
Pre-paid staff cost	9,768	2,484	8,760	1,840
VAT receivables	22,688	22,688	-	-
Other receivables	10,270	25,569	7,620	25,560
	541,714	1,029,054	294,253	796,330
Gross other assets	643,963	1,107,194	398,917	883,608
Allowance for impairment (43.1)	(10,762)	(10,473)	(10,762)	(10,473)
	633,201	1,096,721	388,155	873,135

43.1 Movement in impairment for other assets

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	10,473	14,668	10,473	14,668
Charge /(write back) to income statement during the year	289	(93)	289	(93)
Write off of impaired debtors	-	(4,102)	-	(4,102)
Balance at the end of the year	10,762	10,473	10,762	10,473
Receivable within one year	596,956	1,034,028	368,025	852,716
Receivable after one year	47,007	73,166	30,892	30,892
	643,963	1,107,194	398,917	883,608

44 REAL ESTATE HELD FOR SALE

Accounting Policy

Real estate are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	58,566	64,535	58,566	64,535
Disposals during the year	(560)	(5,969)	(560)	(5,969)
	58,006	58,566	58,006	58,566
Provision for impairment (Note 44.1)	(52,851)	(53,411)	(52,851)	(53,411)
Balance at the end of the year	5,155	5,155	5,155	5,155

44.1 Movement in impairment for real estate

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	53,411	53,838	53,411	53,838
Charge/ (write back) to income statement during the year	(560)	(427)	(560)	(427)
Balance at the end of the year	52,851	53,411	52,851	53,411

45 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS

Accounting Policy

See accounting policies in Note 4.3

Deposits include term deposits accepted under various tenors ranging from one month to five years and savings deposits. These deposits are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included in interest expenses in the Income Statement. Gains and losses are recognised in the Income Statement when the liabilities are de-recognised. Group has not designated any liabilities at fair value through profit or loss as at the reporting date.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Term deposits	37,171,054	47,335,460	37,458,439	47,624,940
Savings	1,057,048	1,380,004	1,074,119	1,399,242
	38,228,102	48,715,464	38,532,558	49,024,182
Payable within one year	26,940,002	39,107,647	27,244,458	39,416,358
Payable after one year	11,288,100	9,607,817	11,288,100	9,607,824
	38,228,102	48,715,464	38,532,558	49,024,182

The above includes a sum of Rs. 1,575 Million (Rs. 1,141 Million - as at 31.03.2022) deposited with the Company by the directors and their close family members.

NOTES TO THE FINANCIAL STATEMENTS

46 FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS

Accounting Policy

See accounting policies in Note 4.3

Other borrowing represents borrowing from other financial institutions. Subsequent to initial recognition these borrowings are measured at their amortised cost using the Effective Interest Rate (EIR) method. The EIR amortisation is included in interest expenses in the income statement. Gains and losses are recognised in the income statement when the liabilities are de-recognised.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Short term borrowings (Note 46.1)	-	579,706	-	-
Long term borrowings (Note 46.2)	74,226	128,759	38,922	88,329
	74,226	708,465	38,922	88,329
Balance at the beginning of the year	708,465	1,673,965	88,329	1,091,332
Borrowed during the year	279,340	2,429,881	-	-
Capital repayments during the year	(926,297)	(3,398,843)	(62,125)	(1,006,465)
Amortised interest	12,718	3,462	12,718	3,462
Balance at the end of the year	74,226	708,465	38,922	88,329

46.1 Short term borrowings

Group/ Company Borrower	Lending Institution	Nature of facility	Security	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Central Industries PLC	Commercial Bank of Ceylon PLC	Short term loan	Unsecured	-	579,706
Total for the Group				-	579,706

Short term borrowings have maturities less than one year.

46.2 Long term borrowings

Group/ Company Borrower	Lending Institution	Nature of facility	Security	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Central Finance Company PLC	State Bank of India	Long term loan	Mortgage over properties	38,922	88,329
Central Mineral Industries (Pvt)Ltd.	Commercial Bank of Ceylon PLC	Long term loan	Pledge over machinery and equipment	-	1,166
Central Industries PLC	Commercial Bank of Ceylon PLC	Long term loan	Unsecured	22,204	17,764
	Sampath Bank PLC	Long term loan	Unsecured	13,100	21,500
Total for the Group				74,226	128,759
Payable within one year				56,202	69,083
Payable after one year				18,024	59,676
Total for the Group				74,226	128,759

47 EMPLOYEE BENEFIT OBLIGATIONS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The estimation of this liability, determined by an independent, qualified actuary, necessarily involves long-term assumptions. The defined benefit obligation is calculated annually using the projected unit credit method. The services of a qualified actuary is obtained to determine the valuation of the defined benefit obligation for the Company as well as those subsidiary companies within the Group that adopted the actuarial valuation method in computing the provision required in accordance with Sri Lanka Accounting Standard (LKAS 19) – Employee Benefits. This standard also provides actuarial techniques, which approximates the actuarial valuation which has been adopted by the other companies within the Group that have not adopted the actuarial valuation method. The projected unit credit method projects the current data using the actuarial assumptions and calculates projected benefits at the participants' assumed retirement date.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Actuarial gains and losses are recognised as income or expenses in the statement of comprehensive income during the financial year in which they arise. The gratuity liability of the parent Company is externally funded in part by a gratuity fund established in 1987, with the investments of the fund being mainly in fixed deposits, treasury bills and debentures with approved banks. Gratuity liabilities of the other companies in the Group are not externally funded. Provision is made for defined benefit plan liability for all employees from the first year of service in conformity with Sri Lanka Accounting Standard (LKAS 19) – Employee Benefits.

The liability of the parent Company is computed on the following basis for employees who have joined the Company on or before 01.04.2013 while the rest of the employees are entitled for half a month's salary for each completed year of service as per the provisions of the Gratuity Act No. 12 of 1983.

Length of service (completed years)	No of months' salary for each completed year
Up to 15	1/2
15 up to 30	1
30 up to 35	1 ½
35 up to 40	2
Over 40	2 ½

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. Liabilities for the other companies in the Group are computed on the basis of half a month's salary for each year of completed service.

Recognition of actuarial gains and losses

The Group recognises the total actuarial gains and losses in the other comprehensive income during the period in which it occurs.

Recognition of current service cost

Since end of service gratuity defined benefit is a statutory benefit, the recognition of current service cost will arise only if the Payment of Gratuity Act No. 12 of 1983 is amended in future to increase the promised benefit on termination of employment. In such event, the Company will adopt the accounting policy currently used for defined benefit plans.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS- Defined benefit plans

Cost of defined benefit plans are determined using actuarial valuations. Actuarial valuation involves making various assumptions, determining discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long-term nature such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the management considers the interest rates of Sri Lanka Government Bonds. The mortality rate is based on publicly available mortality tables. Estimate on future salary increases is based on expected future inflation rates and expected future salary increase rate of the Company."

Amendment to the provisions of Minimum Age of Workers Act No 28 of 2021

With the implementation of the provisions of Minimum Age of Workers Act No 28 of 2021, the Company revised the minimum retirement age of its employees as follows.

NOTES TO THE FINANCIAL STATEMENTS

Age of employee (As at 17th November 2021)	Minimum Retirement Age
54 or above and below 55 years	57 Years
53 or above and below 54 years	58 Years
52 or above and below 53 years	59 Years
Below 52 years	60 Years

The above revision was captured as planned amendment in accordance with LKAS-19 in the actuarial valuation as at 31st March 2022 and resulted in a past service benefit of Rs.6.07 Million at Group and Rs.5.13 Million in Company respectively which is recognised in the income statement during the year.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Present value of defined benefit obligation	2,078,141	1,783,967	1,928,522	1,638,505
Fair value of plan assets	(5,760)	(5,839)	(5,760)	(5,839)
Unfunded status	2,072,381	1,778,128	1,922,762	1,632,666
Net retirement benefit obligation	2,072,381	1,778,128	1,922,762	1,632,666
Movement of the retirement benefit obligation				
Present value of defined benefit obligation at the beginning of the year	1,783,967	1,977,715	1,638,505	1,822,283
Interest cost	238,236	136,617	221,198	127,559
Current service cost	96,261	86,859	84,339	75,636
Past service cost	-	(6,072)	-	(5,128)
Payments made during the year	(84,582)	(394,341)	(67,192)	(385,039)
Actuarial (gain) / loss	44,259	(9,917)	51,672	3,194
Effect due to disposal of a subsidiary	-	(6,894)	-	-
Present value of defined benefit obligation at the end of the year	2,078,141	1,783,967	1,928,522	1,638,505
Movement of the plan assets				
Fair value of the plan assets at the beginning of the year	5,839	18,468	5,839	18,468
Contributions paid into the plan	67,314	63,363	67,314	63,363
Benefits paid by the plan	(67,193)	(76,211)	(67,193)	(76,211)
Expected return on plan assets	788	1,253	788	1,253
Actuarial gain /(loss)	(988)	(1,034)	(988)	(1,034)
Fair value of the plan assets at the end of the year	5,760	5,839	5,760	5,839
Plan assets consist of the following:				
Investments in savings deposits with banks	5,760	5,839	5,760	5,839
	5,760	5,839	5,760	5,839

The investment portfolio of the plan assets are exposed to market and credit risks.

Retirement benefit liability of Central Finance Company PLC is partly funded externally through a gratuity fund established in 1987 and the shortfalls on gratuity payments are funded by the Company.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gain or losses on the settlement of a defined plan when the settlement occurs.

Retirement benefit obligations of Central Finance Company PLC, Central Industries PLC, and CF Insurance Brokers (Pvt) Ltd., have been determined based on actuarial valuations carried out by Mr. Pushpakumara Gunasekera-Actuary/Associate of the Institute of Actuaries of Australia. Employee benefit liabilities of Central Mineral Industries (Pvt) Ltd, Kandy Private Hospitals Ltd. are computed based on a formula which approximates actuarial valuation.

Details of actuarial assumptions of the parent company are as follows:

	31.03.2023	31.03.2022
Actuarial assumptions		
Discount rate	17.75%	13.50%
Future salary increases	15.00%	12.00%
Details of actuarial assumptions of subsidiary company Central Industries PLC		
Actuarial assumptions		
Discount rate	17.75%	13.50%
Future salary increases	14.00%	10.00%
Details of actuarial assumptions of subsidiary company CF Insurance Brokers (Pvt) Ltd.		
	31.12.2022	31.12.2021
Actuarial assumptions		
Discount rate	14.92%	11.00%
Future salary increases	10.00%	10.00%

The change in actuarial assumptions are due to change in market interest rates and change in expected salary increases. There are no changes to the method and assumptions used in the sensitivity analysis performed in 2022/23 and 2021/22.

