

Growth In Accord

NATION LANKA FINANCE PLC

Annual Report 2022/23



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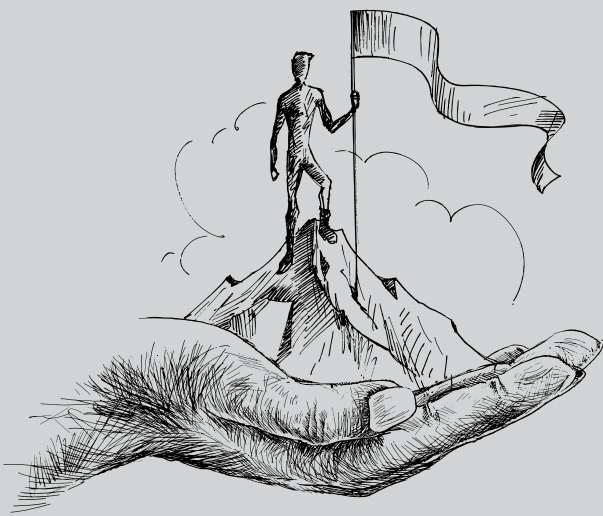
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The HTML version of the Annual Report 2022/23 can be read at
www.nationlanka.com/investors/financial-reports

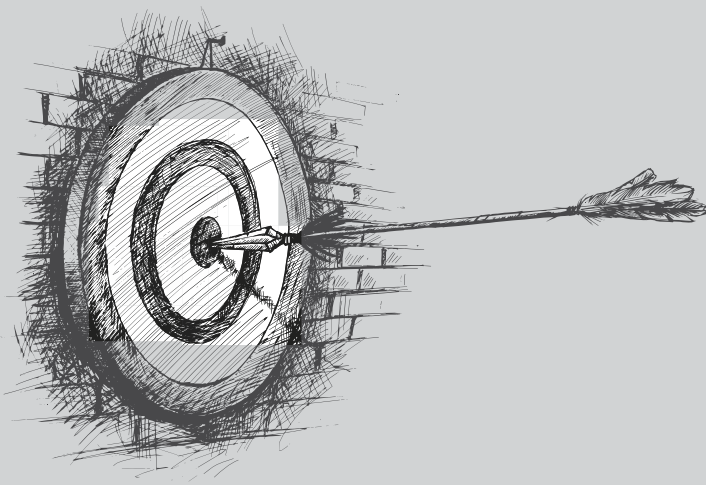
Growth in Accord

Even though the events in the year under review stalled much of the country, your company pushed through the obstacles to continue its momentum into the next phase of its development. We kept moving, and kept pace through the confidence placed upon us by trusted entities, a bold and strategic leadership and through sustainable and efficient processes that kept our engines running smoothly. We also used this time to consolidate and streamline our operations to ensure that what we offer is of the highest standard, ensuring that our stakeholder requirements are fulfilled. And now that we have come through to the other side of a challenging year, we look forward with hope and optimism,



VISION

**To Be The most
Trusted and Revered
Finance Company
where it's Employees
and Shareholders
will be Happy and
Proud as one.**



MISSION

**Being the Most
Customer-centric
Organisation in the
Financial Services
Industry with the
urgency of serving
“Now” not today.**



Financial Highlights

	Group			Company		
	2022/23 Rs. 000's	2021/22 Rs. 000's	Change %	2022/23 Rs. 000's	2021/22 Rs. 000's	Change %
Financial Performance						
Revenue	1,141,787	843,820	35%	1,141,787	843,820	35%
Gross Interest Income	1,133,729	834,049	36%	1,133,729	834,049	36%
Net Interest Income	(166,380)	262,885	-163%	(166,380)	262,885	-163%
Impairment of Loans and Other Losses	(454,689)	(174,601)	-160%	(454,689)	(174,601)	-160%
Net Operating Income	(202,569)	366,948	-155%	(202,569)	366,948	-155%
Operating Expenses	(808,773)	(782,822)	-3%	(808,773)	(782,763)	-3%
Profit/(Loss) before VAT & Income Tax	(1,011,341)	(416,101)	-143%	(1,011,341)	(416,101)	-143%
Profit/(Loss) for the year	(911,140)	(246,134)	-270%	(911,140)	(246,075)	-270%
Total Comprehensive Income	(914,429)	(229,922)	-298%	(914,429)	(229,863)	-298%
Financial Position						
Accommodations (adjusted for Impairment)						
Lease	404,340	776,555	-48%	404,340	776,555	-48%
Loans	1,279,561	1,442,300	-11%	1,279,561	1,442,300	-11%
Hire Purchase	103,610	138,523	-25%	103,610	138,523	-25%
Micro Finance	924,186	674,504	37%	924,186	674,504	37%
Pawning	568,818	508,150	12%	568,818	508,150	12%
Real Estate & Investment Property	1,404,808	1,295,144	8%	1,404,808	1,295,144	8%
Investment in Kanrich Finance Limited	1,121,884	-	100%	1,121,884	-	100%
Other Assets	3,130,788	2,200,102	42%	3,130,788	2,200,102	42%
Total Assets	8,937,995	7,035,278	27%	8,937,995	7,035,278	27%
Public Borrowings	6,267,356	5,355,163	-17%	6,267,356	5,355,163	-17%
Bank & Other Borrowings	1,431,125	552,584	-159%	1,431,125	552,584	-159%
Other Liabilities	319,594	398,642	20%	319,594	399,214	20%
Total Liabilities	8,018,075	6,306,389	-27%	8,018,075	6,306,961	-27%
Stated Capital	2,330,073	1,224,042	-90%	2,330,073	1,224,042	-90%
Retained Earnings	(1,461,049)	(544,235)	-168%	(1,461,049)	(544,807)	-167%
Net Assets	920,491	728,889	26%	919,919	728,317	26%
Tier 1 Core Capital	-	-		500,699	413,088	21%
Information per Ordinary Share						
Earnings/(Loss) Rs.	(0.31)	(0.18)	72%	(0.31)	(0.18)	72%
Net Assets Rs.	0.31	0.54	-43%	0.31	0.54	-43%

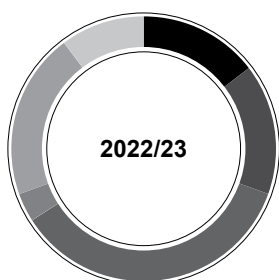
PRODUCT WISE - INTEREST INCOME (COMPANY)

Interest Income	2022/23 Rs 000's	2021/22 Rs 000's	Change %
Lease	165,434	208,322	-21%
Term Loans	180,819	195,695	-8%
Micro Finance	401,199	247,478	62%
Hire Purchase	39,641	42,480	-7%
Pawning	230,270	111,930	106%
Other Lending	116,365	28,144	313%
Total Interest Income (Gross)	1,133,729	834,049	36%

FIVE YEAR SUMMARY - COMPANY

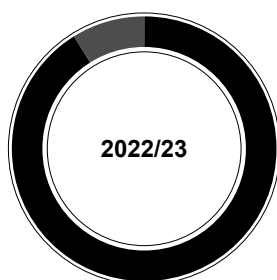
Item	2019	2020	2021	2022	2023
Deposit Base	7,155,318	6,441,690	5,247,606	5,355,163	6,267,356
Lending Base	6,505,791	5,949,499	4,409,430	4,835,176	5,806,754
Total Assets	8,974,938	8,738,439	7,262,633	7,035,278	8,937,995
Total Turnover	2,317,633	1,949,608	1,188,081	843,820	1,141,787
Total Equity	1,076,135	1,072,611	958,179	728,317	919,919
Tier 1 Core Capital	865,634	878,412	700,860	413,088	500,699

Product Wise - Interest Income



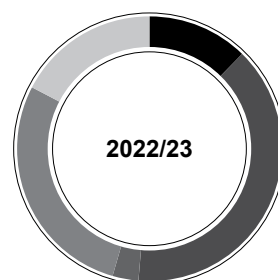
■ Lease ■ Hire Purchase
 ■ Term Loans ■ Pawning
 ■ Micro Finance ■ Other Lending

Funding Composition



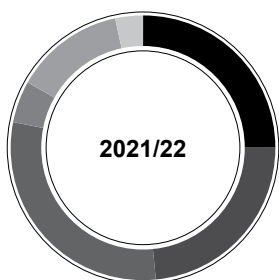
■ Fixed Deposits (Public)
 ■ Bank & Other Borrowings
 ■ Debentures

Product-wise Portfolio (Company)



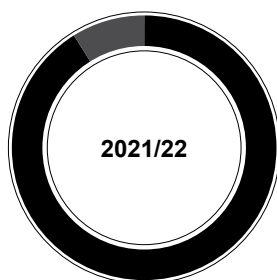
■ Lease ■ Micro Finance
 ■ Loans ■ Pawning
 ■ Hire Purchase

Product Wise - Interest Income



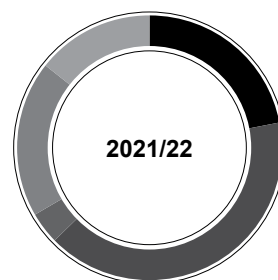
■ Lease ■ Hire Purchase
 ■ Term Loans ■ Pawning
 ■ Micro Finance ■ Other Lending

Funding Composition



■ Fixed Deposits (Public)
 ■ Bank & Other Borrowings
 ■ Debentures

Product-wise Portfolio (Company)



■ Lease ■ Micro Finance
 ■ Loans ■ Pawning
 ■ Hire Purchase

27%

Asset Growth

26%

Net Asset Growth

-43%

Net Asset per Share Growth

-155%

Decrease in Net Operating Income

17%

Deposit Base Growth

-7%

Lending Base Growth

-72%

Earnings per Share Growth

Chairman's Message



Dear Shareholders,

I am truly honoured to address you on behalf of the esteemed Board of Directors and present the Annual Report and Audited Financial Statements of Nation Lanka Finance PLC for the fiscal year 2022/2023. It is with great pride and admiration that I recount the Company's journey through this exceptional year, marked by challenges that demanded resilience and strategic acumen.

OPERATING ENVIRONMENT

The Sri Lankan economy confronted an array of unparalleled challenges, particularly in the initial two quarters of the reviewed year. The financial year 2022/23 dawned with substantial pressure on the Sri Lankan Rupee, stemming from the currency's free float in March 2022. This was prompted by the realization that the previously pegged exchange rate did not mirror market rates. Concurrently, a tightening of the foreign exchange markets led to shortages in essential commodities. The combination of precarious foreign

currency reserves and liquidity scarcities in these markets compelled the Sri Lankan Government to take a pre-emptive step – the suspension of servicing most of its external debt obligations. This encompassed international sovereign bonds, bilateral loans, and government-guaranteed facilities. The resulting volatility and acute scarcity of crucial goods were compounded by social unrest and political uncertainty, culminating in the dual resignations of the Prime Minister and President by July 2022. Moreover, the promising post-pandemic

resurgence of tourist arrivals in the country was arrested due to multiple travel advisories and negative perceptions spawned by the socio-economic tumult.

The transition to a new President and the subsequent appointment of a Prime Minister and Cabinet marked a turning point, restoring political stability. Many of the shortages in vital commodities were resolved relatively swiftly, facilitating a quicker-than-expected return to normalcy. In September 2022, Sri Lanka entered into an Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF), securing a USD 2.90 billion agreement subject to meeting certain conditions. These conditions included stringent fiscal and monetary policies, debt restructuring with international creditors, and public sector reforms.

Building on this foundation, the Government introduced significant policy actions and reforms geared toward fiscal consolidation and sustainable debt levels. Aiming to increase Government tax revenue to around 15% of GDP by 2025 from the current 8.5%, substantial hikes in direct and indirect tax rates were announced. Market-responsive pricing mechanisms were established for fuel and cooking gas, while multiple upward revisions of electricity tariffs were undertaken to curtail the burden of government subsidies. The successful implementation of a fuel rationing scheme ensured equitable fuel distribution across the nation, addressing fuel shortages.

As these policy reforms and actions took root, the domestic economic landscape experienced a robust turnaround, particularly in the foreign exchange liquidity aspect. The significant stresses witnessed in the first half of the year gave way to a more stable scenario. This shift was underscored by a continuing deceleration in inflation, with rates

easing to around 35% by April 2023, compared to a peak of over 70% in the past 12 months. This moderation in inflation was attributed to factors such as the high interest rate regime. However, the elevated inflation levels that characterized the early stages of 2022/23, coupled with the effects of increased direct and indirect taxes, have hampered consumer discretionary spending.

In the capacity of a financial service provider catering to the grassroots segment, these developments in the operating environment have had a profound impact on our business activities. Our operations encountered setbacks during lockdowns and restrictions, with challenges in reaching our customer base. The disruptions to the retail environment led to a slowdown in business promotions during this period. Concurrently, our customers faced financial setbacks, impacting their livelihoods and reducing their repayment capacity. These challenges continued to reverberate, affecting our internal cash flow generation.

STRATEGIC DIRECTION AND PERFORMANCE

Amidst these circumstances, our primary focus throughout this period remained unwavering – to navigate the challenges and guide the Company onto a profitable trajectory once again. Embracing a comprehensive approach that encompasses all facets of our operations, we diligently crafted pragmatic strategies to emerge from the prevailing pressures and realize profitability in the short term. In light of this, we took a decisive step to recalibrate our product portfolio, aligning it with prevailing market prices. Simultaneously, we scrutinized our recovery strategies, refining them to enhance their efficacy.

As we pursued these strategies, we were resolute in our pursuit of growth. One of our key initiatives involved the

expansion of our branches, bolstering their resources and endowing them with greater autonomy to execute their tasks with effectiveness. Simultaneously, we explored innovative funding avenues, encompassing both debt and equity, to fortify our financial foundation. Amid the strategic endeavors, our steadfast focus on revenue generation and meticulous cost management remained pivotal, guiding our actions and decisions.

While the fiscal environment posed challenges that had a negative impact on both our return on assets and return on shareholder funds compared to the previous year, this outcome was within our expectations, considering the prevailing circumstances. It is important to note, however, that despite these headwinds, our company exhibited remarkable strides in enhancing the net interest margin and equity-to-assets ratios, achieving impressive growth of -4% and 10%, respectively. This achievement is particularly commendable in light of the industry-wide trend of diminishing net interest margins.

Aligned with our strategic pursuit of expanding our loan portfolio, we executed a well-coordinated approach to curtail excess liquidity levels, thereby effectively channeling our resources and propelling business growth. Even as we implemented this deliberate reduction, our company maintained robust liquidity levels, representing 12% and 16% in relation to total assets and total deposits, respectively. This prudent liquidity management ensures stability and primes us to seize emerging opportunities with agility.

I am also delighted to share that our net interest income (NII) witnessed an impressive surge of 87% during the reviewed period. This remarkable accomplishment underscores our commitment to bolstering revenue generation and optimizing asset utilization. Furthermore, our earnings

Chairman's Message

per share (EPS) for the period stand at -31% a reflection of the sustained profitability that underscores our operations.

Amidst the challenges we navigated, it brings me immense satisfaction to observe the growth of our net asset value (NAV) to Rs. 920 Mn, representing an admirable increase of 26% over the year. This augmentation underscores the resilience embedded in our business model and reinforces the substantial value we have fostered for our valued shareholders.

Further, in October 2022, a rights issue totaling Rs. 1.1 billion was initiated, marked by a significant investment from Singhe Capital Investment Limited, which secured a post-merger holding of 46.26%. Following the merger with Kanrich Finance Limited, which became effective on July 31, 2023, after receiving approval from the Central Bank of Sri Lanka's Monetary Board in December 2022, a core capital infusion of Rs. 1.6 billion was achieved, spanning across 32 business locations. This merger resulted in a combined asset value reaching Rs. 12 billion.

Our unwavering strategy centers on driving sustainable growth and optimizing value for our esteemed stakeholders. In pursuit of this vision, we remain vigilant in assessing market dynamics, adjusting strategies in harmony with changing tides, and emphasizing robust risk management to deftly navigate any uncertainties that may surface.

STEERING THROUGH THE EVOLVING TAX LANDSCAPE

Commencing January 1, 2022, the government's decision to heighten the value-added tax (VAT) on financial services to 18% directly impacted our operations. This policy shift translated into elevated tax responsibilities

for our range of financial offerings. Furthermore, from October 1, 2022, a novel tax, the Social Security Contribution Levy (SSCL), was introduced at a rate of 2.5%. The amalgamation of these tax alterations has culminated in a substantial escalation of our total tax on financial services.

Consequently, a Rs. 103 Mn tax reversal was subjected due to business loss and deferred tax assets. In tandem, the shift in income tax rate from 24% to 30%, effective from October 1, 2022, further compounds the challenge. This augmentation in financial and income tax liabilities presents a nuanced trial to our financial performance, necessitating a meticulous assessment of our business strategies and operations to seamlessly integrate with the new tax landscape.

However, our unwavering commitment remains to deftly navigate this evolving tax realm through circumspect prudence and strategic adaptability. As we move forward, our steadfast focus persists on delivering tangible value to our stakeholders, all while upholding our pledge to unwavering regulatory compliance.

TECHNOLOGY DRIVE

Recognizing the pivotal role of digital integration in enhancing internal efficiency and customer experiences, we remain committed to our digital transformation journey. Our roadmap encompasses digitizing human capital management processes, adopting technology-prescribed methods for outsourced functions, and fostering a digital culture that resonates with customers' evolving preferences for technology-driven financial transactions. This commitment to technology is a testament to our dedication to innovation and excellence in service delivery.

HUMAN CAPITAL

The bedrock of our accomplishments rests on our invaluable human capital, which enabled us to navigate adversity while maintaining our commitment to service excellence. As lockdowns and restrictions altered our work dynamics, we made a seamless transition to remote work, continuing to deliver quality products and services without compromise. To our dedicated team, we express our profound gratitude for their resilience and dedication. In recognition of their unwavering support, we pledge to empower them further through continuous training and development, coupled with competitive remuneration and an environment that fosters work-life equilibrium.

COMPLIANCE CULTURE

Embracing a robust compliance culture, we remain steadfast in our commitment to upholding industry best practices and fostering sustainable growth. Throughout our journey, we have diligently adhered to all requisite corporate governance standards and fulfilled statutory obligations with unwavering dedication. Our adherence to the regulations set forth by the government for the Non-Bank Financial Institutions (NBFI) sector stands as a testament to our resolute dedication to bolstering industry best practices across every echelon of our business operations.

Moreover, we are actively engaged in the process of further reinforcing the compliance fabric of our organization. A significant stride in this direction has been the establishment of a dedicated compliance function, designed to meticulously monitor and guide the implementation of internal rules, regulations, and systems. This comprehensive approach ensures that every facet of our operations aligns seamlessly with regulatory requirements and industry standards.

Recognizing the pivotal role that audits play in promoting a culture of compliance, we have taken significant steps towards their expansion. By bolstering both internal and management auditing, we amplify our commitment to fostering a culture of adherence within our organization. These collective efforts not only enhance our compliance measures but also solidify our commitment to ethical and responsible business practices, further strengthening the trust of our stakeholders.

WAY FORWARD

Navigating ahead, the compass of our journey will be guided by two essential coordinates: growth and profitability. With an unwavering commitment to achieving financial success, we are steadfast in charting a course towards profitability, underpinned by judicious and strategic interventions. Central to this expedition is our resolute endeavor to amplify customer experiences through elevated service delivery and a meticulously tailored product portfolio. Our focus extends towards augmenting value-added services for deposit customers, a testament to our dedication to enhancing their financial well-being.

Amidst this voyage, the principles of prudent cost management and dynamic revenue generation will remain steadfast as the cornerstones of our strategies. The orchestration of these principles harmoniously underpins our commitment to financial sustainability and operational excellence.

In tandem, our relentless pursuit of technological advancement shall continue unabated. We are unwavering in our dedication to embracing technology as a driving force for optimization and transformation, streamlining our operations, and providing innovative solutions that resonate with the digital era.

As we set sail towards a horizon brimming with possibilities, we cast our gaze towards the prospects of mergers and acquisitions. These strategic considerations exemplify our resolve to fortify the organization's strength and viability for the future. In the immediate term, our agenda is underscored by capital augmentation, a concerted effort to bolster our financial foundations for resilience and growth. Looking beyond, we are resolute in fostering both organic and inorganic growth, thus ensuring that the seeds of prosperity we sow today will bear fruit well into the future.

With these formidable strategies as our guiding North Star, we believe that the near term holds the promise of prosperity for Nation Lanka Finance PLC. Our journey is one that we undertake with diligence, conviction, and a steadfast commitment to delivering excellence in all dimensions of our operations.

BOARD CHANGES

I wish to welcome Mrs. Deepani Bandara who was appointed to the Board during the financial year 2022/23. My appreciation to Mr. Jagath Dissanayake and Mr. J. Rudra for their contribution during the period of service in the Board.

APPRECIATIONS

In reaching the culmination of this report, I wish to extend my heartfelt gratitude to the esteemed members of our Board, whose steadfast guidance and unwavering support have been a beacon of strength throughout the past year. The unity of purpose displayed by the Management and staff, under the adept leadership of our CEO, has been truly commendable, as they rallied together to contribute their best amidst the backdrop of unprecedented challenges.

I extend my sincere appreciation to the Director and all officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka, the Securities and Exchange Commission, and the Colombo Stock Exchange. Their invaluable support and guidance have been instrumental in steering our endeavors in the right direction.

A special recognition is owed to our External Auditors, M/s KPMG, and Company Secretaries, Corporate Arcade Limited, for their diligent oversight and invaluable contributions. Furthermore, the advisory services provided by Ernst & Young have added immense value to our strategic pursuits.

At the heart of our success story are our cherished NLF customers and shareholders, whose trust and support have been the cornerstone of our journey over the past year. Your belief in us has fueled our determination to persevere and excel. With our continued collaboration, I am confident that we shall forge ahead, scaling new heights and embracing the promise of a prosperous future.



Victor Ramanan
Chairman

8th April 2024

Board of Directors



1. Mr. Victor Ramanan Chairman (Non-Executive)

Victor Ramanan is a Sri Lankan born British National residing in London. Being educated in Sri Lanka and the UK, Victor is a B.Sc. Graduate and holds a Diploma in Software Engineering, Business Admin & Sales Techniques (UK).

He is a versatile marketer and administrator with more than 35 years of hands on experience working in many countries including United Kingdom, Kuwait, Dubai, Bahrain, Germany, France, USA and Sri Lanka. He has worked in areas such as IT, HR, Marketing and Business Development of which more than 21 years has been in the fields of Oil, Gas, Logistics and Real Estate Sectors.

2. Mrs. Shamila Arunodani Wickramasinghe (Non-Executive/ Independent)

Mrs. S A Wickramasinghe holds a B. Sc. Accountancy (Special) Degree 2nd Class Upper Division from University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She is also holder of a Fellow Member of Institute of Certified Management Accountants of Sri Lanka, Fellow Member of the Institute of Chartered Professional Managers, Life Member of Certified Professional Accountants and a Fellow Member of the Association of Accounting Technicians of Sri Lanka.

3. Mr. Nayana Jagath Kumar Dissanayake

Senior Director (Non-Executive / Independent)
Resigned w.e.f. 14 September 2022

Mr. Jagath Dissanayake is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of

the Institute of Certified Management Accountants of Sri Lanka.

He carries over 37 years of Managerial Experience in the fields of Finance, Auditing, Marketing and Operations. Most of the experience and exposure, associated with him are overseas. He speaks of a broadened intellectual knowledge and capacity of multi-tasking due to the exposure he acquired while working as Group Finance Director/ Group Chief Financial Officer, in many of the multi-national companies around the world and in few Public listed Conglomerates in Sri Lanka. He has held several Board Director positions in companies around the world.

4. Mr. Ahalape Gamage Maheen Priyantha (Non-Executive)

Mr. Maheen was appointed to the Board of Lanka Credit and Business Finance Limited in May 2018. With 26 years of working experience in the marketing field, he is currently serving as the Managing

Director and Chairman of Maweli Credit and Investment (Pvt) Ltd. In addition to that he is also serving as a Director in the Board of Directors of Singhe Capital Investment Limited. Mr. Maheen holds a diploma in Human Resource Management from the National Institute of Business Management (NIBM) Sri Lanka.

5. Mrs. Kelakorale Gedera Deepani Wasantha Kumuduni Bandara

(Non-Executive/ Independent)
Joined w.e.f. 14 September 2022

Mrs. Deepani Bandara, possesses over 24 years of Professional experience as a practicing Attorney-at-Law, specializing in commercial and Financial Services industry.

Mrs. Deepani Bandara, has gained extensive experience and Professional Skills, during her carrier.

Mrs. Bandara, has rendered her services as a Panel Lawyer at CBC Finance PLC- Kandy, Manager Legal at Indra Traders (Pvt) Ltd, Assistant General Manager - Legal /Company Secretary at Sinhaputhra Finance PLC and has gained vas experience in a Licensed Finance Companies. She is also practicing as a Freelance Lawyer at Kandy Bar.

6. Mr. Jayaprakash Rudra

Director (Executive)
Retired w.e.f. 07th June 2022

Appointed to the Board on 11th March 2011. He is a well-established businessman. Currently he serves as a Director in many other Companies. He has wide experience especially in the field of Property Development.

7. Mrs. Luckshmi Menaka Minu Jayawickrema

(Non-Executive/Independent) Joined w.e.f. 26th March 2024

Mrs. Jayawickrama holds 37 years of legal expertise; she is a veteran attorney known for her dedication to justice and integrity. As a life member of the Bar Association of Sri Lanka and an Attorney-at-Law of the Supreme Court of Sri Lanka, she holds a distinguished academic background, Master of Laws (LL.M) specializing in Human Rights, Criminal Justice and Administrative Law from the University of Colombo. Currently pursuing a Master of

Philosophy/Doctor of Philosophy (MPhil/ PhD) at the University of Colombo, she has worked as an Attorney-at-Law in the District Court of Colombo and as an Assistant Director General at Commission to Investigate Allegations of Bribery and Corruption, Deputy Director General and Director General for the Prevention of Bribery and Corruption. She has also served as the Additional Secretary (Legal) to His Excellency the President and served as the Additional Secretary (Legal) to the Ministry of Justice.

8. Mr. Maura Gunawansa

(Non-Executive/Independent) Joined w.e.f. 26th March 2024

Having successfully completed his school career at the Dharmaraja College of Kandy, in 1982 he was selected to the Faculty of Law of the University of Colombo and in 1986 he passed out as a LL.B. Graduate and joined the Law College of Sri Lanka. Thereafter having completed his studies at the Law College he was enrolled as an Attorney-at-Law in 1988 and practiced as a Junior Counsel in the Chamber of Mr. Ranjan Suwandaratra, President's Counsel. In 1993 he commenced his independent practice as a Civil Law Counsel and in May 2019 was appointed as a President's Counsel since then to date, he serves as an active practitioner in the field of Civil Law, appearing in the Trial Courts, Appellate Courts and the Supreme Court of Sri Lanka. Presently serves as a visiting lecturer of Sri Lanka Law College. Since December 2019 to February 2024 served as a non-executive director of Mobitel (Pvt) Ltd.

9. Mr. Udaya Seneviratne

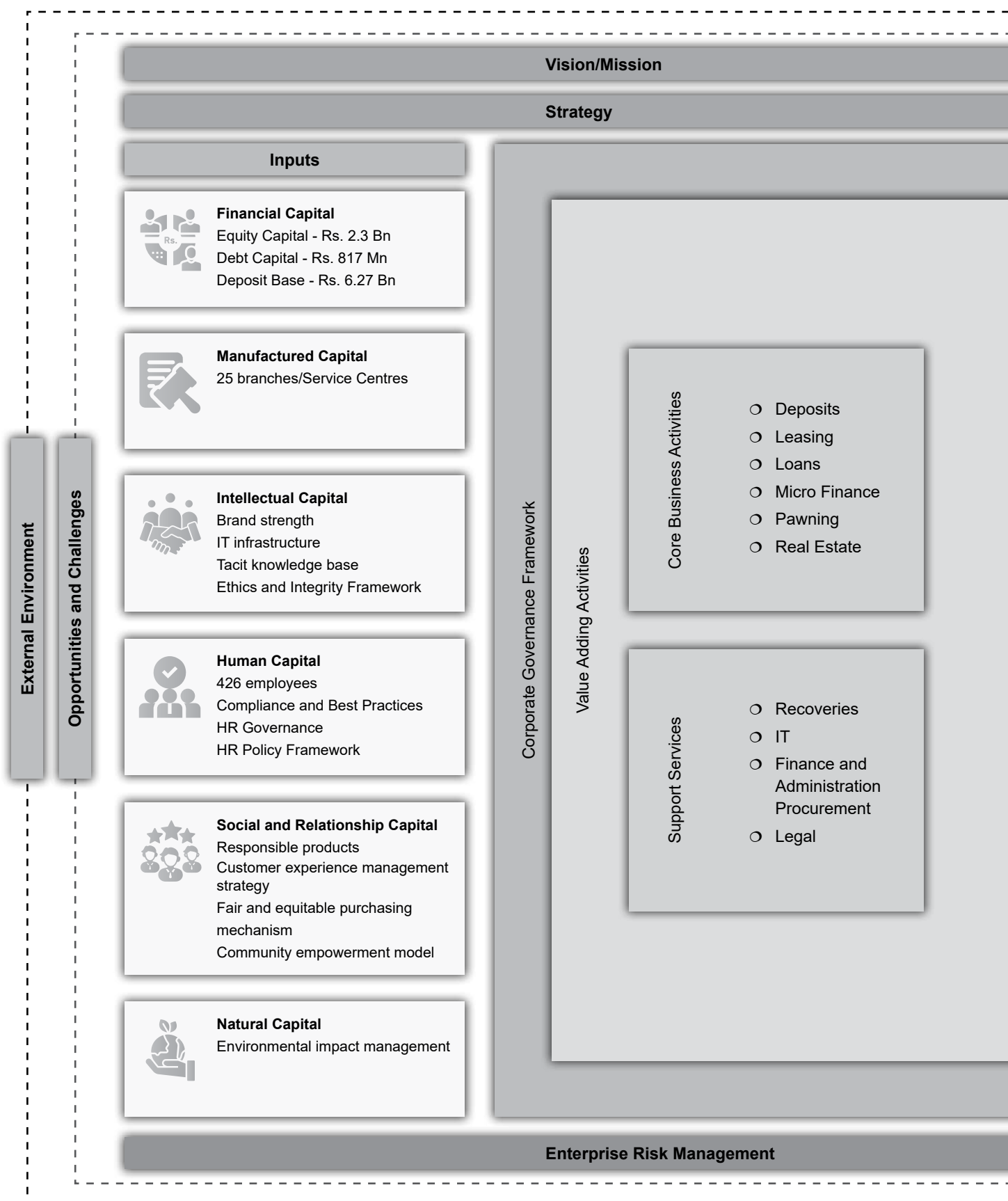
(Non-Executive/Independent) Joined w.e.f. 26th March 2024

Udaya Seneviratne is a distinguished public administrator with a remarkable career spanning over 37 years. His expertise extends across various domains, including public service, business management, finance, and the cooperative sector. He has held pivotal roles in government and corporate organizations, contributing significantly to national development and governance. As the former Secretary to the President of Sri Lanka, he played a key role in shaping policy and driving strategic initiatives at the highest levels of governance.

He holds Master of Science in Mass Communications, University of Kelaniya, Postgraduate Diploma in Management, Open University of Sri Lanka, Diploma in Co-operative Marketing, Institute of Co-operative Development, Postgraduate Diploma in Local Government Studies, University of Colombo, Postgraduate Diploma in Communication Development, University of Colombo, Bachelor of Science in Physical Sciences, University of Kelaniya, Diploma in Marketing Management, SLIDA.

He has served as Governing Council Member of University of Kelaniya, Director of Sanasa Life Insurance (PVT) Ltd, Director of Sanasa Greenmart (PVT) Ltd, Director of Sanasa Campus (PVT) Ltd, Secretary to the President of Sri Lanka, Secretary to the Ministry of Science, Technology & Research, Secretary to the Ministry of Mahaweli Development And Environment, Additional Secretary to the Ministry of Foreign Affairs, Secretary to the Ministry Of Highways And Investment Promotions, Secretary to the Ministry Of Sugar Industry Development, Acting Secretary to the Ministry Of Coconut Development & Janatha Estate Development, Secretary to the Ministry Of Productivity Promotion, Secretary to the Ministry Of Sports, Deputy Secretary To the Treasury, Ministry Of Finance & Planning, Additional Secretary to the Ministry Of Finance & Planning, Director General, National Institute Of Cooperative Development, Principal of the School Of Co-operation, Chairman and Director roles in various government and corporate organizations, including Sri Lanka Telecom, National Film Corporation, Shell Gas Company Ltd, and more. Additional responsibilities include chairing and serving on boards and authorities such as the Sri Lanka Telecommunication Regulation Commission, Sri Lanka Sustainable Development Council, and Sri Lanka Standards Institute.

Business Model



Stakeholder Outcomes



Shareholders

ROE (98%)

ROI (-6%)

Dividend 0



Customers

Rs. 3.2 Bn of Loans & Advances

Island-wide reach

Increased Customer Satisfaction

Faster complaint resolution



Employees

Gender Balance – Male - 322

– Female - 104

Training Programmes –

– Management - 10

– Executive - 1

– Total - 11



Regulators

Taxes - Rs. 103 Mn

Central Bank - Rs. 2 Mn

Colombo Stock Exchange - Rs. 0.11 Mn



Communities

Microfinance lending - Rs. 1.66 Bn

As a relief to customers during Economic crisis which had a negative impact on businesses.

Material Issues

MATERIALITY

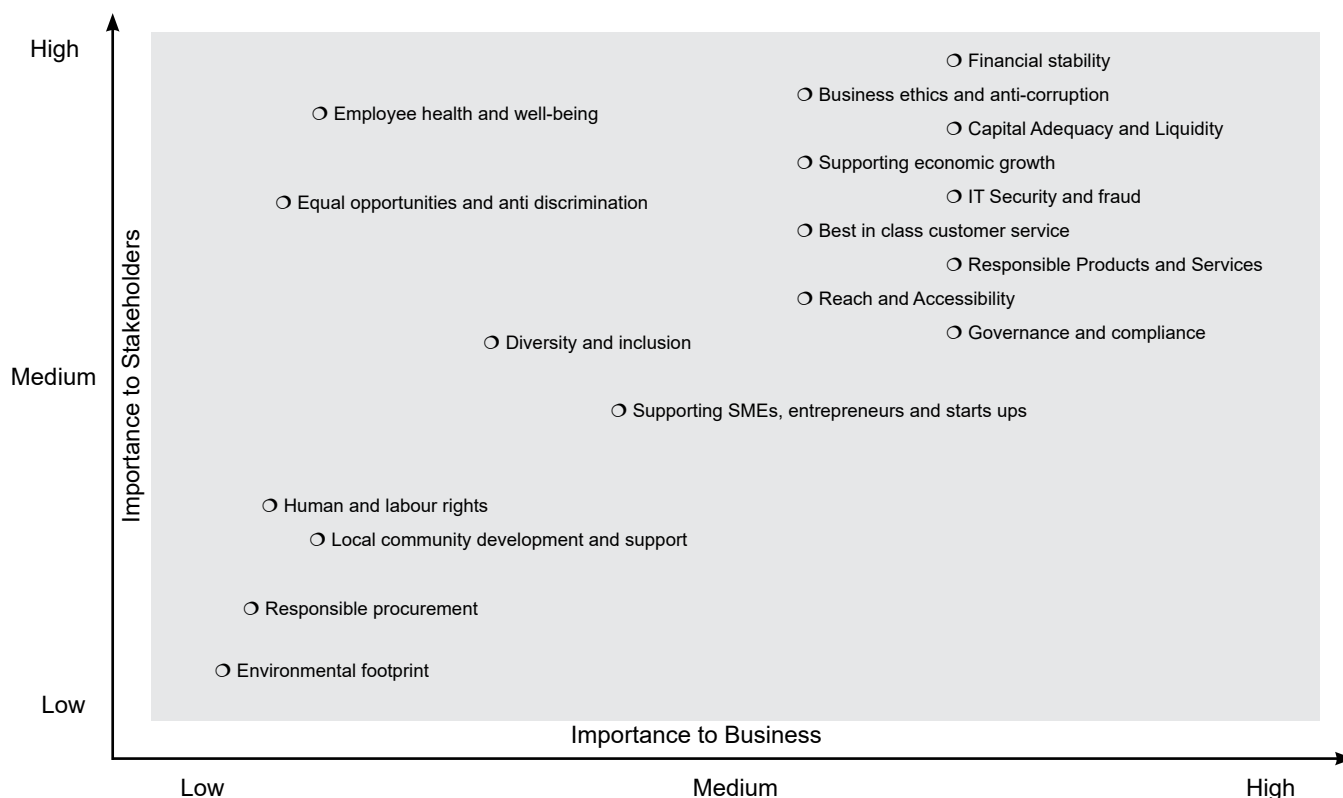
Nation Lanka Finance PLC is steadfast in its commitment to transform into a more sustainable and responsive business entity that can effectively align with the evolving expectations of its diverse array of stakeholders. Recognizing the inherent fluidity of the market landscape and the ever-changing priorities of distinct stakeholder groups, we have instituted a rigorous Materiality Analysis process. This comprehensive approach serves to pinpoint the pivotal issues that hold the potential to substantially influence our strategic decisions and operational frameworks.

Our Materiality Analysis is a dynamic and ongoing endeavour, characterized by a continuous dialogue with our esteemed business leaders and operational managers, coupled with insightful interviews with external stakeholders who offer expert perspectives. This comprehensive collection of insights and viewpoints is subjected to a meticulous assessment, gauging each issue's potential impact on our business operations and the degree to which it resonates with the concerns of our stakeholders.

Subsequently, this evaluation is translated into a tangible representation – the Materiality Matrix. This matrix serves as an invaluable tool that not only aids us in assessing the relative significance of these identified issues

to our business but also weighs their relative importance in the eyes of our stakeholders. By juxtaposing these two perspectives, we gain a holistic understanding of the matters that demand our attention and strategic focus.

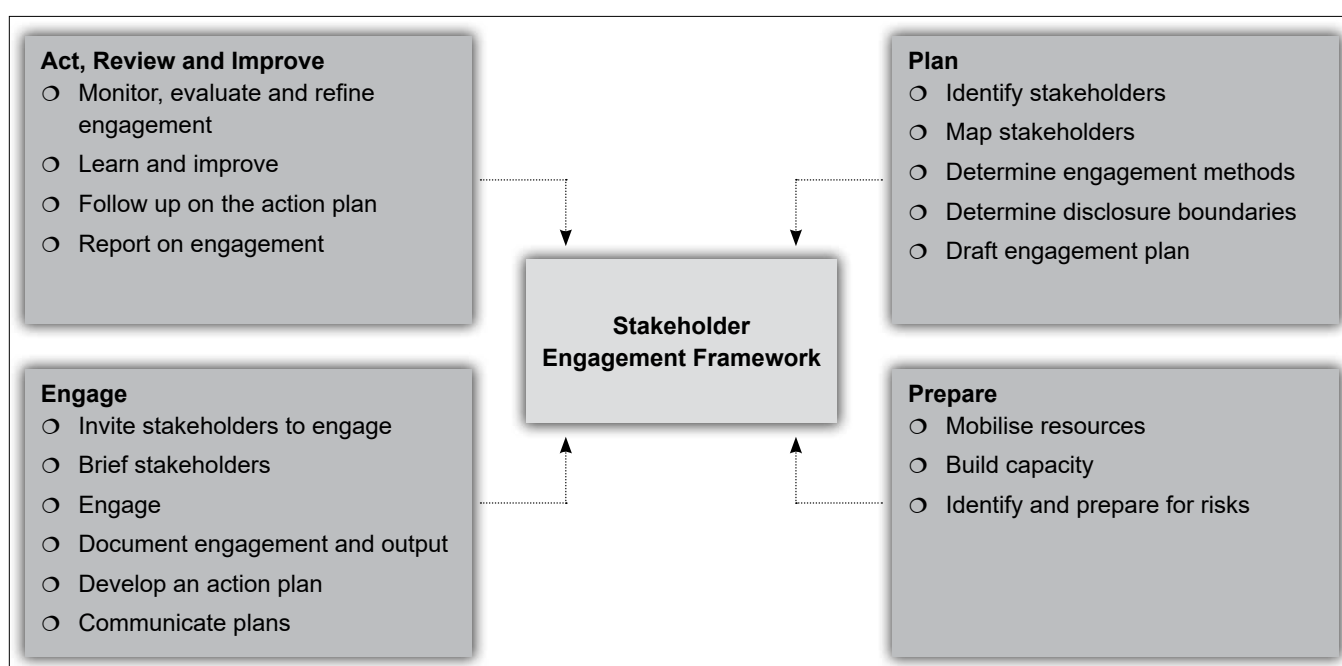
In this context, the ensuing Materiality Matrix, a snapshot of which is presented below, encapsulates the seventeen most critical issues that stand at the forefront of Nation Lanka's considerations for the ongoing financial year. This matrix serves as a navigational compass, guiding our endeavours and ensuring that we proactively address issues that are not only pivotal to our business's success but are also integral to fulfilling the expectations of our valued stakeholders.



Stakeholder Engagement

Stakeholder Engagement stands as a cornerstone of our commitment, emblematic of our determination to forge enduring value for stakeholders and to foster a lasting, positive impact on society. In this pursuit, we embark on a journey of understanding and interaction, endeavouring to intimately acquaint ourselves with the diverse range of stakeholders we serve. By immersing ourselves in this interactive dialogue, we not only gain insight into the core priorities of each stakeholder group but also delve into the intricate dynamics of how and why these needs are destined to evolve.

Our approach to Stakeholder Engagement is not confined to singular instances but rather extends as a continuous and evolving process. This ongoing engagement serves as the crucible in which we refine our strategic course and elevate our operational mechanisms. Through these profound interactions, we acquire the intelligence required to steer our strategies in a direction that catalyses holistic value creation. It is this concerted dialogue that empowers us to not only comprehend the aspirations of our stakeholders but also harness their wisdom in shaping our responsive strategies and propelling our transformative processes forward.



SHAREHOLDERS

Our engagement with shareholders is a well-structured process aimed at addressing their core concerns. We value their input on financial stability, capital adequacy, liquidity, and governance. Our response includes regular interactions such as the Annual General Meeting and Annual Report, as well as Extraordinary General Meetings for critical matters. We provide updates through Interim Financial Statements, CSE Announcements, press conferences, and press releases. Our corporate website and social media platforms ensure ongoing communication. Through these varied channels, we empower shareholders to actively participate in our journey, contributing to our growth and strategic direction.

SHAREHOLDERS

Method of Engagement	Frequency of Engagement	Material Concerns
Annual General Meeting	Annual	○ Financial Stability
Annual Report	Annual	○ Capital Adequacy and Liquidity
Extraordinary General Meetings	As needed	○ Governance and Compliance
Interim Financial Statements	Quarterly	
CSE Announcements	As needed	
Press Conferences / Press Releases	As needed	
Corporate Website	Continuous and Ongoing	
Social Media Platforms	Continuous and Ongoing	

Our Strategic Response:
 Financial Capital - Page 21-22
 Corporate Governance Report - Page 34-68
 Investor & Investor Information - Page 174

Stakeholder Engagement

CUSTOMERS

Engaging with our customers involves addressing their critical concerns, including responsible products and services, exceptional customer service, accessibility, support for SMEs and entrepreneurs, business ethics, anti-corruption measures, and IT security. Through our strategic response focused on social and relationship capital, intellectual capital, and manufactured capital, we ensure that our offerings and interactions align with customer expectations and needs.

CUSTOMERS

Method of Engagement	Frequency of Engagement	Material Concerns
Sales Teams	Continuous and Ongoing	○ Responsible Products and Services
Call Center	Continuous and Ongoing	○ Best in-class customer service
Promotional Activities	Continuous and Ongoing	○ Reach and Accessibility
Press Conferences / Press Releases	As needed	○ Supporting SME's, entrepreneurs and start-ups
Corporate Website	Continuous and Ongoing	○ Business ethics and anti-corruption
Social Media Platforms	Continuous and Ongoing	○ IT Security and fraud
Customer Surveys	As needed	
		Our Strategic Response:
		Social and Relationship Capital - Page 31-32
		Intellectual Capital - Page 25-26
		Manufactured Capital - Page 23-24

EMPLOYEES

Our engagement with employees is centered on their essential concerns, including health and well-being, diversity and inclusion, business ethics, anti-corruption efforts, and human and labor rights. Through our strategic response involving human capital and intellectual capital, we ensure that our actions align with employee needs and expectations. This engagement is carried out through a variety of means, such as sales briefings, team meetings, management meetings, internal communications, employee notice boards, ongoing training activities, awards ceremonies, and other scheduled company events, fostering a supportive and inclusive work environment.

EMPLOYEES

Method of Engagement	Frequency of Engagement	Material Concerns
Sales Briefings / Team Meetings	Continuous and Ongoing	○ Employee health and wellbeing
Management Meetings	As needed	○ Diversity and inclusion
Internal Communications	Continuous and Ongoing	○ Business ethics and anti-corruption
Employee Notice Board	As needed	○ Human and labour rights
Training Activities	Continuous and Ongoing	
Awards Ceremonies	Annual	Our Strategic Response:
Other Company events	As scheduled	Human Capital - Page 27-30
		Intellectual Capital - Page 25-26

REGULATORS

In our interactions with regulators, we prioritize their crucial concerns encompassing financial stability, capital adequacy, liquidity, governance, compliance, business ethics, anti-corruption efforts, human and labor rights, IT security, fraud prevention, and supporting economic growth with increased reach and accessibility. Our strategic response, which integrates financial capital, corporate governance, investor information, intellectual capital, and manufactured capital, ensures alignment with regulatory expectations. We maintain ongoing engagement through directives and circulars, annual and periodic CBSL audits, interim financial reports, annual reports, regulatory submissions and filings as required, and additional meetings as deemed necessary, reinforcing our commitment to transparent and compliant operations.

REGULATORS

Method of Engagement	Frequency of Engagement	Material Concerns
Directives and circulars	Continuous and Ongoing	○ Financial Stability
CBSL Audit	Annual/Periodic	○ Capital Adequacy and Liquidity
Interim Financials	Quarterly	○ Governance and Compliance
Annual Report	Annual	○ Business ethics and anti-corruption
Regulatory submissions / filings	As mandated	○ Human and labour rights
Other meetings	As needed	○ IT Security and fraud
		○ Supporting economic growth
		○ Reach and accessibility

Our Strategic Response:

Financial Capital - Page 21-22
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COMMUNITY

Our engagement with the community focuses on critical concerns including local community development and support, fostering SMEs, entrepreneurs, and startups, upholding human and labor rights, advancing economic growth, responsible procurement, and reducing our environmental footprint. Aligned with our strategic approach, which emphasizes social and relationship capital as well as intellectual capital, we engage through press conferences, press releases, continuous updates on our corporate website and social media platforms, and the annual report. Additionally, we undertake community projects as necessary, reinforcing our commitment to enhancing societal well-being and sustainable growth.

COMMUNITY

Method of Engagement	Frequency of Engagement	Material Concerns
Press Conferences / Press Releases	As needed	○ Local community development and support
Corporate Website	Continuous and Ongoing	○ Supporting SME's, entrepreneurs and startups
Social Media Platforms	Continuous and Ongoing	○ Human and labour rights
Annual Report	Annual	○ Supporting economic growth
Community Projects	As needed	○ Responsible Procurement
		○ Environmental Footprint

Our Strategic Response:

Social and Relationship Capital - Page 31-32
 Intellectual Capital - Page 25-26

Operating Environment

In the year 2022, the financial system confronted a severe economic crisis, marking one of the most significant challenges since gaining independence. The sovereign rating saw downgrades from all rating agencies, and the banking sector faced substantial sovereign exposure. The situation was compounded by economic contraction, acute foreign exchange shortages, high inflation rates, and the Government's announcement in April 2022 of a standstill on servicing external debts, including bilateral and commercial loans. This unprecedented combination had a notable adverse impact on the financial sector, testing its resilience.

Despite these formidable challenges, the stability of the banking sector managed to hold steady throughout 2022. This achievement occurred despite ongoing struggles such as deteriorating credit quality, pressure on liquidity, reduced profitability due to significant impairments, and weakening capital buffers. Simultaneously, the sector exhibited growth in assets and deposits, largely in alignment with the Central Bank's prudential guidelines.

Within this complex landscape, the Licensed Finance Companies and Specialised Leasing Companies sector exhibited expansion in assets and deposits during 2022. This growth was possible thanks to robust capital and liquidity buffers, even in the face of shrinking credit growth, reduced profitability, and an uptick in non-performing loans, notably represented by Stage 3 loans.

Amidst these circumstances, the Monetary Board allowed a measured adjustment in the exchange rate in early March 2022 due to mounting pressures in the domestic foreign exchange market. However, the subsequent decision to float the exchange rate led to a significant depreciation, driven by limited liquidity in the domestic foreign exchange

market and unfavorable market sentiments. In response, the Central Bank introduced market guidance to stabilize the exchange rate.

The money market faced persistent liquidity deficits during the first half of 2022, which substantially improved by the end of December due to Central Bank measures. Meanwhile, money market activities experienced subdued performance due to increased risk aversion among participants. The equity market struggled through 2022, influenced by high fixed income yields and negative market sentiment within the challenging macroeconomic context.

Despite these trying circumstances, some positive signs emerged in early 2023. This was characterized by gradual easing of liquidity pressures in foreign exchange and money markets, declining yields on government securities, and improved market confidence following the approval of the Extended Fund Facility from the International Monetary Fund (IMF) on March 20, 2023. However, the impending debt restructuring poses potential challenges to the financial sector, although concerted efforts from the Government and Central Bank aim to maintain financial system stability throughout this process.

NON-BANKING FINANCIAL SECTOR

In the midst of difficulties arising from reduced credit expansion, diminishing profitability, and a rise in non-performing loans, notably reflected in Stage 3 loans, the LFCs and SLCs industry exhibited growth in terms of assets and deposits throughout 2022. This expansion was accompanied by sufficient capital and liquidity reserves. The execution of the Masterplan for the consolidation of Non-Bank Financial Institutions (referred to as the Masterplan) is in progress. Its primary goal is to establish robust and enduring LFCs in the medium run, thus ensuring

the protection of sector depositors' interests and the maintenance of overall financial system stability.

By the end of 2022, the sector's combined assets reached Rs. 1,611.2 billion, making up 5.2 percent of Sri Lanka's total financial assets. This sector consisted of 36 LFCs and 1 SLC, with a network of 1,834 branches. Notably, 65.6 percent (1,204 branches) were located outside the Western Province. Throughout 2022, the sector also added 127 new branches as part of its expansion efforts.

During 2022, the sector's asset base expanded by Rs. 123 billion, marking an 8.3 percent growth. By the end of the year, it reached Rs. 1,611.2 billion, surpassing the 6.1 percent growth seen in 2021. This growth was primarily propelled by the expansion of the loans and advances portfolio, alongside increases in investments and liquid assets.

Within the asset composition, loans and advances constituted a substantial 74.4 percent. Notably, finance leases were the prominent component in the loans and advances portfolio, constituting 41.6 percent by the close of 2022. This was a decline from the 48.3 percent observed at the close of 2021. The reduction was due to the contraction of the leasing portfolio, driven by ongoing government restrictions on motor vehicle imports to curb foreign currency outflows.

Despite this, the loans and advances portfolio still achieved a 5.0 percent growth, amounting to Rs. 1,199.2 billion by the end of 2022. This expansion was predominantly influenced by a remarkable 77.5 percent increase in pawning and gold loans by the same period.

The investment portfolio of the LFCs and SLCs sector encompasses equities, corporate debt instruments, government securities, and investment

properties. Notably, this portfolio experienced a substantial 19.3 percent expansion, reaching Rs. 199.6 billion in 2022. This growth starkly contrasts with the slight 5.4 percent increase seen in 2021. The primary driver for this significant growth was the heightened investments in government securities maturing within a year. This trend followed increased interest rates in shorter-term maturities.

Additionally, the sector's other assets, which mainly consist of cash and balances held with banks and financial institutions, also underwent remarkable growth. Specifically, these assets grew by 19.4 percent in 2022, marking a significant shift from the 12.4 percent contraction observed in 2021. This growth was largely attributed to elevated placements with LCBs (Licensed Commercial Banks).

Customer deposits remained the predominant liabilities within the LFCs sector, constituting a substantial portion of 53.7 percent in total liabilities. Notably, deposits experienced an increase of Rs. 81.1 billion, reflecting a year-on-year growth of 10.4 percent, bringing the total to Rs. 864.4 billion. In contrast, borrowings underwent a decline of 1.0 percent, reducing to Rs. 322.6 billion over the course of 2022.

(Source: CBSL Annual Report 2022)

Business Report

LENDING

The year 2022 was marked by the overpowering influence of the aftermath of COVID-19 pandemic, followed by an economic crisis and its associated macroeconomic uncertainties, significantly affecting various facets of life. The business landscape was no exception, with external factors exerting considerable influence and intermittently obstructing uninterrupted operations and grassroots activities. Amidst these challenges, non-financial institutions that serve widespread communities across the country experienced substantial setbacks. The resultant limitations on customer business activities led to a ripple effect, constraining their cash flow and repayment capabilities.

Navigating this landscape, Nation Lanka Finance PLC found itself in the position of adapting lending operations to prioritize recovery endeavours, with field staff dedicated to collections. This necessitated allocating additional resources to strengthen our legal recovery processes. The Company also aligned with Government and CBSL guidelines to provide debt moratoriums, offering support to customers severely affected by the pandemic. This involved implementing phase 1 and phase 2 debt moratoriums for lending customers, including those in the micro segment. Strategic prudence in lending activities was imperative amidst the prevailing macroeconomic volatility, prompting a selective lending strategy for short to medium-term exposures like leasing, hire purchase, and microfinance. Concurrently, we exercised caution by refraining from expanding long-term lending exposure throughout the year.

As a testament to our adaptability, we observed a rising demand for pawning services, even with elevated global gold prices. Seizing this opportunity, we capitalized on avenues to diversify and expand our loan portfolio, focusing on strategic growth in alignment with the evolving market dynamics.

DEPOSITS

The challenging economic landscape precipitated by the pandemic prompted investors to liquidate their deposits, driven by the need to fulfill debt obligations or explore more viable investment avenues. As a result, we found it necessary to temporarily scale back deposit mobilization efforts. Our focus shifted towards optimizing the deposit portfolio to achieve a more balanced deposit mix, thereby reducing the Company's overall funding costs. This involved strategically reducing reliance on long-term, high-cost deposits while concurrently minimizing customer attrition in short-term tenure Fixed Deposits (FDs), allowing us to leverage the advantages of low-interest rates and lower funding expenses.

Through these judicious strategies, the Company effectively maintained a retention ratio and managed to attract and retain deposit customers in an external environment that posed constraints on advertising or promotional activities for deposit mobilization. Consequently, despite persistent low-interest rates and challenging market conditions prevailing during the period, NLF achieved an impressive feat by maintaining a deposit volume of Rs. 912 Mn during the year. This accomplishment underscores our ability to navigate the adverse market dynamics and sustain a steady deposit base.

Financial Capital

OUR FINANCIAL CAPITAL

- Shareholder Funds
- Deposits
- Borrowings

OBJECTIVES

1. Pursue sustainable growth and maintain position as a leading NBF
2. Improve market share
3. Effective Cost Management

FINANCIAL CAPITAL TRADE-OFFS

- Investment in all the other capitals may enhance the stock of value available to the Company
- Way Forward
- Capital Infusion
- Merger with a Financial Institution

NET INTEREST INCOME

The Net interest income for the fiscal year witnessed a decline of -163% in comparison to the previous financial period, reaching a total of Rs. 166,379,791. This reduction was primarily influenced by a marked increase in interest costs, rising by 128% from Rs. 571,164,017 to Rs. 1,300,108,548 this year.

Moreover, the sluggish economic conditions stemming from reduced new business activities and constrained operational hours, attributed to economic uncertainties, power shortages, and fuel crises, played a significant role in constraining the expansion of the net Interest Income over the course of the year.

OTHER OPERATING INCOME

The Company experienced a decline of -53% in its other operating income, encompassing lending and pawning revenues, concluding the financial year with a total of Rs. 282,680,361. This remarkable growth can largely be attributed to the rights issue and merger that transpired within the year.

Conversely, a notable decline in non-operative income was observed, largely influenced by a substantial decrease in the other operating income during the same period. The initial quarter of the year was marked by economic turmoil, significantly impacting fee-based income and other non-operative sources of revenue throughout the period.

DIRECT INTEREST COST

Interest expenses increased by 128% to Rs. 1,300,108,548 for the year ended 31st March 2023 from Rs. 571,164,017 in the previous year. This significant rise in direct interest cost was primarily driven by higher interest rates and growth in the interest-bearing deposit base and borrowings to fund the Company's lending operations.

Interest costs on customer deposits grew by 135% to Rs. 1,101,098,697 compared to Rs. 469,627,271 last year. This increase stemmed from the higher average deposit portfolio as well as elevated interest rates offered on fixed deposits to remain competitive amidst tight market liquidity conditions.

Interest expenses on borrowings, including bank loans, other borrowings and debentures, rose substantially by 117% to Rs. 175,769,228 from Rs. 80,875,927 in the previous year. The increase was largely due to the substantial policy rate hikes by the Central Bank of Sri Lanka to rein in demand-driven inflationary pressures. This led to a significant increase in the cost of funds from banks and other lending institutions.

The overall escalation in interest expenses exerted pressure on the Company's net interest margins during the year under review. Effective management of the direct interest cost through optimization of the funding mix, strategic pricing of lending products and maintaining an appropriate assets and liabilities maturity profile will be a key priority going forward.

COST MANAGEMENT

In light of the numerous operational challenges faced during the reviewed period, effective cost management emerged as a crucial priority. The Company was dedicated to optimizing cost efficiency across all its functions in response to these challenges.

Nevertheless, the implementation of assertive marketing strategies at the time resulted in an upsurge in other overhead expenses associated with business operations, leading to a 3% increase in costs as compared to the previous year.

Financial Capital

FINANCIAL POSITION

Asset Movement

In the fiscal year 2023, the Company's asset portfolio displayed a robust composition, underlining its financial stability and prudent resource allocation. Cash and cash equivalents stood at Rs. 80,350,577 indicating its strong liquidity position. Deposits with licensed commercial banks and non-bank financial institutions reached Rs.384,639,755, emphasizing its strategic financial relationships. Financial assets recognized through profit or loss, measured at fair value, totalled Rs. 66,507,073, reflecting its investment activities.

Additionally, assets measured at amortized cost, including loans and advances, amounted to Rs. 3,280,515,132, showcasing the Company's commitment to its financing endeavours. Tangible assets, such as real estate stock and investment properties, held significant values at Rs.118,908,090 and Rs.1,285,900,500, respectively. The Company's asset composition for 2023 highlights its strong financial foundation and thoughtful resource management..

Capital and Equity

In the year 2023, the Company's capital and equity structure demonstrated a resilient foundation, reflecting its financial strength and prudent management. The stated capital exhibited substantial growth, reaching Rs.2,330,072,972, a marked increase from the previous period. The reserve fund remained stable at Rs.131,422,068, showcasing the Company's commitment to maintaining financial reserves. Although the fair value reserve witnessed fluctuations, ending at -Rs.88,273,613, the other reserves remained constant at Rs.9,000,000.

The Company's retained earnings saw a substantial negative balance of - Rs.1,461,620,854. The total equity attributable to equity holders reached Rs.919,919,100, a significant surge compared to the previous year, underscoring the Company's focus on creating value for its shareholders. The comprehensive equity position, coupled with its strategic approach to capital management, reinforces the Company's financial resilience and future growth prospects.

OUTLOOK

In the financial landscape of 2023, the Company's assets reveal a dynamic trajectory that mirrors its strategic approach to financial management. Despite a minor dip in cash and cash equivalents, the Company's other asset categories have showcased significant growth and resilience. Notably, investments in real estate stock, investment property, and property, plant & equipment have expanded, signaling a commitment to prudent allocation of resources.

Additionally, the increase in financial assets recognized through profit or loss underlines the Company's astute investment choices. While some liabilities have risen, the Company has maintained a cautious approach to managing its obligations. With total assets amounting to Rs. 8,937,994,820 and liabilities standing at Rs. 8,018,075,720 the Company's prudent financial stance is evident.

In the realm of equity, the Company stands strong, with a notable surge in stated capital to Rs.2,330,072,972 and an overall equity attributable to equity holders amounting to Rs. 919,919,100. This growth in equity underscores the Company's ability to generate value for its shareholders. The net assets per share also reflect positively on the Company's commitment to enhancing shareholder value. As 2023 unfolds, the Company's robust asset portfolio and strengthened equity position project a promising financial outlook, poised for sustainable growth and strategic financial management.

Manufactured Capital

Our Manufactured Capital

- Head office building
- Island-wide branch network

Manufactured Capital Trade-Offs

- Establishing an extensive branch network can result in enhanced customer convenience.

Objectives

- Optimize floor space to enhance operational efficiency
- Enhance customer convenience
- Implement decentralization for quicker service delivery and improved customer convenience
- Improve visibility

Way Forward

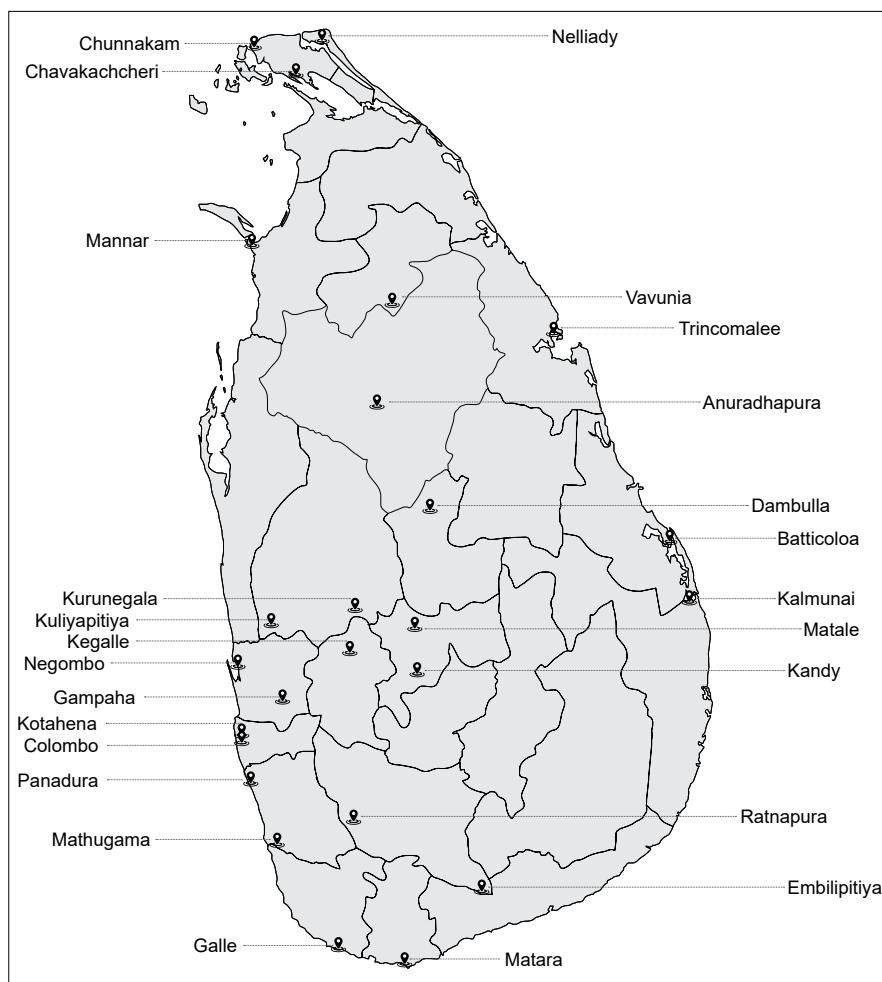
- Strategic expansion of the branch network aims to foster a financially inclusive SME sector across the entire island.
- Transitioning from conventional in-person financial transactions to digital and mobile solutions.
- The ongoing merger, which has been proposed and approved, will strengthen NLFP's island-wide presence.
- The proposed new IT system is designed to encompass comprehensive customer service, convenience, and productivity enhancements, while ensuring rigorous monitoring and compliance.

Nation Lanka Finance PLC's main office building and our network of branches represent our manufactured capital, which facilitates customer access to our comprehensive range of products and services.

Throughout our history, we have undertaken substantial expansion efforts, resulting in a robust network of 28 branches and centers. This expansion is a testament to our unwavering dedication to serving communities nationwide, advancing financial inclusion across Sri Lanka. We have strategically positioned ourselves in key areas, fortifying our presence in important towns and cities. This strategic placement not only increases our visibility to our target audience but also enables us to attract new customers. Additionally, it allows us to extend our reach to rural areas that lack access to formal financial channels. This branch network expansion has also contributed to generating employment opportunities within local communities.

Branch locations are meticulously selected through a combination of thorough research analysis and strategic assessment of the target markets. This process takes into account factors such as customer profiles, market needs, and alignment with our product offerings tailored to specific segments.

Central to our decision-making is a strong emphasis on customer convenience. Each chosen branch location is strategically positioned to ensure optimal accessibility. These prime locations are characterized by high visibility, ample parking facilities, and proximity to key transportation hubs like railway stations and bus stops. This deliberate approach is aimed at enhancing the overall customer experience and convenience.



Manufactured Capital

The majority of our branch facilities are situated within rented spaces, operating under extended lease agreements. Oversight of branch management falls under the purview of the Chief Operating Officer, who ensures the effective functioning of these outlets.

Expansion of our branch network is a result of a meticulously crafted strategic blueprint, which receives endorsement from the Board of Directors. This strategic plan guides the allocation of necessary capital resources, a collaborative effort led by the CEO and CFO. Their recommendations, after obtaining Board approval, drive the decision-making process for expansion initiatives.

	2022/2023	2021/2022
Fixed Assets (Book Value) Rs. Million	429	427
Additions to fixed assets Rs. Million	38	3
Expenditure on branch upkeep and Maintenance Rs. Million	4.4	7.1
New branches opened	-	-
No. of branches relocated	2	1
No. of branches on Company owned premises	-	-
No. of branches/ centres on rented premises	25	25

Intellectual Capital

Intellectual capital, comprising our intangible assets, stands as a pivotal force driving our Company's enduring value creation and our unwavering commitment to meeting stakeholder expectations. These intangibles wield a profound influence over our competitive edge within the market, positively impacting our bottom line. As an organization dedicated to addressing evolving customer needs, we conduct our business with transparency and accountability, fostering the sustainability of our stakeholders – encompassing customers, employees, and the broader community.

The Nation Lanka brand serves as a defining element of our identity, encapsulating our distinct role in the nation's economic advancement. Through the meticulous cultivation of a unique brand identity that embodies our true vision and mission, we have consistently positioned ourselves as a trustworthy financial institution fostering strong community bonds. Guided by a set of brand guidelines that resonate across employees, channel partners, designers, and marketing agencies, we've ensured consistent brand communication through various channels.

Our brand's strength derives from several key drivers, including our brand guidelines, effective marketing communication, the quality of our products and services, a robust distribution network, and recognition through awards and accolades. Our commitment to customer-centricity manifests in our continuous development of cutting-edge products tailored to evolving customer needs, priced to align with chosen market segments, and delivered through an extensive distribution network for maximum convenience.

Notably, our brand's integrity has earned us the recognition of esteemed awards such as the 'Fastest Growing Leasing Company in Sri Lanka' and the 'Most Innovative Leasing Product 'Nation OD' by the Global Banking and Finance Awards in the UK. The Institute of Chartered Accountants (CA Sri Lanka) has also consistently acknowledged our annual report, validating our status as a respected financial player. Our expansive reach, catering to diverse customer segments including corporates, SMEs, individuals, and underserved rural communities, reflects our commitment to inclusive financial services that empower the financial well-being of all our clients.

Furthermore, we have embraced technology as a conduit for enhancing customer experience and convenience. Our substantial investments in the Company's IT platform have yielded numerous enhancements to branch-level and head office operations. These include ensuring seamless system availability with robust network connectivity, augmenting data center capacity, and introducing heightened security protocols to shield against data loss and cyber threats. This tech-driven evolution underscores our determination to continually elevate operations in service of our stakeholders' interests.

Enhancing operational efficiency through technological advancements, we have embarked on system and process upgrades aimed at minimizing manual interventions. Our commitment to this trajectory persists as we allocate investments towards process automation and workflow optimization, fostering not only internal efficacy but also an enriched customer experience. Anchored by a comprehensive IT security policy, we uphold the integrity

and confidentiality of information, safeguarding the Company's reputation and brand identity. This policy also ensures stringent adherence to regulatory compliance, thus bolstering the confidentiality and security of customer data.

Our IT landscape encompasses uninterrupted connectivity, augmented data center capacity, stringent IT security measures, systematic system upgrades, and the establishment of a robust Disaster Recovery Site. This alternate site, operational and strategically located, ensures continuous business continuity, safeguarding workflow even in exceptional scenarios or server failures.

Our intellectual capital thrives on the collective knowledge and expertise of our employees, constituting a pivotal facet of our organizational competence. Ranging from entry-level to executive roles, our workforce encompasses individuals with specialized skills, carefully nurtured to cater to our diverse clientele. The senior management, including the Board of Directors, contributes invaluable insights, experience, and leadership, charting the Company's trajectory of prosperity.

Operating under a set of unwavering principles grounded in ethics and integrity, our corporate culture aligns seamlessly with our vision, mission, and core values. In fostering an ethical environment, we have implemented concrete measures such as the Code of Ethics and Business Integrity, underscoring our commitment to honesty and integrity in all business interactions. Our resolute stance against bribery and corruption is enshrined in the Anti-bribery and Anti-Corruption Approach, safeguarding our reputation while maintaining

Intellectual Capital

professional and fair business dealings. Remaining steadfast in our dedication to fair competition, our Anti-Competitive Behavior Guidelines reinforce adherence to regulatory tenets that prevent illegal agreements restraining competition.

Furthermore, our Anti-Money Laundering (AML) and Counter Terrorism Financing Framework underscores our commitment to preventing financial malfeasance, encompassing measures to avoid money laundering, fraud, and any involvement in terrorist financing. Guided by a robust Compliance function, we adhere diligently to relevant regulations and laws, ensuring adherence to both regulator-set compliance standards and Financial Intelligence Unit (FIU) functions. Moreover, our Outsourcing Policy reinforces stringent controls, mitigating potential vulnerabilities in outsourcing arrangements. This holistic approach underpins our unwavering commitment to ethical, compliant, and transparent operations.

Human Capital

Our Human Capital

- NLF's talent pool/employees

Human Capital Trade-Offs

- Allocating resources towards training and development amplifies employee expertise.
- Investing in training curtails immediate financial outlay.
- Elevated employee capabilities correlate with heightened operational efficiency and productivity.

Objectives

- Cultivate a robust talent reservoir to attain strategic business objectives, while concurrently providing comprehensive assistance to employees in their individual and professional advancement journeys

Way Forward

- Ongoing commitment to enhance the Human Resources Information System (HRIS) to establish a comprehensive platform for gauging employee performance and optimizing various HR management functions.
- Strategically preparing for the adoption of Green Human Resource Practices.

Distinguished by its profound significance, our human capital plays a pivotal role in delineating our uniqueness in comparison to competitors, thereby endowing our enterprise with an unparalleled competitive edge that propels us towards triumph in the dynamic market landscape. Within the fabric of our organization, the esteemed assembly of employees stands as the cornerstone of our human capital, representing a reservoir of invaluable knowledge and unparalleled capabilities. It is through the collective expertise and proficiency of this workforce that we are empowered to consistently deliver products and services that not only meet but exceed the expectations of our discerning customers. Moreover, this reservoir of human capital serves as the driving force behind the alignment of our business goals with the pursuit of sustainable growth. As these dedicated individuals contribute their insights and skills, we are uniquely positioned to orchestrate a harmonious symphony that harmonizes customer satisfaction with our strategic objectives, thereby solidifying our foothold in the market and fostering our trajectory towards enduring success.

HR GOVERNANCE

Within the framework of HR governance, the Human Resource Department at NLF is under the leadership of a HR Manager, overseeing all facets concerning our human capital. This oversight is fortified by a dedicated support team comprising three members. The activities of the HR department are intricately intertwined with the guidelines established in the Company's HR manual, which serves as the bedrock of our policy framework for managing human capital. This alignment ensures that our workforce is managed in accordance with established best practices, promoting the effective utilization and cultivation of our valuable human resources.

Our Approach to Nurturing Human Capital

At the heart of our commitment to fostering our human capital lies a comprehensive strategy encompassing various critical domains:

- Training & Development: We invest in the growth of our workforce through continuous learning opportunities, enabling them to enhance their skills and knowledge.
- Compliance and Best Practices: Upholding the highest ethical standards and adhering to industry best practices is a cornerstone of our approach, ensuring our employees operate within a framework of integrity and excellence.