The discount factor has been decided as per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka "FAQs on use of Discount Rate under the Uncertain Economic Conditions - January 2023". Accordingly, 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.

Mortality		A1967/70 Ultimate Mortality Table							
A 1967/70 ultimate									
Mortality Rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00089	0.00069	0.00065	0.00086	0.00144	0.00264	0.00479	0.00844
Disability rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00012	0.00012	0.00012	0.00013	0.00018	0.00028	0.00048	0.00086

Disability rates are based on standard permanent disability rates for accident & sickness used by insurance industry in Sri Lanka.

Sensitivity of assumptions employed in gratuity liability valuation

The following table demonstrates the impact on the defined benefit obligation and statement of comprehensive income of the changes in the significant actuarial assumptions employed with all other variables held constant in the employee benefit liability measurement

NOTES TO THE FINANCIAL STATEMENTS

Company

	Increase/ (decrease)	2022/23		2021/22	
		Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year Rs.'000	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability Rs.'000	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year Rs.'000	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability Rs.'000
Discount rate	1%	33,186	(33,186)	25,463	(25,463)
	-1%	(35,484)	35,484	(27,007)	27,007
Salary increment rate	1%	(44,815)	44,815	(34,927)	34,927
	-1%	42,763	(42,763)	33,619	(33,619)

Group

	Increase/ (decrease)	2022/23		2021/22	
		Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year Rs.'000	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability Rs.'000	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year Rs.'000	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability Rs.'000
Discount rate	1%	37,466	(37,466)	30,614	(30,614)
	-1%	(40,101)	40,101	(32,658)	32,658
Salary increment rate	1%	(49,966)	49,966	(41,002)	41,002
	-1%	47,607	(47,607)	39,253	(39,253)

Maturity profile of the defined benefit obligation

Parent company

Future expected working life	Number of employees	Defined benefit obligation
Within next 12 months	65	1,092,324
Between 1-2 years	8	65,998
Between 2-5 years	166	312,281
Between 5-10 years	1,331	457,919
Total	1,570	1,928,522
Average future expected working life		5.24 years

Subsidiary- Central Industries PLC

Future expected working life	Number of employees	Defined benefit obligation
Within next 12 months	20	17,929
Between 1-2 years	4	809
Between 2-5 years	24	20,316
Between 5-10 years	294	25,081
Total	342	64,135
Average future expected working life		5.48 years

Subsidiary- CF Insurance Brokers(Pvt)Ltd.

Future expected working life	Number of employees	Defined benefit obligation
Within next 12 months	4	10,330
Between 1-2 years	2	5,183
Between 2-5 years	7	14,348
Between 5-10 years	77	45,681
Total		75,542
Average future expected working life		6.08 years

NOTES TO THE FINANCIAL STATEMENTS

48 OTHER LIABILITIES

See accounting policy in Note 4.3

Provisions are recognised when it is probable that an outflow of economic benefit will be required to settle a current legal or constructive obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Financial liabilities				
Provision for Bonus	130,105	178,979	123,855	174,281
Dividends payable	82,757	50,814	76,828	46,657
Security deposits	43,012	48,141	1,650	1,152
Amounts due to subsidiaries (Note 48.1)	-	-	196,941	168,419
Other payables	48,542	42,056	44,029	40,104
Accounts payables	343,998	1,633,009	50,234	186,703
	648,414	1,952,999	493,537	617,316
Non-financial liabilities				
Accrued expenses	343,011	464,288	110,670	130,100
Taxes on financial services payable	76,341	41,737	76,341	41,737
Stamp duty payable	42,953	85,137	42,953	85,137
Other Provisions	238,273	199,878	180,681	161,351
	700,578	791,040	410,645	418,325
	1,348,992	2,744,039	904,182	1,035,641
Payable within one year	1,249,904	2,651,243	852,083	989,834
Payable after one year	99,088	92,796	52,099	45,807
	1,348,992	2,744,039	904,182	1,035,641

	Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000
48.1 Amounts due from subsidiaries		
CF Insurance Brokers (Pvt)Ltd.	196,941	168,419
	196,941	168,419

49 STATED CAPITAL

	Company			
	31.03.2023		31.03.2022	
	No. of shares In'000	Stated Capital Rs.'000	No. of shares In'000	Stated Capital Rs.'000
Issued and fully paid - ordinary shares				
At the beginning of the year	227,354	2,230,286	224,025	1,961,597
Scrip dividends	-	-	3,329	268,689
At the end of the year	227,354	2,230,286	227,354	2,230,286

A scrip dividend of Rs.1.20 per share was paid in July 2021. Subsequent to the scrip dividend, reserves amounting to Rs.268.69 million were capitalised at the rate of Rs.80.70/-through issue of 3,329,475 new shares. As a result ,the number of shares as at 31.03.2022 increased to 227,354,462.

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost. The shares of the Company are quoted on the Colombo Stock Exchange.

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Company.

50 STATUTORY RESERVE FUND

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	2,715,000	2,371,000	2,715,000	2,371,000
Transfers during the year	249,000	344,000	249,000	344,000
Balance at the end of the year	2,964,000	2,715,000	2,964,000	2,715,000

The Company's reserve fund is maintained in accordance with Direction No. 9 of 1991 as amended by Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

51 REVALUATION RESERVES

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	4,976,248	5,102,431	3,584,888	3,747,729
Depreciation on revaluation surplus	(7,858)	(8,104)	(5,984)	(6,230)
Effect due to change of tax rate from 24% to 30%	(394,910)	-	(278,959)	-
Reversal of revaluation surplus on disposal of land	-	(156,611)	-	(156,611)
Share of revaluation surplus - associate company	66,546	38,532	-	-
Effect due to change of tax rate from 24% to 30% - associate companies	(42,718)	-	-	-
Balance at the end of the year	4,597,308	4,976,248	3,299,945	3,584,888

Revaluation reserve consists of the net surplus on the revaluation of land and buildings.

52 FAIR VALUE RESERVE

	Group	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	(398,492)	27,538
Fair value change during the year net of tax	498,520	(426,030)
Balance at the end of the year	100,028	(398,492)

Fair value reserve represents share of gains/(losses) arising from financial assets of an associate company designated at fair value through other comprehensive income and the associate company re-classified part of its investment in Treasury Bonds issued by the Government of Sri Lanka from Fair Value Through Other Comprehensive Income (FVOCI) to Amortized Cost with effect from 1 April 2022, in accordance with the "Statement of Alternative Treatment (SoAT) on Re-classification of Debt Portfolio" issued by the Institute of Chartered Accountants of Sri Lanka.

	Group
	31.03.2023 Rs.'000
Transfer of fair value gains/(losses) o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost	784,619
Fair value loss during the year net of tax	(286,099)
Fair value change during the year net of tax	498,520

NOTES TO THE FINANCIAL STATEMENTS

53 LOAN LOSS RESERVE

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	920,000	920,000	920,000	920,000
Balance at the end of the year	920,000	920,000	920,000	920,000

Loan loss reserve was made during 2017/18 financial year to match the gap between regulatory time based provision and impairment based on Sri Lanka Financial Reporting Standards (SLFRS) on loans and advances. The impairment excess over the regulatory time based provision as at 31.03.2023 stands at Rs. 2,946 Million (2021- Rs. 1,491 Mn)

54 GENERAL RESERVE

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
General reserve	23,402,957	23,402,957	23,391,776	23,391,776

General reserve represents amounts set aside by the directors for future expansions, and to meet any contingencies.

55 RETAINED EARNINGS

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Balance at the beginning of the year	21,989,452	16,266,493	11,624,231	7,558,554
Charge relating to Surcharge Tax	(2,587,313)	-	(2,175,436)	-
Balance as at 1st April 2022 (Adjusted)	19,402,139	16,266,493	9,448,795	7,558,554
Total comprehensive income	7,186,577	7,007,281	4,928,205	5,352,206
Total contributions from and distribution to equity holders	(1,258,053)	(1,284,322)	(1,260,327)	(1,286,529)
Balance at the end of the year	25,330,663	21,989,452	13,116,673	11,624,231

Retained earnings represents accumulated profits of the Company

56 SECURED LIABILITIES

Short and long term borrowings of the Company have been secured on the mortgage of specific land and buildings, pledge of specific quoted company shares and assignment of specific lease receivables and hypothecation of hire purchase and lease contracts. The carrying value of the assets mortgaged / assigned as security amounted to Rs. 7,348.41 million as at 31.03.2023 (As at 31.03.2022 - Rs.8,126.88 million).

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Total available facilities	10,370	10,777	4,930	5,664
Used	521	1,137	348	88
Unused	9,849	9,640	4,582	5,576

General terms and conditions relating to above pledges are.

- 1 The value of the lease receivables pledged as securities to be over and above the facilities obtained.
- 2 The mortgaged receivables should comprise assets with appropriate past due days.
- 3 All assets mortgaged to the lending institutions should be valued at such intervals as mandated by law and applicable regulations by professionally qualified valuers.
- 4 Company should maintain comprehensive insurance cover over all the assets pledged to the lending institutions.

57 CAPITAL COMMITMENTS

Capital commitments for which provision has not been made in the financial statements amounts to approximately Rs. 26.71 million for the Company and Rs.34.09 million for the Group (2021/22 - Rs. 33.6 million for the Company and Rs.150.8 million for the Group).

58 CONTINGENT LIABILITIES

Accounting policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed.

Contingent assets are disclosed where an inflow of economic benefit is probable.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS- Commitments and contingencies

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position, but are disclosed.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Contingent liabilities as at				
Guarantees Issued				
Fully secured guarantees issued on behalf of depositors	18,250	29,165	18,250	29,165
Letter of credit facilities	-	5,325	-	5,325
	18,250	34,490	18,250	34,490
Maturity profiles of contingent liabilities are				
Payable within one year	18,250	34,490	18,250	34,490
Payable after one year	-	-	-	-
	18,250	34,490	18,250	34,490

The associate company commitments and contingent liabilities amounted to Rs. 253,969 million as of 31 March 2023. (31 March 2022 - Rs. 239,618 million)

Tax assessments against the Company

The following tax assessments are outstanding and the Company has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value (Rs.Million)	Current Status
2009/2010	VAT	177.00	Court of Appeal
2009/2010	Income Tax	250.00	Court of Appeal
2010/2011	Income Tax	35.00	Court of Appeal
2013/2014	Income Tax	346.00	Tax Appeal Commission
2013/2014	VAT	117.00	Tax Appeal Commission
2014/2015	VAT	117.00	Tax Appeal Commission
2015/2016	NBT	13.20	Tax Appeal Commission
2017/2018	NBT	27.40	Inland Revenue Department
2016/2017	VAT	23.00	Tax Appeal Commission
2018/2019	VAT on financial services	42.50	Inland Revenue Department
2017/2018	VAT on financial services	79.80	Inland Revenue Department
2018/2019	Income Tax	850.42	Tax Appeals Commission
2019/2020	VAT on financial services	8.75	Inland Revenue Department
		2,087.07	

NOTES TO THE FINANCIAL STATEMENTS

Group companies

CF Insurance Brokers (Pvt) Ltd.