- Fair Recruitment: We maintain a rigorous and equitable recruitment process, sourcing diverse talent to join our ranks and contribute to our collective success.
- Rewards & Recognition: Recognizing and celebrating the achievements of our employees fuels a culture of excellence, motivating continued dedication and outstanding performance.
- Health & Wellbeing: We prioritize the health and wellbeing of our employees, providing a supportive environment that promotes their physical, mental, and emotional welfare.

Guiding these initiatives is our HR Policy Framework, which centers around the following core policies:

- Recruitment and Selection Policy: Detailing the principles and procedures that underscore our recruitment efforts, ensuring fairness, transparency, and optimal talent acquisition.
- Training and Development Policy: Outlining our commitment to nurturing employee growth through training programs, workshops, and continuous learning opportunities.
- Performance Evaluation Policy: Establishing a structured approach to evaluating and acknowledging employee contributions, facilitating their professional advancement.

Human Capital

- Leave Administration Policy: Providing guidelines for managing employee leave requests, fostering a balanced work-life equation.
- Succession Planning Policy: Ensuring seamless leadership continuity by identifying and preparing high-potential employees for key roles.
- Dress Code Policy: Defining appropriate attire standards that reflect our professional ethos and corporate image.
- Time and Attendance Policy: Outlining expectations regarding punctuality and attendance to ensure operational efficiency.
- Code of Ethics: Communicating our values and ethical principles that guide employee behaviour and decision-making.
- Disciplinary Administration Policy: Establishing a framework for addressing employee conduct issues with fairness and consistency.
- Whistle-blower Policy: Encouraging the reporting of unethical behaviour while providing protection for those who come forward with information.
- Employee Exit Policy: Outlining the procedures for employees departing the company, ensuring a smooth transition for both the individual and the organization.

Through this multifaceted strategy and policy framework, we demonstrate our unwavering commitment to nurturing and harnessing the full potential of our human capital, propelling us toward sustainable growth and success.

Employee Demographics

Total Workforce by Region and Gender

Region	No of Branches	Male	Female	Total
Central	3	28	9	37
North Western - Wayamba	2	15	5	20
Sabaragamuwa	3	27	9	36
North Central	1	10	2	12
Western	6	112	52	164
Southern	2	16	7	23
Eastern	3	45	7	52
Northern	5	69	13	82
Total	25	322	104	426

TALENT ACQUISITION

Our unwavering commitment lies in consistently attracting and retaining top-tier talent to effectively steer the Company's business objectives and ensure sustained growth over the long term. Employing an impartial recruitment process, we meticulously select candidates whose skills and aptitude align with the specific job roles, fostering an optimal fit for each vacancy. Our approach to recruitment places a premium on existing Company personnel while concurrently focusing on sourcing talent from the local community, an approach tailored to fulfil staffing needs at the branch level.

As of the conclusion of the financial year 2021/22, the Company boasts a total human capital base of 384 individuals distributed across the extensive network of 25 Nation Lanka Finance locations throughout the island.

In our pursuit of attracting and retaining exceptional skills and capabilities, we extend a comprehensive benefits package to our employees, complemented by competitive remuneration aligned with industry

standards. Equitable and competitive compensation is determined based on job roles, qualifications, experience, and performance. Our promotion structure is also closely tied to performance evaluations and the contributions employees make to the Company's advancement throughout the year.

We have cultivated a performance-driven culture throughout all echelons of the Company operations by instituting a Performance Appraisal process. This process assesses employee performance against established Key Performance Indicators at the outset of each financial year. Subsequently, supervisors and their respective teams collaboratively set targets for the upcoming year, aligning these goals with business objectives at both the head office and branch levels. This approach not only identifies necessary training requirements for our employees but also serves as a potent retention strategy, imbuing a sense of ownership in employees for the Company's sustainable growth. This has culminated in fostering constructive working relationships between NLF and its employees.

TRAINING AND DEVELOPMENT

Within our strategic framework for Human Capital management, Training and Development occupy a pivotal and consequential position. The ongoing professional growth of our employees plays a substantive role in bolstering the company's immediate and long-term prosperity, concurrently affording individuals the opportunity to ascend the rungs of their career trajectory. Our training initiatives are thoughtfully tailored to align with identified areas for improvement highlighted during performance evaluations, as well as the evolving needs of the Company.

To equip our workforce with the skills and knowledge essential for their roles, we employ a dual-pronged approach comprising both internal and external training resources. This amalgamation enables us to offer pertinent training that empowers employees to excel in their responsibilities. However, it is important to note that in the current financial year, our capacity to deliver such training programs has been constrained due to the prevailing restrictive circumstances.

Training Programmes 2022-23

Employee Type	Internal	External	Total
Management	0	10	10
Executive	0	1	1
Non-Executive	0	0	0
Total	0	11	11

REWARDS AND RECOGNITION

Embedded within our ethos of fostering a culture of performance excellence, we have instituted an encompassing Rewards and Recognition initiative. This program serves as a platform for acknowledging and celebrating exceptional achievements among our sales and branch-level personnel through an annual awards ceremony. This ceremonious event not only applauds the endeavours of top-performing individuals but also extends its honour to commemorate dedicated service over the years, paying homage to the unwavering loyalty exhibited by employees towards the Company.

COMPLIANCE AND BEST PRACTICES

As a prominent financial service institution, we place paramount emphasis on compliance and the embodiment of best practices, an integral facet of our overarching human resource strategy. Nation Lanka Finance PLC operates under the regulatory framework of the Companies Act No. 07 of 2007, and our commitment extends further by proactively embracing the finest principles delineated by the International Labour Organization (ILO) conventions, as well as the human rights tenets outlined by the UN Global Compact.

Our unwavering dedication to equality and diversity is pervasive throughout the entire spectrum of the employment lifecycle, encompassing pivotal stages such as recruitment, selection, evaluation, promotion, training, and employee development. Guided by leadership principles, our management exemplifies a steadfast commitment to treating all colleagues with respect, reinforcing a non-discriminatory ethos.

Recognizing that employee wellbeing permeates all facets of professional life and exerts profound influence on retention, engagement, and overall business success, we ardently prioritize the provision of a secure and nurturing work environment that safeguards both the physical and mental wellbeing of our workforce.

The imperative of Training and Development remains a linchpin in augmenting the proficiency of job responsibilities. Thus, we diligently foster avenues for employees to enrich their skill sets through internal channels, harnessing the power of ongoing learning.

It is incumbent upon us to unequivocally denounce child labour and vehemently prohibit any form of forced or compulsory labour. This stringent stance underscores our commitment to upholding ethical labour practices and human rights across the spectrum of our operations.

Human Capital

HEALTH & SAFETY OF EMPLOYEES

Our enduring commitment to the holistic welfare of our employees is unwavering. We ardently endeavour to create a work environment that steadfastly supports their physical and mental wellbeing. Amid the challenges posed by the COVID-19 pandemic, the Company expeditiously implemented essential health and safety protocols. To facilitate employee performance during this period, we introduced flexible work hours and work-from-home arrangements.

In line with our resolute commitment to safety, all our physical premises adhere to the pertinent national building safety regulations. Moreover, we maintain an open-door policy that encourages employees to express their concerns freely. This practice fosters an environment of transparent communication, promoting an open and constructive dialogue between our management and the workforce.

PROTECTION OF EMPLOYEES

Our organization places great importance on maintaining an open and transparent environment for our employees. To ensure that every concern is heard and addressed, we have implemented a comprehensive grievance handling procedure. This procedure provides a formal and structured channel through which employees can raise issues related to their work, whether they pertain to interpersonal conflicts, procedural matters, or any other work-related challenges. By offering this mechanism, we aim to swiftly and fairly resolve concerns, fostering a positive and productive workplace atmosphere.

Furthermore, we recognize the significance of upholding ethical standards and promoting integrity within our operations. In line with this commitment, we have instituted a whistle-blower mechanism that empowers employees to report any instances of misconduct, unethical behaviour, or irregularities they might come across. This mechanism ensures that employees can report such matters without fear of retaliation, as reports can be made anonymously. This not only safeguards the interests of the organization but also underscores our dedication to maintaining a culture of accountability and ethical conduct. Ultimately, both our grievance handling procedure and whistle-blower mechanism work in tandem to uphold our values and contribute to the overall well-being and effectiveness of our workforce and operations.

Social & Relationship Capital

Our Natural Capital

- Customer Relations
- Supplier Relations
- Community Relations

Natural Capital Trade-Offs

- Enhanced stakeholder relations for better value creation and business sustainability
- Improve branch network and technology platform for greater customer experience

Objectives

- Nurture mutually beneficial relationships with all stakeholders

Way Forward

- Enhanced focus on Customer satisfaction
- Digitalization and presence in social media
- Expansion of community development through CSR
- Consistent care and focus on all Stakeholders

Social & Relationship Capital: We have cultivated strong and harmonious bonds with our customers, suppliers, and the broader community, fostering mutually advantageous relationships that bolster the sustainable progression of the Company. Through various avenues, we consistently reinforce our existing ties, fortifying our presence within the Non-Bank Financial Institution (NBFI) sector while steadfastly pursuing our strategic objectives.

Customer Relations: At Nation Lanka Finance (NLF), our aspiration is to make financial services accessible to all strata of society, aiding them in securing their financial futures and contributing to the nation's overall economic prosperity. To this end, we have implemented a series of measures over time to strengthen our rapport with our valued customers.

Quality Products and Services: Our product array caters to the evolving financial requisites of our diverse customer base. Our products are tailored through continuous customer engagement to align with their needs. Noteworthy offerings include Nation OD, 75/- per Day lease for 3-wheelers, Nations Rider for Bike Leasing, Nation Lanka Education Loan, and Nation Lanka Insurance Loan. We ensure consistent enhancements through periodic reviews and price upgrades.

Expansive Branch Network: Our network of 25 branches and centres, strategically situated in key locations, ensures convenient access for customers. Manned by well-trained staff, these branches operate during all working days from 8:30 am to 5:00 pm. To widen our customer touchpoints, we've partnered with Dialog, facilitating access to over 40,000 Easy-Cash payment points across Sri Lanka. We also consider relocations based on customer needs.

Marketing and Communication: Effective marketing and communication strategies are integral to our customer relationship management. Our well-crafted ATL and BTL activities deliver comprehensive insights into our product portfolio. In adherence to CBSL guidelines, our marketing materials transparently present product information and interest rates, allowing customers to make informed comparisons. Our proficient sales team provides personalized guidance, while interactive sessions, training programs, and promotional events augment customer engagement.

Customer Relationship Building: We take a two-pronged approach to nurturing customer relations. Our dedicated sales team interacts face-to-face with customers, while our call centre agents promptly address queries, ensuring timely resolutions and utmost satisfaction.

Through these strategic initiatives, we endeavour to solidify our social and relationship capital, embodying our commitment to enduring customer value, transparent communication, and personalized service.

Additionally, we maintain active engagement with our customers through various social media platforms and conduct customer feedback surveys to capture valuable insights and perceptions concerning our products and services. Our Internal Audit department regularly conducts customer satisfaction surveys, leveraging the collected feedback to enhance our existing product lineup, develop new offerings, and refine internal systems and processes, ultimately elevating the customer experience. NLF remains attentive to individual customer needs and provides tailored assistance, deploying innovative solutions such as loan restructuring and supplementary financing within the boundaries of the company's credit criteria to address genuine financial challenges.

Customer Privacy:

Preserving customer privacy is a cornerstone of our business operations as we manage a substantial volume of customer data. To maintain trust and loyalty among our clientele, we gather only the necessary information as stipulated by law, following the KYC (Know-Your-Customer) protocol. This information is securely archived and stored within the Company's

Social & Relationship Capital

storage archives. We've implemented robust physical, electronic, and procedural safeguards within the organization to prevent unauthorized access to information. Furthermore, we underscore the importance of confidentiality to our employees and are prepared to take disciplinary actions to uphold privacy responsibilities. We strictly adhere to regulations and refrain from disclosing customer information to third parties unless required by law.

Supplier Relations:

Establishing strong ties with our suppliers and service providers is pivotal to nurturing enduring relationships. We champion open and equitable competition, employing a standardized operating procedure to evaluate suppliers and service providers based on merit. We exclusively engage with suppliers who uphold labor laws, human rights, including child labor laws, promote a non-discriminatory work environment, ensure employee health and safety, and practice environmentally responsible methods.

Nurturing Supplier Relations:

We employ a fair selection process for all suppliers and service providers, prioritizing those that align with necessary laws and regulations. We uphold additional policies in our business interactions with suppliers, including Non-Disclosure Agreements and our Outsourcing Policy.

Community Relations:

In our pursuit of performance excellence, we remain committed to our broader responsibility towards the community. As a recognized financial service provider for all segments of society, we acknowledge our critical role in supporting underprivileged communities in Sri Lanka. Our Microfinance Lending Scheme is dedicated to empowering women entrepreneurs, providing credit lending to Micro and SME women entrepreneurs across the country,

empowering them to enhance their livelihoods and contribute to local economic development.

Nurturing Community Relations:

Through our Microfinance Lending Scheme, we have supported over 100,000 women-led businesses, enabling ventures in various sectors, including agriculture and small-scale enterprises. In addition to credit provisions, we offer capacity-building initiatives such as financial literacy programs, leadership training, technical assistance, and participation in business innovation forums. Our commitment to community support is encapsulated in the brand 'Diviyata Saviya,' providing visibility opportunities for products through promotional trade fair exhibitions.

Government Relations:

We cultivate robust government relations by adhering to industry regulations and ensuring timely payments. Our tax policy and practices align with regulatory mandates. Additionally, through our post-COVID revival unit, we proactively identify vulnerable customers, providing debt moratoriums in accordance with regulatory guidelines to individuals and businesses affected by the pandemic.

Competitor Relations:

NLF actively participates in industry events and associations, such as the Leasing Association of Sri Lanka and the Finance Houses Association of Sri Lanka. We contribute to industry sector initiatives guided by the Central Bank of Sri Lanka, supporting segments and customers during challenging periods such as the COVID-19 crisis. Our engagement aligns with the CBSL-guided roadmap for the NBF sector's consolidation plan, reflecting our commitment to strengthening Sri Lanka's finance sector as directed by regulatory expectations and guidelines.

Natural Capital

Our Natural Capital

- Water
- Energy
- Waste Management

Natural Capital Trade-Offs

- Enhanced reputation as a responsible brand
- Environmental conscious measures within the Company may reduce resource depletion and costs

Objectives

- To conserve the natural environment and cost optimisation

Way Forward

- To promote renewable energy and to reduce usage of electricity as much as possible internally as well as in the external environment through all stakeholders of the company
- To be environmentally friendly in all business activities, especially by supporting such industries and businesses when it comes to financing/lending.

Nation Lanka Finance, as a service-oriented organization, does not heavily rely on natural resources for its core business operations. However, we do consume water and electricity in our company's day-to-day operations and recognize the potential impact on the sustainability of the ecosystem. As responsible corporate citizens, we acknowledge our responsibility to preserve natural capital by using these resources efficiently to prevent depletion. Throughout the years, we have implemented various measures within the company, including fostering environmentally conscious behavior among our employees.

ENERGY CONSERVATION:

Our usage of electricity, both at the Nation Lanka Head Office building and branch levels, is guided by energy-saving practices. These measures encompass actions such as switching off lights and air conditioning units when not in use across all operational levels. By actively monitoring our energy consumption, we have significantly reduced our energy footprint. In our commitment to conserving natural capital, we consistently educate our employees about the importance of energy efficiency.

EFFICIENT WATER USAGE:

While our water consumption is relatively modest due to the day-to-day activities of employees and customers, we regard water management as a crucial aspect. We have implemented measures to prevent water wastage within the organization, emphasizing the responsible use of water resources.

RESPONSIBLE WASTE MANAGEMENT:

Given our business nature, our waste primarily comprises paper waste and a limited volume of electronic waste. In line with our unwavering dedication to responsible waste management, we advocate the principles of Reduce, Reuse, and Recycle (3Rs) across our operations. Our waste disposal practices involve collaborating with licensed waste disposal entities that adhere to CEA (Central Environmental Authority) guidelines for proper disposal of both paper and electronic waste. Moreover, in our lending activities, we prioritize and offer additional weightage to companies that undertake projects aligned with waste management, recycling, or the use of organic fertilizers.

Corporate Governance Report

Corporate governance is the system that encompasses principles, policies, procedures and clearly defined responsibilities and accountabilities used by Board of Directors(BOD), Shareholders, Minority shareholders and other stakeholders to overcome the conflict of interest inherent in the principal-agent form of business corporates.

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. For the smooth process for implementing, controlling and monitoring the Corporate Governance systems across the Company, the BOD has delegated responsibilities to Board Sub-Committees and the Management Committees.

A Corporate Governance framework is in place which facilitates the defining of roles and responsibilities, establishment of clear reporting lines that enables the systematic review of external and internal environmental impacts on business operations.

In our endeavor to strengthen governance at NLF, we have adopted the 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.

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.

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 the sub committees (5). Please refer pages 34 to 68 of the Annual Report.

We have reported our governance practices and initiatives in three sections.

- Section 1: 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
- Section 2: Adoption of The Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka
- Section 3: 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

The Finance Business Act (Corporate Governance) Direction No. 5 of 2021 for Licensed Finance Companies in Sri Lanka issued by Monetary Board of the Central Bank of Sri Lanka.

The disclosures below reflect the Company's compliance and the extent of its compliance with the above Direction (subject to transitional provisions mentioned therein) which comprises of sixteen subsections, 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 Managing Director
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

Directions	Extent of Compliance
1. Board's overall responsibilities	
1.1 Assume overall responsibility and accountability for the operations of the Company, by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements	Complied with. The Board has the overall responsibility and accountability for the operations of the Company and carried out functions listed in 1.2 to 1.7 of the Direction.
1.2 Business Strategy and Governance Framework	
(a) Approving and overseeing the implementation of the Company's overall business strategy with measurable goals for next three years and update it annually in view of the developments in business environment	Complied with. A Board approved strategic plan is in place addressing the Company's overall business strategy. The Board provides direction in the development of short, medium and long term strategies of the Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies.
(b) Approving and implementing the Company's governance framework	Complied with. Board approved Governance Framework is in place to commensurate with the Company's size, complexity, business strategy and regulatory requirements.
(c) Assessing the effectiveness of the Governance Framework periodically	Complied with. The Governance Framework is reviewed annually according to the changes in operating environment or as and when required according to the regulatory developments and changes.
(d) Appointing and defining the roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO)	Complied with. The Chairman and the Chief Executive Officer have been appointed by the Board. The Chairman provides leadership to the Board and the Managing Director is responsible for effective management of the Company's operations. Roles and responsibilities of the Chairman and the CEO have been defined and approved by the Board.
1.3 Corporate Culture and Values	
(a) Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour	Complied with. Nation Lanka Finance strives to build a sound corporate culture which reinforces ethical, prudent and professional behaviour.
(b) Playing a lead role in establishing the Company's corporate culture and values including developing a code of conduct and managing conflicts of interest	Complied with. Corporate values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Company has developed a Code of Conduct and Ethics which applies to all employees. A policy on management of conflicts of interest is in place.
(c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies	Complied with. The Company has continued to take progressive action to manage our direct and indirect environmental, social and governance impact.

Corporate Governance Report

Directions	Extent of Compliance
(d) Approving the policy of communication with all stakeholders in the view of projecting a balanced view of the company's performance, position and prospects in public and regulators	Complied with. The Board approved Communication Policy is in place which covers all stakeholders including depositors, shareholders, borrowers and other creditors.
1.4 Risk Appetites, Risk Management and Internal Controls	
(a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework	Complied with. A Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.
(b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	Complied with. Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Integrated Risk Management Committee. Risk Reports are submitted to the Committee by the Management on a quarterly basis. The decisions and action taken to mitigate possible risks are submitted for Board's information where necessary. Please refer Risk Management report on pages 75 to 78 and Integrated Risk Management Committee report on page 69 for further details.
(c) Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically	Complied with. Adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board Audit Committee. The Committee is assisted in this function by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of internal control systems and management information systems, the results of which are reported to the Audit Committee. The Committee appraises the scope and results of internal audit reports and system reviews. The decisions and actions taken are submitted for Board's information and/or action (if deemed necessary).
(d) Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances	Complied with. Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place.
1.5 Board Commitment and Competency	
(a) Devote sufficient time on dealing with the matters relating to affairs of the Company	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
(b) Possess necessary qualifications, adequate skills, knowledge, and experience	Complied with. Members of the Board possess experience, qualifications, adequate skills, and knowledge in the relevant fields.

Directions	Extent of Compliance
(c) Regularly review and agree the training and development needs of all the members	Complied with. The Board being the highest governing body recognises the need of training and development and enhancing knowledge on business environment. A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company. Any training programmes relevant to the Board are communicated to the Board for the Directors' participation. Further, the annual self-assessment scheme by Directors covers aspects on training to identify training needs of Directors.
(d) Adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments	Complied with. The Company has adopted a scheme of annual self-assessment to be undertaken by each Director, and of its Boards as a whole and that of its committee and filed with the Company Secretaries.
(e) Obtain external independent professional advice to the Board to discharge duties to the Company	Complied with. The Board is permitted to seek independent professional advice on any matters when deemed necessary. A Board approved procedure is in place for this purpose.
1.6 Oversight of Senior Management	
(a) Identifying and designating senior management who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management	Complied with. The Board has identified and designated the Senior Management, as defined in the Section 17 of the Finance Business Act Directions No.05 of 2021 on Corporate Governance.
(b) Defining the areas of authority and key responsibilities for the senior management	Complied with. The key responsibilities of the senior management are defined in the job descriptions of each member and have been approved by the Board.
(c) Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the Company's strategic objectives	Complied with. Members of the Senior Management possess experience, qualifications, adequate skills, and knowledge in the relevant fields.
(d) Ensuring there is appropriate oversight of the affairs of the Company by senior management	Complied with. The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the CEO. Affairs of the Company handled by the Corporate Management are reviewed and discussed at the monthly Board Meetings. Further, Board sub-committees and other management committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.
(e) Ensuring the Company has an appropriate succession plan for senior management	Complied with. A succession plan for senior management personnel is in place.

Corporate Governance Report

Directions	Extent of Compliance
(f) Meeting regularly with the Senior Management	Complied with. The members of the senior management regularly make presentations and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.
1.7 Adherence to the Existing Legal Framework	
(a) Ensuring that the Company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders	Complied with. The Company operates within the Board approved Governance Framework and the interests of depositors, shareholders and other relevant stakeholders are considered in conducting business operations.
(b) Adhere to the regulatory environment and ensure compliance with relevant laws, regulations, directions and ethical standards	Complied with. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. A Code of Business Conduct and Ethics is also in place for all employees and Directors.
(c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Complied with. Fit and Proprietary of the Board of Directors is assessed annually and new appointment of the Board and Senior Management (as defined in Corporate Governance Direction No. 05 of 2021) is made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
2. Governance Framework	
2.1 Develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021 on Corporate Governance	Complied with. A Board-approved Governance Framework is in place.
3. Composition of the Board	
3.1 A balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company	Complied with. The Board possesses adequate skills and experience in the relevant fields. Please refer pages 10 and 11 for the Profiles of the Directors.
3.2 The number of directors on the Board shall not be less than 7 and not more than 13.	This requirement will be effective from July 2024. (Refer 3.4 below)
3.3 The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	Complied with. The total period of service of all Non-Executive Directors is less than 9 years as at date.
3.4 Requirement of eligible Non-executive directors to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions	Mr. V. R. Ramanan, chairman was given special approval to continue due to his shareholding of the company.

Directions	Extent of Compliance
3.5 Executive Directors	
(a) Appointment, election or nomination of an employee as a Director	Not Applicable.
(b) A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management	Not Applicable.
(c) CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	Not Complied with.
(d) Executive Directors shall have a functional reporting line in the organization structure of the Company.	Not Applicable.
(e) The Executive Directors are required to report to the Board through the CEO.	Not Applicable.
(f) Executive Directors shall refrain from holding executive directorships or senior management positions in any other entity.	Not Applicable.
3.6 Non-Executive Directors (NEDs)	
(a) NEDs shall possess credible track records and necessary skills, competency and experience to bring an independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	Complied with. The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields. Their detailed profiles are given in pages 10 and 11.
(b) A non-executive director cannot be appointed or function as the CEO/Executive Director.	Complied with.
3.7 Independent Directors	
(a) The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	Complied with. The Board comprises of three Independent Non-Executive Directors. Accordingly, the number of Independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board. Further, three Independent Non Executive Directors have been appointed w.e.f. 26th March 2024.
(b) Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience.	Complied with. All Independent Non-Executive Directors of the Company are of the highest calibre with professional qualifications, a proven track records, and sufficient experience in the given fields.
(c-e) Criteria of non-executive director for independence.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors are Independent as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.

Corporate Governance Report

Directions	Extent of Compliance
3.8 Alternate Directors	
(a) Criteria to represent through an alternate director	Not Applicable.
(b) The existing directors of the company cannot be appointed as an alternate director to another existing director of the company.	Complied with. No such situations have arisen.
(c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	
(d) An alternate director cannot be appointed to represent an executive director.	
(e) Appointment of Alternate Director to represent an Independent Director.	Not applicable
3.9 Cooling off Periods	No such appointments have been made during the period under review.
3.10 Common Directorships	
Director or a senior management shall not be nominated, elected, or appointed as a director of another Finance Company subject to exception mentioned in the Direction 3.10.	Complied with. No Directors or Senior Managers held positions in other Finance Companies during the year 2022/2023.
3.11 A Director shall not hold office as a Director or any other equivalent position in more than 20 Companies / Societies / bodies, including subsidiaries and associates.	Complied with. No Director holds directorships in excess of 20 companies/ societies/ bodies/institutions.
4. Assessment of Fitness and Propriety Criteria	
4.1 No person shall be nominated, elected or appointed as a director or continue as a director unless that person is a fit and proper person to hold office as a director in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied with. The appointments, resignations or continuation of the Directors are made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
4.2 The age of a Director shall not exceed 70 years.	Complied with. All Directors are below the age of 70 years as at 31st March 2023
4.3 Criteria to hold office as a director, exceeding 70 years of age up to maximum of 75 years of age.	No such appointments occurred during the year 2022/2023.
5. Appointment and resignation of directors and senior management	
5.1 The appointments, resignations or removals of Directors or Senior Management shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied with. The appointments, resignations or removals of Directors or Senior Management are in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
6. The Chairperson and the CEO/Managing Director	
6.1 There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	Complied with. The positions of the Chairman and the Managing Director are separate and performed by two different individuals and responsibilities of the Chairman and the MD have been defined and approved by the Board.

Directions	Extent of Compliance
6.2 The chairperson shall be an independent director, subject to 6.3 below.	Not Complied with.
6.3 Appointment of an Independent Director as a Senior Director when the Chairperson is not independent. In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	Complied with.
6.4 Responsibilities of the Chairperson	Complied with. The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. There is a constructive relationship among all Directors and they work together in the best interest of the Company. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting. The Chairman does not engage in direct supervision of senior management or any other day to day operational activities. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
Responsibilities of the CEO/Managing Director	Complied with. The CEO functions as the apex Executive-In-Charge of the day-to-day management of the Company's operations and business. The Board approved responsibilities of the CEO are in place.
7. Meetings of the Board	
7.1 The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Not Complied Board meetings are held at monthly intervals, mainly to review the performance of the Company and other relevant matters referred to the Board. Circulation of resolutions/papers to obtain Board's consent is minimized and resorted only when absolutely necessary. Eleven meetings were held during the financial year and 12th meeting was held in April 2023.

Corporate Governance Report

Directions	Extent of Compliance
7.2 The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Complied with. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.
7.3 A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Complied with. Notice of Meeting is circulated to the Directors at last 3 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
7.4 A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied with. Directors devote adequate time for Board meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification. The views of the Board of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.
7.5 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	Complied with. At all Board meetings held during the year 2022/2023, more than one fourth of the numbers of Directors were independent Non-Executive Directors.
7.6 The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	Complied with. Meetings are held only with the participation of the Non-Executive Directors, as there were no executive directors.
7.7 A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.
7.8 A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	Complied with. All Directors have attended at least two-thirds of the meetings held during the year and no Director has been absent from three consecutive regular Board meetings during the year 2022/2023.
7.9 Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Meetings were held through physical and electronic means during the year 2022/2023.

Directions	Extent of Compliance
8. Company Secretary	
8.1 a) The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. Secretary to the Board is Corporate Arcade Ltd a Company registered with the Registrar General of Companies as a qualified secretary under Registration No SEC/(2)2008/216. Secretary's primary responsibilities involve handling of secretarial services to the Board and shareholders meetings and carrying out other functions specified in related laws and regulations.
b) The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	A transitional period until 01st July 2024 has been granted to comply with the same. The Company would comply with the direction by appointing an in-house Company Secretary considered as Senior Management by 01st July 2024.
8.2 All directors shall have access to advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	Complied with. All Directors have access to advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed.
8.3 The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Complied with. The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.
8.4 The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied with. Minutes of Board Meetings are maintained by the Company Secretaries. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.
8.5 The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	Complied with.
8.6 Minutes of the Board meetings shall be recorded in sufficient detail, as specified in the Direction, so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.	Complied with. Detailed minutes are maintained by the Company Secretaries
8.7 The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with.
9. Delegation of Functions by the Board	
9.1 The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	Complied with. The Board approved delegation authority limits is in place.
9.2 In the absence of any of the sub-committees, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Not applicable as Board sub-committees are in operation.

Corporate Governance Report

Directions	Extent of Compliance
9.3 The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied with. Assets and Liabilities Management Committee, Credit Committee, and IT Steering Committee are in place.
9.4 The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with.
9.5 The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	Complied with. The delegation process is periodically reviewed by the Board based on business requirements.
10. Board Sub- Committees	
A transitional period till 01.07.2024 is applicable for the Section 10 of the Direction and during the transitional period provision contained in "Section 8: Board appointed committees" of the Finance Companies (Corporate Governance) Direction No. . of 2008 is applicable.	
10.1 Board Appointed Committees	
Establishing Board committees, their functions and reporting	Complied with. The following Committees are in operation; 1). Board Audit Committee 2). Board Nomination Committee 3). Board Remuneration Committee 4). Integrated Risk Management Committee 5). Related Party Transactions Review Committee The Reports of the above mentioned Committees are given on pages 69, 70, 72, 73 and 74 of this Annual Report.
10.2 Audit Committee	
(a) The Chairman to be a non-executive director who possesses qualifications and experience in accountancy and/or audit	Complied with. The Chairman of the Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience. Qualifications and experience are disclosed in page 10 of the Annual Report.
(b) All members of the Committee to be Non-Executive Directors	Complied with. All the members of the audit committee are Non-Executive Directors.

Directions	Extent of Compliance
(c) Functions of Audit Committee; (i) the appointment of the external auditor; (ii) the implementation of the Central Bank guidelines; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor	Complied with. In accordance with the Terms of Reference, the Committee has made the following recommendations: 1) The appointment of Messrs KPMG, Chartered Accountants as the External Auditor for audit services to be provided in compliance with the relevant statutes. 2) The implementation of CBSL Guidelines applicable to the Auditors. 3) Application of relevant Accounting Standards 4) The service period, audit fee and any resignation or dismissal of the auditor Complied with the requirement that the engagement of the audit partner does not exceed five years.
(d) Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes	Complied with. The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes. The Audit Committee also reviews the nature and scope of the external audit taking in to account of the regulations and guidelines.
(e) Develop and implement a policy on the engagement of an external auditor to provide non-audit services	Complied with. In instances where non-audit services are obtained from the External Auditor, prior approval is obtained from the Audit Committee. The Audit Committee evaluates the Company's requirement, nature of the non-audit service required by the Company, fee structure, skills and the experience required to perform the said service of such Auditors.
(f) Determine the nature and the scope of the External Audit	Complied with. The Committee has discussed and finalized the nature and the scope of audit, with the External Auditors before the audit commences.
(g) Review the financial information of the Company	Complied with. Meetings of the Audit Committee are convened for this purpose. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.
(h) Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor	Complied with. During the year under review the Committee met the External Auditors to discuss issues, problems and reservations relating to audit.

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Directions	Extent of Compliance
(i) Review of the external auditor's management letter and the management's response	Not Complied with.
(j) Review of the Internal Audit Function; (i) Review scope, function and resources; (ii) Review of Internal Audit Programme; (iii) Review of Internal Audit Department; (iv) Recommendations on Internal Audit functions; (v) Appraise the resignation of senior staff of Internal Audit and any outsourced service providers; (vi) Independence of Internal Audit functions	Complied with. The Company has established an own in-house Internal Audit Department and moreover, M/s KPMG provides assistance in carrying out branch and other audit assignment. The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each financial year. Audit reports are tabled at the Audit Committee meeting by the Internal Auditors and the relevant items are discussed in detail where required, the Management is invited to attend the meeting to provide clarifications. The Internal Audit function is an independent function which directly reports to the Board Audit Committee.
(k) Consider the major findings of internal investigations and management's response	Complied with. Significant findings of investigations carried out by the Internal Auditors along with the responses of the Management are tabled and discussed at Audit Committee meetings.
(l) Participants of Audit Committee meetings	Complied with. The CEO, CIA, CFO generally attend meetings. Other members of the corporate management are invited to attend the meeting when necessary. During the year under review the Committee met twice with the External Auditors, without the presence of Executive Directors.
(m) Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	Complied with. The terms of reference of the Board Audit Committee includes scope and responsibilities of the Committee. The Committee has full access to information in order to investigate into matters relating to any affair within its terms of reference.
(n) Meetings of Audit Committee	Complied with. The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Chief Internal Auditor.

Directions	Extent of Compliance
(o) Disclosures in the Annual Report	Complied with. The Report of the Board Audit Committee is on page 70 and includes the detailed activities, meetings held during the year and the Directors attendance at the Audit Committee Meetings.
(p) Recording and maintenance of minutes of meetings	Complied with. The Chief Internal Auditor functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee meeting.
(q) Whistle-blowing policy and relationship with External Auditors	Complied with. A Whistle Blower Policy is in place which covers these aspects. The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.
10.3 Integrated Risk Management Committee	
The following shall apply in relation to the Integrated Risk Management Committee (IRMC):	
(a) Composition of Integrated Risk Management Committee	Complied with. Committee consists of two Independent Non-Executive Directors, and one non executive director who supervises broad risk categories as detailed in this Direction. Other key management personnel and staff are invited as and when the Committee needs their presence.
(b) Periodical risk assessment	Complied with. Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Integrated Risk Management Committee at quarterly intervals for necessary guidance. Please refer Risk Management Report on page 75 to 79 for further details.
(c) Review the adequacy and effectiveness of Management level committees	Complied with. Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.
(d) Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee	Complied with. All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The rectification of the position is monitored closely by the Committee.
(e) Frequency of meetings	Complied with. Four Integrated Risk Management Committee meetings are held for a calendar year.

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Directions	Extent of Compliance
(f) Action against officers for failure to identify specific risks and take prompt corrective action	Complied with.
(g) Submission of risk assessment report to the Board	Complied with. The minutes of the meetings are submitted to the next immediate Board meeting.
(h) Establishment of a compliance function	Complied with. The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board at its meetings held monthly and quarterly to the Integrated Risk Management Committee.
11. Internal Controls	
11.1 The Company shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied with. The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. The Committee is assisted in this function by Internal Audit Department.
11.2 A proper internal control system shall, ○ Promote effective and efficient operations ○ Provide reliable financial information ○ Safeguard assets; ○ Minimise 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.	
11.3 All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12. Related Party Transactions	
12.1 The Board shall establish a policy and procedures for related party transactions, which covers the following.	
(a) Shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	Complied with. The Board has established a Board Related Party Transactions Review Committee, and it is comprised of two Independent Non- Executive Directors and one non independent non-executive director.

Directions	Extent of Compliance
(b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties “more favourable treatment” as defined in this Direction.
(c) The business transactions with a related party that is covered in this Direction	
12.2 The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the categories of persons defined in the Direction who shall be considered as “related parties”. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.	Information relating to related party transactions, is disclosed in Note 40 on “Related Party Disclosures” in the Financial Statements and Section 16 of this report.
12.3 The Committee shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the Company.	
13. Group Governance	
13.1 Responsibilities of the Company as a Holding Company	A Company under the name of “Nation Micro Investment Limited (Former Ceylinco Towers)” was incorporated on 26th October 2005, as a fully owned subsidiary of Nation Lanka Finance PLC (Parent).
13.2 Responsibilities as a Subsidiary	The Company is not a Subsidiary of any Group Company.
14. Corporate Culture	
14.1 A Finance Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied with. The Company has developed a Code of Conduct and Ethics for all employees.
14.2 The Finance Company shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied with.