The following tax assessments are outstanding and the Group entity has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value (Rs.Million)	Current Status
2011/2012	NBT	Rs. 2.76 million	Court of Appeal

Hedges Court Residencies (Pvt) Ltd.

The following tax assessments are outstanding and the Group entity has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value (Rs.Million)	Current Status
2009/2010	NBT	Rs. 12.37 million	Court of Appeal
2010/2011	NBT	Rs.12.75 million	Court of Appeal
2011/2012	NBT	Rs.14.93 million	Court of Appeal

59 EVENTS AFTER THE REPORTING PERIOD

Accounting policy

All material events after the statement of financial position date have been considered and where appropriate adjustments to or disclosures are made in the consolidated financial statements.

59.1 Proposed final dividend

The directors have recommended the payment of a final dividend of Rs.1.75 per share payable by cash for the year ended 31st March 2023 which requires the approval of shareholders at the Annual General Meeting to be held on 30th June 2023. In accordance with LKAS 10 "Events after the reporting period", this proposed final dividend has not been recognised as a liability at the year-end (2021/22 – 2.00 per share payable by cash).

As required by section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained necessary approvals from the Central Bank of Sri Lanka prior to declaring the said dividend.

60 RELATED PARTY DISCLOSURES

The Group carries out transactions with parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 on "Related party disclosures", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

60.1 Parent and ultimate parent

The Company does not have an identifiable parent of its own.

60.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on "Related party disclosures" key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMPs include members of the Board of Directors who are responsible for planning, directing and controlling the operations of the Company.

Accordingly, the Company's KMP include the Board of Directors (including executive and non-executive directors)

KMPs of the Group

The Company is ultimate parent of the subsidiaries listed in Note 33. Thus KMPs of the Company have the authority and responsibility for planning, directing and controlling of the activities of the Group and have been defined as KMPs of the Group as well.

Close Family Members (CFMs) of KMPs are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. CFMs may include the domestic partner and children of KMP, the children of KMP's domestic partner and dependents of KMP and the KMP's domestic partner.

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
60.2.1 Compensation to KMPs				
Short term employee benefits	313,280	276,283	275,754	243,472
Contributions to provident fund	30,516	28,321	27,186	25,441
Contributions to gratuity fund	8,196	8,803	7,727	8,397
60.2.2 Other transactions with key management personnel and their close family members				
Liabilities				
Financial liabilities at amortised cost -Deposits	1,575,173	1,140,831	1,575,173	1,140,831
Income statement				
Interest expense	163,803	83,089	163,803	83,089
Operating lease income	22	-	22	-
Cash flow statement				
Placement of deposits	241,918	138,914	241,918	138,914

NOTES TO THE FINANCIAL STATEMENTS

60.2.3 Directors' other directorships within the Group

The directors of the Company are also directors of the following subsidiary and associate companies of the Group.

The company carried out transactions in the ordinary course of business at market rates with these related entities.

	E.H. Wijenaike	A.K. Gunaratne	D.P.de Silva	C.K.Hettiarachchi	A.D.B.Talwatte	Dr.(Mrs.)A.D.N.de Zoysa	K.B.Herath	A.R.Fernando	M.H.de Silva	C.S.Hettiarachchi
Central Industries PLC	X	X	-	-	-	-	-	-	-	X
Central Developments Limited	-	X	X	X	-	-	-	-	-	-
Dehigama Hotels Company Limited	X	-	-	-	-	-	-	-	-	X
Expanded Plastic Products (Private) Limited	-	-	-	-	-	-	-	-	-	-
Central Mineral Industries (Private) Limited	-	-	-	-	-	-	-	-	-	-
Central Transport & Travels Limited	-	-	-	X	-	-	-	-	-	X
Central Construction & Development (Private) Limited	-	-	-	-	-	-	-	-	-	-
CF Growth Fund Limited	-	X	X	X	-	-	-	-	-	-
The Kandy Private Hospitals Limited	-	-	-	-	-	-	-	-	-	-
CF Insurance Brokers (Private) Limited	-	X	X	x	-	-	-	-	-	X
Central Homes (Private) Limited	-	-	-	-	-	-	-	-	-	X
Hedges Court Residencies (Private) Limited	-	-	X	-	-	-	-	-	-	-
Nations Trust Bank PLC	-	-	-	x	-	-	-	X	-	-
Tea Smallholder Factories PLC	X	X	-	-	-	-	-	-	-	-

60.2.4 Number of shares held by KMP's and their close family members

	31.03.2023	31.03.2022
Voting	46,148,901	46,148,901
	2023 Rs.000	2022 Rs.000
Year ended 31st March		
Cash dividends paid to KMP's and their close family members	207,670	174,470
Value of scrip dividends paid to KMP's and their close family members	-	54,912

60.3 Transactions with Group entities

The Group includes subsidiaries and associates. The details of subsidiaries and associates are given in Notes 33 and 34.

		Company	
		31.03.2023	31.03.2022
		Rs.'000	Rs.'000
60.3.1	Transactions with subsidiaries		
	Statement of financial position		
	Assets		
	Trade and other receivables	21,773	21,800
	Loans and advances	11,086	10,645
	Right to use assets	67,798	101,698
	Liabilities		
	Deposits	304,456	308,718
	Amounts due to subsidiaries	196,941	168,419
	Lease liabilities	85,384	117,759
	Income statement		
	Rendering of services	14,309	10,011
	Rent expense	43,186	43,186
	Vehicle hire rentals paid	561	901
	Accounting and administration charges received	175	175
	Vehicle hire rentals received	5,906	3,727
	Dividend income	74,723	98,355
	Interest income	16,505	1,558
	Interest expense	37,109	36,497
	Rent income	14,899	10,019
	Cash flow statement		
	Collection of insurance premium	1,784,331	1,787,930
	Deposits placed	104,447	16,416
	Withdrawal of deposits by subsidiaries	123,368	143,247
	Loans given	900,029	20,600
	Recovery of loans	900,029	26,978
	Advance received for fixed assets	63,667	-

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
60.3.2 Transactions with associates				
Statement of financial position				
Assets				
Securities bought under repurchase agreements	1,000,466	2,181,644	1,000,466	2,181,644
Debentures	327,310	327,282	327,310	327,282
Operating Lease receivables	40	-	40	-
Liabilities				
Short term loans and overdraft facilities	6,116	3,066	6,116	3,066
Income statement				
Interest income	577,142	70,558	576,764	70,558
Interest expense	17,123	11,949	17,123	11,949
Dividend income	219,260	221,203	116,489	119,717
Bank charges	940	554	347	554
Cash flow statement				
Lease/vehicle hire facilities given	37,559	20,418	37,559	20,418
Investments in reverse REPOs	46,125,000	47,673,000	46,125,000	47,673,000
Divestment of reverse REPOs	47,306,000	48,082,000	47,306,000	48,082,000
Investments in debentures	-	321,240	-	321,240
Vehicle hire rentals received	31,779	18,937	31,779	18,937

Fixed deposits placed with related parties are unsecured and all other balances due from related parties are secured.

60.4 Disclosure requirements under section 9.3.2 (a) and 9.3.2 (b) of the CSE Listing Rules

As required by rule 9.3.2 (a) of the Listing Rules of the Colombo Stock Exchange, there are no non-recurrent related party transactions which exceed 10% of the equity or 5% of the total assets, whichever is lower, as per the audited financial statements of the Company.

During the financial year ended 31.03.2023, the Company carried out transactions with Nations Trust Bank PLC in the ordinary course of business at market rates, the value of which exceed 10% of the consolidated gross revenue/income of the Group as per the latest audited financial statements of the Company.

As required by rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange details of the above transactions are given below. However, these transactions are exempt transactions as per section 9.5 (e) of the listing rules.

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transactions entered into during the financial year (Rs.000)	Aggregate value of related party transactions as a % of gross revenue/income	Terms and conditions of the related party transactions
Nations Trust Bank PLC	Associate company	Investment in reverse REPO'S	46,125,000	187.65%	Transactions are carried out at market rates with general terms and conditions in the ordinary course of business
Nations Trust Bank PLC	Associate company	Divestment of reverse REPOs	47,306,000	192.46%	Transactions are carried out at market rates with general terms and conditions in the ordinary course of business

60.5 Transactions with Government of Sri Lanka /Entities controlled, jointly controlled,significantly influenced by the Government of Sri Lanka

	Group		Company	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Central Finance Company PLC				
Operating lease receivables	(1,820)	(548)	(1,820)	(548)
Operating lease facilities given	113,833	270,127	113,833	270,127
Vehicle hire rentals received	248,640	403,437	248,640	403,437
Lease rentals received	-	7,638	-	7,638
Central Industries PLC				
Sale of goods	546,179	1,734,455	-	-
Settlement of trade debtors	609,019	1,248,129	-	-
Trade debtors	602,009	664,364	-	-

The Government of Sri Lanka indirectly holds 12.47% of the voting rights of the Company as at 31st March 2023 (31.03.2022 12.47%) through Sri Lanka Insurance Corporation -Life Fund,Sri Lanka Insurance Corporation -General Fund, Employees Provident Fund and Employees Trust Fund Board.

60.6 Pricing policy and terms for transactions with related parties

Company enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees. The terms include pricing for loans and collateral obtained for loans where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

61 MATURITY ANALYSIS

An analysis of the total assets employed and the total liabilities of the Company, based on the remaining period from the reporting date to the respective contractual maturity dates is given below:

Assets are stated net of provisions

	Up to 3 months		3 to 12 months	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Interest earning assets:				
Securities bought under repurchase agreements	3,409,480	5,201,821	-	-
Financial assets at amortised cost- Debt and other financial instruments	19,456,199	16,809,972	3,903,704	1,410,827
Financial assets at amortised cost- Net investment in leases and hire purchase	8,336,877	8,678,128	12,165,045	14,102,934
Financial assets at amortised cost- Loans and receivables from customers	1,840,205	1,260,895	2,153,316	2,480,132
Total interest earning assets	33,042,760	31,950,816	18,222,066	17,993,893
Non-interest earning assets:				
Cash and cash equivalents	528,705	697,409	-	-
FVTPL financial assets	377,996	968,093	-	-
Real estate held for sale	-	-	-	-
Investments in subsidiaries	-	-	-	-
Other assets	368,025	852,716	-	-
Investments in equity accounted investees	-	-	-	-
Inventories and other stocks	114,647	86,892	-	-
Investments properties	-	-	-	-
Property, plant and equipment	-	-	-	-
Right of use assets	42,823	41,514	112,603	111,804
Intangible assets	-	-	-	-
Total non-interest earning assets	1,432,196	2,646,624	112,603	111,804
Total assets	34,474,957	34,597,440	18,334,669	18,105,697
Percentage	38.21%	34.58%	20.32%	18.10%
Interest bearing liabilities:				
Bank overdrafts	170,584	215,438	-	-
Financial liabilities at amortised cost -Deposits	14,284,358	13,193,874	15,808,402	27,675,518
Financial liabilities at amortised cost -Interest bearing borrowings	13,933	14,239	29,802	40,233
Lease liabilities	36,327	34,537	153,896	136,485
Total interest bearing liabilities	14,505,202	13,458,088	15,992,100	27,852,236
Non-interest bearing liabilities:				
Employee benefit obligations	273,082	223,084	819,242	669,254
Current tax liabilities	1,284,886	1,597,150	-	-
Deferred tax liability	-	-	-	-
Other liabilities	843,295	981,142	8,788	8,692
Total non-interest bearing liabilities	2,401,263	2,801,376	828,030	677,946
Total liabilities	16,906,465	16,259,464	16,820,130	28,530,182
Percentage	32.26%	27.45%	32.10%	48.17%
Contingent liabilities				
Fully secured guarantees issued on behalf of depositors	5,500	9,000	12,750	20,165
Letter of credit facilities	-	-	-	5,325

Maturities of interest bearing liabilities and employee benefit obligations are presented on undiscounted basis.

62 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

Please refer to page 100 for the statement of the Directors' Responsibility for Financial Reporting.

1 to 3 years		3 to 5 years		More than 5 years		Impairment provision		Total	
31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	-	-	-	-	-	-	-	3,409,480	5,201,821
1,228,048	10,000	1,793,019	2,741,770	-	-	(47,999)	(39,228)	26,332,972	20,933,341
20,393,499	25,950,815	5,125,883	9,904,213	68,883	219,667	(5,026,047)	(4,954,168)	41,064,140	53,901,589
1,364,633	1,515,124	465,044	421,785	401,630	79,911	(961,282)	(1,030,010)	5,263,546	4,727,838
22,986,180	27,475,939	7,383,946	13,067,768	470,513	299,578	(6,035,328)	(6,023,406)	76,070,138	84,764,589
-	-	-	-	-	-	(211)	(175)	528,494	697,234
-	-	-	-	-	-	-	-	377,996	968,093
-	-	58,006	58,566	-	-	(52,851)	(53,411)	5,155	5,155
-	-	-	-	381,614	333,614	-	-	381,614	333,614
-	-	-	-	30,892	30,892	(10,762)	(10,473)	388,155	873,135
-	-	-	-	1,654,509	1,538,020	-	-	1,654,509	1,538,020
-	-	-	-	-	-	(35,445)	(32,456)	79,202	54,436
-	-	-	-	78,800	78,800	-	-	78,800	78,800
-	-	-	-	9,840,721	10,082,958	-	-	9,840,721	10,082,958
184,759	226,713	89,146	91,261	68,083	88,224	-	-	497,414	559,516
-	-	-	-	314,024	84,809	-	-	314,024	84,809
184,759	226,713	147,152	149,827	12,368,643	12,237,318	(99,269)	(96,515)	14,146,084	15,275,770
23,170,939	27,702,652	7,531,098	13,217,595	12,839,156	12,536,896	(6,134,597)	(6,119,920)	90,216,222	100,040,359
25.68%	27.69%	8.35%	13.21%	14.23%	12.53%	-6.80%	6.12%	100%	100%
-	-	-	-	-	-	-	-	170,584	215,438
9,067,810	9,942,155	7,290,365	1,673,563	-	-	-	-	46,450,934	52,485,110
-	38,245	-	-	-	-	-	-	43,735	92,717
242,410	294,453	143,210	135,410	108,525	125,561	-	-	684,368	726,446
9,310,220	10,274,852	7,433,575	1,808,973	108,525	125,561	-	-	47,349,621	53,519,711
170,092	304,446	208,187	441,722	457,919	-	-	-	1,928,521	1,638,506
-	-	-	-	-	-	-	-	1,284,886	1,597,150
-	-	-	-	937,912	1,438,012	-	-	937,912	1,438,012
22,350	18,353	-	-	29,748	27,455	-	-	904,181	1,035,641
192,442	322,798	208,187	441,722	1,425,578	1,465,467	-	-	5,055,500	5,709,309
9,502,661	10,597,651	7,641,762	2,250,694	1,534,104	1,591,028	-	-	52,405,121	59,229,020
18.13%	17.89%	14.58%	3.8%	2.93%	2.69%	0.00%	0.00%	100%	100%
-	-	-	-	-	-	-	-	18,250	29,165
-	-	-	-	-	-	-	-	-	5,325

DIRECTORS INTEREST IN CONTRACTS WITH THE COMPANY

Related party transactions are detailed in note 60 to the financial statements as required by LKAS-24 Related Party Disclosures". In addition, the Company carried out transactions in the ordinary course of business on an arm's length basis with entities where a director of the Company is also a director of such entities as detailed below.

Company	Name of director	Relationship	Nature of transaction	Transaction Value		Interest Paid	
				2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
Sunshine Holdings PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Independent Non-executive Director	Purchase of spare parts	4,058	5,828	-	-
			Lease supplier payments	1,700	60,960	-	-
Tokyo Cement Company (Lanka) PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	-
			Equity Investment	30,511	30,511	-	-
Sunshine Healthcare Lanka Limited	A.D.B. Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	-
Chevron Lubricants Lanka PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	-
			Lease finance facility	-	-	-	-
			Equity Investment	-	-	-	-
Finance Houses Consortium (Pvt) Limited	C.S.Hettiarachchi	Non-executive Director	Placement of fixed deposits		2,247	-	-
Credit Information Bureau of Sri Lanka.	*C.S.Hettiarachchi	Non-executive Director	Hire of Vehicles	-	-	-	-
The Leasing Association of Sri Lanka	**C.S.Hettiarachchi	Non-executive Chairman	Placement of fixed deposits	-	1,160	81	-
Equity Two PLC	E.H.Wijenaike	Independent Non-executive Director	Placement of fixed deposits	-	22,579	117	-
Equity One Limited	E.H.Wijenaike	Non-executive Director	Placement of fixed deposits	17,528	24,692	619	-

Mr.C.S.Hettiarachchi retired from the Board of Directors of Credit Information Bureau of Sri Lanka on 31.03.2023

Mr.C.S.Hettiarachchi retired from the Board of Directors of Leasing Association of Sri Lanka on 26.09.2022

Facilities Granted During The Year		Rentals Received		Hire Charges Received		Balance Outstanding		Dividend Received	
2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
-	-	20,663	23,744	-	-	40,179	50,525	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,979	1,878	24	146	-	-
-	-	-	-	-	-	-	-	-	809
-	-	11,140	11,047	-	-	25,061	29,422	-	-
94,116	51,983	-	-	55,665	34,728	108	488	-	-
-	-	-	119	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,220
-	-	-	-	-	-	-	-	-	-
-	-	4,650	2,454	-	-	-	4,579	11,585	11,585
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

DETAILS OF OTHER DIRECTORSHIPS HELD BY DIRECTORS OF THE COMPANY

Name	Designation	Other directorships	Status of directorship
A.D.B.Talwatte	Independent Non-Executive Chairman	Cirute Plantations (Pvt)Ltd.	Non-executive director
		Ceylon Hospitals PLC	Independent non-executive director
		Sunshine Holdings PLC	Independent non-executive director
		Diesel & Motor Engineering PLC	Independent non-executive director
		CT Holdings PLC	Independent non-executive director
		Tokyo Cement Company (Lanka) PLC	Independent non-executive director
		Silvermill Investment Holdings (Pvt) Limited	Independent non-executive director
		Sunshine Healthcare Lanka Limited	Independent non-executive director
		Braybrooke Residential Towers (Pvt) Ltd.	Independent non-executive director
		Chevron Lubricants Lanka PLC	Independent non-executive director
		Lanka Tours & Traders (Pvt) Limited	Non-executive director
		Gilkrist Leisure (Pvt) Limited	Non-executive director
		Management Systems (Pvt) Limited	Non-executive Chairman
		Kotmale Holdings PLC	Independent non-executive director
		Myanthiho Investment & Trading (Pvt) Ltd.	Non-executive director
		Cargills (Ceylon) PLC	Independent non-executive director
E.H.Wijenaike	Managing Director (Executive Director)	Central Industries PLC	Non-executive director
		Dehigama Hotels Company Limited	Non-executive director
		Tea Smallholder Factories PLC	Non-executive director
		Equity One Limited	Non-Executive Director
		Equity Two PLC	Independent Non-executive director
A.K.Gunaratne	Deputy Managing Director (Executive Director)	Central Industries PLC	Non-executive director
		CF Insurance Brokers(Private) Limited	Non-executive director
		Central Developments Limited	Non-executive director
		CF Growth Fund Limited	Non-executive director
		Tea Smallholder Factories PLC	Non-executive director
		Polymer Technologies (Pvt) Ltd.	Non-executive director
D.P.de Silva	Chief Operating Officer (Executive Director)	CF Insurance Brokers(Private) Limited	Non-executive director
		Hedges Court Residencies (Private) Limited	Non-executive director
		Central Developments Limited	Non-executive director
		CF Growth Fund Limited	Non-executive director