Corporate Governance Report

Directions	Extent of Compliance
14.3 A Finance Company shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with. A Board approved Whistle Blowing Policy is in place.
15. Conflicts of Interest	
(a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.
(b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties.	Not Complied.
16. Disclosures	
16.1 The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.	Complied with. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE.
The Board shall ensure that at least following disclosures	are made in the Annual Report of the Company.
(i) Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, ○ A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. ○ A statement of responsibility of the Board in preparation and presentation of financial statements.	Complied with. Relevant disclosures are included in page 85 of the Annual Report under “Statement of Directors Responsibilities” and page 82 of the “Annual Report of the Board of Directors on the state of affairs of the Company”.

Directions	Extent of Compliance
(ii) Chairperson, CEO/Managing Director and Board related disclosures ○ Name, qualification and a brief profile. ○ Whether executive, non-executive and/or independent director. ○ Details of the director who is serving as the senior director, if any. ○ The nature of expertise in relevant functional areas. ○ Relatives and/or any business transaction relationships with other directors of the Company. ○ Names of other companies in which the director concerned serves as a director and whether in an executive or non-executive capacity.	Complied with. Profiles of Directors are given on pages 10 to 11. Relevant disclosures are included in page 34 to 68 of the "Corporate Governance Report".
○ Number/percentage of board meetings of the ○ Company attended during the year; and Names of board committees in which the director serves as the Chairperson or a member.	
(iii) Appraisal of board performance ○ An overview of how the performance evaluations of the Board and its committees have been conducted.	Complied with. The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the Board as a whole and the records of such assessments are maintained by the Company Secretary.
(iv) Remuneration ○ A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ○ The aggregate values of remuneration paid by the Company to its directors and senior management.	Complied with. Disclosed in the page 72 of the 'Remuneration Committee Report'. Aggregate values of remuneration paid for Directors and Senior Management for the Year 2022/2023 - Rs. 48.59 Mn

Corporate Governance Report

Directions	Extent of Compliance
(v) Related party transactions ○ The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO/Managing Director and the relationships among members of the Board. ○ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital. ○ The aggregate values of the transactions of the FC with its senior management during the financial year set out by broad categories such as accommodation granted, and deposits or investments made in the Finance Company.	Complied with. The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/ relevant relationship between the Chairman and the CEO. No relationships prevail among the other members of the Board.
(vi) Board appointed committees The details of the chairperson and members of the board committees and attendance at such meetings.	Complied with. Relevant disclosures are included in page 34 to 68 of the "Corporate Governance Report" and page 82 of the "Annual Report of the Board of Directors on the state of affairs of the Company".
(vii) Group Structure ○ The group structure of the FC within which it operates. ○ The group governance framework	Not Applicable. The Group Company is not in operation at present.
(viii) Director's report A report, which shall contain the following declarations by the Board ○ 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 endeavours 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.	Complied with. Disclosed in the page 82 of the 'Annual Report of the Board of Directors on the Affairs of the Company'

Directions	Extent of Compliance
(ix) Statement on Internal Control ○ A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. ○ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. ○ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. ○ A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions.	Complied with. Directors' Statement on Internal Control System Over Financial Reporting" is given on page 86. The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting. This has been disclosed under the "Corporate Governance Report" and "Annual Report of the Board of Directors on the affairs of the Company" There were no significant supervisory concerns on lapses in the Company's risk management system or non-compliance with these Directions that have been pointed out by the Director of the Non-Bank Supervision Department of the CBSL and requiring disclosure to the public.
(x) Corporate governance report ○ Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Complied with. The Corporate Governance Report is given on pages 34 to 68 of the Annual Report.
(xi) Code of Conduct ○ The Company's code of business conduct and ethics for directors, senior management and employees. ○ The Chairperson shall certify that the company has no violations of any of the provisions of this code.	Complied with. The Company has developed a Code of Conduct and Ethics for all employees. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics by the Company.
(xii) Management Report ○ Industry structure and developments ○ Opportunities and threats ○ Risks and concerns ○ Sustainable finance activities carried out by the company ○ Prospects for the future	Complied with. Please refer 'Integrated Reports' on pages 21 to 33.
(xii) Communication with shareholders ○ The policy and methodology for communication with shareholders. ○ The contact person for such communication.	Complied with. The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Shareholders, borrowers and other creditors. The Company Secretary communicates with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.

Corporate Governance Report

SECTION TWO

Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);

The disclosures below reflect the Company's compliance and the extent of the above Code of Best Practice which comprises of eight subsections, namely:

- A Directors
- B Directors' Remuneration
- C Relations with Shareholders
- D Accountability and Audit
- E Institutional Investors
- F Other Investors
- G Internet of Things and Cyber Security
- H Environment, Society and Governance (ESG)

Code ref.	Principle	Extent of Compliance
A. Directors		
A.1 The Board		
A.1	Effective Board, which should direct, lead and control the Company	Complied with. As at the end of the year under review, the Board comprised of four Non-Executive Directors who are professionals with extensive experience in the different business sectors, including leaderships in quoted companies.
A.1.1	Board meetings	Complied with. Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review.
A.1.2	The role and responsibilities of the Board	Complied with.
	Formulation and implementation of a sound business strategy;	The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings.
	Appointing the chair and the senior independent directors if relevant;	The Board has put in place a Corporate Management team led by the CEO who possess required skills, experience and knowledge necessary to implement the strategy.
	CEO/Managing Director and management team possess the skills, experience and knowledge to implement the strategy;	A succession plan for key management personnel is in place.
	The adoption of an effective CEO/Managing Director and Key Management Personnel succession strategy;	

Code ref.	Principle	Extent of Compliance
	Approving budgets and major capital expenditure; Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation; An effective system to secure integrity of information, internal controls, business continuity and risk management; Compliance with laws, regulations and ethical standards; All stakeholder interests are considered in corporate decisions; Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting “Integrated Reporting”; Ensuring that the Company’s values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks; A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Budgets and major capital expenditure are reviewed and approved by the Board. The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the Managing Director and other key management personnel. The Board reviews effectiveness of internal control and risk management system on a continuous basis through the sub committees. Compliance function is in place to assess the Company’s compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business. The views/impact on all stakeholders is considered when corporate decisions are made at Board meetings. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval. Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary actions. Further quarterly financial statements, bi-annual and annual financial statements are prepared and published inline with CSE and CBSL regulations.
A.1.3	Compliance with laws and seeking independent professional advice	Complied with. The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company’s expense as and when such advice is required.
A.1.4	Access to the advice and services of the Company Secretary	Complied with. All Directors have access to the advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed. Minutes of Board Meetings are maintained by the Company Secretaries. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.

Corporate Governance Report

Code ref.	Principle	Extent of Compliance
A.1.5	Independent judgment of Directors	Complied with.
A.1.6	Dedication of adequate time and effort by the Board	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged.
A.1.7	Call for resolution	Complied with.
A.1.8	Training for Directors	Complied with.
A.2 Chairman & CEO/Managing Director		
A.2	Separation of the roles and responsibilities of the Chairman and CEO/Managing Director to ensure a balance power and authority, such that no one individual has unfettered powers of decision	Complied with. The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Chief Executive Officer is responsible for managing the Company's business.
A.2.1	Justification to combine the posts of Chairman and CEO/Managing Director	Not applicable.
A.3 Chairman's Role		
A.3.1	Role of the Chairman	Complied with. The Chairman provides leadership to the Board and encourages an active contribution of all Non-Executive Directors to the Board's affairs. The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting. Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting. All Directors are encouraged to actively participate in Board's affairs. There is a constructive relationship among all Directors and they work together in the best interest of the Company. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
A.4 Financial Acumen		
A.4	Financial acumen and knowledge	Complied with. The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance. Please refer pages 10 and 11 for the Profiles of the Directors.

Code ref.	Principle	Extent of Compliance
A.5 Board Balance		
A.5.1	Have a balance of Executive & Non-Executive Directors	The Board comprises of four non executive directors.
A.5.2 & A. 5.3	Independence of Non Executive Directors	Complied with. Two Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors	Complied with. The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021 on Corporate Governance.
A.5.6	Appointment of Alternate Director	Complied with. No Alternate Directors have been appointed during the period under review.
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Complied with. Mrs. D Bandara who is an Independent Non-Executive Director serves as the Senior Independent Director of the Company.
A.5.9	Meetings only with Non-Executive Directors	Complied with. Chairman meets with the Non-Executive Directors whenever necessary.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	Complied with. The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.
A.6 Supply of Information		
The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied with. Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.
A.6.2	Adequate Notice for Board Meetings	Complied with. Notice of Meeting is circulated to the Directors prior to the meeting for regular Board meetings which are held at monthly intervals.
A.7 Appointments to the Board		
A.7.1 & A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	Appointment of new directors to the board is done through the nomination committee, subject to regulatory provisions.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through an announcement made to the Colombo Stock Exchange (CSE) at the time of their appointment.

Corporate Governance Report

Code ref.	Principle	Extent of Compliance
A.8 Re-election		
A.8.1 & A.8.2	II Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.
A.8.3	At the resignation the Director should submit a written communication to the board of his reasons for resignation in the event of resigning prior to completion of his appointed term.	Complied with.
A.9 Appraisal of Board performance		
A.9.1 - A.9.4	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Complied with. The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretaries.
A.10 Disclosure of Information in respect of Directors		
Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Disclosure of information on Directors in the Annual Report	Complied with. Information pertaining to Directors is disclosed in the following sections of this Annual Report. (1) Name, qualifications, expertise, material business interests and brief profiles on pages 10 to 11. (2) Related party transactions are given in Note No. 40 to the Financial Statements on pages 144 to 145. (3) Membership of Sub-Committees and attendance at Board Meetings on pages 69 & 74.
A.11 Appraisal of CEO/Managing Director		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO/Managing Director	Complied with.
B. Directors' Remuneration		
B.1 Remuneration Procedure		
The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishment of a Remuneration Committee	Complied with. The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the CEO. No Director is involved in deciding his own remuneration.

Code ref.	Principle	Extent of Compliance
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	Complied with. All members of the Committee are Non-Executive Directors. The committee members are; (1) Mr. V. R. Ramanan - Non-Executive Director (Chairman) (2) Mrs. A. Wickramasinghe - Independent Non-Executive Director (3) Mr. D. Bandara - Independent Non-Executive Director
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Disclosed in the page 82 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
B.1.4	Remuneration of Non- Executive Directors	Complied with. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee whenever they serve on Board sub-committees.
B.1.5	Consultation with Chairman and/or CEO/ Managing Director for remuneration proposals and access to professional advice	Complied with.
B.2 Level and make up of Remuneration		
Levels of remuneration of both Executive and Non - Executive Directors should be sufficient to attract and retain the Directors. Proportion of Executive Directors' remuneration should be linked to corporate and individual performance.		
B.2.1 - B.2.10	Level and make up of remuneration of Executive Directors including performance element in pay structure	No Policy available. The Remuneration Committee recommends the remuneration payable to the Managing Director and Executive Directors. The Board makes the final determination after considering such recommendations.
	Executive Directors remuneration to promote the long-term success of the company	The Remuneration Committee assesses on the sufficiency of remuneration of Executive Directors including the Managing Director to ensure current remuneration levels are competitive and promote long-term retention.
	Remuneration packages in line with industry practices and transparent - performance related elements	The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/ industry rates.
	Executive share option Non Executive Directors remuneration	No share options schemes have been offered to the Executive Directors. Non-Executive Directors of the Company are paid a fee in line with the market practices.
B.3 Disclosure of Remuneration		
Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board's remuneration as a whole.		
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	Complied with. Refer 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 82 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. The remuneration paid to the Board of Directors is disclosed in aggregate in Note No 11 to the Financial Statements on page 115.

Corporate Governance Report

Code ref.	Principle	Extent of Compliance
C. Relations with Shareholders		
C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings		
The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.		
C.1.1	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	Complied with. Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.
C.1.2	Separate resolutions for each substantially separate issue	Complied with. A separate resolution is proposed at the AGM for each item to be voted on. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter.
C.1.3	Properly recording and counting of proxy votes	Complied with. All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.
C.1.4	Heads of Board Sub-committees to be available to answer queries	Complied with. In the absence of the Chairman of the respective Committee, a co-member will attend to queries raised.
C.1.5	Summary of procedures governing voting at general meetings to be circulated.	Complied with. Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.
C.2 Communication with Shareholders		
C.2.1 - C.2.7	The Board should implement effective communication with shareholders.	Complied with. The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company. A person to contact in relation to shareholders is the Company Secretary. The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.
C.3 Major and Material transactions		
Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
C.3.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than one third of the value of the Company's assets.	Complied with Disclosure regarding the merger is made in the Annual Report of the Board of Directors on the Affairs of the Company on page 82.
C.3.2	Comply with the disclosure requirements and shareholders' approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	No such requirement materialized during the year under review. However, the shareholder approval received on 25th July 2023.

Code ref.	Principle	Extent of Compliance
D. Accountability And Audit		
D.1 Financial Reporting		
D.1	Requirement for 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.	Complied with. The Annual Report of the Company contains the audited Financial Statements together with comprehensive disclosures on the financial position, performance, business model, risk management, governance, internal controls and prospects of the Company to ensure disclosure of a balanced, complete and understandable assessment of the Company.
D.1.1	Present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied with. The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	Complied with. The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' on page 85. In the preparation of quarterly and annual financial statements, the Company complies with the requirements of the Companies Act No 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and financial statements are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Company complies with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.
D.1.3	Chief Executive Officer's and Chief Financial Officer's Declaration on Financial Statements	Complied with. Prior to approving the Financial Statements for a financial period, the Board obtains the declaration of the CEO and the CFO on their responsibility in respect of financial reporting.
D.1.4	Declarations by Directors in the Directors' Report	Complied with. Declarations/confirmations pertaining to this Principle are disclosed in the 'Annual Report of the Board of Directors on the affairs of the Company' on pages 82 to 83.
D.1.5	Statements by Directors and Auditors on Responsibility for Financial Reporting	Complied with. The 'Statement of Directors' Responsibilities' is given on page 85 and 'Directors' Statement on internal control system over financial reporting' is given on page 86. See 'Independent Auditor's Report' on pages 87 and 91 for the reporting responsibility of Auditors.
D.1.6	Include a Management Discussion and Analysis	Complied with. Please refer 'Integrated Report' on page 21 to 33 .

Corporate Governance Report

Code ref.	Principle	Extent of Compliance
D.1.7	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.
D.1.8	Disclosure of Related Party Transactions adequately and accurately in the Annual Report	Complied with. Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 40 to the Financial Statements on page 144 to 145. Please refer responses to requirements of section 12 of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance on page 48 for further details.
D.2 Internal Control		
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied with. The Board is responsible for determining the risk appetite for achieving the strategic objectives of the Company and establishing and overseeing the adequacy and integrity of the Company's risk management processes and internal control systems. The Audit Committee assists the Board in discharging its duties in relation to internal control systems. Internal Audit reviews of the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee. The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	Partly Complied with. Adequacy and integrity of the Company's internal control systems is reviewed by the Board Audit Committee and the Integrated Risk Management Committee assesses all aspects of risk management on a quarterly basis or more frequently as it deems necessary. The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action. The Board's Statement on the effectiveness of the Company's internal control mechanism is presented in the 'Directors' Statement on internal control system over financial reporting' in this Annual Report. The Company could not obtain the External Auditors' Certification on the effectiveness of the internal control mechanism over financial reporting.
D.2.2	Robust assessment of the principal risks faced by the Company	Complied with. The risk management report given on pages 75 to 79 provides an assessment of the risks faced by the Company and the process of risk identification, measurement and control. The 'Integrated Risk Management Committee Report' is given on page 69.
D.2.3	Internal audit function	Complied with. The Company's Internal Audit function is carried out by in-house internal audit department and the outsourced service provider - M/s KPMG, who provides assistance in carrying out branch and specialized audit assignments. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings.

Code ref.	Principle	Extent of Compliance
D.2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and document to the Board	Complied with.
D.3 Audit Committee		
Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.		
D.3.1	Composition of the Audit Committee	Complied with. All members of the Board Audit Committee, including the chairperson are Non-Executive Directors and two members are independent non executive directors as well.
D.3.2	Duties of the Audit Committee	Complied with. The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee. The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors. Please refer responses to requirements of section 10 (2) of the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 44 for further details.
D.3.3	Disclosures of the Audit Committee	Complied with. Please refer 'Audit Committee Report' on page 70 of this Annual Report.
D.4 Related Party Transactions Review Committee		
Transactions with related parties should be in manner that would not grant "more favourable treatment" than that accorded to third parties in the normal course of business.		
D.4.1	Related party transactions to be as defined by LKAS 24	Complied with. Related party transactions are defined in accordance with the LKAS 24, CBSL and CSE regulations.
D.4.2	Establishing a Related Party Transaction Review Committee with a minimum of three Non-Executive Directors.	Complied with. The Related Party Transactions Review Committee was established in August 2015 in line with the Listing Rules of the Colombo Stock Exchange. Please refer 'Related Party Transactions Review Committee Report' on page 74 of this Annual Report for detailed Committee information.
D.4.3	RPT Review Committee's Written terms of reference	Complied with. The Related Party Transactions Committee operates under Terms of Reference and a Board approved Related Party Transactions Policy.
D.5 Code of Business Conduct and Ethics		
Requirement to adopt a Code of Business Conduct and Ethics for Directors, Key Management Personnel and all other employees with due disclosures of waivers.		
D.5.1	Disclosure whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel	Complied with. The Company has developed a Code of Conduct and Ethics for all employees.
D.5.2	Material and Sensitive information is promptly identified and reported	Complied with. Material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.

Corporate Governance Report

Code ref.	Principle	Extent of Compliance
D.5.3	Policy, process for monitoring and disclosure of shares purchased by Directors, Key Management Personnel or employees	Complied with. All the share dealings of the Directors are disclosed to the CSE promptly as per the CSE Listing Rules.
D.5.4	Chairman to affirm that code of conduct and ethics has been introduced companywide and he/ she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Complied with. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics by any Director or Key Management Personnel of the Company. Refer the Chairman's Statement in the Annual Report for details.
D.6 Corporate Governance Disclosures		
Requirement to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.		
D.6.1	Disclosure of Corporate Governance	Complied with.
E. Institutional Investors		
E.1 Shareholder Voting		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders' views to the Board.	Complied with. The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).
E.2 Evaluation of Governance Disclosures		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	Complied with.
F. Other Investors		
F.1 Investing/Divesting Decision		
F.1	Adequate analysis or seek independent advice	Complied with. Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.
F.2 Shareholder Voting		
F.2	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.
G. Internet Of Things And Cyber Security		
G.1 - G.5	Internet Of Things And Cyber Security	Complied with. Comprehensive IT policy is in place covering network access controls, closer monitoring of the usage of the internet, email and mail server, use of antivirus and firewall servers and software, etc. Refer Risk Management Report on pages 75 to 79 on disclosure of details relating to cyber security risks.
H. Environment, Society And Governance (ESG)		
H.1	ESG Reporting	Complied with.

SECTION THREE

Requirements on the Content of the Annual Report in Rule 7.6 and Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange:

The disclosures below reflect the Company's compliance with the Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules of the Colombo Stock Exchange.

Rule ref.	Requirement	Extent of Compliance
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 82.
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 82 and Section 1.2 of the Notes to the Financial Statements on page 100.
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied with. Please refer 'Information on Ordinary Shares' on page 143. The Company has not issued any non-voting shares.
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Entity complies with the Minimum Public Holding requirement	Complied with. Please refer 'Information on Ordinary Shares' on page 143.
7.6 (v)	The statement of each Directors' holding and CEO/Managing Director's holding in shares of the Entity	Complied with. Please refer page 82 of 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied with. Please refer 'Risk Management' report on page 75 to 79.
7.6 (vii)	Details of material issues relating to employees and industrial relations of the Company	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied with. Information in this regard, is disclosed in Note 25 on 'Property, Plant and Equipment' in the Financial Statements and page 82 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied with. Please refer Note 39 on 'Stated Capital' in the Financial Statements on page 143.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied with. Please refer 'Information on Ordinary Shares' on page 143.
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with. Please refer 'Financial Highlights' on page 4, 'Information on Ordinary Shares' on page 143.

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Rule ref.	Requirement	Extent of Compliance
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs sustainability from the book value	Complied with. Please refer Note 25 on 'Property, Plant and Equipment' in the Financial Statements and page 82 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	Please refer page 81 of the Annual Report.
7.6 (xiv)	Information in respect of Employee Share Option /Purchase Schemes	No share options schemes have been offered by the Company.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	Complied with. Please refer 'Corporate Governance' report on page 34 to 68.
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Complied with. Please refer Note 40 on 'Related Party Disclosures' in the Financial Statements.

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange which comprises of five subsections, namely:

- (1) Non - Executive Directors
- (2) Independent Directors
- (3) Disclosures Relating To Directors
- (4) Remuneration Committee
- (5) Audit Committee

Rule ref.	Requirement	Extent of Compliance
7.10.1 Non-Executive Directors		
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher.	Complied with. All four Directors are non executive directors.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Not Complied. The Board comprised of seven Directors as at the conclusion of the immediately preceding Annual General Meeting.
7.10.1 (c)	Changes to this ratio shall be rectified within ninety days from the date of change.	No such situation has arisen.

Rule ref.	Requirement	Extent of Compliance
7.10.2 Independent Directors		
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board, whichever is higher, should be independent.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that two Non-Executive Directors are independent.
7.10.2 (b)	Each Non-Executive Director to submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria in Rule 7.10.4.	Complied with. All Non-Executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.
7.10.3 Disclosure Relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Complied with. Disclosed in the page 81 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.10.3 (b)	In the event a director does not qualify as independent as per the rules on corporate governance but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless independent, the board shall specify the criteria not met and the basis for its determination in the annual report.	No such circumstance has occurred during the financial year 2022/2023.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report which includes information on the nature of his/ her expertise in relevant functional areas.	Complied with. Please refer pages 10 and 11 for the Profiles of the Directors.
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	Complied with. All new appointments to the Board are announced to the CSE together with the profiles of the Directors, when appointments are made to the Board.
7.10.5 Remuneration Committee		
A listed Entity shall have a Remuneration Committee.		
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with. The Remuneration Committee comprises of three Non-Executive Directors
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO/ Managing Director, to the Board.	Complied with. The Remuneration Committee recommends the remuneration payable to the CEO and other management personnel. The Board makes the final determination after considering such recommendations.

Corporate Governance Report

Rule ref.	Requirement	Extent of Compliance
7.10.5 (c)	The Annual Report shall set out: (1) The names of the Directors that comprise the Remuneration Committee (2) A Statement of remuneration policy (3) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with. The names of the Directors that comprise the Remuneration Committee and the Statement of Remuneration Policy are given on page 81 and page 84 of the 'Annual Report of the Board of Directors on the Affairs of the Company'. Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 11 to the Financial Statements.
7.10.6. Audit Committee		
A listed Company shall have an Audit Committee.		
7.10.6 (a)	The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with. All the members of the Audit Committee are Non Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	The Chairman of the Audit Committee is an Independent Non Executive Director and possesses required qualifications and this is disclosed in page 10 of the Annual Report.
	The CEO/Managing Director and Chief Financial Officer shall attend Audit Committee meetings.	The CEO/COO/CFO attend the Audit Committee meetings by invitation.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10.6 of the Listing Rules.	Complied with. Please refer 'Audit Committee Report' on page 70.
7.10.6 (c)	The Annual Report shall set out: (1) The names of the Directors comprising the Audit Committee. (2) The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. (3) A report by the Audit Committee setting-out the manner of compliance of the functions set out in 7.10 of the Listing Rules, during the period to which the annual report relates.	Complied with. Please refer 'Audit Committee Report' on Page 70.

Board 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, whilst confirming to the Corporate Governance Direction No.5 of 2021 by assessing and overseeing the management of all risks within the Company. The final responsibility for managing the risks of the Company remains with the Board of Directors.

The Committee composition during the financial year was as follows:

- Mrs. D. Bandara – Chairman of IRMC – (Independent/Non-Executive Director)
- Mr. V. Ramanan – Chairman- (Non-Independent/Non-Executive Director)
- Mrs. A. Wickremasinghe – (Independent/Non-Executive Director)

The following Management representatives attended meetings:

- Mr. C. Weerakoon – CEO
- Mr. P. Habaragamuwa – COO
- Mr. G. R. N. D. Kumara – CFO
- Mr. S. Sasikumar – CCO
- Ms. L. S. Jayawardana – Compliance Officer
- Mr. R. Selvaraj – DGM – Credit Risk
- Mr. C. Jayawardana – GM – Strategic Planning
- Mr. J. Attapattu – AGM – Branch Supervision, Business Development & Recoveries

By Invitation:

- Mr. K. M. K. S. Kumara – Head of Internal Audit

TERMS OF REFERENCE

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

The main responsibility of the Committee is to assist the Board in fulfilling its responsibilities on all aspects of risk management. For this Credit, Liquidity, Operational and Market Risk is reviewed using Management Information.

In addition to the above,

To ensure that a compliance function is in place to assess the Company's compliance with laws, regulations, rules, directions and internal controls.

To review and oversee the management's plan for mitigating of the material risks faced by the various business units of the Company.

To ensure that the Board of Directors is kept updated of the Company's risk exposure.

Implement and review the risk management and regulatory compliance throughout the Company.

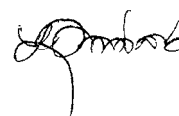
The Senior Management made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

Recommended corrective action to mitigate the effects of specific risks at levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

MEETINGS

The Committee met four (4) times during the Financial year.

All matters discussed and conclusions reached at the meetings are recorded in the minutes and submitted to the Board of Directors for their information.



Mrs. Deepani Bandara
Chairman
Integrated Risk Management Committee

8th April 2024

Report of the Audit Committee

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee ("the Committee") appointed by the Board of Directors of Nation Lanka Finance PLC comprises of three Non-Executive Directors of whom two are independent Directors. Beginning of the financial year the Committee was chaired by Mr. Jagath Dissanayake, a fellow member of the Institute of Chartered Accountant of Sri Lanka, who possess over 30 years Managerial Experience in field of Finance, Auditing, Marketing and Operations. Most of the experience and exposure, consociated with him are overseas.

At present the committee is chaired by Mrs. Shamila Arunodani Wickramasinghe, who holds a B. Sc. Accountancy (Special) Degree 2nd Class Upper Division from University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She is also a Fellow Member of Institute of the Certified Management Accountants of Sri Lanka, Fellow Member of the Institute of Chartered Professional Managers, Life Member of Certified Professional Accountants and a Fellow Member of the Association of Accounting Technicians of Sri Lanka.

- Mr. Jagath Dissanayake (Chairman – Resigned w.e.f. 14 September 2022) - Independent /Non – Executive Director
- Mrs. S.A. Wickramasinghe (Chairman) - Independent /Non – Executive Director.
- Mrs. K.G. Deepani Wasantha Kumuduni Bandara (Member) - Independent /Non – Executive Director (Joined w.e.f. 14th September 2022)

Brief profiles of the members are given in the page 10 of the Annual Report.

By invitation of the Audit Committee, the Chief Internal Auditor, Chief Executive Officer, Chief Operating Officer Chief Financial Officer, and the External Auditors attend Audit Committee meetings whenever requested by the Audit Committee. The Chief Internal Auditor functions as the Secretary of the Audit Committee.

OBJECTIVES AND ROLE OF THE AUDIT COMMITTEE

The Audit Committee is responsible for:

- To assist the board of directors in fulfilling its oversight responsibilities for financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.
- Examine any matter relating to financial and other related affairs of the company internally.
- Monitor and follow up the internal and external audit program and plan, review the external and internal audit reports and follow up on findings and recommendations.
- Review the risk management measures and examine the adequacy, efficiency and effectiveness of the internal control systems and procedures in place to avoid or to mitigate the risk.
- Ensure that efficiency and sound financial reporting system is in place to provide accurate, appropriate and timely information to the board.
- Review the quality and appropriateness of accounting policies and disclosures in accordance with Sri Lanka Accounting Standards /Sri Lanka Financial Reporting Standards.
- Review the compliance of financial reporting obligation under Colombo Stock Exchange (CSE), listing rules and regulation of Security and Exchange Commission (SEC), Companies Act No 7 of 2007, Finance Business Act No 42 of 2011

and other reporting requirements under the Central Bank of Sri Lanka (CBSL) regulations.

- Review of the financial information of the Company, in order to monitor the integrity of the financial statements of the Company, its annual report, accounts and quarterly reports prepared for disclosure.
- Reviewing accounting and financial reporting, risk management processes and regulatory compliance.
- Reviewing effectiveness of the Company's systems of internal control over financial reporting 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 applicable accounting standards and regulatory requirements.
- Make recommendation on matters concern with engagement, re-engagement, and removal of external auditors and services period and & audit fees.
- Engaging independent advisors on specialized functions where it is deemed necessary. The Committee periodically reviews the independence, objectivity and effectiveness of audit process in compliance with applicable standards and best practices.

AUTHORITY

The committee has the explicit authority to investigate to any matter including call any employee to be questioned at meetings of the committee within its terms and reference, obtained required resources, full access to information, obtained external professional advice if necessary and invite outsiders with relevant experience to attend if necessary.

MEETINGS

The committee held five meetings during the financial year under review. The attendance of the committee members at the meetings were as follows,

Meetings conducted for the period from 01st April 2022 to 31st March 2023.

Name of the Member	Number of Meetings Held	Number of Meetings Attend
Mr. N. J. K. Dissanayake (Chairman – Resigned w.e.f. 14th September 2022)	02	02
Mrs. S. A. Wickramasinghe (Chairman)	05	05
Mrs. Deepani Bandara (Member) Joined w.e.f. 14th September 2022	03	03
Mr. Maheen Priyantha (Member)	05	-

INTERNAL AUDIT

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Company's Internal Audit Department that included updates on audit activities and achievements against the Company's audit plan, advising corporate management to take precautionary measures on significant audit findings and assessment of resource requirements of the Internal Audit Department. The Audit Committee had provided the Chief Internal Auditor with necessary information throughout the year.

During the year, Audit Committee had also reviewed the internal audit plan and monitored the progress on a regular basis. The sections covered and the extensiveness of audits depends on the risk level of each section, where higher risk, being audited more frequently.

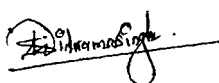
The Internal Audit Dept. comprises of 4 broad areas namely, Branch, Functional Department / Corporate Governance, Compliance, and Procedure Manual Review / Forensic and Fraud Investigations/ IT auditing.

EXTERNAL AUDITORS

The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices. The Audit Committee recommended the scope and fees for audit and permitted non-audit services provided by External Auditors.

The Committee has received a declaration from External Auditors as required by the Companies Act No. 7 of 2007, confirming that they do not have any relationship or interest in the company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Committee reviewed the external audit plan nature and scope as well as management letters and followed up on issues raised. Private meetings were held with External Auditors to ensure that there were no restrictions on the scope of their audit and to discuss matters without, the key Management Personnel.



S. A. Wickramasinghe
Chairman – Board Audit Committee

08th April 2024
Colombo, Sri Lanka

Board Remuneration Committee Report

COMPOSITION

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

The composition of the committee during the financial year ended 31st March 2023 was:

1. Mr. V. R. Ramanan - Chairman (NED)
2. Mr. N. J. K. Dissanayake (IND/NED) – Resigned w.e.f. 14.09.2022
3. Mrs. S. A. Wickramasinghe (IND/NED)
4. Mrs. K. G. D. W. K. Bandara (IND/NED) – Joined w.e.f. 14.09.2022

The Chief Executive Officer and HR Manager attend the meetings by invitation to assist the Committee's deliberations.

MEETINGS

During the year under review one meeting was held. The attendance of the members at this meeting is given below.

Name of Directors	19 April 2022
Mr. Victor Rajamanner Ramanan	✓
Mr. Nayana Jagath Kumar Dissanayake	✓
Mrs. Shamila Arunodani Wickramasinghe	✓
Mrs. Deepani Wasantha Kumuduni Bandara	x

The Company Secretary functions as the Secretary to the Committee.

REGULATIONS RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

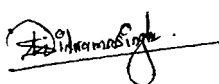
The role and functions of the Committee were identified as in previous years with reference to Direction No. 3 of 2008 of the Central Bank of Sri Lanka on Corporate Governance for Licensed Finance Companies and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

SCOPE AND THE RESPONSIBILITIES

The scope includes the determining of the Remuneration Policies (i.e. salaries, allowances and other financial payments relating to Directors, CEO and Key Management Personnel (KMP) of the Company.

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at the Board meetings thereby providing Board members with access to same.



S. A. Wickramasinghe
Chairman – Remuneration Committee

8th April 2024
Colombo, Sri Lanka

Board Nomination Committee Report

COMPOSITION

The Nomination Committee of the Board of Directors presently consists of three Non-Executive Directors.

The composition of the Committee during the financial year ended 31st March 2023 was

1. Mr. V. R. Ramanan - Chairman (NED)
2. Mr. N. J. K. Dissanayake (IND/NED) – Resigned w.e.f. 14.09.2022
3. Mrs. S. A. Wickramasinghe (IND/NED)
4. Mrs. K. G. D. W. K. Bandara (IND/NED) – Joined w.e.f. 14.09.2022

The Chief Executive Officer attends the meetings by invitation, while the Secretary to the Board functions as the Secretary of the Committee.

MEETINGS

During the financial year four meeting was held. The attendance by the Committee members at each of this meeting is given below.

Name of Directors	27 April 2022	6 June 2022	6 July 2022	25 August 2022
Mr. Nayana Jagath Kumar Dissanayake	✓	✓	✓	✗
Mr. Victor Rajamanner Ramanan	✓	✓	✓	✓
Mrs. S. A. Wickramasinghe	✓	✓	✓	✓
Mrs. Deepani Wasantha Kumuduni Bandara	✗	✗	✗	✗

The Committee reviewed the succession plan and assessed the fitness and propriety of Directors and Key Management Personnel (KMP).

The Committee also reviewed Job Descriptions (JDs) of Key Management Personnel and incorporated necessary changes to the JDs of the respective KMPs.

PROCEDURE

The Committee meets when required and acts within its mandate approved by the Board of Directors and makes recommendations to the Board for consideration.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters under its purview.

REPORTING TO THE BOARD

The minutes of the Board Nomination Committee meetings are tabled at the Board meetings providing all Board members access to same.



Victor Ramanan
Chairman – Nomination Committee

8th April 2024
Colombo, Sri Lanka

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee assist the Board to ensure that interest of shareholders as a whole are taken into account when entering into transactions with related parties.

COMPOSITION AND COMMITTEE MEETINGS

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company.

The Committee met two times during the year under review.

Name of Directors/CEO	6 July 2022	31 March 2023
Mr. Nayana Jagath Kumar Dissanayake (Resigned w.e.f. 14 September 2022)	✓	✓
Mr. Jayaprakash Rudra (Retired w.e.f. 7 June 2022)	✓	✓
Mrs. Shamika Arunodani Wickramasinghe	✓	✓
Mrs. Deepani Wasantha Bandara	x	✓
Mr. Maheen Priyantha	✓	✓

SCOPE OF THE COMMITTEE

Assist the Board of Directors in implementing, reviewing and overseeing policies and procedures relating to related party transactions of the Company and avoidance of conflicts of interests.

Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is related party, unless such Director is requested to do so by the Committee for providing information to the Committee.

STATEMENT

Committee has reviewed RPT transactions during the financial year and has communicated the comments observations to the board.

FUNCTIONS OF THE COMMITTEE

Reviewing in advance all proposed related party transactions of the Company.

Ensuring that immediate market disclosures and disclosures in the Annual Report are made complying to applicable rules and in a timely and detailed manner.

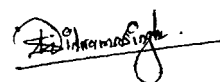
DECLARATION

The declaration by the Board of Directors that no related party transaction falling within the ambit of the listing rules was entered in to by the Company during 2022/23.

Adopting policies and procedures to review related party transactions of the Company and overseeing existing policies and procedures.

AUTHORITY

The Committee has the authority to discuss issues under its purview and report to the Board with recommendations enabling the Board to take final decision on the matter.



S A Wickramasinghe
Chairman - Related Party Transactions Review Committee

Determining whether related party transactions that are to be entered in to by the Company require the approval of the Board or the shareholders of the Company.

RELATED PARTY TRANSACTIONS DURING 2022/2023

Details of related party transactions are disclosed under note 40 on pages 144 to 145.