Name	Designation	Other directorships	Status of directorship
Dr.(Mrs). A.D.N.de Zoysa	Independent Non-executive Director	Agstar PLC	Independent Non-executive director
A.R.Fernando	Non-executive Director	Nations Trust Bank PLC	Non-executive Director
		NDB Capital Holdings Ltd	Non-executive Director
		NDB Securities (Pvt) Ltd	Non-executive Director
		NDB Zephyr Partners Lanka (Pvt) Limited	Non-executive Director
		Durdans Medical & Surgical Hospital (Pvt) Ltd	Non-executive Director
C.K.Hettiarachchi	Director (Marketing) (Executive Director)	Hettiarachchi Property Holdings (Pvt) Ltd.	Non-executive Director
		Nations Trust Bank PLC	Non-executive Director
		Central Developments Limited	Non-executive Director
		CF Growth Fund Limited	Non-executive Director
		Central Transport and Travels Limited	Non-executive Director
		Allied Properties Ltd.	Non-executive Chairman
		Waldock Mackenzie Ltd.	Non-executive Director
		Willuwa Wilpattu (Pvt) Ltd.	Non-executive Director
		CF Insurance Brokers(Private) Limited	Non-executive Director
K.B.Herath	Independent Non-executive Director	Bavarian Barn Restaurant (Pvt.) Limited.	Non-executive Director
		Photocinex (Pvt.) Ltd.	Non-executive Director
M.H.de Silva	Independent Non-executive Director	BPPL Holdings PLC	Independent Non-executive Director
C.S.Hettiarachchi	Director (Corporate Affairs) (Executive Director)	Central Industries PLC	Non-executive director
		Dehigama Hotels Company Limited	Non-executive director
		Central Transport and Travels Limited	Non-executive director
		CF Insurance Brokers(Private) Limited	Non-executive director
		Central Homes (Private) Limited	Non-executive director
		Finance Houses Consortium (Pvt) Limited	Non-executive director

GROUP COMPANIES

	Subsidiaries					
	Central Industries PLC	Central Developments Ltd	Central Transport and Travels Ltd	Central Construction and Development (Pvt) Ltd	Central Mineral Industries (Pvt) Ltd	
COMPANY PROFILE	Year of Incorporation	1984	1974	1991	1983	1990
	Stated Capital	393,785,198 (23,466,490 Shares)	Rs.132,940,000 (13,294,000 Shares)	Rs.29,490,070 (2,949,007 Shares)	Rs.50,000 (5000 Shares)	Rs.3,500,000 (350,000 Shares)
	Group Holding	49.98%	99.99%	99.99%	99.90%	99.99%
	Status of the Company	Quoted	Unquoted	Unquoted	Unquoted	Unquoted
	Principal Business Activities	Manufacture and distribution of PVC pipes and fittings	Investment company	Hiring of vehicles	Investment company	Manufacture of mineral products
	Registered Office	No. 312, Nawala Road, Rajagiriya.	No. 84, Raja Veediya, Kandy.	No. 84, Raja Veediya, Kandy.	No. 84, Raja Veediya, Kandy.	No. 84, Raja Veediya, Kandy.
BOARD OF DIRECTORS		G.S.N. Peiris (Chairman)	A.K. Gunaratne	C.S. Hettiarachchi	W.M.S. Wanasinghe	G.S.N.Peiris
		E.H. Wijenaike	D.P.de Silva	C.K.Hettiarachchi	G.A.Bandaranayake	W.M.S. Wanasinghe
		C.S.W. De Costa	C.K.Hettiarachchi	G.A.Bandaranayake		G.A.Bandaranayake
		A.K. Gunaratne		A.R.Wijenaike		
		A. Hettiarachchi		W.M.S. Wanasinghe		
		I.S. Jayasinghe				
		C.S. Hettiarachchi				
		D.T.R. De Silva				
		M.Rupatunga				
	Company Secretary	Corporate Services Ltd, No 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy

	Subsidiaries				
	Central Homes (Pvt) Ltd	CF Growth Fund Ltd	CF Insurance Brokers (Pvt) Ltd	Dehigama Hotels Company Ltd	Expanded Plastic Products (Pvt) Ltd

COMPANY PROFILE

Year of Incorporation	1987	1992	1995	1973	1978
Stated Capital	Rs.34,175,020 (3,417,502 Shares)	Rs.163,036,780 (16,303,678 Shares)	Rs.123,750,000 (12,375,000 Shares)	Rs.8,280,700 (828,070 Shares)	Rs.64,000,000 (6,400,000 Shares)
Group Holding	99.99%	99.99%	99.99%	79.69%	99.99%
Status of the Company	Unquoted	Unquoted	Unquoted	Unquoted	Unquoted
Principal Business Activities	Property development and sale of real estate	Investment company	Insurance broking	Renting of commercial property	Investment company
Registered Office	No. 270, Vauxhall Street, Colombo 02.	No. 270, Vauxhall Street, Colombo 02.	No. 270, Vauxhall Street, Colombo 02.	No. 84, Raja Veediya, Kandy.	No. 270, Vauxhall Street, Colombo 02.

BOARD OF DIRECTORS

	C.S. Hettiarachchi	A.K.Gunaratne	G.S.N. Peiris (Chairman)	E.H. Wijenaike	W.M.S. Wanasinghe
	M.S.Kumara	D.P. de Silva	D.P. de Silva	W.A.L. Galagoda	M.S.Kumara
		C.K.Hettiarachchi	A.K. Gunaratne	L. Sirimanne	
			C.S. Hettiarachchi	A. Jayasinghe	
			C.K. Hettiarachchi	C.S. Hettiarachchi	
			D.A.C. Goonetilleke	A.R.Wijenaike	
			A.R. Wijenaike		
			M.P.R.Fernando		
Company Secretary	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Corporate Services Ltd, No 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy

GROUP COMPANIES

COMPANY PROFILE

	Subsidiaries		Associates	
	Hedges Court Residencies (Pvt) Ltd	The Kandy Private Hospitals Ltd	Nations Trust Bank PLC	Tea Smallholder Factories PLC
Year of Incorporation	2005	1967	1999	1991
Stated Capital	Rs.50,000,000 (5,000,000 Shares)	Rs.6,084,750 (550,500 Shares)	" Rs.11,427,057,528 (Voting - 276,247,035 Convertible Non-voting - 43,372,925) "	Rs.150,000,000 (30,000,000 Shares)
Group Holding	100.00%	66.74%	"Voting 19.72% Convertible Non-voting 31.88%"	29.30%
Status of the Company	Unquoted	Unquoted	Quoted	Quoted
Principal Business Activities	Construction and sale of apartments	Provision of healthcare services	Licensed commercial bank	processing green leaves and the sale of processed black tea
Registered Office	No. 270, Vauxhall Street, Colombo 02.	No. 255/8, Katugastota Road, Kandy.	No. 242, Union Place, Colombo 02.	No. 4, Layden Bastian Road, Colombo 01.

BOARD OF DIRECTORS

	D.P. de Silva	G.S.N. Peiris	R.S. Cader (Chairman)	K.N.J. Balendra (Chairman)
	M.S.Kumara	A.P. Aluwihare	C.D' Souza	E.H. Wijenaike
		H.M.S.B. Eatulgama	R. Rajapaksa	A.S. Jayathilleke
		R.W.W.M.R.P.B. Iddawela	N.I.R. De Mel	J.G.A. Cooray
		S. Ranasinghe	S.L. Sebastian	S.K.L. Obeysekere
		A.M.L. Beligaswatte	H.D.Gunatilleke	A.K. Gunaratne
		G.A.Bandaranayake	C.H.A.W. Wickramasuriya	A. Goonetilleke
			A.R. Fernando	A.Z.Hashim
			R.Shanmuganathan	
			C.K.Hettiarachchi	
Company Secretary	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Theja Silva	Keells Consultants (Pvt) Limited 130, Glennie Street, Colombo 02

GROUP VALUE ADDED STATEMENT

For the year ended 31st March	2023 Rs.'000	%	2022 Rs.'000	%
Value Added				
Operating income earned by providing financial services	23,687,800		22,434,558	
Cost of services	(10,082,708)		(11,371,007)	
Value added by financial services	13,605,092		11,063,551	
Net income from financial instruments at FVTPL	67,093		678,734	
Other Income	719,079		1,466,942	
Impairment and other credit losses	(843,425)		(286,966)	
Share of profit of equity accounted investees, net of tax	1,886,915		1,388,131	
	15,434,754		14,310,392	
Value Allocated				
To employees				
Remuneration & other benefits	2,851,023	18.47	2,705,000	18.90
To providers of capital				
Dividends to shareholders	966,256	6.26	795,741	5.56
Non-controlling interest	332,120	2.15	273,352	1.91
To government Revenue				
Income tax	2,752,818	17.84	2,373,343	16.58
Taxes on financial services	1,679,690	10.88	1,298,900	9.08
To expansion and growth				
Retained income	6,260,624	40.56	6,207,047	43.38
Depreciation & amortisation	592,223	3.84	657,010	4.59
	15,434,754	100.00	14,310,392	100.00
Consolidated sources & utilisation of income				
Sources of income				
Interest and operating income	23,687,800	89.86	22,434,558	86.39
Net income from financial instruments at FVTP	67,093	0.25	678,734	2.61
Other income	719,079	2.73	1,466,942	5.65
Share of profit of equity accounted investees, net of tax	1,886,915	7.16	1,388,131	5.35
	26,360,887	100.00	25,968,365	100.00
Utilisation of income				
Interest expenses	4,828,502	18.32	3,782,899	14.57
Remuneration & other benefits to employees	2,851,023	10.82	2,705,000	10.42
Other operating expenses including cost of sales, impairment & other credit losses and depreciation and amortisation	6,689,854	25.38	8,532,084	32.86
Taxation	4,432,508	16.81	3,672,243	14.14
Dividends to shareholders	966,256	3.67	795,741	3.06
Retained income	6,260,624	23.74	6,207,046	23.90
Non-controlling interest	332,120	1.26	273,352	1.05
	26,360,887	100.00	25,968,365	100.00

QUARTERLY STATISTICS COMPANY

As at	2022-2023			
	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Statement of financial position				
(Rs.'000)				
Total assets	90,216,222	88,363,304	90,352,840	94,367,721
Advances to customers	46,327,686	49,791,010	51,278,722	55,877,080
Average assets	89,289,763	89,358,072	92,360,281	97,204,040
Bank and other borrowings	209,506	210,161	191,015	706,442
Deposits	38,532,558	38,208,199	40,712,404	44,449,326
Shareholders' funds	45,922,680	44,521,555	44,371,683	42,801,391