8th April 2024
Colombo, Sri Lanka

Establishing guidelines to be followed by the Senior Management in respect of ongoing related party transactions.

Risk Management Report

In the course of our daily operations the Company takes on a wide variety of risks. These risks arise from the products/services we offer and the business activities that the Company is engaged in. An effective risk management is fundamental to the business activities of the Company.

The Board determines the risk appetite based on current and anticipated exposures and views on the economy in normal and stressed conditions. In effect, the risk appetite is designed to measure the market volatility and stress, which the Company can withstand, while meeting its financial goals and regulatory requirements. Also the many unprecedented challenging volatilities in the political, health and socio-economic issues that took place during the year under review, affected the operations of financial institutions.

DOMESTIC SITUATION

The economy was in a fragile state lacking the necessary buffers to withstand shocks, hit by the pandemic and other multifaceted headwinds that emanated from global and domestic fronts.

Arbitrary changes in long term economic and fiscal policies led to high fiscal deficits and large financing needs.

Social unrest and protests in the country were due to the least expected sudden shortage of fuel, medicine and essential items. Escalating inflation at unanticipated levels was experienced in all sectors.

Depreciation of the rupee, losses on FCY transactions and high interest rates had a high impact on the economy. Official reserves dropped and lower credit ratings were inevitable.

Several new fiscal disciplines such as tax and VAT increase; floating currency policies and other stringent measures implemented then, has restricted the full year depreciation.

Country's GDP has contracted by 7.8 percent this year. Headline inflation closed at 57.2 percent.

IMF Board approved initial Fund Facility program in March 2023.

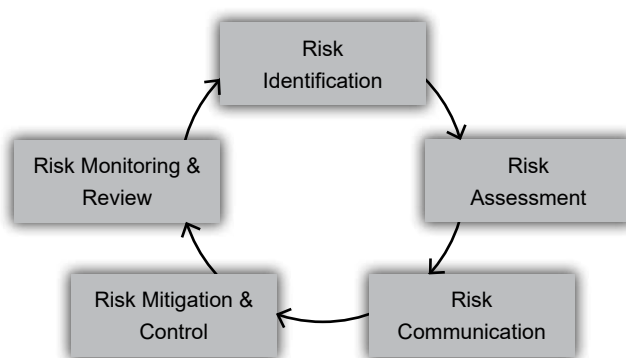
Trade deficit declined to US\$5.2 billion in 2022 in comparison to US\$8.1 billion in 2021.

Restrictions on vehicle imports still in force bear a high impact on the local finance companies.

Increase in non-performing loans will need to be managed carefully, as the regulatory moratorium ended on 31.03.2022. Higher impairment envisaged next year needed to be addressed as stage 3 days will be shrunk to 120 days from 150 days commencing April 2023.

Government's indication to relax import compression this year end in 2023 may opportune to commence lending gradually and activate the vehicle turnover.

The Board has delegated the authority to focus on the management of risk to the Board Integrated Risk Management Committee (BIRMC); in turn BIRMC updates the Board every quarter. All the risks related to various departments are taken in to consideration at the BIRMC and ALCO Committee.



The Risk Identification, Assessment, Control and Review are a cyclic process and Risk Communication, current and reliable information flow, both internal and outward is a pre-requisite for reliable risk management output. All risk information received and collected are analysed in order to ascertain the probability and impact of the identified risks and act based on the severity.

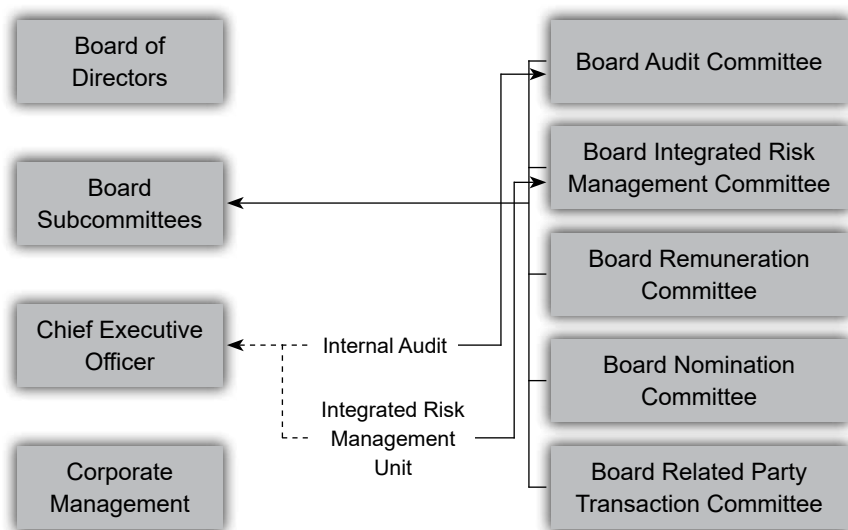
Risk information reaching the risk owners and relevant management personnel in a timely manner is vital for taking rectification action and initiating required risk mitigating action. The Management is apprised of the risks on a monthly basis and BIRMC meetings are held on a quarterly basis unless otherwise a situation warrants that BIRMC should meet to discuss an emerging material risk.

Risk Management Report

Organisational level risks related to anti money laundering (AML) and Counter Terrorism Financing (CTF) are analysed on a quarterly basis and reported to BIRMC.

The key risk indicators (KRI) pertaining to Credit, Market and Operational risks are identified and risk appetites are set by the Management by way of tolerance limits. The key risk indicators, its values and behaviour trends are reported and discussed in length at BIRMC meetings.

RISK MANAGEMENT FRAMEWORK



The Company's risk management framework will be based on the Three Lines of Defence model which is underpinned by rigorous organizational structures, systems, processes, procedures and practices. This enables distinctive roles, unique perspectives and specific skills for managing risk and guiding the Company's day-to-day operations.

First line of defence - Line management and business units involved in managing relationships that will lead to transactions that will modify the assets and liabilities of the Company are required to observe required measures of risk management in the best interests of the Company.

All events and situations observed during the course of these interactions are to be adequately assessed and any matter of whatsoever nature that could present risk factors to the Company are to be duly noted, evaluated and notified to the superior officers at all times.

An effective system of internal control for executing risk and control procedures will help management of risk at this level on a day-to-day basis.

Second line of defence - Risk and compliance departments together with the Corporate management team and the business and support units such as Credit Departments, Collection and Recovery Departments, Finance and Treasury departments will provide an independent oversight function.

Risk management function will facilitate and monitor the implementation of effective risk management practices by operational management and assist risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization, thereby ensuring that the first line of defence is operating as intended.

Compliance function will monitor risk of noncompliance with applicable laws and regulations. Finance will monitor financial risks and financial reporting issues.

Third line of defence - Based on the highest level of independence and objectivity, the Internal Audit Department of the Company, and the statutory auditors of the Company will provide the Board / Board Integrated Risk Management Committee / Board Audit Committee / Senior Management, as applicable, with comprehensive assurances on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

As the final risk indicators are derived out of the Management Information System (MIS) and Financial Reporting (FR) framework, the Company shall rely upon the MIS and FR framework for risk management process.

Due care is taken by the Company to ensure effectiveness of same, and there shall be a process adopted by the Board in applying and reviewing the design and effectiveness of the internal control mechanism on financial reporting as per regulatory requirements.

The directive for risk management is descending from the Board of Directors which has a strategic view for risk management activities of the Company in line with the above layers. They

are responsible for upholding of far sighted risk management mechanisms and orderly implementation of the risk framework in the Company. The Board approves the policies, strategies and systems and operational approach for risk management.

The Board Integrated Risk Management Committee and the corporate management of the Company carry out the efficient implementation of the risk management function in the Company.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is the Board subcommittee responsible for overseeing the risk management function in line with the Board approved policies and strategies. They also recommend approval of required and relevant policies for integrated risk management to the Board and provide instructions of identified risks. The committee interacts with the CEO, Board Audit Committee and risk related activities. Besides the Board representatives, BIRMC consists of CEO and all Heads of Divisions personnel covering the key risk areas of the company covering Credit, Liquidity, Market, Operations including deposits, Business, Reputational risks.

INTERNAL AUDIT

Annual planning for internal audit takes place in consideration of the risks faced by branches, processes and departments. The annual plan presented and approved by the audit committee form the basis of the audit operations for the year. Progress of audit activities is monitored quarterly at audit committee level.

General audits conducted include Credit audits, Department level, system audits, Branch audits and field audits for Micro Finance operations. Audit findings are discussed with the management and rectification actions

are taken. Any audit query which is critical is taken up immediately at the point of audit itself. Summary findings are tabled at the audit committee. All audits are subject to follow up. All Branches are required to sign off on rectification of audit findings and are reviewed at the time of the following audit, while the other audit queries are followed up by the auditors for successful rectification. In addition, decisions taken at the audit committee are separately followed up and a feedback on the status is given at the subsequent audit committee meeting thereby ensuring all audit issues are resolved.

The Company is exposed to risks which have the potential to impact the Company's ability to achieve agreed strategic goals including the financial performance. There are certain types of risks that can be managed by the Company; there are some other risks that need to be monitored to assess their impact.

Risks that can be monitored but cannot be managed by the Company include:

- Regulatory Risk/Legal Risk
- Political Risk
- Interest rate Risk
- Environment Risk
- Inflation Risk

Risks that are managed by the Company include:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Business Risk
- Technology Risk
- Compliance Risk
- Reputational Risk

CREDIT RISK

Credit Risk is the risk of potential loss from the failure of a customer to honour its contractual obligations to the Company. Credit risk may result in the loss of the principal amount and interest with adverse implications on profits due to the impairment provisions or write-off of non-performing facilities.

Company Credit Risk Management Policy is not to eliminate the credit risk but to accept the risk with certain limits. All credit exposure limits are approved within a delegated credit approval authority framework. The credit division has developed a credit scoring system considering the risk indicators.

MARKET RISK

Market Risk is the risk of loss arising from movements in interest rates, foreign exchange risk, commodity prices, and equity and debt prices. Our objective in risk management is to obtain the best balance of risk and return whilst meeting the customer requirements.

Interest rate risk is the volatility in interest sensitive products and the susceptibility of the future income and expense levels to the changes in line with the market interest rates.

OPERATIONAL RISK

The identification of operational risk factor is very important to our Company because the main business activities of the Company are associated with the highly volatile financial industry. The risk identification process is mainly gathered through the Risk Appetite statement provided by the product owners and the internal audit functions of the Company.

When operational risks materialise, it often causes other risks such as reputational, compliance, credit, market and liquidity risks etc.

Risk Management Report

The measurement criteria are set with the risk factors identified by the product owner and the internal audit function with the assistance of Integrated Risk Management Committee of the Company. The Company considers the selected risk factors as primary risk warning indicators of Company's entire operational activities. The Key Risk Indicators (KRIs) and audit findings are used to identify and assess these risk events. KRIs are categorised as pre operational risk causes in each business process. The KRIs are objective risk measurements which allow trends to be monitored and can be used to anticipate problems in advance.

LIQUIDITY RISK

Liquidity risk is the potential loss of earning and/or erosion of capital arising from the inability to meet the Company's obligations in a timely manner as and when they fall due. Liquidity risk can also be identified as the risk we will face by not having adequate financial resources.

The Company has clearly articulated a liquidity risk tolerance level that is appropriate for its business strategy and its role in the financial system. The senior management of the Company is mainly responsible to develop a strategy, policies and practices to manage liquidity risk in accordance with the risk tolerance levels decided by the Board appointed committees and to ensure that the Company maintains sufficient liquidity position in line with the set requirements.

The ALCO holds overall responsibility for ensuring that the Company maintains adequate liquidity levels to fulfil its contractual obligations.

BUSINESS RISK

Business risk is a part of strategic risk which arises from the competitiveness within the financial services industry. As is the case in the present context, intense competition in the industry together with the volatilities in the macroeconomic environment, particularly, the changes in policy interest rates and import duty levels, adversely impact business volumes and market share and in turn, the profitability of the Company. Business volume risk is assessed based on the variance between budgeted disbursements and actual disbursements.

TECHNOLOGY RISK

Technology risk can end up in financial loss, disruption or damage to the reputation of the Company due to unauthorised access to systems or data/information, failures of the existing information technology systems and use of obsolete information technology systems. Any Company which relies heavily on information system is vulnerable to system break-downs and various types of difficulties. The Company uses modern information systems in all its main activities in order to provide a better service to customers and to improve the quality of management information system. The Company has adopted all the available precautionary measures at present. Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the information entry level.

In order to overcome unforeseen events like a disaster we have developed a disaster recovery site and as planned in our overall Business Continuity Plan that has been rolled out. A disaster recovery site has been established at the head office in Colombo which has capabilities

to continue operations in the event the primary site which is located in a separate geographical area becomes unavailable.

COMPLIANCE RISK

The compliance of the Company with relevant regulations and laws including directions and regulations issued by the Central Bank of Sri Lanka and Colombo Stock Exchange is monitored by the Compliance officer.

The impact of compliance risk can be rather far-reaching. It could even lead to loss of earnings and business opportunities, tarnish the company image and imminent lawsuits.

REPUTATIONAL RISK

Reputational risk is an event or incident that could adversely impact on the corporate brand. Reputation is always linked to how the Company operations are carried out and how effectively the Company can mitigate risks in its businesses including credit, liquidity, market, business, reputational and other operational risks. Reputational risk may also arise from a failure to comply with environmental and social standards. A list of legal and regulatory compliance is tabled at monthly Board meetings. The Company insures deposit liabilities in a deposit insurance scheme operated by the Central Bank of Sri Lanka.

RISK ICAAP FRAMEWORK

The Internal Capital Adequacy Assessment Process (ICAAP) policy framework is being formulated as NBFIs will be required to comply with this requirement soon.

Risks inherent are categorised under two pillars and Risk Weighted Assets (RWA) for Credit Risk and Operational Risk shall be assessed and further analysed commencing this year.

A decorative graphic on the right side of the page, consisting of several thick, curved lines in shades of gray and white, sweeping from the top left towards the bottom right. Below these lines is a cluster of small circles in various shades of gray and white, arranged in a pattern that suggests a trail or a burst of light.

FINANCIAL INFORMATION

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

The Board of Directors of Nation Lanka Finance PLC present their report on the affairs of the Company together with the Audited Consolidated Financial Statements of the Group for the year ended 31st March 2023.

The Report contains pertinent information and disclosures required under the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange, the Finance Companies Act, recommended Best Practices of Corporate Governance and the requirements of the Sri Lanka Accounting Standards.

PRINCIPAL ACTIVITIES

The principal business activities of the Group are Lending including Financial Leases, Hire Purchase, Micro Finance, Loans, Pawning, Financial Services and Trading in Real Estate & Property Development. There were no significant changes in the nature of the principal activities of the Company and the Group during the Financial year under review.

RESULTS AND APPROPRIATIONS

The Financial Statements of the Company and the Group are given on Page 92 of this Annual Report.

REVIEW OF OPERATIONS & PERFORMANCE

The Chairman's Review provides an overall assessment of the Company's Operations and Performance during the Financial year under review on Page 6.

MISSION STATEMENT & CORPORATE GOALS

The Vision and Mission Statement of the Company are given on Page 2.

BRANCH NETWORK

The Company has 25 Branches/ Services Centers in different parts of the Island and the Location map is given on Page 23.

INVESTMENTS

Details of Investments held by the Company are described in Note 17 and 18.

DIVIDENDS

The Board of Directors do not recommend the payment of a dividend for the Shareholders for financial year under review.

PROPERTY, PLANT AND EQUIPMENT

Group expenditure on the acquisition of fixed assets during the year amounted to Rs. 23 Mn and information relating to movement in Fixed Assets is given in Note 25 to the Accounts

RIGHTS ISSUE OF SHARES

The Company offered shares at the rate of Rs. 0.70 per share by way of a Rights Issue in October 2022, and thereby the Stated Capital of the company was increased by Rs. 1,106,030,963.40.

STATED CAPITAL

Subsequent to the Rights Issue of Shares, the Stated Capital of the Company as at 31st March 2023 stood at Rs.2,330,072,972.40 representing 2,933,836,839 Ordinary Shares. The structure of the Stated Capital is given in Note 39 to the Accounts.

MAJOR SHAREHOLDINGS

The number of shares and the percentage of the respective holdings of the 20 Major Shareholders of the Company as at 31st March 2022 and 31st March 2023 are listed on Page 174 under the title "Shareholder and Investor Information".

SHAREHOLDER INFORMATION

As at 31/03/2023 there were 13,751 Registered Shareholders. The Public Holding as at the said date was 20.82% representing 13,749 Shareholders.

The Company complies with the Minimum Public Holding Requirement Rule 7.13.1 (a) under Option 5 as at 31st March 2023 as per the details set out below;

- Float Adjusted Market Capitalization – Rs. 305,412,415/-
- Public Holding Percentage – 20.82%
- Total Number of Public Shareholders – 13,749

The distribution, categories and location of shareholders are indicated on Page 174 under "Shareholders and Investors" information.

DIRECTORATE

The Members of the Board during the Financial year under review were as follows:-

- Mr. V R Ramanan
- Mr. A G M Priyantha
- Mrs. S A Wickramasinghe
- Mrs. K G D W K Bandara (Appointed w.e.f 14.09.2022)
- Mr. U R Seneviratne (Appointed w.e.f 26.03.2024)
- Mrs. L M N Jayawickrema (Appointed w.e.f 26.03.2024)
- Mr. N W M Gunawansa (Appointed w.e.f 26.03.2024)
- Mr. J Rudra (Retired w.e.f 07.06.2022)
- Mr. N J K Dissanayake (Resigned w.e.f 14.09.2022)

The Profile of the Board of Directors of the Company are given in Page 10 to 11.

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

APPOINTMENT OF DIRECTOR

Mrs. K G D W K Bandara, was appointed as a Non-Executive, Independent, Senior Director with effect from 14th September 2022.

Mr. U R Seneviratne, Mrs. L M N Jayawickrema and Mr. N W M Gunawansa were appointed as Independent Non-Executive Directors with effect from 26th March 2024.

Mr. M L D Nirosha Yasantha was appointed as the Acting Chief Executive Officer of the Company w.e.f. 22nd December 2023.

RETIREMENT & ELECTION OF DIRECTOR

Mr. K G D W K Bandara, Mr. U R Seneviratne, Mrs. L M N Jayawickrema and Mr. N W M Gunawansa retires in accordance with Article 95 of the Articles of Association of the Company, and are eligible for election.

The Nomination Committee has recommended the aforesaid elections.

RETIREMENT / RESIGNATION OF DIRECTORS

Mr. J Rudra, Director - Recoveries retired from the said position with effect from 07.06.2022, in complying with the Finance Companies (Corporate Governance) Direction No.03 of 2008 of the Central Bank of Sri Lanka.

Mr. N J K Dissanayake, the Non-Executive, Independent Director of the Company resigned from the said position with effect from 14.09.2022.

The Board wishes to place on records their appreciations for the valuable services rendered by the above Directors, during their tenure in Office.

DIRECTORS & CEO'S SHAREHOLDING

The Directors, CEO's and Acting CEO's Shareholdings at the beginning and end of the Financial year are set out below:

As at	31-03 2023	31-03 2022
Mr V R Ramanan	965,842,690	751,556,976
Mr. A G M Priyantha	-	-
Mrs. S A Wickramasinghe	-	-
Mrs. K G D W K Bandara	-	-
Mr. J Rudra	40,346,735	38,899,235
Mr. N J K Dissanayake	-	-
Mr. U R Seneviratne	-	-
Mrs. L M N Jayawickrema	-	-
Mr. N W M Gunawansa	-	-
Mr. Chandika Y B Weerakoon (CEO)	-	-
Mr. M L D N Yasantha (Acting CEO)	-	-

DIRECTOR'S REMUNERATION

The remuneration paid to the Executive and Non-Executive Directors during the financial year under review is given in Note 11 to the financial statements.

DECLARATIONS BY INDEPENDENT / NON EXECUTIVE DIRECTORS

The Non-Executive / Independent Directors have submitted signed declaration confirming his / her independent status in compliance with Rules 7.10.3 of the Colombo Stock Exchange.

AUDIT COMMITTEE

The Audit Committee was restructured consequent to the change of Directorate. As at the end of the financial year the Committee comprised of Mrs. S A Wickramasinghe, Mrs. K G D W K Bandara and Mr. A G M Priyantha of whom Mrs. S A Wickramasinghe, functioned as the Chairperson of the Committee.

The report of the Audit Committee is given on Page 70.

REMUNERATION COMMITTEE

The Remuneration Committee was restructured consequent to the change of Directorate. As at the end of the financial year the Committee comprised of Mrs. S A Wickramasinghe, Mr. V R Ramanan and Mrs. K G D W K Bandara of whom Mrs. S A Wickramasinghe, functioned as the Chairperson of the Committee. The remuneration Policy adopted by the Company is set out in the Report of the Remuneration Committee.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was restructured consequent to the change of Directorate. As at the end of the financial year the Committee comprised of Mrs. S A Wickramasinghe, Mrs. K G D W K Bandara and Mr. A G M Priyantha of whom Mrs. S A Wickramasinghe functioned as the Chairperson of the Committee

The Board of Directors has given the following statement in respect of the Related Party Transactions. The Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules.

NOMINATION COMMITTEE

Consequent to the restructuring of the Nomination Committee it comprised of Mr. V R Ramanan, Mrs. S A Wickramasinghe and Mrs. K G D W K Bandara of whom Mr. V R Ramanan functioned as the Chairman of the Committee.

GOING CONCERN

The Board of Directors of the Company are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, the Company continues to adopt a going concern concept in preparing the accounts of the Company.

ENVIRONMENTAL PROTECTION

The Board of Directors has taken adequate precautions to ensure that the Company and the Group does not engage in any activities which could be detrimental to the environment.

RISK MANAGEMENT

The Board of Directors has structured proper systems and controls to identify probable risk. These systems are periodically evaluated and reviewed by the Board through the Integrated Risk Management Committee to ensure smooth functioning. Remedial measures also have been implemented to mitigate risk.

INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the Company's Systems of Internal Control. The Company's internal control and check systems have been designed to provide the Directors with reasonable assurance that the Assets are protected, safeguarded and transactions are authorized thereby ensuring that errors and irregularities are either prevented or detected within a timely period, whilst ensuring that Corporate Governance is properly practiced and adhered to.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 10 (2) (b) of Finance Companies (Corporate Governance) Direction No.03 of 2008. The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on pages 81 to 84. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to in Page 86.

SUBSIDIARY

The Principal activities and the performance of the subsidiary is set out in Page 100. The Company currently has 01 Subsidiary maintained to venture into different lines of business activity.

CONTRIBUTIONS TO CHARITIES

The Company has not contributed to charities during the financial year under review.

INTERESTS REGISTER

An Interests Register is maintained, in compliance with the Companies Act No.07 of 2007.

The particulars of the entries made in connection with the General Disclosure in terms of Section 192(2) of the Companies Act No.07 of 2007 are given in Note 40 under Related Party transactions.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Balance Sheet no circumstance has arisen which require adjustments to the accounts after the reporting period.

The Company amalgamated with Kanrich Finance Ltd by way of a share swap and the effective date of amalgamation was 31st July 2023.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Director's Responsibilities in compliance with the requirements in preparation of financial statements are set out in Page 85.

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

STOCK MARKET INFORMATION

Information relating to earnings, dividends, net assets per share, trading price, are given on Page 175.

CONTINGENT LIABILITIES

The details of the contingent liabilities are disclosed in Note 44 to the Financial Statements.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made up to date or provided for same.

ACCOUNTING POLICIES

There has been no change in the Accounting Policies adopted by the Company in preparation of Financial Statements during the Financial Year under review.

CORPORATE GOVERNANCE

The Board of Directors place great emphasis on good Corporate Governance practices and principles and ensure that the Company adheres with the codes of Best Practice on Corporate Governance. The compliance of Corporate Governance by the Company is set out on Pages 34 to 68.

MATERIAL ISSUES PERTAINING TO EMPLOYEES & INDUSTRIAL RELATIONS

There were no material issues relating to Employees and Industrial Relations during the year ended 31st March 2023.

MEETINGS OF THE BOARD OF DIRECTORS

Twelve Board Meetings were held for the financial year under review. Schedule of Directors attendance of Board Sub Committee meetings are presented under the Corporate Governance Report in this Annual Report on Pages 34 to 74.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all Shareholders are treated equitably.

AUDITORS

The accounts for the year have been audited by M/s KPMG, Chartered Accountants, who retire at the AGM, in terms of Finance Company Direction No.3 of 2008

The Auditors were paid a sum of Rs. 6,273,370 as Audit Fees and Rs. 1,449,045 as Non Audit Fees by the Company for the financial year under review.

The Board propose to appoint M/s. Ernst & Young, Chartered Accountants, as the Auditors of the Company, in place of the retiring Auditors, M/s KPMG, Chartered Accountants.

As far as the Board is aware the Auditors do not have any relationship with the Company.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on Page 87.

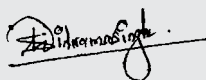
ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on Tuesday the 10th May 2024, at 10 a.m via online. The Notice of the meeting is given on Page 176.

By Order of the Board



V R Ramanan
Chairman



S A Wickramasinghe
Independent, Non-Executive Director



Company Secretaries
Corporate Arcade Ltd

8th April 2024

Statement of Directors' Responsibilities

In terms of Section 150(1), 151, 152(1) & 153 of the Companies Act No.07 of 2007, the Directors are responsible to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the Company and the Group as at the end of financial year and the Financial Performance of the Company and the Group for the financial year. The Directors are also responsible, in terms of Section 148 for ensuring that proper accounting records are maintained to disclose with reasonable accuracy, the financial position and to enable the preparation of Financial Statements. The Financial Reporting System was reviewed by the Board through the Management Accounts submitted monthly at Board meetings.

The Board to the best of their knowledge confirms that proper books of account have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records and accepts responsibility for the integrity and objectivity of the Financial Statements prepared and presented in this Annual Report. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently so that the form and substance of transactions are properly reflected. The Financial Statements provide the information required by the Companies Act, Listing Rules of the Colombo Stock Exchange and the Sri Lanka Accounting Standards based on SLFRS.

The Directors are of the opinion, based on their knowledge that adequate resources are available to support the Company on a going concern basis in the foreseeable future. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to maintain a sound system of internal control to safeguard Shareholder's investments and the Company's assets to ensure continuity of operations and in that concept have instituted appropriate systems of internal control with a view to prevent and detect fraud and other irregularities.

The external Auditors, M/s. KPMG, were re-appointed in accordance with a resolution passed at the last Annual General Meeting, and they were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors shown on pages 87 and 91 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all Statutory Payments relating to employees and the Government that were due in respect of the Company and its Subsidiary as at the Balance Sheet date have been paid or provided for, in arriving at the financial results for the year under review.

The Directors are of the view that they have discharged their obligations as set out in this Statement.

By Order of the Board



Corporate Arcade Ltd
Company Secretaries

8th April 2024

Directors' Statement on Internal Controls

Responsibility In line with the section 10(2) (b) of the Finance Companies (Corporate Governance) Direction No 03 of 2008 as amended by the Finance Companies Direction No 06 of 2013, the Board of Directors present this report on system of Internal Controls over the financial reporting. The Board of Directors is responsible for the adequacy and effectiveness of system of internal controls of Nation Lanka Finance PLC. It has been designed to manage the Company's key operational areas whilst keeping its associated risk elements are within acceptable levels when deciding the policies and achieving the business objectives of the Company, rather than eliminating the total risk of failure.

Accordingly, the system of internal control may not provide an absolute assurance against material misstatements of management, financial information, records or against the possible frauds and malpractices. Hence, only a reasonable assurance could be placed on the efficiency of the internal control procedures.

The Board has established a continuous process of identifying, evaluating and managing the significant risks encountered by the Company and this process includes strengthening 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 assist the Board in implementation of the Board's policies and procedures on risks and controls by identifying and assessing the associated risks encountered by the Company. Based on this process, the Board is of the view that the existing system of internal control is sound and adequate to provide reasonable assurance that the reliability of financial reporting and the preparation of financial statements are in accordance with the relevant accounting principles and regulatory requirements.

Key Features of the process adopted in Reviewing the Effectiveness of the Systems of Internal Control.

Steps have been taken by the Board of Directors to ensure effective internal control mechanisms are given below.

- Sub – committees are established to assist the Board in ensuring the effectiveness of the Company's daily operation in agreement with the corporate objectives, strategies, annual budget, policies and procedures that have been approved by the Board.
- The Internal Audit Division of the company checks for compliance with policies and procedures and the effectiveness of the Internal Control System on an on-going basis highlighting the significant findings in respect of any noncompliance. Audits are carried out on all divisions and Branches to provide an independent and objective reporting. Finding of the Internal Audit Division are submitted to the Audit Committee for review at their meetings. The annual audit plan is reviewed and approved by the Audit Committee.
- The Audit Committee reviews the internal controls issues identified by the Internal Audit Division and reviews the adequacy and the effectiveness of the Internal Controls System. The salient points of the Audit Committee meetings are tabled at the Board meetings.
- A Board paper is also submitted on a monthly basis stating the non-compliance issues with regard to the rules and guidelines, if any.
- Consequent to full convergence of Sri Lanka accounting standards with Sri Lanka Financial Reporting Standards, the Company is in the process of implementing required controls and adjustment to the financial reporting process.

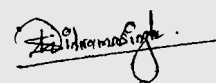
CONFIRMATION

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

For and on behalf of the Board



Victor Ramanan
Chairman



S.A. Wickramasinghe
Chairman – Audit Committee



L.N.D.Y. Madawala
Chief Executive Officer (Acting)

8th April 2024
Colombo.

Independent Auditor's Report



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

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
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TO THE SHAREHOLDERS OF NATION LANKA FINANCE PLC

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Nation Lanka Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the 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 and other explanatory information set out on pages 92 to 168 of the Annual financial statements.

In our opinion, except for the effects of matters described in the Basis for Qualified Opinion section of our report, 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 QUALIFIED OPINION

1. The Central Bank of Sri Lanka has imposed restrictions to the Company over granting new loans and accepting new deposits. However, the Company has accepted new deposits from customers as deposit and through investment agreement that were not initially recorded in the general ledger of the Company, despite the restriction imposed by the Central Bank. The amounts have been quantified and subsequently Rs. 920,793,153 have been recorded in the financial statements under other borrowing as of 31st March 2023. However, we were unable to obtain sufficient and appropriate audit evidence relating to the completeness of the customer deposits, borrowings as of 31st March 2023 and interest expense for the year ended 31st March 2023.

2. The Company has recognized a deferred tax asset of Rs.769,483,319 as at 31st March 2023 arising from unused tax losses. As per Sri Lanka Accounting standard No 12 "Income Taxes", a deferred tax asset is recognized for unused tax losses carried forward, to the extent that it is probable that future taxable profits will be available. As per the paragraph 35 of LKAS 12, the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. However, the Company has recognized the deferred tax asset based on a future taxable profit forecast which is contingent on capital infusion and regulatory approval of accepting new deposits and granting of new loans. Accordingly, we are unable to assess the recoverability of deferred tax assets as disclosed in note 32 of the financial statements.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA
Ms. S. Joseph FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

W. W. J. C. Perera FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

Principals: S.R.I. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTI

Independent Auditor's Report

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

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN

We draw attention to Note 49 of the financial statements, which indicates that the Company has not complied with the Capital Adequacy requirements (Direction No 03 of 2018) and Minimum Core Capital (Direction No 02 of 2017) as at the reporting date.

Further the Group has incurred net loss of Rs. 911Mn during the year ended 31 March 2023, and as at that date the Group's accumulated losses amounted to Rs. 1,461 million. The core capital level of the Company is currently at a deficit of Rs. 1,999 million as at 31 March 2023, against the minimum regulatory core capital requirement of Rs. 2,500 million resulting in non-compliance with the Minimum Core Capital Direction No 02 of 2017. The Total capital adequacy ratio of the Company is currently at negative 3.14% as of 31 March 2023 against the minimum regulatory requirement of 8.50% resulting in non-compliance with the Capital Adequacy Direction No 03 of 2018. These events or conditions indicate that a material uncertainty exists that may cast substantial doubt on the Company's ability to continue as a going concern.

In order to apply the going concern basis of accounting the Group/ the Company has to satisfy the regulatory requirements with the concurrence of the Central Bank of Sri Lanka. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company 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. In addition to the matter described in the Basis for qualified Opinion section and Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Allowance for Expected Credit Losses.

Refer accounting policies in Note 3.2.7 to the financial statements "Identification and measurement of impairment", Note 2.11 to the financial statements "Critical accounting judgements and estimates", Note 12 and 19 to the financial statements "Loans and advances".

RISK DESCRIPTION

As described in note 19 to these financial statements, the Company has estimated impairment provision for loan and advances of Rs. 2,526 million as at 31st March 2023.

Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity and judgment involved in the Company's Expected Credit Loss (ECL) model used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

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 loan portfolios. Additional subjectivity and judgment are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon. Challenging the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

Allowances for individually significant loans exceeding specific thresholds are individually assessed by the Company. We exercise significant judgment in challenging the assessment of specific allowances 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.

The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.

Our audit procedures included

Obtaining an understanding of design, implementation, and testing management's key internal controls of the Company in relation to:

- The ECL model governance and validation processes which involved assessment of model performance.
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by internal governance processes.

ASSESSING ADEQUACY OF IMPAIRMENT FOR INDIVIDUALLY SIGNIFICANT CUSTOMERS

We selected 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, 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 prevailing uncertain and volatile macro-economic environment).

We obtained 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.

- Challenging recoverability of the 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.
- Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing with the data and assumptions used by the Company in recoverability assessment. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and business plans and challenged key assumptions in the valuations
- Testing the implementation of the Company's Significant Increase in Credit Risk (SICR) methodology by re-performing the staging calculation for a sample of loan
- For a sample of customers loans which were not identified as displaying indicators or impairment by management, challenged this assessment by reviewing the historical performance of the customers and from our own view whether any impairment indicators were present.

Assessing the adequacy of collectively assessed impairment.

We tested key controls of the Company in relation to:

- The ECL model governance and validation processes which involved 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 challenged the reasonableness of the Company's considerations of the prevailing economic uncertainty.

Our further audit procedures included

- Assessing the ongoing effectiveness of the SICR criteria and independently calculated the loans' stage. In addition, we assessed the reasonableness of the Company's treatment payment relief customers (moratorium/ debt concessionary) from a SICR perspective.
- 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 extreme volatility in economic scenarios and government responses.
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Company's assessment.
- Assessing the appropriateness of the Company's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards

Independent Auditor's Report

2. VALUATION OF INVESTMENT PROPERTIES

Refer accounting policies in Note 3.2.19 to the financial statements "Investment property", Note 2.12 to the financial statements "Critical accounting judgements and estimates" and Note 24 to the financial statements "Investment property".

Risk Description

As at reporting date 31st March 2023, Investment properties carried at fair value, The Management's assessment of fair value of the investment properties is based on valuations performed by a qualified independent property valuer in accordance with recognized industry standards. We identified valuation of investment properties as a key audit matter because the determination of the fair values involves significant judgement and estimation, particularly determining the underlying assumptions and because the valuations are sensitive to the key assumptions applied.

Our audit procedures included

- Assessing the objectivity, independence, competence and professional qualifications of the external valuer.
- With the assistance of our internal property valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the fair value of properties with evidence of current market values. In addition, assessing the valuation methodologies with reference to recognized industry standards.
- Discussions with the management and the external valuer in relation to the possible impact on the key assumptions and the resulting valuation to implications of current economic uncertainty.

- Assessing the adequacy of disclosures made in the financial statements.

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. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about completeness of customer deposits borrowings, interest expenses, and the recoverability of deferred tax assets as at 31 March 2023. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 Bank's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

of users taken on the basis of these financial statements.

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

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

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

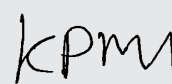
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, 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.

Further, net assets of the Company, are less than half of its stated capital and faces serious loss of capital situation in terms of section 220 of Companies Act, No. 07 of 2007 as at the reporting date.

In addition to above, the Company has not complied with the Capital Adequacy requirements (Direction No 03 of 2018) and Minimum Core Capital (Direction No 02 of 2017) as at the reporting date.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4557.



Chartered Accountants
Colombo, Sri Lanka

02nd April 2024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Gross Income	6	1,141,786,672	843,820,379	1,141,786,672	843,820,379
Interest Income	7	1,133,728,757	834,049,172	1,133,728,757	834,049,172
Interest Expense	8	(1,300,108,548)	(571,164,017)	(1,300,108,548)	(571,164,017)
Net Interest Income		(166,379,791)	262,885,155	(166,379,791)	262,885,155
Fees and Commission Income	6.1	8,057,915	9,771,207	8,057,915	9,771,207
Net Gain on Land and Property Development	9	-	122,130,754	-	122,130,754
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	17	5,015,946	(24,752,378)	5,015,946	(24,752,378)
Change in Fair value of Investment property	24	109,664,907	57,910,000	109,664,907	57,910,000
Other Operating Income	10	282,335,935	33,425,377	282,335,935	33,425,377
Collection from Contracts Written Off		13,424,570	80,178,486	13,424,570	80,178,486
Total Operating income		252,119,482	541,548,601	252,119,482	541,548,601
Expected credit loss charge	12	(454,688,571)	(174,600,743)	(454,688,571)	(174,600,743)
Net Operating income		(202,569,089)	366,947,858	(202,569,089)	366,947,858
Operating Expenses					
Personnel Costs	11.1	(339,390,096)	(309,579,188)	(339,390,096)	(309,579,188)
Premises Equipment and Establishment Expenses		(167,739,356)	(100,271,091)	(167,739,356)	(100,271,091)
Other Overhead Expenses		(299,221,347)	(371,081,039)	(299,221,347)	(371,022,039)
Other Finance Cost		(2,421,996)	(1,891,181)	(2,421,996)	(1,891,181)
Total Operating Expenses		(808,772,795)	(782,822,499)	(808,772,795)	(782,763,499)
Loss Before VAT on Financial Services & Income Tax Expense		(1,011,341,884)	(415,874,641)	(1,011,341,884)	(415,815,641)
Value Added Tax on Financial Services		(3,220,641)	(285,725)	(3,220,641)	(285,725)
Loss Before Income Tax Expense		(1,014,562,525)	(416,160,366)	(1,014,562,525)	(416,101,366)
Income Tax Expense	13	103,422,211	170,026,073	103,422,211	170,026,073
Loss for the Year		(911,140,314)	(246,134,293)	(911,140,314)	(246,075,293)

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Other Comprehensive Income/(Loss)					
Items that will never be reclassified to Profit or Loss					
Actuarial Gain/(Loss) on Retirement Benefit Obligations	31.4	(8,104,894)	15,646,142	(8,104,894)	15,646,142
Deferred Tax on Actuarial (gain)/loss	32.1	2,431,468	(3,755,074)	2,431,468	(3,755,074)
Net Change in Fair Value	18	3,407,363	4,801,829	3,407,363	4,801,829
Deferred Tax on Net Change in Fair Value	32.1	(1,022,209)	(480,183)	(1,022,209)	(480,183)
Total other comprehensive expense for the year		(3,288,272)	16,212,714	(3,288,272)	16,212,714
Total comprehensive expense for the Year		(914,428,586)	(229,921,579)	(914,428,586)	(229,862,579)
Loss Attribute to:					
Equity Holders of the Company		(911,140,314)	(246,134,293)	(911,140,314)	(246,075,293)
Non controlling interest		-	-	-	-
		(911,140,314)	(246,134,293)	(911,140,314)	(246,075,293)
Total Comprehensive (Loss)/Income Attributable to:					
Equity Holders of the Company		(914,428,586)	(229,921,579)	(914,428,586)	(229,862,579)
Non controlling interest		-	-	-	-
		(914,428,586)	(229,921,579)	(914,428,586)	(229,862,579)
Basic Loss Per Share	14.1	(0.31)	(0.18)	(0.31)	(0.18)

The Accounting Policies and other explanatory information set out on notes 1 to 49 form an integral part of these Financial Statements.

Figures in brackets indicate deductions

Statement of Financial Position

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Assets					
Cash and Cash Equivalents	15	80,350,577	113,470,703	80,350,577	113,470,703
Deposits with Licensed Commercial Banks	16	384,639,755	326,054,562	384,639,755	326,054,562
Financial Assets recognized through Profit or Loss-measured at fair value	17	66,507,073	61,491,127	66,507,073	61,491,127
Financial Assets measured at Fair Value through Other Comprehensive Income	18	43,239,696	39,832,333	43,239,696	39,832,333
Financial Assets measured at Amortised Cost					
- Loans and Advances	19	3,280,515,132	3,540,032,250	3,280,515,132	3,540,032,250
- Debt and Other Instruments	20	566,392,220	603,818,060	566,392,220	603,818,060
Investments in Subsidiaries	21	-	-	-	-
Amounts Due From Related Parties	22	763,102,393	3,150,000	763,102,393	3,150,000
Real Estate Stock	23	118,908,090	118,908,090	118,908,090	118,908,090
Investment Properties	24	1,285,900,500	1,176,235,593	1,285,900,500	1,176,235,593
Property, Plant and Equipment	25	43,214,303	19,646,132	43,214,303	19,646,132
Right-of-use Assets	26	105,198,773	99,361,040	105,198,773	99,361,040
Receivable from Kanrich Finance Ltd	27	1,121,883,562	-	1,121,883,562	-
Intangible Assets	28	567,809	1,141,339	567,809	1,141,339
Trade and Other Receivables	29	49,903,553	43,317,746	49,903,553	43,317,746
Other Assets	30	161,398,125	143,580,020	161,398,125	143,580,020
Retirement Benefit Plan Assets	31	96,789,940	92,391,051	96,789,940	92,391,051
Deferred Tax Asset	32	769,483,319	652,847,913	769,483,319	652,847,913
Total Assets		8,937,994,820	7,035,277,959	8,937,994,820	7,035,277,959

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Liabilities					
Due to Banks and Financial Institutions	33	613,936,913	59,449,710	613,936,913	59,449,710
Financial Liabilities at amortised cost-due to Depositors	34	6,267,356,053	5,355,163,452	6,267,356,053	5,355,163,452
Lease liabilities	35	104,155,224	77,792,301	104,155,224	77,792,301
Amounts Due To Related Parties	36	-	-	509,196	613,256
Other Borrowings	37	817,189,423	493,134,120	817,189,423	493,134,120
Retirement Benefit Obligations	31	36,630,761	31,702,089	36,630,761	31,702,089
Trade and Other Payables	38	178,235,086	289,147,304	178,298,150	289,106,308
Total liabilities		8,017,503,460	6,306,388,976	8,018,075,720	6,306,961,236
Capital and reserves					
Stated Capital	39	2,330,072,972	1,224,042,009	2,330,072,972	1,224,042,009
Statutory Reserve Fund		131,422,068	131,422,068	131,422,068	131,422,068
Fair value reserve		(88,955,086)	(91,340,240)	(88,955,086)	(91,340,240)
Other Reserves		9,000,000	9,000,000	9,000,000	9,000,000
Accumulated Losses		(1,461,048,594)	(544,234,854)	(1,461,620,854)	(544,807,114)
Total Equity Attributable to Equity Holders of the Company		920,491,360	728,888,983	919,919,100	728,316,723
Non-Controlling Interest		-	-	-	-
Total Equity		920,491,360	728,888,983	919,919,100	728,316,723
Total Liabilities & Equity		8,937,994,820	7,035,277,959	8,937,994,820	7,035,277,959
Net asset value per share (Rs.)		0.31	0.54	0.31	0.54

The Accounting Policies and other explanatory information set out on notes 1 to 49 form an integral part of these Financial Statements.

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



Buddhika Kodithuwakku
Chief Finance Officer



Nirosha Madawala
Chief Executive Officer (Acting)

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



Arunodani Wickramasinghe
Director



Victor Ramanan
Chairman

28th March 2024
Colombo

Statement of Changes in Equity

Company	Stated Capital Rs.	Reserve Fund Rs.	Fair Value Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2021	1,224,042,009	131,422,068	(95,661,886)	9,000,000	(310,622,889)	958,179,302
Total comprehensive income/(loss)						-
Loss for the year	-	-	-	-	(246,075,293)	(246,075,293)
Other comprehensive Income for the year	-	-	4,321,646		11,891,068	16,212,714
Total comprehensive income/(loss)	-	-	4,321,646	-	(234,184,225)	(229,862,579)
Balance as at 31 March 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,807,114)	728,316,723
Balance as at 01 April 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,807,114)	728,316,723
Total comprehensive income/(expense)						-
Loss for the year	-	-	-	-	(911,140,314)	(911,140,314)
Right Issue of shares	1,106,030,963					1,106,030,963
Other comprehensive Income for the year	-	-	2,385,154		(5,673,426)	(3,288,272)
Total comprehensive income/(expense)	1,106,030,963	-	2,385,154	-	(916,813,740)	191,602,377
Balance as at 31 March 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,620,854)	919,919,100

As per the Finance Companies (Capital Funds) Direction No.1 of 2003 Issued by the Central Bank of Sri Lanka the Company shall transfer to a reserve fund out of the net profits of each year, after due provision has been made for Taxation and Bad and Doubtful Debts

- (i) so long as the capital funds are not less than 25% of total deposit liabilities, a sum equal to not less than 5% of the net profits
- (ii) so long as the capital funds are less than 25% of total deposit liabilities, but not less than 10% thereof, a sum equal to not less than 20% of the net profits
- (iii) so long as the capital funds are less than 10% of the total deposit liabilities, a sum equal to not less than 50% per cent of the net profits.

The Accounting Policies and other explanatory information set out on notes 1 to 49 form an integral part of these Financial Statements.

Figures in brackets indicate deductions

Group	Stated Capital	Reserve Fund	Fair Value Reserve	General Reserve	Retained Earnings	Non Controlling Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021	1,224,042,009	131,422,068	(95,661,886)	9,000,000	(309,991,629)	-	958,810,562
Total comprehensive income/(expense)							
Loss for the year	-	-	-	-	(246,134,293)	-	(246,134,293)
Other comprehensive Income for the year	-	-	4,321,646		11,891,068	-	16,212,714
Total comprehensive income/(loss)	-	-	4,321,646	-	(234,243,225)	-	(229,921,579)
Balance as at 31 March 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,234,854)	-	728,888,983
Balance as at 01 April 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,234,854)	-	728,888,983
Total comprehensive income/(expense)							
Loss for the year	-	-	-	-	(911,140,314)	-	(911,140,314)
Right Issue of shares	1,106,030,963	-	-	-	-	-	1,106,030,963
Other comprehensive Income for the year	-	-	2,385,154		(5,673,426)	-	(3,288,272)
Total comprehensive income/(expense)	1,106,030,963	-	2,385,154	-	(916,813,740)	-	191,602,377
Balance as at 31 March 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,048,594)	-	920,491,360

As per the Finance Companies (Capital Funds) Direction No.1 of 2003 Issued by the Central Bank of Sri Lanka the Company shall transfer to a reserve fund out of the net profits of each year, after due provision has been made for Taxation and Bad and Doubtful Debts

- so long as the capital funds are not less than 25% of total deposit liabilities, a sum equal to not less than 5% of the net profits
- so long as the capital funds are less than 25% of total deposit liabilities, but not less than 10% thereof, a sum equal to not less than 20% of the net profits, and
- so long as the capital funds are less than 10% of the total deposit liabilities, a sum equal to not less than 50% per cent of the net profits.

The Accounting Policies and other explanatory information set out on notes 1 to 49 form an integral part of these Financial Statements.

Figures In Brackets Indicate Deductions

Statement of Cash Flows

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash Flow from Operating Activities					
Loss before Income Tax Expense		(1,014,562,525)	(416,160,366)	(1,014,562,525)	(416,101,366)
Adjustments for					
Net fair value gain/(loss) from financial instruments at FVTPL	17	(5,015,946)	24,752,378	(5,015,946)	24,752,378
Dividend on equity securities	10	(10,349,125)	(8,799,406)	(10,349,125)	(8,799,406)
Depreciation and amortization	11	15,853,424	17,890,636	15,853,424	17,890,636
Gain on reclassification of Real Estate stock in to Investment Properties	9	-	(116,815,949)	-	(116,815,949)
Amortization of ROU Assets	11	43,698,126	38,643,967	43,698,126	38,643,967
Interest expense on Lease Liability	8	14,807,714	12,160,379	14,807,714	12,160,379
Loss/(Gain) on derecognition of ROU Assets		-	3,004,236	-	3,004,236
Interest expenses	8	1,285,300,834	559,003,638	1,285,300,834	559,003,638
Interest income on Government Securities	7	(116,365,213)	(28,144,025)	(116,365,213)	(28,144,025)
Interest income from advances given to Kanrich Finance PLC	27	(121,883,562)	-	(121,883,562)	-
Impairment of Loans and receivables	12	454,684,315	189,317,195	454,684,315	189,317,195
Provision for Impairment of Trade and Other Receivable	12	(59,254)	385,996	(59,254)	385,996
Provision for fall In Value of Real Estate Stock	23	-	(15,102,448)	-	(15,102,448)
Change in Fair Value of Investment Property	24	(109,664,907)	(57,910,000)	(109,664,907)	(57,910,000)
Loss on Disposal of Investment Property		-	11,477,919	-	11,477,919
Provision for Retiring Benefit Obligations	31.5	(3,788,228)	4,794,641	(3,788,228)	4,794,641
Gain on Disposal of Property, Plant & Equipment	10	(35,000)	-	(35,000)	-
Impairment of other investments	16.1	63,510	-	63,510	-
Operating Profit Before Working Capital Changes		432,684,163	218,498,791	432,684,163	218,557,791
Working Capital Changes					
Increase in Other Assets	30	(17,818,100)	(15,223,769)	(17,818,100)	(15,223,769)
Decrease in Financial Assets at Amortized Cost	19	(192,742,565)	680,079,853	(192,742,565)	680,079,853
(Increase)/Decrease in Investment in Real Estate	23	-	9,160,728	-	9,160,728
(Increase)/Decrease in Amounts Due From Related Parties	22	(759,952,393)	(796,310)	(759,952,393)	(796,310)
Decrease in Amounts Due to Related Companies	36	(104,060)	-	(104,060)	(86,500)
(Increase)/Decrease in Trade & Other Receivables	29	(7,634,303)	21,476,358	(7,634,303)	21,476,358
Increase/(Decrease) in Trade & Other Payables		(110,808,166)	87,482,014	(110,808,166)	87,509,514
Decrease Financial Liabilities at amortized cost -due to depositors		912,192,601	107,557,477	912,192,601	107,557,477
Cash Generated from Operating Activities		255,817,177	1,108,235,142	255,817,177	1,108,235,142
Income Tax Paid		(11,803,936)	(20,581,940)	(11,803,936)	(20,581,940)
Interest expenses paid		(1,172,793,757)	(514,207,706)	(1,172,793,757)	(514,207,706)
Retiring Gratuity Paid		(3,786,878)	(7,140,400)	(3,786,878)	(7,140,400)
Net Cash generated from/(used in) Operating Activities		(932,567,394)	566,305,096	(932,567,394)	566,305,096

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash Flow from Investing Activities					
Proceeds from the Sale of Property, Plant & Equipment		35,000	-	35,000	-
Purchase of Property, Plant & Equipment	25	(38,428,065)	(2,985,095)	(38,428,065)	(2,985,095)
Purchase of Intangible Assets	28	(420,000)	(87,000)	(420,000)	(87,000)
Advanced to purchase gold articles to Kanrich Finance Ltd	27	(1,000,000,000)	-	(1,000,000,000)	-
Proceeds from Disposal of Investment Property		-	45,530,499	-	45,530,499
Purchase to Investment Property		-	(15,824,531)	-	(15,824,531)
Purchase of Government Securities	20	(742,745,759)	(1,708,604,443)	(742,745,759)	(1,708,604,443)
Net Proceeds from Government Securities		896,536,811	1,468,090,440	896,536,811	1,468,090,440
Acquisitions of financial instruments at FVTPL		-	(55,400,000)	-	(55,400,000)
Dividend on equity securities	10	10,349,125	8,799,406	10,349,125	8,799,406
Net Investment in Deposits With Licensed Commercial Banks	16	(58,648,703)	(326,264,007)	(58,648,703)	(326,264,007)
Net Cash (Used in)/generated from Investing Activities		(933,321,591)	(586,744,732)	(933,321,591)	(586,744,732)
Cash Flow from Financing Activities					
Repayment of Loans	37	(712,757,950)	(300,274,569)	(712,757,950)	(300,274,569)
Proceeds from Borrowings	37 & 33.1	940,834,249	435,000,000	940,834,249	435,000,000
Net proceed from the Right issue of shares		1,106,030,963	-	1,106,030,963	-
Lease rental Payments		(35,784,512)	(48,335,534)	(35,784,512)	(48,335,534)
Repayment of Subordinated Debenture		-	(150,000,000)	-	(150,000,000)
Net Cash used in from Financing Activities		1,298,322,750	(63,610,103)	1,298,322,750	(63,610,103)
Increase/(Decrease) in Cash & Cash Equivalents		(567,566,233)	(84,049,739)	(567,566,233)	(84,049,739)
Cash & Cash Equivalents at the Beginning of the Year		54,020,993	138,070,732	54,020,993	138,070,732
Cash & Cash Equivalents at the End of the year		(513,545,240)	54,020,993	(513,545,240)	54,020,993
Reconciliation of Cash & Cash Equivalents					
Cash in Hand & at Bank	15	80,350,577	113,470,703	80,350,577	113,470,703
Bank Overdraft	33	(593,895,817)	(59,449,710)	(593,895,817)	(59,449,710)
		(513,545,240)	54,020,993	(513,545,240)	54,020,993

The Accounting Policies and other explanatory information set out on notes 1 to 49 form an integral part of these Financial Statements.

Figures In Brackets Indicate Deductions

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Nation Lanka Finance PLC, (the "Company") regulated under the Finance Business Act No. 42 of 2011, was incorporated on 15th July 1987 as a public limited liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re registered under the Companies Act No. 7 of 2007. Ordinary Shares of the Company were listed on the main board of the Colombo Stock Exchange on 31st June 1994.

The Company's registered office and the principal place of business is located at No. 690, Galle Road, Colombo 3.

The Company has a fully owned subsidiary, Nation Micro Investments LTD, which is a limited liability Company incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The company does not have an identifiable parent of its own. The Nation Lanka Finance PLC is the ultimate parent of the Group.

1.2 Principal activities and Nature of Operations

The principal activities of the Company are granting of loans, providing finance leases, hire purchase asset financing, pawning and mobilization of deposits and trading of real estate. There were no significant changes in the nature of principal activities of the Company and the Group during the financial year.

During the year, the subsidiary, Nation Micro Investments LTD has not carried out any of its activities.

1.3 Consolidated Financial Statements

The Consolidated financial statements of the Company as at, and for the year ended 31st March 2023 comprise the financial statements of Company and its subsidiary (together referred to as the "Group").

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st April 2012, laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements of the Group and the Company as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

These Financial Statements include the following components;

- an Income Statement and a Statement of Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year-end.
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilization of those cash flows.

- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

The Consolidated Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 28th March 2024.

2.3 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Item	Basis of Measurement	Note Number
Financial Assets measured at FVTPL	Fair Value	17
Financial Assets measured at FVOCI	Fair Value	18
Financial Assets measured at Amortized Cost-Loans and Advances	Amortized Cost	19
Financial Assets measured at Amortized Cost- Debt and Other Instruments	Amortized Cost	20
Real Estate Stock	Cost / Net Realizable Value	23
Investment Properties	Fair Value	24
Retirement benefit obligation/Plan Assets	Present value of the defined obligation	31

Assets and Liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.4 Going Concern

The Directors have made an assessment of the Group/ Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of business. The impact arising from economic crisis on the Group/Company's ability to continue as a going concern is discussed in note 49 to the financial statements.

2.5 Functional and Presentation Currency

The Consolidated Financial Statements have been presented in Sri Lankan Rupees, which is the Group's / Company's functional currency. All the financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.6 Presentation of Financial Statements

The assets and liabilities of the Group/ Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.8 Determination of Fair Values

'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 / Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's/ Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Group/ Company's uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.9 Fair Value of Non-Financial Assets

The fair value used by the Group/ Company in the measurement of non-financial assets is based on the presumption that the transaction to sell

the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group/ Company for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group/ Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.10 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Group.

2.11 Critical accounting judgments and estimates

2.11.1 General

In the preparation of separate financial statements, the Group makes judgments, estimates and assumptions that affect the application of accounting

Notes to the Financial Statements

policies and the reported amounts of assets, liabilities, income, and expenses.

Management discusses with the Board Audit Committee the development, selection, and disclosure of critical accounting policies and their application, and assumptions made relating to major estimation uncertainties.

The use of available information and application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates in a subsequent financial year, if any, are adjusted prospectively.

2.11.2 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the separated financial statements is included in the following notes

- Note 3.2.4.2: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.
- Note 42.1.3: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval models used to measure ECL.
- Going Concern: the directors have assessed 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.

Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the financial statements continue to be prepared on the going concern basis.

- Economic Crisis –Economic crisis has significantly increased the estimation uncertainty in the preparation of these financial statements including, the extent and duration of the disruption to businesses, subsequent recovery and debt restructuring measures. 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.11.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment included in the following notes.

- Note 19 and note 42.1: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 41: determination of the fair value of financial instruments with significant unobservable inputs.
- Note 31.5: measurement of defined benefit obligations: key actuarial assumptions.

- Note 13 and note 32: recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be utilized.
- Note 3.2.7: impairment of financial instruments: key assumptions used in estimating recoverable cash flows
- Note 24: Fair value measurement of investment properties – use of significant unobservable inputs

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Summary of significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company unless otherwise indicated.

3.2.1 Consolidation

I. Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

II. Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; Minus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

III. Subsidiary

Subsidiary is entities controlled by the Group. The financial statement of subsidiary are included in the consolidated financial statements from the date, that control commence, until the date that control ceases.

IV. Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

V. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised 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.

3.2.2 Foreign Currency

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-

monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

3.2.3 Assets and bases of their valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those, which are expected to be realised in cash during the normal operating cycle, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond the one year period calculated from the reporting date.

3.2.3.1 Property, plant and equipment

3.2.3.1.1 Recognition and measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3.2.3.1.2 Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrate to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separate items (major component) of property, plant and equipment.

3.2.3.1.3 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.2.3.1.4 Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.3.1.5 Derecognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognised within sundry income in profit or loss.

3.2.3.1.6 Depreciation

Depreciation is recognised in profit or loss on the straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included

Notes to the Financial Statements

in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on Freehold Land.

The estimated useful lives of Property Plant and Equipment used by the Group are as follows:

Buildings	-	5%
Plant and Machinery	-	20%
Furniture and Fittings	-	16.67%
Motor Vehicles	-	25%
Computer Equipment and Software	-	33.33%
Office Equipment	-	33.33%
Other Equipment	-	20%

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.3.2 Intangible Assets

An intangible asset is recognised where it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

3.2.3.2.1 Computer Software

All computer software costs incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets. Amortisation is calculated at an annual rate of 33.33%.

3.2.3.2.2 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 is recognised in profit or loss as incurred.

3.2.3.2.3 Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

3.2.3.2.3.1 Initial Recognition and Measurement

Goodwill is initially measured at cost and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

3.2.3.2.3.2 Subsequent Measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.2.4 Financial assets

3.2.4.1 Recognition and measurement

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction

cost that are directly attributable to its acquisition.

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

All other financial assets are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.2.4.2 Classification

On initial recognition, the Group classifies financial assets as measured at:

- Amortized cost,
- Fair value through other comprehensive income (FVOCI); and,
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

3.2.4.2.1 Financial assets measured at amortized costs

A financial asset is measured at amortized 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.

3.2.4.2.2 *Financial assets at fair value through other comprehensive income*

A debt instrument is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

3.2.4.2.3 *Financial assets at fair value through profit or loss*

All financial assets other than those classified at amortized costs or FVOCI are classified as measured at FVTPL.

3.2.4.2.3.1 *Financial assets are mandatorily fair valued through profit and loss when the instruments*

- are held for trading, or
- are managed, evaluated and reported internally on a fair value basis, or
- designation eliminates or significantly reduces an
- accounting mismatch which would otherwise arise, or
- contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

3.2.4.2.4 *Financial assets designated at fair value through profit or loss*

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has not designated any financial asset upon initial recognition at fair value through profit or loss as at the reporting date.

3.2.4.2.5 *Business model assessment*

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3.2.4.2.6 *Assessments whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;

Notes to the Financial Statements

- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money

3.2.4 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group's changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.4.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Group reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

3.2.4.1.2 Measurement of reclassification of financial assets

3.2.4.1.2.1 Reclassification of financial instruments at "fair value through profit or loss"

- To Fair value through other comprehensive income. The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.
- To amortized costs the fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount

3.2.4.1.2.2 Reclassification of financial instruments at "fair value through other comprehensive income"

- To fair value through profit or loss. The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
- To amortized costs. The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

3.2.4.1.2.3 Reclassification of financial instruments at "amortized costs"

- To Fair value through other comprehensive income the asset is remeasured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.
- To Fair value through profit or loss. The fair value on the reclassification date becomes the new carrying amount. The difference between amortized cost and fair value is recognized in profit and loss.

3.2.5 De recognition of financial assets

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired; or when Group has transferred its contractual right to receive the cash flows of the financial assets, and either –

- Substantially all the risks and rewards of ownership have been transferred; or

- Group has neither retained nor transferred substantially all the risks and rewards but has not retained control of the financial asset.

From 1 April 2018 any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

3.2.6 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual right to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and new financial asset is recognized at fair value plus any eligible transaction cost. Any fees received as part of the modification are accounted as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on the derecognition.

If cash flows are modified when the borrower is in financial difficulty, then the objective of the modification is usually to minimize recovery of the original contractual term rather than to originate a new asset with substantially different terms. If the Group plans to

modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates a gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as modification gain or loss in profit or loss. For floating-rate financial asset, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the financial asset.

3.2.7 Identification and measurement of impairment

3.2.7.1 Recognition of impairment of financial assets

The Group recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued;
- and Loan commitments issued.

No impairment loss is recognized on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3.2.7.2 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components: The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

3.2.7.3 Impairment for loans and advances to customers *Individually assessed loans and advances*

These are exposures, where evidence of impairment exists and those that are individually significant meriting individual assessment for objective evidence of impairment and computation of impairment allowance. The factors considered in determining that the exposures are individually significant include

- the size of the loan; and
- the number of loans in the portfolio

For all loans and advances to customers that are considered individually significant, Group assesses on a case by case basis, whether there is any objective evidence of impairment. The criteria used by the Group to determine that there is such objective evidence include:

- Significant financial difficulty of the borrower or issuer;
- 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 reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence

Notes to the Financial Statements

that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 60 days or more is considered impaired.

Impairment allowance on loans and advances and other financial instruments measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate

Measurement of impairment of financial assets

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

Collective assessment:

This includes all loans and advances of smaller value where there is no evidence of impairment and those individually assessed for which no evidence of impairment has been

specifically identified on an individual basis.

These loans and advances are grouped together as per Basel Guidelines and product level according to their credit risk characteristics for the purpose of calculating an estimated collective impairment.

In assessing whether an investment in debt instrument is credit-impaired, the Group considers the following factors;

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness
- The country's ability to access the capital markets for new debt issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written-back by reducing the loan impairment allowance accordingly. The write-back is recognized in the income statement.

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 derecognized and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, 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 will result 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. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3.2.8 Fiduciary assets

Assets held in a fiduciary capacity are not reported in these financial statements as they do not belong to the Group.

3.2.9 Write-off of financial assets

The Group writes off a loan or an investment debt security, and any related allowances for impairment losses, when Group determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/ issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

3.2.10 Financial liabilities

3.2.10.1 Recognition and measurement of financial liabilities

On initial recognition, the Group classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss

3.2.10.2 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.2.10.2.1 Financial liabilities at amortized cost

Financial Liabilities issued by the Group that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly attributable transaction costs, by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortization is included in "Interest expense" in the income statement. Gains and losses too are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

3.2.10.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.2.10.3 Derecognition of Financial Liabilities

Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.2.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable

legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

3.2.12 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs

are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.2.13 Due to Companies, customers, debt securities issued and other borrowing

Financial liabilities are recognized when Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of financial liabilities is at amortized cost, using the effective interest method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

3.2.14 Provision, Contingent Liabilities, Contingent Assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

3.2.15 Post-Employment Benefits

i. Defined benefit plans

a.) Defined benefit obligation

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, with the advice of an actuary, using the projected unit credit (PUC) method.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss. The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognized as personnel expenses in Consolidated Statement of Profit or Loss

b.) Defined benefit plan

The Company has a pension fund, which was incorporated upon Deed of Trust No. 3543 of 30th January 2004. Gratuity is provided to employees from the 1st year of service. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to employees arises only on five years of continued services.

ii. Defined contributions plans – Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognised as an expense in profit or loss when incurred.

3.2.16 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.2.17 Inventories

Inventories are valued at lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

3.2.18 Investment in Real Estate

Land purchase cost, development cost and borrowing cost incurred during the development period of the real estate projects have been capitalized as investment in real estate.

3.2.19 Investment Property

Investment Property principally comprise freehold land and building held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investments property includes the cost of materials and direct labor, any other costs directly attributable to bring the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an 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 an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment Property is carried at fair value determined annually by an independent valuer. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

3.2.20 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill and then to the remaining

assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the income statement. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer accounted.

3.2.21 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

3.2.22 Income Statement

3.2.22.1 Revenue from contracts with customers

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities net of trade discounts and turnover related taxes.

3.2.22.1.1 Interest Income

Interest Income and expense for all interest-bearing financial instruments are recognized under "Interest Income" and "Interest Expense" in the income statement, using the effective interest rate of the financial assets or financial liabilities to which they relate.

3.2.22.1.2 Interest on Bills

Interest income from bills is recognized proportionately over the period of the bill discounted commencing from the date of discounting.

3.2.22.1.3 Income from Fee-Based Activities

Commission from underwriting, management of funds and all other commissions and fees are recognized in the period in which such transactions were effected based on the conditions stipulated in the respective agreements and contracts.

3.2.22.1.4 Overdue Charges

Overdue charges of leasing, hire purchase, loans and advances have been accounted for on a cash basis.

3.2.22.1.5 Gain on Sale of Equity Investments

Gains earned on the sale of equity investments has been accounted for in the Statement of Profit or Loss on the basis of realized net profit.

3.2.22.1.6 Dividend Income

The dividend income is recognized when the Group's right to receive payment is established.

3.2.22.1.7 Real Estate Income

Income is recognized when the property is sold, and the risks and rewards of the property is passed on to the buyer. For this purpose the property is deemed to be sold once 30% of the outright sales price has been received.

However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted on a cash received basis.

3.2.22.1.8 Gain on Sale of Property, Plant and Equipment

Profits or losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the statement of profit or loss.

3.2.22.1.9 Interest on Overdue Rentals

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

3.2.22.1.10 Other Income

All other income is recognized on an accrual basis.

3.2.22.2 Reserve Fund

The Group is maintaining a reserve fund in compliance with Direction No. 01 of 2003 – Finance Companies (Capital Funds) issued to Finance companies and it will be used only for the purpose specified in the said Direction.

3.2.22.3 Expenditure Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant Equipment in a state of efficiency has been charged to profit or loss.

3.2.22.3.1 Interest Expense on Borrowings and Deposits

The interest expenses on deposits and borrowings are recognized on an accrual basis in the Statement of Profit or Loss and Other Comprehensive Income Statement.

3.2.22.4 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax 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 other comprehensive income.

i. Current Tax

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting

Notes to the Financial Statements

date. The relevant details are disclosed in the respective notes to the Financial Statements.

ii. Deferred Tax

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses/credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2.22.4 Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.2.22.5 VAT on Financial Services

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003.

3.2.22.6 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.2.22.7 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Group's operating decision maker to make decisions about the resources to each segment and to assess its performance, and for which discrete financial information is available.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible.

3.2.22.8 Events occurring after the reporting date

Events after the reporting period are those events favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period are considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

3.2.22.9 Cash Flow Statements

Cash and Cash Equivalents are defined as cash in hand and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, cash and cash equivalent consists of cash in hand and deposits in Groups net of outstanding Group overdrafts, investment in gold coins and lending against government securities.

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in Groups net of outstanding Group overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Statement of Cash Flows.

4. CHANGES IN ACCOUNTING POLICIES

The Group has no transaction that are affected by newly effective requirements.

5. 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). The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. Leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

B. Other New Accounting

Pronouncements The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

i. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts that was issued in 2005. SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025.

ii. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendment The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

iii. Definition of Accounting Estimates - Amendments to LKAS 8 The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

iv. Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)- effective for annual periods beginning on or after 1 January 2023.

Notes to the Financial Statements

6. INCOME

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Income	7	1,133,728,757	834,049,172	1,133,728,757	834,049,172
Fees and Commission Income	6.1	8,057,915	9,771,207	8,057,915	9,771,207
		1,141,786,672	843,820,379	1,141,786,672	843,820,379

6.1 Fees and Commission Income

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fees and Commission Income		8,057,915	9,771,207	8,057,915	9,771,207

7. INTEREST INCOME

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Finance Leases		165,433,875	208,322,219	165,433,875	208,322,219
Pawning		230,270,146	111,930,400	230,270,146	111,930,400
Term Loans		180,819,332	195,694,781	180,819,332	195,694,781
Term Loans-Micro Finance		401,199,274	247,477,800	401,199,274	247,477,800
Hire Purchase		39,640,917	42,479,947	39,640,917	42,479,947
Interest income on Government Securities		116,365,213	28,144,025	116,365,213	28,144,025
		1,133,728,757	834,049,172	1,133,728,757	834,049,172

8. INTEREST EXPENSE

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest on Fixed Deposits		1,101,098,697	469,627,271	1,101,098,697	469,627,271
Interest on Bank Borrowings		-	155,183	-	155,183
Interest on Other Borrowings		129,056,831	56,860,590	129,056,831	56,860,590
Interest on Overdrafts		46,712,397	2,860,154	46,712,397	2,860,154
Interest on Savings		8,432,909	8,500,440	8,432,909	8,500,440
Interest on Leases		14,807,714	12,160,379	14,807,714	12,160,379
Interest on Debentures		-	21,000,000	-	21,000,000
		1,300,108,548	571,164,017	1,300,108,548	571,164,017

9. NET GAIN ON LAND AND PROPERTY DEVELOPMENT

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net Gain on sale of Real Estate stock	-	5,314,805	-	5,314,805
Gain on reclassification of Real Estate stock in to Investment Properties	-	116,815,949	-	116,815,949
	-	122,130,754	-	122,130,754

10. OTHER OPERATING INCOME

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividend Income	10,349,125	8,799,406	10,349,125	8,799,406
Gain on Disposal of Property, Plant & Equipment	35,000	-	35,000	-
Interest Income from Fixed Deposits	78,856,184	19,855,617	78,856,184	19,855,617
Rent Income	6,100,000	1,800,000	6,100,000	1,800,000
Miscellaneous Income	65,112,064	2,747,883	65,112,064	2,747,883
Interest Income from advance given to Kanrich Finance Ltd	121,883,562	-	121,883,562	-
Provision reversal of Nation Building Tax	-	222,471	-	222,471
	282,335,935	33,425,377	282,335,935	33,425,377

11. OPERATING EXPENSES INCLUDE THE FOLLOWING

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Directors' Emoluments - Short Term Employment Benefit				
- Board meeting fees	1,830,800	1,100,000	1,830,800	1,100,000
- Board approved committees	814,325	450,000	814,325	450,000
- Executive duties	747,153	2,685,650	747,153	2,685,650
Auditors Remuneration - Audit	6,273,370	3,200,000	6,273,370	3,200,000
- Non Audit	1,449,045	550,000	1,449,045	550,000
Depreciation and Amortization	59,551,550	56,534,603	59,551,550	56,534,603
Personnel Cost (Note 11.1)	339,390,096	309,579,188	339,390,096	309,579,188
Donations	315,000	-	315,000	-
Legal Expenses	2,293,887	1,797,267	2,293,887	1,797,267

* Directors' Emoluments include the salaries, benefits and fees paid to both Executive and Non-Executive Directors of the Company and Group.