For the three months ended	2022-2023			
	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Income statement				
(Rs.'000)				
Interest income	4,778,438	4,655,051	4,221,663	3,856,584
Interest expenses	(1,428,914)	(1,302,578)	(1,242,713)	(902,216)
Net interest income	3,349,524	3,352,473	2,978,950	2,954,368
Operating lease income	262,268	253,590	253,024	263,950
Net income from financial instruments at FVTPL	72,646	(18,555)	54,172	(52,361)
Other income	339,054	170,263	272,576	189,184
Total operating income	4,023,492	3,757,771	3,558,722	3,355,141
Impairments (charge)/reversal and other credit losses	(30,539)	(359,284)	229,579	(536,400)
Net operating income	3,992,953	3,398,487	3,788,301	2,818,741
Operating expenses	(1,435,331)	(1,276,294)	(1,161,146)	(1,105,022)
Operating profit before taxes on financial services	2,557,622	2,122,193	2,627,155	1,713,719
Taxes on financial services	(496,938)	(377,117)	(445,814)	(308,304)
Profit before tax	2,060,684	1,745,076	2,181,341	1,405,415
Income tax expense	(628,482)	(747,859)	(611,048)	(440,060)
Profit for the quarter	1,432,202	997,217	1,570,293	965,355
Other comprehensive income for the quarter	(36,862)	(278,959)	-	-
Total comprehensive income for the quarter	1,395,340	718,258	1,570,293	965,355
Ordinary share information				
Market price per share (Rs)				
Highest	84.00	70.00	79.90	74.00
Lowest	60.00	59.90	56.00	50.10
Last traded	72.40	62.50	68.60	58.00
Net asset value per share	201.99	195.82	195.17	188.26
Financial measures				
Profitability				
Return on capital employed (annualised) (%)	16.66	14.49	15.81	10.16
Return on average shareholders' equity (annualised) (%)	12.67	8.97	14.41	8.85
Return on assets (annualised) (%)	6.42	4.46	6.80	3.97
Productivity				
Non interest expenses to total revenue (%)	26.32	25.22	24.18	25.96
Cost to income (%)	35.67	33.96	32.63	32.94
Asset quality				
Gross NPA ratio (%)	10.88	12.12	14.13	15.62

INFORMATION ON SHARES AND DEBENTURES

1 STOCK EXCHANGE

The ordinary shares of the Company are listed on the Colombo Stock Exchange

The audited income statement for the year ended 31st March 2023 and the audited statement of financial position as at 31st March 2023 of the Company and of the Group are submitted to the shareholders and Colombo Stock Exchange within three months from the close of the financial year.

2 NUMBER OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2023 – 4,215

(Stated capital of the Company consists solely of voting ordinary shares).

(Number of shareholders as at 31.03.2022 – 4,397)

Following tables show the pattern of distribution of shareholders

No. of Shares Held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1,000	2,197	513,811	0.22	11	5,441	0.00	2,208	519,252	0.22
1,001-10,000	1,338	4,678,612	2.06	12	58,817	0.02	1,350	4,737,429	2.08
10,001-100,000	516	13,882,934	6.11	16	477,258	0.21	532	14,360,192	6.32
100,001-1,000,000	93	24,575,437	10.81	8	1,675,132	0.74	101	26,250,569	11.55
1,000,001 & Over	19	148,975,390	65.53	5	32,511,630	14.30	24	181,487,020	79.83
Total	4,163	192,626,184	84.73	52	34,728,278	15.27	4,215	227,354,462	100.00

There were 4,340 resident and 57 non-resident shareholders as at 31st March 2022

	31st March 2023			31st March 2022		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	4,071	102,367,793	45.03	4,073	98,741,373	43.43
Institutions	144	124,986,669	54.97	324	128,613,089	56.57
Total	4,215	227,354,462	100.00	4,397	227,354,462	100.00

3 PUBLIC HOLDING - 31ST MARCH 2023

The Company qualifies under option one of the minimum public holding requirement No. 7.14.1 of the Listing Rules of the Colombo Stock Exchange as of 31.03.2023 and relevant information is given below.

	Float adjusted market capitalisation (Rs. Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Available amount
Option 01	Rs.10 Bn	Rs.10.46 Bn	no minimum % required	63.59%	500	4,200

3.1 PUBLIC HOLDING - 31ST MARCH 2022

The Company qualifies under option two of the minimum public holding requirement No.7.14.1 of the Listing Rules of the Colombo Stock Exchange as at 31.03.2022 and relevant information is given below

	Float adjusted market capitalisation (Rs. Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Available amount
Option 02	Rs.7.5 Bn	Rs. 9.84Bn	5%	63.59%	500	4,382

INFORMATION ON SHARES AND DEBENTURES

4 TWENTY LARGEST SHAREHOLDERS

		31st March 2023		31st March 2022	
		No. of Shares	%	No. of Shares	%
1	Corporate Services (Private) Limited A/C No 01	36,625,096	16.11	36,625,096	16.11
2	E.H. Wijenaike	35,039,742	15.41	35,039,742	15.41
3	Employees Provident Fund	24,419,181	10.74	24,419,181	10.74
4	Thurston Investments Limited	13,524,392	5.95	13,239,955	5.82
5	Hallsville Trading Group Inc.	13,083,136	5.75	12,283,136	5.40
6	E.W. Balasuriya & Co. (Pvt) Ltd	7,909,789	3.48	5,393,074	2.37
7	A.J. Wijenaike	7,091,476	3.12	7,091,476	3.12
8	Ceylon Investment PLC A/C 02	6,804,536	2.99	8,804,536	3.87
9	Ceylon Guardian Investment Trust PLC A/C 02	5,570,801	2.45	6,070,801	2.67
10	N.W. Wijegoonawardena	4,687,434	2.06	4,687,434	2.06
11	C.R. Dunuwille	2,923,384	1.29	2,923,384	1.29
12	N.M. Gunawardana	2,818,820	1.24	2,818,820	1.24
13	P.R. Munasinha	2,659,783	1.17	2,659,783	1.17
14	Rubber Investment Trust Limited A/C 01	2,253,312	0.99	4,403,312	1.94
15	Sri Lanka Insurance Corporation Ltd.- Life Fund.	2,007,199	0.88	2,007,199	0.88
16	S.K. Wedande	1,847,633	0.81	1,847,633	0.81
17	Employees Trust Fund Board	1,832,061	0.81	1,832,061	0.81
18	A.K. Gunaratne	1,810,661	0.80	1,810,661	0.80
19	P.M. Wijenaike	1,683,206	0.74	1,683,206	0.74
20	R.P. Weerasooriya	1,650,000	0.73	152,230	0.07
		176,241,642	77.52	175,792,720	77.32
	Others	51,112,820	22.48	51,561,742	22.68
	Total	227,354,462	100.00	227,354,462	100.00

*Comparative shareholdings as at 31st March 2022 held by the twenty largest shareholders as at 31st March 2023.

5 MARKET VALUE

	2022/2023	2021/2022	2020/2021
	Rs.	Rs.	Rs.
Highest	84.00 (on 08.03.2023)	118.00 (on 18.01.2022)	135.00 (on 29.01.2021)
Lowest	50.10 (on 27.04.2022)	65.00 (on 30.03.2022)	72.50 (on 10.06.2020)
Year end	72.40	68.10	80.70

6 DIVIDEND PAYMENTS

	2022/2023	2021/2022
	Rs.	Rs.
Interim paid	2.50	1.50
Final –paid	-	2.00
Proposed	1.75	-
Total	4.25	3.50

	2022/2023	2021/2022
	Rs. 000	Rs. 000
Dividend Pay-out	966,256	795,741

7 SHARE TRADING

	2022/2023	2021/2022	2020/2021
No. of shares traded	12,077,731	23,858,800	29,328,774
Value of shares traded (Rs. '000)	803,295	2,256,223	2,834,515
Market capitalization (Rs. '000)	16,460,463	15,482,838	18,078,816

8 STATED CAPITAL IS REPRESENTED BY NUMBER OF SHARES IN ISSUE AS GIVEN BELOW

	31.03.2023	31.03.2022
Ordinary voting shares	227,354,462	227,354,462

9 DEBENTURES

Information on Listed Debentures

- 9.1** The Company made no debenture issues during the year ended 31st March 2023
- 9.2** The debentures issued by the Company to the value of Rs.6.5 Billion in June 2013, December 2013 and June 2015 has been fully redeemed by May 2020.
- 9.3** Objectives of the debentures issued in June 2013, December 2013 and June 2015 have been fully achieved.

10 CREDIT RATINGS

Fitch Ratings Lanka Ltd. revised the credit ratings of the Company from A+(lka) to A-(lka) (Rating Watch Negative) during the year in line with the downgrade of the Country's credit rating due to the prevailing economic crisis.

DECADE AT A GLANCE

	2014 Rs.'000	2015 Rs.'000	2016 Rs.'000	2017 Rs.'000
Group income	13,410,771	15,963,249	16,284,923	18,145,869
Interest income	11,916,505	12,463,439	12,624,010	14,104,260
Net income from financial instruments at FVTPL	-	-	-	-
Other revenue	-	2,524,826	2,660,584	2,823,108
Operating lease income	1,034,981	334,506	364,207	497,619
Other income	459,285	640,478	636,122	720,882
Interest expenses				
Interest on deposits	(3,873,030)	(3,345,777)	(2,744,446)	(3,301,687)
Interest on bank and other borrowings	(857,349)	(758,369)	(937,630)	(943,840)
Interest on lease liabilities	-	-	-	-
Cost of sales	-	(1,761,781)	(1,792,067)	(1,981,548)
Operating expenses	(3,394,155)	(3,694,249)	(4,251,348)	(4,653,890)
Impairment and other credit losses	(1,216,365)	(1,834,150)	(658,347)	(302,794)
Share of profit of equity accounted investees, net of tax	480,869	533,127	549,105	628,890
Taxes on financial services	(182,591)	(240,796)	(444,978)	(815,686)
Profit before income tax	4,368,150	4,861,254	6,005,212	6,775,314
Income tax expense	(1,013,784)	(1,126,234)	(1,902,419)	(2,020,285)
Net profit for the year	3,354,366	3,735,020	4,102,793	4,755,029
Attributable to equity holders of the parent	3,291,239	3,633,279	3,993,671	4,665,195
Attributable to non-controlling interest	63,127	101,741	109,122	89,834

	2014 Rs.'000	2015 Rs.'000	2016 Rs.'000	2017 Rs.'000
As at 31st March				
Statement of financial position				
Stated capital	568,420	568,420	568,420	1,337,564
Capital reserves	2,517,669	2,527,454	2,509,879	2,510,631
Reserve fund	1,078,000	1,229,000	1,396,000	1,599,000
Fair value reserve / AFS reserve	26,665	102,499	91	(37,023)
Investment fund	732,716	-	-	-
Loan loss reserve	-	-	-	-
Revenue reserves	16,062,203	19,891,223	22,303,590	24,158,943
Funds attributable to equity holders of the parent	20,985,673	24,318,596	26,777,980	29,569,115
Non-controlling interest	731,711	795,979	855,819	884,232
	21,717,384	25,114,575	27,633,799	30,453,347