Notes to the Financial Statements

11.1 Personnel Cost

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Salaries and Other Staff Cost		308,203,875	272,617,284	308,203,875	272,617,284
Defined Contribution Plans - EPF & ETF		34,974,449	32,167,263	34,974,449	32,167,263
Provision for Retirement Benefit Obligations (Charge/(Reversal))	31.5	(3,788,228)	4,794,641	(3,788,228)	4,794,641
		339,390,096	309,579,188	339,390,096	309,579,188
Number of Employees		427	384	427	384

12. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND OTHER RECEIVABLES

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Term Loan	19.1.1A & 19.1.2B	197,814,475	313,058,083	197,814,475	313,058,083
Micro Finance Receivables	19.1.2A	28,488,760	(73,290,833)	28,488,760	(73,290,833)
Lease Receivables	19.4.1 & 19.4.2	222,873,034	(12,483,496)	222,873,034	(12,483,496)
- Write off for the year		2,424,632	-	2,424,632	-
Pawning Advances	19.2.1	(1,519,698)	(660,956)	(1,519,698)	(660,956)
Hire Purchase Receivables	19.3.1 & 19.3.2	(9,128,391)	3,400,908	(9,128,391)	3,400,908
* Loans & Receivables (Repossessed Collaterals)	19.5	13,731,503	(40,706,511)	13,731,503	(40,706,511)
Trade receivables	29.1	(20,000)	(25,000)	(20,000)	(25,000)
Other Receivables	29.2	1,068,496	410,996	1,068,496	410,996
Impairment of Amounts Due from Related Parties	22.1	(1,107,750)	-	(1,107,750)	-
Impairment Real Estate Stock	23	-	(15,102,448)	-	(15,102,448)
Impairment of other investments	16.1	63,510	-	63,510	-
		454,688,571	174,600,743	454,688,571	174,600,743

* There is not any enforcement activities in relation to the write off facilities.

12.1 Impairment charges

For the year ended 31st March,	Company/Group	
	2023 Rs.	2022 Rs.
Financial assets at amortised cost-Loans and receivables from customers		
Loans and Advances		
Stage 1	(64,028,034)	(26,127,066)
Stage 2	(201,959)	(27,287,378)
Stage 3	262,044,467	366,472,527
	197,814,475	313,058,083
Lease Receivables		
Stage 1	5,396,708	(3,346,952)
Stage 2	(1,685,417)	(6,233,359)
Stage 3	219,161,743	(2,903,185)
	222,873,034	(12,483,496)
Hire Purchase Receivables		
Stage 1	(3,565,225)	(742,739)
Stage 2	(11,887,868)	1,716,902
Stage 3	6,324,701	2,426,745
	(9,128,391)	3,400,908
Repossess Stock	13,731,503	(40,706,511)
Pawning Advances	(1,519,698)	(660,956)
Micro Finance Receivables	28,488,760	(73,290,833)
Other Investments	63,510	-
Trade receivables	(20,000)	(25,000)
Other Receivables - Provision for impairment	1,068,496	410,996
Bad Debt Written Off - Lease	2,424,632	-
Impairment Real Estate Stock	-	(15,102,448)
Total	454,688,571	174,600,743

13. INCOME TAX EXPENSE

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Income Tax Expense	13.1	11,803,936	20,581,940	11,803,936	20,581,940
Deferred taxation reversal	32.1	(115,226,147)	(190,608,013)	(115,226,147)	(190,608,013)
		(103,422,211)	(170,026,073)	(103,422,211)	(170,026,073)

Notes to the Financial Statements

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
13.1 Reconciliation of Accounting Profit with Taxable Profit					
Profit before Income Tax Expense		(1,014,562,525)	(416,160,366)	(1,014,562,525)	(416,101,366)
Income not liable for Taxation		(5,625,675)	(66,709,406)	(5,625,675)	(66,709,406)
Aggregate Disallowed Items		521,643,426	895,725,439	521,643,426	895,607,439
Allowable Expenses		(685,611,562)	(608,221,756)	(685,611,562)	(608,162,756)
Total assessable income from business		(1,184,156,336)	(195,366,089)	(1,184,156,336)	(195,366,089)
Other statutory Income		-	-	-	-
Tax Loss utilized during the year		-	-	-	-
Taxable Profit/(Loss)		(1,184,156,336)	(195,366,089)	(1,184,156,336)	(195,366,089)
Taxation @ 24%		-	-	-	-
Taxation @ 30%		-	-	-	-
Taxation on profit for the year		-	-	-	-
Over/(under) provision for Income Tax for the year		11,803,936	20,581,940	11,803,936	20,581,940
		11,803,936	20,581,940	11,803,936	20,581,940
13.3 Tax Loss Carried Forward					
Tax Loss Brought Forward		1,751,086,373	1,757,308,204	1,751,086,373	1,757,308,204
Over/(under) provision for Income Tax		1,941,859,583	(201,587,920)	1,941,859,583	(201,587,920)
Adjusted Loss Brought Forward		3,692,945,956	1,555,720,284	3,692,945,956	1,555,720,284
Tax Loss for the year		1,184,156,336	195,366,089	1,184,156,336	195,366,089
Tax Loss Carried Forward		4,877,102,292	1,751,086,373	4,877,102,292	1,751,086,373

The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30% from October 2022. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23.

14. LOSSES PER SHARE

14.1 Basic Losses Per Share

Basic Losses per ordinary share has been calculated based on the losses attributable to the ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Loss attributable to Ordinary Shareholders (Rs.)	(911,140,314)	(246,134,293)	(911,140,314)	(246,075,293)
Number of Shares - Note 39	2,933,836,839	1,353,792,606	2,933,836,839	1,353,792,606
Basic Losses Per Share	(0.31)	(0.18)	(0.31)	(0.18)

14.2 Diluted Earning Per Share

There were no potentially dilutive securities outstanding at any time during the year, hence diluted losses per share is equal to the basic losses per share.

15. CASH AND CASH EQUIVALENTS

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash in Hand		53,856,395	44,296,607	53,856,395	44,296,607
Balances with Banks		26,494,182	69,174,096	26,494,182	69,174,096
		80,350,577	113,470,703	80,350,577	113,470,703

16. DEPOSITS WITH LICENSED COMMERCIAL BANKS

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Seylan Bank PLC		78,736,067	69,036,546	78,736,067	69,036,546
NDB		306,176,643	257,227,461	306,176,643	257,227,461
Impairment Allowance for Fixed deposits	16.1	(272,955)	(209,445)	(272,955)	(209,445)
		384,639,755	326,054,562	384,639,755	326,054,562

16.1 Impairment Allowance for Fixed Deposits

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		209,445	209,445	209,445	209,445
Impairment charge/(reversal) for the year		63,510	-	63,510	-
Balance as at end of the year		272,955	209,445	272,955	209,445

17. FINANCIAL ASSETS MEASURED AT FVTPL

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year		61,491,127	30,843,505	61,491,127	30,843,505
Investments in new shares		-	55,400,000	-	55,400,000
Net change in Fair Value		5,015,946	(24,752,378)	5,015,946	(24,752,378)
Balance at the end of the year	17.1	66,507,073	61,491,127	66,507,073	61,491,127

Notes to the Financial Statements

17.1 Equity Securities - Quoted

	Group/Company			
	2023		2022	
	No of Shares	Market Value Rs.	No of Shares	Market Value Rs.
Diversified Holdings				
Softlogic Holding PLC	19,201	305,297	19,201	721,958
Sunshine Holding PLC	45,828	2,062,260	45,828	1,677,305
Vallibel One PLC	83,855	3,069,093	83,855	3,370,971
		5,436,650		5,770,234
Hotels And Travels				
Galadari Hotel PLC	89,849	1,302,811	89,849	1,302,810
Anilana Hotels & Properties PLC	13,907,348	12,516,613	13,907,348	15,298,083
		13,819,424		16,600,893
Telecom				
Dialog Axiata PLC	250,000	2,600,000	250,000	2,500,000
Manufacturing				
PGP Glass Ceylon PLC	500,000	9,600,000	500,000	5,700,000
Construction And Engineering				
Access Engineering PLC	30,000	426,000	30,000	450,000
Finance				
Lanka Credit & Business Finance Ltd	13,850,000	34,624,999	13,850,000	30,470,000
		47,250,999		39,120,000
Total		66,507,073		61,491,127

18. FINANCIAL ASSETS MEASURED AT FVOCI

The following table shows investments in equity securities for which the Group elected to present the changes in the fair value in OCI. The election was made because the investments were expected to be held for the long term for strategic purposes.

No strategic investments were disposed during the year 2022/23, and there was no transfer of any cumulative gain or loss within equity relating to those investments.

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Equity Securities - Unquoted		39,832,333	35,030,504	39,832,333	35,030,504
Net change in Fair Value		3,407,363	4,801,829	3,407,363	4,801,829
	18.1	43,239,696	39,832,333	43,239,696	39,832,333
	No of Shares				
E-futures (Private) Limited	2,280,000	35,809,855	30,839,412	35,809,855	30,839,412
Credit Information Bureau of Sri Lanka	100	2,120,229	2,100,826	2,120,229	2,100,826
Nation Lanka Promotions Ltd	1,000,000	5,309,612	6,892,095	5,309,612	6,892,095
		43,239,696	39,832,333	43,239,696	39,832,333

19. FINANCIAL ASSETS MEASURED AT AMORTISED COST-LOANS AND ADVANCES

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Loans	19.1	2,203,745,909	2,116,803,943	2,203,745,909	2,116,803,943
Pawning	19.2	568,818,430	508,149,707	568,818,430	508,149,707
Hire Purchase	19.3	99,990,912	136,025,473	99,990,912	136,025,473
Leasing	19.4	371,583,288	739,861,919	371,583,288	739,861,919
Loans & Receivables (Reposessed Collaterals)	19.5	36,376,593	39,191,208	36,376,593	39,191,208
		3,280,515,132	3,540,032,250	3,280,515,132	3,540,032,250

19.1 Loans

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Term Loans	19.1.1	1,268,405,140	1,441,867,387	1,268,405,140	1,441,867,387
Micro Finance Receivables	19.1.2	924,186,734	674,504,054	924,186,734	674,504,054
Staff Loans		11,154,035	432,502	11,154,035	432,502
		2,203,745,909	2,116,803,943	2,203,745,909	2,116,803,943

19.1.1 Term Loans

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Term Loans		2,774,006,809	2,749,654,581	2,774,006,809	2,749,654,581
Impairment Allowance for Loans - Individual	19.1.1A	(1,038,992,438)	(475,913,425)	(1,038,992,438)	(475,913,425)
Impairment Allowance for Loans - Collective	19.1.1B	(466,609,231)	(831,873,769)	(466,609,231)	(831,873,769)
		1,268,405,140	1,441,867,387	1,268,405,140	1,441,867,387

19.1.1.A Impairment Allowance for Term Loans - Individual

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		475,913,425	271,203,685	475,913,425	271,203,685
Impairment charge for the year		563,079,013	204,709,740	563,079,013	204,709,740
Balance as at end of the year		1,038,992,438	475,913,425	1,038,992,438	475,913,425

Notes to the Financial Statements

19.1.1.B Impairment Allowance for Term Loans - Collective

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		831,873,769	723,525,426	831,873,769	723,525,426
Impairment charge/(reversal) for the year		(365,264,538)	108,348,343	(365,264,538)	108,348,343
Balance as at end of the year		466,609,231	831,873,769	466,609,231	831,873,769

19.1.2 Micro Finance Receivables

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Micro Finance Receivables		1,550,240,217	1,272,068,777	1,550,240,217	1,272,068,777
Impairment Allowance for Micro Finance Loans	19.1.2A	(626,053,483)	(597,564,723)	(626,053,483)	(597,564,723)
		924,186,734	674,504,054	924,186,734	674,504,054

19.1.2.A Impairment Allowance for Micro Finance Loans

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		597,564,723	670,855,556	597,564,723	670,855,556
Impairment charge/(reversal) for the year		28,488,760	(73,290,833)	28,488,760	(73,290,833)
Balance as at end of the year		626,053,483	597,564,723	626,053,483	597,564,723

19.2 Pawning Advances

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Pawning		570,456,744	511,307,719	570,456,744	511,307,719
Impairment Allowance for Pawning Advances (Note 19.2.1)		(1,638,314)	(3,158,012)	(1,638,314)	(3,158,012)
		568,818,430	508,149,707	568,818,430	508,149,707

19.2.1 Impairment Allowance for Pawning Advances

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		3,158,012	3,818,968	3,158,012	3,818,968
Impairment charge/(reversal) for the year		(1,519,698)	(660,956)	(1,519,698)	(660,956)
Balance as at end of the year		1,638,314	3,158,012	1,638,314	3,158,012

19.3 Hire Purchase Receivable

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Hire Purchase Stock		149,179,724	219,513,606	149,179,724	219,513,606
Deferred Interest		(30,188,558)	(55,359,488)	(30,188,558)	(55,359,488)
Write-off during the year		118,991,166	164,154,118	118,991,166	164,154,118
Impairment Allowance for HP Receivables - Individual	19.3.1	(3,387,751)	(3,116,114)	(3,387,751)	(3,116,114)
Impairment Allowance for HP Receivables - Collective	19.3.2	(15,612,503)	(25,012,531)	(15,612,503)	(25,012,531)
		99,990,912	136,025,473	99,990,912	136,025,473

19.3.1 Impairment Allowance for HP Receivables - Individual

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		3,116,114	516,929	3,116,114	516,929
Impairment charge/(reversal) for the year		271,637	2,599,185	271,637	2,599,185
Balance as at end of the year		3,387,751	3,116,114	3,387,751	3,116,114

19.3.2 Impairment Allowance for HP Receivables - Collective

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		25,012,531	24,210,808	25,012,531	24,210,808
Impairment charge/(reversal) for the year		(9,400,028)	801,723	(9,400,028)	801,723
Balance as at end of the year		15,612,503	25,012,531	15,612,503	25,012,531

Notes to the Financial Statements

19.4 Finance Leases

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Gross Investment		871,390,023	1,062,599,242	871,390,023	1,062,599,242
Unearned Income		(154,552,228)	(200,355,850)	(154,552,228)	(200,355,850)
		716,837,795	862,243,392	716,837,795	862,243,392
Impairment Allowance for Finance Leases - Individual	19.4.1	(51,955,520)	(8,784,721)	(51,955,520)	(8,784,721)
Impairment Allowance for Finance Leases - Collective	19.4.2	(293,298,987)	(113,596,752)	(293,298,987)	(113,596,752)
Net Lease Rental receivables		371,583,288	739,861,919	371,583,288	739,861,919

19.4.1 Impairment Allowance for Finance Leases - Individual

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		8,784,721	3,217,327	8,784,721	3,217,327
Impairment charge/(reversal) for the year		43,170,799	5,567,394	43,170,799	5,567,394
Balance as at end of the year		51,955,520	8,784,721	51,955,520	8,784,721

19.4.2 Impairment Allowance for Finance Leases - Collective

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		113,596,752	131,647,642	113,596,752	131,647,642
Impairment charge/(reversal) for the year		179,702,235	(18,050,890)	179,702,235	(18,050,890)
Balance as at end of the year		293,298,987	113,596,752	293,298,987	113,596,752

19.5 Loans & Receivables (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Hire Purchase	19.5.1	3,619,213	2,498,532	3,619,213	2,498,532
Leasing	19.5.2	32,757,380	36,692,676	32,757,380	36,692,676
		36,376,593	39,191,208	36,376,593	39,191,208

19.5.1 Hire Purchase (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Capital Outstanding		5,124,052	3,431,787	5,124,052	3,431,787
Impairment allowance for Reposessed collaterals	19.5.1.1	(1,504,839)	(933,255)	(1,504,839)	(933,255)
		3,619,213	2,498,532	3,619,213	2,498,532

19.5.1.1 Impairment Allowance for Hire Purchases (Reposessed Collaterals)

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		933,255	1,405,046	933,255	1,405,046
Impairment charge/(reversal) for the year		571,584	(471,791)	571,584	(471,791)
Balance as at end of the year		1,504,839	933,255	1,504,839	933,255

19.5.2 Leasing (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Capital Outstanding		59,942,956	50,718,333	59,942,956	50,718,333
Impairment allowance for Reposessed collaterals	19.5.2.1	(27,185,576)	(14,025,657)	(27,185,576)	(14,025,657)
		32,757,380	36,692,676	32,757,380	36,692,676

19.5.2.1 Impairment Allowance for Leasing (Reposessed Collaterals)

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		14,025,657	54,260,377	14,025,657	54,260,377
Impairment charge/(reversal) for the year		13,159,919	(40,234,720)	13,159,919	(40,234,720)
Balance as at end of the year		27,185,576	14,025,657	27,185,576	14,025,657

19.6 Expected Credit Loss Provision for Loans and Receivables

19.6.1 Total Impairment Provision

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year		2,073,978,959	1,884,661,764	2,073,978,959	1,884,661,764
Impairment charge/(reversal) for the year		452,259,683	189,317,195	452,259,683	189,317,195
Balance as at end of the year		2,526,238,642	2,073,978,959	2,526,238,642	2,073,978,959

19.6.1.A Individual Impairment Provision

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year		490,972,272	278,756,908	490,972,272	278,756,908
Impairment charge/(reversal) for the year		605,001,751	212,215,364	605,001,751	212,215,364
Balance as at end of the year		1,095,974,023	490,972,272	1,095,974,023	490,972,272

Notes to the Financial Statements

19.6.1.B Collective Impairment Provision

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	1,583,006,687	1,605,904,856	1,583,006,687	1,605,904,856
Impairment charge/(reversal) for the year	(152,742,068)	(22,898,169)	(152,742,068)	(22,898,169)
Balance as at end of the year	1,430,264,619	1,583,006,687	1,430,264,619	1,583,006,687

19.6.2 Movements in Impairment During the Year

As at	Company/Group		
	Gross Outstanding 2023 Rs.	Impairment 2023 Rs.	Impairment 2022 Rs.
Stage 1			
Balance at the beginning of the year		86,056,108	116,272,865
Charge/(reversal) to profit or loss		(62,196,551)	(30,216,757)
Balance as at end of the year	528,686,805	23,859,557	86,056,108
Stage 2			
Balance at the beginning of the year		83,803,113	115,606,949
Charge/(reversal) to profit or loss		(13,775,243)	(31,803,836)
Balance as at end of the year	650,698,867	70,027,870	83,803,113
Stage 3			
Balance at the beginning of the year		1,288,438,091	922,442,003
Charge/(reversal) to profit or loss		487,530,911	365,996,088
Balance as at end of the year	2,415,631,745	1,775,969,002	1,288,438,091
Repossess stock	64,843,026	28,690,415	14,958,912
Micro Finance	1,576,436,587	626,053,483	597,564,723
Pawning	570,456,744	1,638,314	3,158,012
Impairment provision of Loans and Advances to Customers	5,806,753,774	2,526,238,642	2,073,978,959
Other Investments		272,955	209,445
Total impairment		2,526,511,597	2,074,188,404

Prevailing economic Crisis

In light of Sri Lanka's unprecedented economic crisis, an assessment of Significant Increase in Credit Risk (SICR) has been conducted for facilities previously subjected to repayment deferral arrangements. This evaluation considers various measures of the customer's current financial standing, anticipated earnings potential, and the risk profiles of the industries in which they operate. Based on this assessment, facilities are categorized into distinct risk groups, with SICR determined accordingly. Subsequently, stress testing has been performed on these facilities, resulting in the application of necessary allowance overlays.

Key Judgements and Estimates

In estimating collectively assessed ECL, the Company makes judgments and assumptions in relation to:

- the selection of an estimation technique or modeling methodology, noting that the modeling of the Company ECL estimates are complex
- the selection of inputs for those models, and the interdependencies between those inputs

The following table summarizes the key judgments and assumptions used by the Company in relation to the ECL model inputs, the interdependencies between those inputs, and highlights the significant changes during the current year.

The judgments and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgments and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. Accordingly, the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/ Assumption	Description	Considerations for the year ended
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgment is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgment since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses.	In response to the escalating economic crisis, various moratorium/ debt concessionary schemes have been offered to eligible customers in 2023 to alleviate financial burdens and promote economic recovery. The Company does not consider that when a customer is first provided assistance it automatically results in a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, assessments have been carried out based on the discussions with the customers on the future business cash flows, financial position, the sectors in which the businesses operate, and ability to recommence loan repayments at the end of the moratorium/ debt concessionary period to conclude whether there is SICR.
Measuring both 12- month and lifetime 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. Judgment 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. In addition, judgment is required where behavioral characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	The PD, EAD and LGD models are subject to the Company's policy on impairment model that stipulates periodic model monitoring, periodic revalidation and the approval procedures and authorities according to model materiality. There were no material changes to the policies during the period ended 31 March 2023. Due to the implications of moratorium/ debt concessionary schemes on PDs and LDGs (due to limited movements to Stage 2 & 3), adjustments have been made as overlays based on stress testing and historic patterns to better reflect the adequacy of ECL. There were no material changes to behavioral lifetime estimates during the year ended 31 March 2023.
Base case economic forecast	The Company derives a forward-looking "base case" economic scenario which reflects the it's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 31 March 2023, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19 by using the economic forecast provided by the Central Bank of Sri Lanka.

Notes to the Financial Statements

Judgement/ Assumption	Description	Considerations for the year ended
Probability weighting of each economic scenario (base case, best and worst 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 2023 financial year is the persisting impact of the Sri Lankan economic crisis. In addition to the base case forecast, which reflects the lingering economic consequences of the Sri Lankan crisis, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different from those projected.

20. FINANCIAL ASSETS MEASURED AT AMORTISED COST- DEBT AND OTHER INSTRUMENTS

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Government of Sri Lanka Treasury Bills	566,392,220	603,818,060	566,392,220	603,818,060
	566,392,220	603,818,060	566,392,220	603,818,060

21. INVESTMENT IN SUBSIDIARIES

For the year ended 31st March,	Company					
	2023			2022		
	No of shares	Holding %	Cost Rs.	No of shares	Holding %	Cost Rs.
Ordinary Shares						
Nation Micro Investments Ltd	500,000	100%	5,000,000	500,000	100%	5,000,000
Provision for Impairment			(5,000,000)			(5,000,000)
			-			-

22. AMOUNTS DUE FROM RELATED PARTIES

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Millennium Housing Developers Ltd.	332,434	332,434	332,434	332,434
Ceylinco Constructions Company Ltd.	830,937	830,937	830,937	830,937
Tropical Agro Livestock (Pvt) Ltd.	-	3,150,000	-	3,150,000
Tropical Foliage Ltd.	-	107,750	-	107,750
Singhe Capital Investment Ltd	763,102,393	-	763,102,393	-
Mr.Harshith Dharmadasa	-	1,000,000	-	1,000,000
	764,265,764	5,421,121	764,265,764	5,421,121
Impairment of amounts due from related companies (Note 22.1)	(1,163,371)	(2,271,121)	(1,163,371)	(2,271,121)
Total amount due from Related Parties	763,102,393	3,150,000	763,102,393	3,150,000

22.1 Impairment of Amount Due from Related Parties

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	2,271,121	2,271,121	2,271,121	2,271,121
Impairment charge/(Reversal) for the year	(1,107,750)	-	(1,107,750)	-
Balance as at end of the year	1,163,371	2,271,121	1,163,371	2,271,121

23. REAL ESTATE STOCK

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	118,908,090	281,984,900	118,908,090	281,984,900
Disposed during the year	-	(9,160,727)	-	(9,160,727)
Acquired during the year	-	38,000,000	-	38,000,000
Capitalized during the year	-	5,000,000	-	5,000,000
Transferred to investment Properties	-	(212,018,532)	-	(212,018,532)
Impairment Reversal of real estate stocks	-	15,102,448	-	15,102,448
Balance at the end of the year	118,908,090	118,908,090	118,908,090	118,908,090

24. INVESTMENT PROPERTY

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	1,176,235,593	830,675,000	1,176,235,593	830,675,000
Disposed during the year	-	(57,008,418)	-	(57,008,418)
Transferred from Real Estates	-	328,834,480	-	328,834,480
Addition during the year	-	15,824,531	-	15,824,531
Change in Fair Value	109,664,907	57,910,000	109,664,907	57,910,000
Balance at the end of the year	1,285,900,500	1,176,235,593	1,285,900,500	1,176,235,593

Investment properties are stated at fair value at the year ended 31st March 2023. The fair value of investment property was determined by external, independent property valuers, Mr. P.P.T.Mohideen, Mr.Sunil Fernando and Mr.A.R.Ajith Fernando who are Fellow members of the Royal Institute of Chartered Surveyors of the United Kingdom (RICS) and they have recent experience in the location and category of the property being valued.

Notes to the Financial Statements

24. INVESTMENT PROPERTY (CONTINUED)

The Investment Property of the Company/Group includes the following:

Property	Location of the Property	Last Valuation Date	Extent		
			Buildings Sq. Ft	Land in Extent	
For the year ended 31st March,					
Land and Building	Athurugiriya	31-Mar-23	5000	R 3 P31	
Land	Wennappuwa	31-Mar-23	-	A0-R 2-P3.5	
Land and Building	Kurunegala	31-Mar-23	13500	P 20	
Land	Katana Foliage	31-Mar-23	-	A13-R2-P29	
Land	Katukenda	31-Mar-23	-	A18-R0-P25	
Land	Korathota	31-Mar-23	-	A0-R 1-P16.58	
Land	Thanthimulla	31-Mar-23	-	A0-R1-P0	
Land	Badalgama	31-Mar-23	-	A29-R0-P0	
Land	Pilihudugolla	31-Mar-23	-	A0-R2-P0	
Land	Panichankerni	31-Mar-23	-	A13-R0-P6.7	
Land and Building	Kahatagahawatta	31-Mar-22	3120	A0-R0-P14.15	
Land and Building	Nelliady	31-Mar-23	2164	A0-R0-P26.7	
Land	Geliya	31-Mar-23	-	A0-R0-P26.25	
Land	Weuda	31-Mar-23	-	A0-R0-P12.5	
Land	Embilipitiya	31-Mar-23	-	A0-R2-P23.07	
Land	Kalkuda	31-Mar-23	-	A9-R3-P26.31	
Land	Millennium City	31-Mar-23	-	A0-R3-P8.7	
Land	Winston Park	31-Mar-23	-	A0-R2-P26	

The valuation based on observable inputs such as ARR, cost of sale, interest rates and cost of construction and Market rental based Income Method of valuation have been adopted in valuing the above investment properties.

24.1 The amounts recognized in profit or loss for rental income from investment property and direct operating expenses arising from investment property are as follows.

Location	No. of Buildings	Rental income from Investment Property (Rs.)	Direct Operating Expense
Katana Foliage	-	2,500,000	-

	Name of the Independent Valuer	Market Value (Rs.)/perch	Method of the Valuation	Fair Value	
				2023 Rs.	2022 Rs.
	Mr.P.P.T.Mohideen	425,000	Market Value	113,415,000	83,500,000
	Mr.P.P.T.Mohideen	500,000	Market Value	33,900,000	32,345,000
	Sunil Fernando & Associates (Pvt) Ltd	2,675,000	Market Value	150,400,000	131,780,000
	Sunil Fernando & Associates (Pvt) Ltd	145,000	Market Value	173,400,000	148,600,000
	Mr.A.R.Ajith Fernando	35,625	Market Value	127,100,000	112,500,000
	Mr.P.P.T.Mohideen	225,000	Market Value	7,890,500	7,090,000
	Sunil Fernando & Associates (Pvt) Ltd	375,000	Market Value	18,000,000	16,000,000
	Mr.P.P.T.Mohideen	34,375	Market Value	188,500,000	174,000,000
	Sunil Fernando & Associates (Pvt) Ltd	17,500	Market Value	2,000,000	1,720,000
	Sunil Fernando & Associates (Pvt) Ltd	68,750	Market Value	78,400,000	73,800,000
	Mr.P.P.T.Mohideen	4,000,000	Market Value	72,300,000	72,300,000
	Sunil Fernando & Associates (Pvt) Ltd	315,000	Market Value	18,300,000	15,700,000
	Sunil Fernando & Associates (Pvt) Ltd	325,000	Market Value	12,900,000	12,400,000
	Sunil Fernando & Associates (Pvt) Ltd	75,000	Market Value	1,250,000	937,500
	Sunil Fernando & Associates (Pvt) Ltd	80,000	Market Value	13,900,000	10,000,000
	Sunil Fernando & Associates (Pvt) Ltd	75,000	Market Value	177,000,000	203,298,561
	Sunil Fernando & Associates (Pvt) Ltd	618,000	Market Value	81,160,000	73,575,000
	Sunil Fernando & Associates (Pvt) Ltd	60,000	Market Value	16,085,000	6,689,532
				1,285,900,500	1,176,235,593

Notes to the Financial Statements

25. PROPERTY, PLANT & EQUIPMENT

25.1 Company

	Office Equipment Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Computer Equipment Rs.	2023 Total Rs.	2022 Total Rs.
Cost						
Balance at the beginning of the year	150,332,145	138,550,411	426,272	140,347,182	429,656,010	426,670,915
Additions during the year	3,700,830	14,034,647	6,250,000	14,442,588	38,428,065	2,985,095
Disposals during the year	-	-	(277,615)	-	(277,615)	-
Balance at the end of the year	154,032,975	152,585,058	6,398,657	154,789,770	467,806,460	429,656,010
Depreciation						
Balance at the beginning of the year	149,046,564	127,015,810	426,272	133,521,232	410,009,878	394,772,525
Depreciation for the year	1,486,587	5,661,410	606,336	7,105,561	14,859,894	15,237,353
Disposal during the year	-	-	(277,615)	-	(277,615)	-
Balance at the end of the year	150,533,151	132,677,220	754,993	140,626,793	424,592,157	410,009,878
Carrying values as at 31.03.2023	3,499,824	19,907,838	5,643,664	14,162,977	43,214,303	
Carrying Values as at 31.03.2022	1,285,581	11,534,601	-	6,825,950		19,646,132

Property plant and equipment includes fully depreciated assets which are still in use of Rs.475,817,325/- as at 31st March 2023 (Rs.367,880,217/- as at 31st March 2022).

25.1.1 There were no restrictions on the title of the property plant and equipment as at the reporting date. Further there were no items pledged as securities for liabilities.

25.1.2 Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31st March 2023 and 31st March 2022.

25.2 Group

Description	Office Equipment Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Computer Equipment Rs.	2023 Total Rs.	2022 Total Rs.
Cost						
Balance at the beginning of the year	150,332,145	138,550,411	426,272	140,347,182	429,656,010	426,670,915
Additions during the year	3,700,830	14,034,647	6,250,000	14,442,588	38,428,065	2,985,095
Disposals during the year	-	-	(277,615)	-	(277,615)	-
Balance at the end of the year	154,032,975	152,585,057	6,398,658	154,789,770	467,806,460	429,656,010
Depreciation						
Balance at the beginning of the year	149,046,564	127,015,810	426,272	133,521,232	410,009,878	394,772,525
Depreciation for the year	1,486,587	5,661,410	606,336	7,105,561	14,859,894	15,237,353
Disposal during the year	-	-	(277,615)	-	(277,615)	-
Balance at the end of the year	150,533,151	132,677,220	754,993	140,626,793	424,592,157	410,009,878
Carrying values as at 31.03.2023	3,499,824	19,907,838	5,643,664	14,162,977	43,214,303	
Carrying Values as at 31.03.2022	1,285,581	11,534,601	-	6,825,950		19,646,132

Property plant and equipment includes fully depreciated assets which are still in use of Rs.475,817,325/- as at 31st March 2023 (Rs.367,880,217/- as at 31st March 2022).

25.2.1 There were no restrictions on the title of the property plant and equipment as at the reporting date. Further there were no items pledged as securities for liabilities.

25.2.2 Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31st March 2023 and 31st March 2022.

Notes to the Financial Statements

26. RIGHT-OF-USE ASSET

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance at the beginning of the year	235,687,868	206,303,983	235,687,868	206,303,983
Additions during the year	49,535,859	40,739,943	49,535,859	40,739,943
Disposal during the year	-	(11,356,058)	-	(11,356,058)
Balance at the end of the year	285,223,727	235,687,868	285,223,727	235,687,868
Accumulated Amorisation				
Balance at the beginning of the year	136,326,828	102,887,514	136,326,828	102,887,514
Charge for the year	43,698,126	38,643,967	43,698,126	38,643,967
Disposal during the year	-	(5,204,653)	-	(5,204,653)
Balance at the end of the year	180,024,954	136,326,828	180,024,954	136,326,828
Net Carrying Value	105,198,773	99,361,040	105,198,773	99,361,040

27. INVESTMENT IN KANRICH FINANCE LTD FOR GOLD LOAN STOCK

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Advanced for gold loans	1,000,000,000	-	1,000,000,000	-
Interest Receivable	121,883,562	-	121,883,562	-
Balance at the end of the year	1,121,883,562	-	1,121,883,562	-

28. INTANGIBLE ASSETS

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Computer Software				
Cost				
Balance at the beginning of the year	86,221,212	86,134,212	86,221,212	86,134,212
Additions during the year	420,000	87,000	420,000	87,000
Balance at the end of the year	86,641,212	86,221,212	86,641,212	86,221,212
Amortisation				
Balance at the beginning of the year	85,079,873	82,426,594	85,079,873	82,426,594
Amortisation for the year	993,530	2,653,279	993,530	2,653,279
Balance at the end of the year	86,073,403	85,079,873	86,073,403	85,079,873
Carrying Value	567,809	1,141,339	567,809	1,141,339

29. TRADE AND OTHER RECEIVABLES

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Receivables		5,827,411	5,847,411	5,827,411	5,847,411
Impairment of Trade Receivables	29.1	(5,827,411)	(5,847,411)	(5,827,411)	(5,847,411)
Trade Related - Other Receivables		108,933,699	101,279,396	108,933,699	101,279,396
Impairment of Other Receivables	29.2	(59,030,146)	(57,961,650)	(59,030,146)	(57,961,650)
		49,903,553	43,317,746	49,903,553	43,317,746

29.1 Impairment of Trade Receivables

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		5,847,411	5,872,411	5,847,411	5,872,411
Impairment reversal for the year		(20,000)	(25,000)	(20,000)	(25,000)
Balance as at end of the year		5,827,411	5,847,411	5,827,411	5,847,411

29.2 Impairment of Other Receivables

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		57,961,650	575,550,654	57,961,650	57,550,654
Impairment charge for the year		1,068,496	410,996	1,068,496	410,996
Balance as at end of the year		59,030,146	57,961,650	59,030,146	57,961,650

Trade Related Other Receivables - Nation Lanka Equities (Private) Limited

Nations Lanka Finance PLC (identified as the "Seller") entered into a tri-party agreement with Nation Lanka Equities (Private) Limited and Mr. Asanga Chandana Seneviratne (identified as the "Purchaser") on 28th March 2016 to dispose 20,676,379 ordinary shares of Nation Lanka Equities (Pvt) Limited held by Nations Lanka Finance PLC to Mr. Asanga Chandana Seneviratne for a consideration of Rs160,000,000. The total consideration consisted of Rs. 100,000,000 payable by the Purchaser within 12 months from the date of the agreement and Rs. 60,000,000 or 25% of the proceeds to be received by Nation Lanka Equities (Private) Limited on the demutualisation of the Colombo Stock Exchange to be payable to Nation Lanka Finance PLC, which was jointly agreed by the Purchaser and Nation Lanka Equities (Pvt) Limited.

The aforesaid shares in Nations Lanka Equities (Private) Limited were transferred to the Purchaser on receipt of approval from the Central Bank of Sri Lanka on 6th April 2016. In accordance with the agreement the Purchaser pledged the above referred shares and mortgaged a property in favour of the Seller. In the event the Purchaser defaulted payment of the aforesaid cash payable of Rs.100,000,000, the Seller could enforce the mortgage bond and pledge bond.

The Purchaser did not settle the Rs. 100,000,000 prior to the end of the 12 months as stipulated in the said agreement. As per the agreement the Seller is entitled to enforce the mortgage bond and pledge bond which would enable them to take ownership of the 20,676,379 ordinary shares of Nation Lanka Equities (Private) Limited and gain ownership of the property mortgaged. Nation Lanka Finance PLC enforced the mortgage bond and has taken ownership of the said property. However the Company has not taken action to enforce the pledge bond to take ownership of the shares of Nation Lanka Equities (Private) Limited. During the period purchaser has requested to convert receivable balance into the a loan. Board of Directors have approved the facility and purchaser is paying the loan according to the loan repayment schedule.