	2014 Rs.'000	2015 Rs.'000	2016 Rs.'000	2017 Rs.'000
As at 31st March				
Assets				
Cash and other liquid assets	4,580,351	4,919,919	4,152,976	4,377,189
Fair value through profit or loss financial assets	536,737	218,080	39,992	447,991
Available for sale investments	206,981	267,024	234,820	-
Investments in equity accounted investees	2,719,082	3,167,824	3,537,114	4,075,059
Advances to customers	48,341,935	53,464,335	59,735,967	62,782,169
Other assets	3,577,169	3,365,417	3,470,872	3,498,109
Property, plant and equipment	5,467,305	5,801,116	5,925,833	7,134,854
Total assets	65,429,560	71,203,715	77,097,574	82,315,371
Liabilities				
Deposits	32,673,095	33,448,265	34,299,143	35,527,936
Bank and other borrowings	6,411,628	6,322,225	8,504,386	9,050,927
Other liabilities	4,627,453	6,318,650	6,660,246	7,283,161
Total liabilities	43,712,176	46,089,140	49,463,775	51,862,024
Key indicators				
Group				
Earnings per share (Rs.)	31.38	34.64	38.08	21.52
Net asset value per share (Rs.)	200.09	231.86	255.31	135.23
Company				
No of shares	104,883,333	104,883,333	104,883,333	216,758,888
Earnings per share (Rs.)	26.47	28.63	31.79	18.05
Net asset value per share (Rs.)	171.01	196.55	214.26	111.81
Gross dividends paid (Rs.'000)	335,627	367,092	419,534	509,383
Dividend cover (times covered)	8.27	8.18	7.95	7.68
Market price per share (Rs.)	181.00	250.10	210.00	86.20
Price earnings ratio	6.84	8.74	6.61	4.78

Group profit for the year commencing 01st April 2013 was made liable for super gain tax amounting to Rs. 424.42 Million as per Finance Act No.10 of 2015 and duly settled by the Group. Groups profit for the year commencing 01st April 2020 was made liable to surcharge tax amounting to Rs. 2,589.34 Million as per Surcharge Tax Act No. 14 of 2022 and dully settled by the Group.

2018 Rs.'000	2019 Rs.'000	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000
20,502,024	23,566,453	25,758,685	23,994,266	24,580,234	24,473,972
16,114,759	18,571,815	20,116,816	16,604,313	14,219,402	17,911,950
		216,267	1,094,480	678,734	67,093
2,786,351	3,340,097	3,753,158	4,628,028	7,160,077	4,748,924
807,240	1,000,957	1,030,459	1,015,166	1,055,079	1,026,926
793,674	653,584	641,985	652,279	1,466,942	719,079
(4,314,616)	(4,760,353)	(5,624,498)	(5,130,566)	(3,714,968)	(4,732,335)
(888,929)	(1,216,837)	(1,102,713)	(974,886)	(21,404)	(43,499)
-	-	(41,816)	(44,739)	(46,527)	(52,668)
(1,970,053)	(2,412,427)	(2,696,572)	(3,399,801)	(5,393,157)	(2,839,286)
(4,801,213)	(4,948,269)	(5,254,740)	(4,575,363)	(5,556,961)	(5,858,166)
(396,051)	(2,213,650)	(4,785,758)	(3,270,465)	(286,966)	(843,425)
793,947	765,726	859,924	1,069,144	1,388,131	1,886,915
(1,116,079)	(1,431,885)	(1,275,328)	(863,462)	(1,298,900)	(1,679,690)
7,809,030	7,348,758	5,837,184	6,804,128	9,649,482	10,311,818
(2,303,003)	(2,220,004)	(1,727,880)	(1,024,160)	(2,373,343)	(2,752,818)
5,506,027	5,128,754	4,109,304	5,779,968	7,276,139	7,559,000
5,439,837	5,041,398	3,990,148	5,544,132	7,002,787	7,226,880
66,190	87,356	119,156	235,836	273,352	332,120
2018 Rs.'000	2019 Rs.'000	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000
1,337,564	1,527,778	1,696,898	1,961,597	2,230,286	2,230,286
2,291,952	4,745,864	4,823,863	5,102,431	4,976,248	4,597,308
1,824,000	2,037,000	2,213,000	2,371,000	2,715,000	2,964,000
19,637	17,993	111,767	27,538	(398,492)	100,028
-	-	-	-	-	-
920,000	920,000	920,000	920,000	920,000	920,000
27,521,078	31,492,005	34,560,162	39,669,450	45,392,409	48,733,620
33,914,231	40,740,640	44,325,690	50,052,016	55,835,451	59,545,242
865,255	1,119,290	1,197,191	1,453,433	1,634,702	1,900,478
34,779,486	41,859,930	45,522,881	51,505,449	57,470,153	61,445,720
2018 Rs.'000	2019 Rs.'000	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000
4,911,973	5,477,473	7,617,271	6,192,421	24,213,144	26,503,163
654,954	564,843	5,599,847	15,669,893	1,655,884	649,071
-	-	-	-	-	-
5,769,300	6,503,658	7,430,736	8,276,910	9,221,337	11,121,423
68,880,573	81,747,336	78,510,364	64,514,535	58,626,258	46,327,586
3,763,330	3,304,995	6,030,770	7,434,991	9,455,617	9,881,603
8,395,647	12,659,775	12,605,679	12,308,748	12,433,609	12,246,039
92,375,777	110,258,080	117,794,667	114,397,498	115,605,849	106,728,885
40,570,199	45,149,518	52,912,500	52,152,495	48,715,464	38,228,102
8,167,277	13,137,443	11,165,090	3,129,256	932,834	299,399
8,858,815	10,111,189	8,194,196	7,610,298	8,487,498	6,755,664
57,596,291	68,398,150	72,271,786	62,892,049	58,135,796	45,283,165
24.88	22.85	17.81	24.39	30.80	31.79
155.10	184.62	197.86	220.15	245.59	261.90
216,758,888	218,661,027	220,674,367	224,024,987	227,354,462	227,354,462
20.65	18.50	12.92	18.19	23.56	21.84
127.57	150.94	159.06	175.72	195.58	201.99
867,036	787,180	529,618	784,087	795,741	966,256
5.16	5.14	5.38	5.20	6.73	5.14
99.90	84.50	81.00	80.70	68.10	72.40
4.84	4.57	6.27	4.44	2.89	3.32

Those taxes deemed to be an expenditure in the financial statements relating to the respective year of assessment and accounted directly through equity as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain/Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka.

INCOME STATEMENT IN US DOLLARS

	Group		Company	
	2023 USD:'000	2022 USD:'000	2023 USD:'000	2022 USD:'000
For the year ended 31st March				
Income	74,812	83,643	59,827	59,552
Interest income	54,754	48,387	53,530	48,195
Interest expenses	14,760	12,873	14,907	12,997
Net interest income	39,994	35,514	38,623	35,198
Net income from financial instruments at FVTPL	205	2,310	171	2,040
Net other revenue	5,837	6,013	-	-
Operating lease income	3,140	3,590	3,157	3,603
Other income	2,198	4,992	2,969	5,714
Total operating income	51,374	52,419	44,920	46,555
Impairments and other credit losses	2,579	977	2,130	929
Net Operating Income	48,795	51,442	42,790	45,626
Operating expenses				
Personnel expenses	8,715	9,205	7,572	8,030
Premises, equipment, establishment and other expenses	9,192	9,705	7,487	7,762
	17,907	18,910	15,059	15,792
Operating profits before share of profit of equity accounted investee	30,888	32,532	27,731	29,834
Share of profit of equity accounted investee, net of tax	5,768	4,724	-	-
Operating profit before taxes on financial services	36,656	37,256	27,731	29,834
taxes on financial services	5,135	4,420	5,135	4,420
Profit before tax	31,521	32,836	22,596	25,414
Income tax expense	8,415	8,076	7,420	7,190
Profit for the year	23,106	24,760	15,176	18,224
Profit attributable to :				
Equity holders of the parent	22,091	23,830	15,176	18,224
Non-controlling interest	1,015	930	-	-
Profit for the year	23,106	24,760	15,176	18,224
Basic and diluted earnings per share -USD	0.10	0.10		
	-			
Dividend per share	0.01	0.01		

STATEMENT OF FINANCIAL POSITION IN US DOLLARS

As at	Group		Company	
	31.03.2023 USD:'000	31.03.2022 USD:'000	31.03.2023 USD:'000	31.03.2022 USD:'000
ASSETS				
Cash and cash equivalents	3,033	4,082	1,615	2,373
Fair value through profit or loss financial assets	1,984	5,635	1,155	3,294
Securities bought under repurchase agreements	10,422	17,701	10,422	17,701
Financial assets at amortised cost- Debt and other financial instruments	85,712	75,919	80,495	71,233
Financial assets at amortised cost- Loans and receivables from customers	16,089	16,077	16,090	16,088
Financial assets at amortised cost- Net investment in leases and hire purchase	125,525	183,420	125,525	183,420
Trade receivables	3,285	5,411	-	-
Investments in subsidiaries	-	-	1,167	1,135
Investments in equity accounted investees	33,996	31,379	5,057	5,234
Inventories and other stocks	4,240	5,534	242	185
Investment properties	241	268	241	268
Property, plant and equipment	37,434	42,310	30,081	34,311
Right of use assets	1,313	1,558	1,521	1,904
Intangible assets	962	292	960	289
Current tax assets	-	4	-	-
Deferred tax asset	62	52	-	-
Other assets	1,936	3,732	1,187	2,971
Real estates held for sale	16	18	16	18
Total assets	326,250	393,392	275,774	340,424
LIABILITIES				
Bank overdrafts	688	763	521	733
Financial liabilities at amortised cost -Deposits	116,856	165,772	117,787	166,823
Financial liabilities at amortised cost -Interest bearing borrowings	227	2,411	119	301
Lease liabilities	1,273	1,446	1,534	1,847
Employee benefit obligations	6,335	6,051	5,877	5,556
Current tax liabilities	4,638	6,034	3,928	5,435
Liabilities directly associated with the assets held for sale	-	4	-	-
Deferred tax liability	4,281	6,009	2,867	4,893
Other liabilities	4,124	9,338	2,764	3,524
Total liabilities	138,422	197,828	135,397	189,112
EQUITY				
Stated capital	6,818	7,589	6,818	7,589
Statutory Reserve fund	9,060	9,239	9,060	9,239
Revaluation reserve	14,053	16,934	10,087	12,199
Fair value reserve	306	(1,356)	-	-
Loan loss reserve	2,813	3,131	2,812	3,131
General reserve	71,538	79,637	71,504	79,599
Retained earnings	77,431	74,827	40,096	39,555
Total equity, excluding non-controlling interest	182,019	190,001	140,377	151,312
Non-controlling interest	5,809	5,563	-	-
Total equity	187,828	195,564	140,377	151,312
Total liabilities and equity	326,250	393,392	275,774	340,424
Net asset value per share - USD	0.80	0.85	0.62	0.67

USD Exchange rate was Rs. 327.14 as at 31 st March 2023

The Statement of financial position given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not form a part of the audited financial statements.

GLOSSARY OF FINANCIAL TERMS

A

Accounting policies - The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis - The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

Amortisation - The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate company - An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

C

Cash equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective impairment provisions - Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

Consolidated financial statements - Financial statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies - A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

Corporate governance - Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Credit risk - The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

D

Deferred taxation - Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Dividend cover - Profit attributable to ordinary shareholders divided by gross dividends to ordinary shares; this indicates number of times dividend is covered by current year's distributable profits.

Dividend per share - Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of

ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

E

Earnings per share (EPS) - Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective interest method - Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Equity method - A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

F

Fair value - Is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset - Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial instrument - Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability - A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Finance lease - A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Title may or may not eventually be transferred.

G

Gross dividend - The proportion of profit distributed to shareholders including the tax withheld.

Group - A group is a parent and all its subsidiaries and associates.

H

Held-for-trading - Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Held to maturity investment - Are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Hire purchase - A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impairment - This occurs when recoverable amount of an asset is less than its carrying amount.

Individual impairment - Impairment is measured on an individual basis for Non homogeneous groups of lending facilities that are considered as individually significant.

Intangible asset - An intangible asset is an identifiable non-monetary asset without physical substance

Interest cover - Earnings before interest and tax divided by interest expenses. This indicates the ability to cover or service interest charges of the debt holders.

L

Lease - An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liquid asset - Assets that are held in cash or in a form that can be converted to cash readily, such as balances with banks and treasury bills.

Liquidity risk - The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

M

Market capitalisation - Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market risk - The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risks: currency risk, interest rate risk, and other price risk.

N

Non-controlling interest - Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Net asset value per ordinary share - Ordinary shareholders' funds divided by the number of ordinary shares in issue.

Non-performing advances - Loans and advances of which rentals are in arrears for six months or more.

O

Operating lease - An operating lease is a lease other than a finance lease.

P

Parent - A parent is an entity that has one or more subsidiaries.

Past due - A financial asset is past due when a counterparty has failed to make a payment when contractually due.

R

Related parties - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions - Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Reverse repurchase agreement - Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

Return on average assets (ROA) - Profit after tax expressed as a percentage of average total assets.

Return on average equity (ROE) -

Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

S

Segmental analysis - Analysis of financial information by segments of an enterprise specifically the different industries and the different geographical areas in which it operates.

Shareholders' funds (Equity) - Total of issued and fully paid ordinary share capital and capital and revenue reserves attributable to ordinary shareholders.

Subsidiary company - An entity, including an unincorporated entity such as a partnership, which is controlled by another entity, known as the parent.

Substance over legal form - The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.

T

Tier I capital - Core capital representing permanent share holders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II capital - Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as, hybrid capital instruments and unsecured subordinate term debts.

Transaction costs - Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

NOTES

[illegible]

NOTICE OF MEETING

Notice is hereby given that the Sixty Fifth (65th) Annual General Meeting of Central Finance Company PLC (the "Company") will be held at Grand Kandyan Hotel, No.89/10, Lady Gordon's Drive, Kandy on the 30th June 2023 at 11.00 a.m. for the following purposes.

1. To receive and consider the annual report of the Board of Directors along with the financial statements of the Company for the year ended 31st March 2023 and the auditors' report thereon;
2. To declare a final dividend as recommended by the Board of Directors and to consider and if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION - DISTRIBUTION OF A FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2023

IT IS HEREBY RESOLVED THAT

- (i) a final dividend of Rupees One and Cents Seventy-Five (Rs. 1.75) per share constituting of a total dividend of Rupees Three Hundred Ninety Seven Million Eight Hundred Seventy Thousand Three Hundred Eight and Cents Fifty (Rs.397,870,308.50) be paid on the issued and fully paid shares of the Company for the financial year ended 31st March 2023.
 - (ii) the shareholders entitled to the final dividend would be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited ("CDS") as at end of trading on the 30th June 2023 (the "Entitled Shareholders").
 - (iii) accordingly, the management and secretaries of the Company be and are hereby authorized to attend to all matters pertaining to the aforesaid final dividend.
3. To re-elect as a director Dr.(Mrs.) A.D.N.de Zoysa , who retires by rotation in terms of Article 105 of the Articles of Association of the Company, and being eligible has offered herself for re-election.
 4. To re-elect as a director Mr. A.R. Fernando, who retires by rotation in terms of Article 105 of the Articles of Association of the Company, and being eligible has offered himself for re-election.

5. To re-appoint KPMG, Chartered Accountants who are deemed to be re-appointed as auditors of the Company until the conclusion of the next AGM of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2024 and to authorize the directors to determine their remuneration therefor.
6. To authorize the directors to determine the contributions to charities for the ensuing year.

By order of the Board,

Corporate Services (Private) Limited
Secretaries

Central Finance Company PLC
Colombo, on this 07th June 2023

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 stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company.
2. A completed form of proxy must be deposited at 216, de Saram Place, Colombo 10 or forwarded to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

*I/We.....of.....
being *a shareholder/shareholders of CENTRAL FINANCE COMPANY PLC do hereby appoint

- | | |
|--|-----------------|
| 1. Asite Drupath Bandara Talwatte | or failing him, |
| 2. Eranjith Harendra Wijenaike | or failing him, |
| 3. Arjuna Kapila Gunaratne | or failing him, |
| 4. Dhammika Prasanna de Silva | or failing him, |
| 5. Dr. (Mrs.) Agampodi Damitha Nandanie de Zoysa | or failing her, |
| 6. Arjun Rishya Fernando | or failing him, |
| 7. Chandika Kushan Hettiarachchi | or failing him, |
| 8. Kuda Banda Herath | or failing him, |
| 9. Manjula Hiranya de Silva | or failing him, |
| 10. Chaminda Sampath Hettiarachchi | or failing him, |

.....of.....
..... as my/our proxy to attend and vote at the Annual General Meeting of the Company to be held on the 30th June 2023 and at 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 and the report of the auditors thereon for the financial year ended 31st March 2023.	☐	☐
2. To approve a final dividend of Rupees One and Cents Seventy-Five (Rs. 1.75) per share by way of a cash dividend.	☐	☐
3. To re-elect as a director, Dr.(Mrs.) A.D.N.de Zoysa, who retires by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered herself for re-election.	☐	☐
4. To re-elect as a director, Mr. A.R. Fernando who retires by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered himself for re-election.	☐	☐
5. To re-appoint KPMG, Chartered Accountants, who are deemed to be re-appointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2024 and to authorise the directors to determine their remuneration therefor.	☐	☐
6. To authorise the directors to determine the contributions to charities for the ensuing year.	☐	☐

Signed this.....day of.....Two Thousand and Twenty Three

.....
*Signature/s

Note: Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Company Secretaries, Corporate Services (Private) Limited or forwarded to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the company, please complete the following and return this page to -
General Manager - Finance
Central Finance Company PLC,
270, Vauxhall Street,
Colombo 2,
Sri Lanka.

Email: thiliniw@cf.lk

Name :

Permanent mailing address :
.....

Contact numbers (Tel) :
Country code Area code Number

(Fax) :
Country code Area code Number

Email :

Name of company :
(If applicable)

Designation :
(If applicable)

Company address :
(If applicable)
.....

Queries/ comments

Please tick (✓) the appropriate box

Would you like to receive soft copies of the CF annual and interim reports via e-mail?

Yes

No

☐☐

Would you like to receive news and press releases of CF via e-mail?

☐☐

Would you like to receive any information on our products/services?

☐☐



THE ONLY DIGITAL PAYMENT APP YOU NEED TO CARRY

CORPORATE INFORMATION

NAME OF COMPANY

Central Finance Company PLC

LEGAL FORM

A Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 and registered under the Companies Act No. 07 of 2007.

Registered under Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000.

Approved Credit Agency under:

- Mortgage Act No. 6 of 1949
- Trust Receipt Ordinance No. 12 of 1947

COMPANY REGISTRATION NUMBER

PQ 67

DIRECTORS

A. D. B. Talwatte

Independent Non - executive Director/Chairman

E. H. Wijenaike

Managing Director

A. K. Gunaratne

Deputy Managing Director/Deputy CEO

D. P. de Silva

Director/Chief Operating Officer

Dr. (Mrs) A. D. N. de Zoysa

Independent Non - executive Director

A. R. Fernando

Non - executive Director

C. K. Hettiarachchi

Director (Marketing)

K. B. Herath

Independent Non - executive Director

M. H. de Silva

Independent Non - executive Director

C. S. Hettiarachchi

Director (Corporate Affairs)

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange

HEAD/ REGISTERED OFFICE

84, Raja Veediya, Kandy

Telephone : 081 - 2227000

Facsimile : 081 - 2232047

CITY OFFICE

270, Vauxhall Street, Colombo 2.

Telephone : 011 - 2300555

Facsimile : 011 - 2300441

E-mail : cenfin@cf.lk

Website : www.centralfinance.lk

BANKERS

Bank of Ceylon

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

NDB Bank PLC

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

DFCC Bank PLC

State Bank of India

AUDITOR

KPMG,

Chartered Accountants,

32A, Sir Mohamed Macan Markar Mawatha,

P.O. Box 186,

Colombo 03,

Sri Lanka.

LEGAL ADVISER

F. J. & G. de Saram,

Attorneys-at-Law,

P.O. Box 212,

Colombo

CREDIT RATINGS

A-(Ika) Rating Watch Negative by Fitch Ratings Lanka Limited

COMPANY SECRETARY

Corporate Services (Pvt) Limited,

216, de Saram Place,

Colombo 10.

Telephone : 011 - 4605100

Facsimile : 011 - 4718220

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www.centralfinance.lk