Notes to the Financial Statements

30. OTHER ASSETS

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deposits, Advances and Prepayments		193,293,017	119,913,590	193,293,017	119,913,590
Impairment of advances	30.1	(58,456,461)	(58,456,461)	(58,456,461)	(58,456,461)
		134,836,556	61,457,129	134,836,556	61,457,129
Other Receivables		26,561,569	82,122,892	26,561,569	82,122,892
		161,398,125	143,580,021	161,398,125	143,580,021

30.1 Impairment of Advances

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year		58,456,461	58,456,461	58,456,461	58,456,461
Impairment charge for the year		-	-	-	-
Balance as at end of the year		58,456,461	58,456,461	58,456,461	58,456,461

31. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

31.1 Defined Benefit Obligations (Net)

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Present Value of Defined Benefit Obligations	31.2	36,630,761	31,702,089	36,630,761	31,702,089
Defined Benefit Plan Assets	31.3	(96,789,940)	(92,391,051)	(96,789,940)	(92,391,051)
		(60,159,179)	(60,688,962)	(60,159,179)	(60,688,962)

31.2 Movement in the Present Value of Defined Benefit Obligations

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year		31,702,089	47,023,840	31,702,089	47,023,840
Current Service Cost		4,861,030	7,039,897	4,861,030	7,039,897
Interest Cost		4,438,292	3,291,668	4,438,292	3,291,668
Payments made (including benefits paid by the plan)		(9,043,514)	(7,140,400)	(9,043,514)	(7,140,400)
Past Service Cost		-	(1,680,584)	-	(1,680,584)
Actuarial (Gain) / Loss		4,672,864	(14,088,958)	4,672,864	(14,088,958)
Experience (gain)/loss		-	(2,743,374)	-	(2,743,374)
Balance at the end of the year		36,630,761	31,702,089	36,630,761	31,702,089

31.3 Movement in Plan Assets

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	92,391,051	89,720,901	92,391,051	89,720,901
Expected return on Plan Assets	14,546,133	4,866,971	14,546,133	4,866,971
Actual Employer's Contributions	3,786,878	-	3,786,878	-
Administrative Expense	(1,458,578)	(1,010,631)	(1,458,578)	(1,010,631)
Benefits paid by the Plan	(9,043,514)	-	(9,043,514)	-
Actuarial (Loss) on Plan Assets	(3,432,030)	(1,186,190)	(3,432,030)	(1,186,190)
Balance at the end of the year	96,789,940	92,391,051	96,789,940	92,391,051

31.3.1 Retirement Benefit Plan Assets

Plan assets are assets in investments of funded defined benefit plan, in which the Company guarantees a minimum payout to its employees eligible for terminal benefit. As we have an adequate Asset for the purpose, in contrast to the general practice, the Company does not contribute any amount periodically to the plan. The Fund is invested in the Government Financial Instruments such as Treasury Bills, Bonds and Term Deposits with Licensed Commercial Banks where placements are periodically reviewed subject to maturity of such instruments for better yield. Terminal Benefit Payments are done against this Plan Asset.

31.4 Actuarial (Gain) or Loss (Amount recognized OCI)

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Actuarial (Gain)/Loss for year- Obligation	4,672,864	(16,832,332)	4,672,864	(16,832,332)
Actuarial Loss for year- Plan Assets	3,432,030	1,186,190	3,432,030	1,186,190
Recognised in Other Comprehensive Income	8,104,894	(15,646,142)	8,104,894	(15,646,142)

31.5 Amount Recognized in Profit or Loss

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current Service Cost	4,861,030	7,039,897	4,861,030	7,039,897
Interest Cost	4,438,292	3,291,668	4,438,292	3,291,668
Expected Return on Plan Assets	(14,546,133)	(4,866,971)	(14,546,133)	(4,866,971)
Administrative Expense	1,458,578	1,010,631	1,458,578	1,010,631
Past Service Cost	-	(1,680,584)	-	(1,680,584)
Loss Recognized in profit or Loss	(3,788,228)	4,794,641	(3,788,228)	4,794,641

In accordance with the Gratuity Act No 12 of 1983, a liability arises for a defined benefit obligation for employees. Such defined benefit obligation is a post employment benefit obligation falling within the scope of Sri Lanka Accounting Standards LKAS-19 on "Employee Benefits".

An actuarial valuation of the gratuity liability and the fair value of assets of the gratuity fund of the Company were carried out as at 31st March 2023 by Mr. Piyal S.Goonetilleke. Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries. The valuation method used by the actuaries to value the fund is the 'Projected Unit Credit Method' recommended by the Sri Lanka Accounting Standard LKAS - 19 'Employee Benefits'. The liability is externally funded.

Notes to the Financial Statements

31.5.1 Key Assumptions made:

The following key assumptions were made in arriving at the retirement benefit obligations are as follows;

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

	Nation Lanka Finance PLC	
	2023	2022
Discount rate	18.00%	14.00%
Rate of Salary Increase	10.00%	5.00%
Staff Turnover Factor	14%	14%
Retirement Age	60 years	60 years
Weighted average duration of RBO	5.5	6.5

31.6 Sensitivity of Assumptions Used in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement for the Company.

+/-1% on discount rate and salary increase-effect on PVDBO

Present Value of the Defined Benefit Obligation (PVDBO)

	31-03-2023		
Discount rate	17.00%	18.00%	19.00%
Total PVDBO (Rs.)	38,272,502	36,630,761	35,142,543

Present Value of the Defined Benefit Obligation (PVDBO)

	31-03-2023		
Basic Salary Scale	9.00%	10.00%	11.00%
Total PVDBO (Rs.)	35,052,896	36,630,761	38,349,568

31.7 Future Cash flow- Expected Benefit Payout in the next 10 years

Year	Retirement	Term	Death	Disable	Total
2023/24	1,897,690	4,788,495	97,535	156,984	6,940,704
2024/25	692,780	5,426,073	129,727	210,865	6,459,445
2025/26	-	5,618,785	161,998	267,390	6,048,173
2026/27	221,404	5,636,138	199,885	335,355	6,392,782
2027/28	2,272,177	5,730,605	258,519	437,821	8,699,122
2028/29	2,583,986	6,581,654	329,703	560,135	10,055,478
2029/30	10,481,597	6,469,310	388,025	656,907	17,995,839
2030/31	8,380,996	6,311,750	387,779	662,857	15,743,382
2031/32	5,235,662	6,141,650	403,302	688,979	12,469,593
2032/33	9,838,212	6,084,708	649,631	1,130,208	17,702,759
2022/23	Actual Benefit Payout				9,043,514

The Expected benefits are estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

Employees Gratuity Trust - Details of Investment

Description	Balance as at 31/03/2023	Balance as at 31/03/2022	Risk Rating
Fixed Deposits with Bank of Ceylon	-	32,488,386	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	239,818	228,398	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	3,819,670	3,637,781	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	15,531,247	14,791,663	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	28,925,015	-	AAA Rated Government Bank
Total investment in FD	48,515,749	51,146,228	
Government Securities	53,871,895	43,120,365	Government Guarantee
Total investment	102,387,644	94,266,593	

32. DEFERRED TAX ASSET - GROUP /COMPANY

For the year ended 31st March,	Group/Company			
	2023		2022	
	Temporary Difference Rs.	Tax effect Rs.	Temporary Difference Rs.	Tax effect Rs.
Deferred Tax Assets				
Property, Plant and Equipment	(3,130,142)	(939,043)	(3,621,455)	(869,149)
Retirement Benefit Obligations	60,159,179	18,047,754	60,688,962	14,565,351
Carried forward Tax Loss	(2,951,510,011)	(885,453,003)	(1,360,183,586)	(326,444,061)
Expected credit Loss	(109,551,498)	(32,865,449)	(1,541,241,073)	(369,897,858)
Impairment on real estate stock	(4,755,857)	(1,426,757)	(4,755,857)	(1,141,406)
Fair value changes in investment properties	424,893,934	127,468,180	242,551,633	24,255,163
Right-of-use Asset	467,148	140,144	21,568,739	5,176,497
Net Change in Fair Value	18,482,850	5,544,855	15,075,487	1,507,549
Net Deferred Tax Asset	(2,564,944,398)	(769,483,319)	(2,569,917,150)	(652,847,913)

Notes to the Financial Statements

32.1 Deferred Tax Asset - Group /Company

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	(652,847,913)	(466,475,157)
Origination of temporary difference ;		
Deferred tax charge/ (reversal) for the year	(23,402,233)	(190,608,013)
Impact on changes in tax rate	(91,823,914)	-
Recognized in other comprehensive income ;	(1,409,259)	4,235,257
Balance at the end of the year	(769,483,319)	(652,847,913)

Deferred tax asset on tax losses has been recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized. The total carried forward tax loss of the Group/Company on which a deferred tax asset is not recognized as at 31st March 2023 amounted to Rs.1,920,031,578/- and the unrecognized deferred tax asset as at 31st March 2023 of the Group/Company amounted to Rs. 576,009,473/-.

33. DUE TO BANKS AND FINANCIAL INSTITUTIONS

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Bank Overdraft	593,895,817	59,449,710	593,895,817	59,449,710
Repos	20,041,096	-	20,041,096	-
	613,936,913	59,449,710	613,936,913	59,449,710

34. FINANCIAL LIABILITIES AT AMORTISED COST-DUE TO DEPOSITORS

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deposits from customers	34.1	6,267,356,053	5,355,163,452	6,267,356,053	5,355,163,452
34.1 Deposits from customers					
Fixed Deposits		6,057,311,797	5,116,945,021	6,057,311,797	5,116,945,021
Customer Savings -Micro Finance		210,044,256	238,218,431	210,044,256	238,218,431
		6,267,356,053	5,355,163,452	6,267,356,053	5,355,163,452

35. LEASE LIABILITY

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	77,792,301	83,533,152	77,792,301	83,533,152
Addition during the year	47,339,721	33,581,473	47,339,721	33,581,473
Derecognition of lease liability	-	(3,147,169)	-	(3,147,169)
Interest Expenses	14,807,714	12,160,379	14,807,714	12,160,379
Rental Payment	(35,784,512)	(48,335,534)	(35,784,512)	(48,335,534)
Balance at the end of the year	104,155,224	77,792,301	104,155,224	77,792,301

Following information has been included in the Statement of Profit or Loss Account and the Statement of Cash Flow in relation to the lease liability.

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Expense on Lease Liability	14,807,714	12,160,379	14,807,714	12,160,379
Total cash outflow for leases	35,784,512	48,335,534	35,784,512	48,335,534
Depreciation on ROU Assets	43,698,126	38,643,967	43,698,126	38,643,967

35.1 Maturity Analysis - Contractual Undiscounted cash flows

The following table sets out a maturity analysis of the Group/Company's lease payables, showing the undiscounted lease payments to be paid after the reporting date until the respective maturity dates.

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Less than one year	50,665,510	50,080,354	50,665,510	50,080,354
Between one and two years	38,668,956	38,222,352	38,668,956	38,222,352
Between two and three years	28,734,559	28,402,692	28,734,559	28,402,692
Between three and four years	22,633,180	22,371,780	22,633,180	22,371,780
Between four and five years	12,724,440	12,577,480	12,724,440	12,577,480
More than 5 years	445,141	440,000	445,141	440,000
	153,871,785	152,094,658	153,871,785	152,094,658
Less: Future interest payable	49,716,561	74,302,357	49,716,561	74,302,357
Net lease liability as at 31st March 2023	104,155,224	77,792,301	104,155,224	77,792,301

36. AMOUNTS DUE TO RELATED COMPANIES

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nation Micro Investments Ltd	-	-	509,196	613,256
	-	-	509,196	613,256

Notes to the Financial Statements

37. OTHER BORROWINGS

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	493,134,120	296,668,534	493,134,120	296,668,534
Interest expense	116,020,099	56,956,311	116,020,099	56,956,311
Loans obtained during the year	-	435,000,000	-	435,000,000
Borrowings from Agreements*	920,793,153	-	920,793,153	-
Repayments during the year	(712,757,951)	(295,490,725)	(712,757,951)	(295,490,725)
Balance at the end of the year	817,189,422	493,134,120	817,189,422	493,134,120

37.1 Borrowings from Agreements

Having restrictions imposed by the Central Bank of Sri Lanka on mobilization of public funds, the Company raised funds through public deposits during the period. However, the funds raised through Borrowing Agreements were quantified and recorded subsequently based on verification performed with the assistance of two external consulting firms.

For the year ended 31st March,	2023 Rs.
Other borrowings includes followings	
Payable for the borrowings from agreements	815,915,519
Payable to others	1,273,904
	817,189,423

38. TRADE AND OTHER PAYABLES

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Payables	49,927,236	52,135,074	49,927,236	52,135,074
Other Payables	128,307,850	237,012,230	128,370,914	236,971,234
	178,235,086	289,147,304	178,298,150	289,106,308

38.1 Subordinated Debentures

Unlisted, unsecured, redeemable subordinated debentures were issued by the Company on the 31st March 2017. The debentures would be redeemable on or before 31st March 2022, and carries an interest rate of 14% p.a. The total value of Debentures issued amounted to Rs. 250,000,000. Mr. V.R. Ramanan, Chairman of Nation Lanka Finance PLC subscribed to the total issue.

For the year ended 31st March,	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	-	150,000,000	-	150,000,000
Redemptions during the year	-	(150,000,000)	-	(150,000,000)
Balance at the end of the year	-	-	-	-

39. STATED CAPITAL

	No. of Shares	2023 Rs.	No. of Shares	2022 Rs.
Balance at the beginning of the year	1,353,792,606	1,224,042,009	1,353,792,606	1,224,042,009
Right issue	1,580,044,233	1,106,030,963		
Balance at the end of the year	2,933,836,839	2,330,072,972	1,353,792,606	1,224,042,009

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Since the same description is included in note No 39.2.

39.1 Issue of right issues

The company made a right issue for 1,580,044,233 ordinary shares at a price of Rs. 0.70 which amounted Rs. 1,106,030.963.40 during the month of October 2022.

Objectives as per Circular	Account allocated as Circular	Amount allocated from proceeds in Rs.	% of total proceeds	Amount utilized in Rs.	% of utilization against allocation
(i) To overcome the Emphasis of Matter on Going Concern expressed by the External Auditors.	1,106,030,963	1,106,030,963	100%	1,106,030,963	100%
(ii) To request the CSE to transfer the Company back from the Watch List upon fulfilling (i) above.					
(iii) The CBSL would remove the restriction imposed on the business activities.					

39.2 Rights and restrictions of ordinary shares

The shares of Nation Lanka Finance PLC are quoted on the Main Board of Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and voting shares are entitled to one vote per share at General Meetings of the Company. All share rank equally with regard to the Company's to the residual assets.

39.3 Reserve Fund

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transfers 5% of its annual net profit after tax to this reserve in compliance with this direction.

39.4 General Reserve

General reserves are the retained earnings of a company which are kept aside out of company's profits to meet future (known or unknown) obligations.

39.5 Fair Value Reserve

This reserve is maintained to recognize the fair value changes of financial assets classified as fair value through other comprehensive income.

Notes to the Financial Statements

40. TRANSACTIONS WITH/BETWEEN RELATED PARTIES

40.1 Transactions with/Between Subsidiaries

Name of the Related Party	Director	Relationship	Nature of Transaction	Provision for Doubtful Debts.	Amount Received/ (Paid)	31.03.2023 Net Outstanding as at	Amount Received/ (Paid)	31.03.2022 Net Outstanding as at
					Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Nation Micro Investments Ltd (Note 36)			Services rendered	-	(104)	(509)	(87)	(613)
Transactions with/between other related parties								
Millennium Housing Developers Ltd	Mr. V R Ramanan	Deputy Chairman	Receivables	332	-	332	(479)	332
Ceylinco Construction Co. Ltd	Mr. V R Ramanan	Deputy Chairman	Services rendered	831	-	831	-	831
Ideal Gateways (Pvt) Ltd	Mr. V R Ramanan	Director	Vehicle Rent	-			1,800	
		Director	Payments		-	-	(1,800)	-
Nawaloka College of Higher Studies (Pvt) Ltd	Mr. V R Ramanan	Director	Rent Income	-	3,600	-		
Lanka Credit & Business Ltd	Mr. A.G.M. Priyantha	Director	Loan Granted	-	60,000			
			Interest due		13,201			
			Loan Repayment		(20,028)	53,173		
Singhe Capital Investment Ltd	Mr. A.G.M. Priyantha	Director	Receivable	-	763,102	763,102		
Tropical Agro Livestock (Pvt) Ltd.	Mr. J Rudra *	Director	Rent Receivable	-	450		1,800	
			Repayment		(150)	-	(525)	3,150
Tropical Foliage Ltd	Mr. J Rudra *	Director	Receivable	108	-	108	-	108

(Note A) An impairment provision has been made for the total amount receivable (Refer Note 22). The Company has carried out above transactions on an arm's length basis.

* The Director of Mr. J. Rudra has been retired from the directorship of NLF on 07th June 2022.

40.2 Transactions with Key Management Personnel

According to the Sri Lanka Accounting Standard 24 (LKAS 24), "Related Party Disclosure", Key Management Personnel are those having responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Non Executive and Executive Directors) have been classified as Key Management Personnel.

Close members of the family of a KMP are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

40.2.1 Compensation of Key Management Personnel and other transactions of KMPs.

Name of the Related Party	Non-Executive Directors	Executive Directors	Other Key Management Personnel	Total 31st March 2023	Total 31st March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Short-term employment benefits	747,153	2,645,125	45,204,998	48,597,276	48,231,744
Total	747,153	2,645,125	45,204,998	48,597,276	48,231,744

40.2.2 Deposits Advances and Borrowings from Key Management Personnel

Name of the Related Party	Relationship	Nature of Transaction	Amount (received)/paid 2023 Rs. 000'	Outstanding 31st March 2023 Rs. 000'	Amount (received)/paid 2022 Rs. 000'	Outstanding 31st March 2022 Rs. 000'
J Rudra	Director	Fixed Deposit	(1,764)		11,157	(2,004)
Victor Ramanan	Chairman	Subordinated Debentures	-	-	150,000.00	-
		Interest cost on debentures	-	-	(21,000)	-
		Settlement of interest cost	-	-	21,000	-
		Fixed Deposit	(15,090)	(15,090)	-	-

40.3 Non-recurrent Related Party Transactions

Followings are the outstanding Related Party Transactions as at the reporting date.

	Amount (Rs.)	
Advance paid	5,260,000	
Paid through FD at LOLC	146,082,393	As at 31 March 2023 and the subsequent balance was Rs. 156,624,442,68. Out of which Rs.48,124,444.68 settled on 05/10/2023 and the balance Rs. 108,500,000 has been adjusted against settlement of Kanrich Finance Limited, Liability by Singhe Capital investment limited on behalf of Nation Lanka Finance PLC.
Advance given	611,760,000	Rs. 600 mn settled on 10/08/2023 and the balance was settled on 05/10/2023
	763,102,393	

The amount due from Mutual Holding Limited of Rs. 77,931,200/- was settled by Singhe Capital Investments Limited on 05/10/2023 as an inter-company settlement.

40.4 Recurrent Related Party Transactions

All the transactions which are disclosed under note 40.1 with related parties except Singhe Capital Investment Ltd, are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the Company and fellow subsidiaries, associates. And the Payables and Receivables which are disclosed under Singhe Capital Investment Ltd is non recurrent in nature. In the opinion of Related Party Transaction Review Committee, terms for these transactions are not favourable to the related party than those generally available to the public. Except the above, there were no any recurrent related party transactions of which aggregate value exceeds 10% of the revenue of the Company as per 31st March 2023 audited financial statements, which require additional disclosures in 2022/2023 Annual Report under Colombo Stock Exchange listing rule 9.3.2 (b).

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Notes to the Financial Statements

41. FAIR VALUES

41.1 Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It also includes details relating to non financial assets and liabilities.

Group		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2023	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets										
Recognized Fair value Through Profit or Loss	17	66,507,073	-	-	-	66,507,073	66,507,073	-	-	66,507,073
Financial Assets Measured at										
FVTOCI	18	-	-	43,239,696	-	43,239,696	-	-	43,239,696	43,239,696
Investment property	24	-	-	-	-	-	-	-	1,285,900,500	1,285,900,500
Financial assets not measured at fair value										
Financial Assets Measured at Amortised Cost										
- Loans and										
Advances	19	-	3,280,515,132	-	-	3,280,515,132	-	-	-	-
- Debt and Other										
Instruments	20	-	566,392,220	-	-	566,392,220	-	-	-	-
Receivable from										
Kanrich Finance Ltd	27	-	1,121,883,562	-	-	1,121,883,562	-	-	-	-
Trade and Other										
Receivables	29	-	49,903,553	-	-	49,903,553	-	-	-	-
Amounts Due From										
Related Parties	22	-	763,102,393	-	-	763,102,393	-	-	-	-
Deposits with										
Licensed										
Commercial Banks	16	-	384,639,755	-	-	384,639,755	-	-	-	-
Cash and Cash										
Equivalents	15	-	80,350,577	-	-	80,350,577	-	-	-	-
		66,507,073	6,246,787,192	43,239,696	-	6,356,533,961	66,507,073	-	1,329,140,196	1,395,647,269
Financial liabilities not measured at fair value										
Due to Banks and										
Financial Institutions	33	-	-	-	613,936,913	613,936,913	-	-	-	-
Financial Liabilities										
at amortised cost-										
due to depositors	34	-	-	-	6,267,356,053	6,267,356,053	-	-	-	-
Other Borrowings	37	-	-	-	817,189,424	817,189,424	-	-	-	-
Trade and Other										
Payables	38	-	-	-	178,235,085	178,235,085	-	-	-	-
		-	-	-	7,876,717,475	7,876,717,475	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

Group		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2022	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets										
Recognized Fair value Through Profit or Loss	17	61,491,127				61,491,127	61,491,127	-	-	61,491,127
Financial Assets Measured at										
FVTOCI	18	-	-	39,832,333	-	39,832,333	-	-	39,832,333	39,832,333
Investment property	24	-	-	-	-	-	-	-	1,176,235,593	1,176,235,593
Financial assets not measured at fair value										
Financial Assets Measured at										
Amortised Cost						-				-
- Loans and Advances	19	-	3,540,032,250	-	-	3,540,032,250	-	-	-	-
- Debt and Other Instruments	20	-	603,818,060	-	-	603,818,060	-	-	-	-
Trade and Other Receivables	29	-	43,317,746	-	-	43,317,746	-	-	-	-
Amounts Due From Related Parties	22	-	3,150,000	-	-	3,150,000	-	-	-	-
Deposits with Licensed Commercial Banks	16	-	326,054,562	-	-	326,054,562	-	-	-	-
Cash and Cash Equivalents	15	-	113,470,703	-	-	113,470,703	-	-	-	-
		61,491,127	4,629,843,321	39,832,333	-	4,731,166,781	61,491,127	-	1,216,067,926	1,277,559,053
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	33	-	-	-	59,449,710	59,449,710	-	-	-	-
Financial Liabilities at amortised cost-										
due to depositors	34	-	-	-	5,355,163,452	5,355,163,452	-	-	-	-
Other Borrowings	37	-	-	-	493,134,120	493,134,120	-	-	-	-
Trade and Other Payables	38				289,147,304	289,147,304	-	-	-	-
		-	-	-	6,196,894,586	6,196,894,586	-	-	-	-

Notes to the Financial Statements

41.1 Accounting Classifications and Fair Values (Continued)

Company		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2023	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets Recognized Fair value Through Profit or Loss	17	66,507,073	-	-	-	66,507,073	66,507,073	-	-	66,507,073
Financial Assets Measured at FVTOCI	18	-	-	43,239,696	-	43,239,696	-	-	43,239,696	43,239,696
Investment property	24	-	-	-	-	-	-	-	1,285,900,500	1,285,900,500
Financial assets not measured at fair value										
Financial Assets Measured at Amortised Cost										
- Loans and Advances	19	-	3,280,515,132	-	-	3,280,515,132	-	-	-	-
- Debt and Other Instruments	20	-	566,392,220	-	-	566,392,220	-	-	-	-
Receivable from Kanrich Finance Ltd	27	-	1,121,883,562	-	-	1,121,883,562	-	-	-	-
Trade & Other Receivables	29	-	49,903,553	-	-	49,903,553	-	-	-	-
Deposits with Licensed Commercial Banks	16	-	384,639,755	-	-	384,639,755	-	-	-	-
Cash and Cash Equivalents	15	-	80,350,577	-	-	80,350,577	-	-	-	-
		66,507,073	6,246,787,192	43,239,696	-	6,356,533,961	66,507,073	-	1,329,140,196	1,395,647,269
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	33	-	-	-	613,936,913	613,936,913	-	-	-	-
Financial Liabilities at amortised cost- due to depositors	34	-	-	-	6,267,356,053	6,267,356,053	-	-	-	-
Amounts Due To Related Parties	36	-	-	-	509,196	509,196	-	-	-	-
Other Borrowings	37	-	-	-	817,189,423	817,189,423	-	-	-	-
Trade & Other Payables	38	-	-	-	178,298,150	178,298,150	-	-	-	-
		-	-	-	7,877,289,735	7,877,289,735	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

Company		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2022	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets Recognized Fair value Through Profit or Loss	17	61,491,127	-	-	-	61,491,127	61,491,127	-	-	61,491,127
Financial Assets Measured at FVTOCI	18	-	-	39,832,333	-	39,832,333	-	-	39,832,333	39,832,333
Investment property	24	-	-	-	-	-	-	-	1,176,235,593	1,176,235,593
Financial assets not measured at fair value										
-										
Financial Assets Measured at Amortised Cost						-				-
- Loans and Advances	19	-	3,540,032,250	-	-	3,540,032,250	-	-	-	-
- Debt and Other Instruments	20	-	603,818,060	-	-	603,818,060	-	-	-	-
Trade & Other Receivables	29	-	43,317,746	-	-	43,317,746	-	-	-	-
Amounts Due From Related Parties	22	-	3,150,000	-	-	3,150,000	-	-	-	-
Deposits with Commercial Banks	16	-	326,054,562	-	-	326,054,562	-	-	-	-
Cash and Cash Equivalents	15	-	113,470,703	-	-	113,470,703	-	-	-	-
		61,491,127	4,629,843,321	39,832,333	-	4,731,166,781	61,491,127	-	1,216,067,926	1,277,559,053
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	33	-	-	-	59,449,710	59,449,710	-	-	-	-
Financial Liabilities at amortised cost-due to depositors	34	-	-	-	5,355,163,452	5,355,163,452	-	-	-	-
Amounts Due To Related Parties	36	-	-	-	613,256	613,256	-	-	-	-
Other Borrowings	37	-	-	-	493,134,120	493,134,120	-	-	-	-
Trade & Other Payables	38	-	-	-	289,106,308	289,106,308	-	-	-	-
		-	-	-	6,197,466,846	6,197,466,846	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

Notes to the Financial Statements

41.2 Assets for Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value.

Level	Type	Valuation Technique	Significant Unobservable Inputs	Sensitivity of the Input to the Fair Value
Level 3	Equity Securities	Cash flow valuation	Cash inflows and outflows related to investments - Discount rate applicable to relevant investments	The estimated fair value of equity securities is sensitive to the following variables, - Change in cash flow assumption would increase/(decrease) value of investment. - The estimated fair value of investment would change if discount rate changes.
Level 3	Investment Property - land and buildings	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch / Per Square Foot and Cash flows from Investment property discounted at an appropriate rate. (Refer note 24)	The estimated fair value of Investment Property is sensitive to the following variables, - Change in price per perch of land/ per square of building. -Market interest rate

42. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risk arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The note presents information about the Company's exposure to each of the above risks, the Company's risk management objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

"Nation Lanka's Board of Directors is entirely responsible for the establish and monitor the company's risk management framework. Also the board has established Integrated Risk Management Committee(IRMC), which holds the responsibility of Developing, Implementing and Monitoring the company's risk management framework and related policies. The committee reports regularly to the Board of Directors on its risks mitigation activities as a whole. Nation Lanka Finance PLC's Risk Management framework covers Identifies, evaluating, analyzing and control the risks that are facing by the company to govern the company's risk management according to the board approved risk limits and controls.

42.1 Credit Risk

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

42.1.1 Management of Credit Risk

The company is committed to strengthening its credit risk as it related to the main operation of the company. This entail implementing robust risk assessment practices, proactive loan monitoring, and efficient collections strategies. These measures will play a pivotal role in minimizing credit risk, enhancing financial performance, and laying the foundation for sustainable growth for the company.

Key Highlights

- Reviewed credit policies and procedure to achieve the company's risk appetite and strategic objectives
- Reviewed credit scouring model to accurately identify creditworthy borrowers with a high potential for repayment
- Comprehensive loan monitoring has been implemented to proactively identify and address potential credit risks early on.
- Revamped collections process with the support of recovery department to maximize recovery high credit risk bearing loans.

42.1.2 Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, as these factors may have an influence on credit risk. During 2022/23 the majority of the Company's revenue was attributable to lending transactions .However there is no concentration on credit risk attributable to a single customer.

Properties are sold subject to retention of title causes, so that in the event of non payment the Company have a secured claim. Hence the Company does not keep an additional collateral in respect of trade receivable.

When granting a loan facility the Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes earning patterns of individuals and bank references.

Notes to the Financial Statements

42.1.2.1 The maximum Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

As at,	Company	
	3/31/2023 Rs.	3/31/2022 Rs.
Cash at Banks	26,494,182	69,174,096
Deposits with Commercial Banks	384,639,755	326,054,562
Financial Assets Measured at Amortised Cost-Loans and Advances	3,280,515,132	3,540,032,250
Financial Assets Recognized Through Profit or Loss-Measured at fair value	66,507,073	61,491,127
Financial Assets Measured at Fair Value Through Other Comprehensive Income	566,392,220	603,818,060
Receivable from Kanrich Finance Ltd	1,121,883,562	-
Amounts Due From Related Companies	763,102,393	3,150,000
Trade & Other Receivables	49,903,553	43,317,746
	6,259,437,870	4,647,037,841

42.1.3 Loans and Advances to Customers

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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.

Generating the term structure of PD

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Determining whether credit risk has increased significantly

To establish a framework for determining whether credit risk has increased significantly since the initial recognition of financial instruments under SLFRS 09 and considering other relevant factors.

Under SLFRS 09, Financial institution are required to assess credit risk at each reporting date determine whether there has been a significant increase in credit risk since the initial recognition of a financial instrument. This assessment is crucial for accurate impairment provision and informed risk management decisions.

SLFRS 09 Consideration

1. Expected Credit Losses (ECL) Approach:- SLFRS 09 requires a forward-looking ECL approach, considering future events that could impact credit risk. This includes assessing the probability of default (PD) and loss given default (LGD) over the life of the financial instrument.

2. Stage Classification:- SLFRS 09 classifies financial instruments into three stages based on credit risk: Stage 1 (low credit risk), Stage 2 (increased credit risk), and Stage 3 (credit loss recognized). Significant increases in credit risk may lead to reclassification to a higher stage.

3. Qualitative and Quantitative Assessment:- SLFRS 09 emphasize both qualitative and quantitative assessments of credit risk. Qualitative factors include borrower characteristics, industry conditions, and economic outlook. Quantitative factors include PD, LGD and credit risk rating

Other Relevant Factors:

1. **Market Conditions:** Adverse market conditions, such as economic downturns or financial crisis, can increase credit risk for a broad range of borrowers.
2. **Specific Borrower Events:** Specific events related to a borrower, such as bankruptcy filings, Legal disputes, or operational setback, can signal a significant increase in credit risk.
3. **Regulatory Changes:** Changes in regulatory requirement may impact credit risk assessments and require adjustments to impairment provision.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit impaired/ in default.

Definition of Default

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 assessment of the external rating agencies indicates a default grading of the borrower
- the borrower is more than 90 days past due on any material term loan obligation to the company.
- the borrower is more than 120 days past due on leasing/Hire Purchases and Vehicle loan obligation to the company.

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.

Notes to the Financial Statements

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

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	}	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest Rate		
GDP Growth Rate		
Inflation Rate		

Scenario waightages

Scenario	Weightage
Normal Scenario	10%
Best case Scenario	10%
Worst case Scenario	80%
Economic Factor Adjustment	

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD
Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD

The methodology of estimating PD is discussed above under the “Generating the term structure of PD”. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, 'seniority of the claim, type of product and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts..

Description of Collateral Head

The table below sets out the principal types of collateral held against types of loans and receivables.

	Note	Net receivable	Type of collateral held	Collateral coverage
Term Loans	19.1.1	1,071,181,122	Land, vehicle and personal guarantee	42%
Loan against deposits		197,224,018	Lien deposits	100%
Micro Finance Receivables	19.1.2	924,186,734	Personal guarantee	-
Staff Loans		11,154,035	Personal guarantee	-
Pawning	19.2	568,818,430	Pawning articles	100%
Hire Purchase	19.3	99,990,912	Vehicle	100%
Leasing	19.4	371,583,288	Vehicle	100%
Loans & Receivables (Reposessed Collaterals)	19.5	36,376,593	Vehicle	100%
		3,280,515,132		

Portfolio Classification

Age	Performing	Special Mention	Substandard	Doubtful	Loss	Grand Total
Finance Lease	260,950,560	61,071,819	55,123,736	30,825,145	358,609,311	766,580,571
Hire Purchase	56,851,816	13,654,611	15,253,688	18,088,749	20,266,354	124,115,218
Term Loan	974,885,744	198,372,241	251,645,227	143,838,247	1,226,619,571	2,795,361,030
Micro Finance	964,520,982	6,859,940	12,576,078	8,537,101	557,746,113	1,550,240,214
Pawning	446,518,961	99,239,136	10,310,474	1,188,240	13,199,930	570,456,741
	2,703,728,063	379,197,747	344,909,203	202,477,482	2,176,441,279	5,806,753,774

Write-off Policy

The Company writes off a loan or an investment debt/equity security balance, and any related allowances for impairment losses, when it determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The Company generally does not use the non cash collateral for its own operation.

Notes to the Financial Statements

42.1.4 Credit Concentration Risk

Company monitors credit concentration risk under product portfolio.

Product Concentration	31st March 2023		31st March 2022	
	Rs.	%	Rs.	%
Loan	2,203,745,909	67.18	2,116,803,943	59.80
Pawning	568,818,430	17.34	508,149,707	14.35
Hire Purchase	99,990,912	3.05	136,025,473	3.84
Leasing	371,583,288	11.33	739,861,919	20.90
Loans & Receivables (Reposessed Collaterals)	36,376,593	1.11	39,191,208	1.11
Total	3,280,515,132	100	3,540,032,250	100

Financial Investments

	31st March 2023 Rs.	31st March 2022 Rs.
Deposits in Commercial Banks	384,639,755	326,054,562
Investments in Government Securities	566,392,220	603,818,060
Financial Assets Measured at Fair Value Through Other Comprehensive Income	43,239,696	39,832,333
Trade and other receivables	49,903,553	43,317,746
Amounts due from related companies	763,102,393	3,150,000
	1,807,277,617	1,016,172,701

Deposits in Commercial Banks are with a local bank having its rating at A+(Ika) -Fitch Ratings

42.2 Liquidity Risk

Liquidity risk arises due to mismatch between assets and liabilities of the Company; and as a result, inability to honor the liabilities when fallen due. Managing the liquidity risk is utmost important to Company like NLF since the breach of liquidity requirements will exposed to other risk such as reputation and compliance Hence, breach of liquidity requirements will directly affect on Company's going concern and credibility among stakeholders.

Effective liquidity risk management is essential for NLF to ensure their long-term sustainability. Here are some key considerations for NLF to manage their liquidity risk.

1. Diversify of funding sources: NLF should not rely solely on short-term funding sources, such as commercial paper and securitizations. They should also seek to develop relationships with banks and other financial institutions to secure longer-term funding options.
2. Maintain a strong capital base: A strong capital base provides a buffer against unexpected losses and can help NLF absorb liquidity shocks. NLF should aim to maintain a capital adequacy ratio (CAR) that is consistent with regulatory requirements and their own risk appetite.
3. Monitor asset quality: The quality of an LFC's assets is a key determinant of its liquidity risk. NLF should regularly monitor their loan portfolio and take steps to address any deterioration in asset quality.
4. Develop contingency plans: NLF should have contingency plans in place to deal with liquidity stress scenarios. These plans should outline the steps the LFC will take to raise additional capital or liquidity in the event of a crisis.
5. Stress testing: NLF should regularly conduct stress tests to assess their ability to withstand various liquidity shocks. This can help identify potential vulnerabilities and inform the development of risk mitigation strategies.

By implementing effective liquidity risk management practices, NLF can minimize the likelihood of encountering liquidity problems and protect their financial stability. Managing liquidity risk contributes to the overall stability of the financial sector.

In addition to the above, NLF shall also be aware of the following regulatory requirements related to liquidity risk management:

1. **Basel III Liquidity Coverage Ratio (LCR)** The LCR is a regulatory requirement that aims to ensure that NLF hold a sufficient stock of high-quality liquid assets (HQLAs) to meet their net cash outflows over a 30-day stress period.
2. **Net Stable Funding Ratio (NSFR)** The NSFR is a regulatory requirement that aims to ensure that NLF have a sufficient level of stable funding to meet their long-term funding needs.

Note 47 include the maturity list of liabilities with contractual cash flows

Exposure to Liquidity Risk

	31st March 2023	31st March 2022
Net loans/Total assets	0.37	0.50
Gross Loans/Customer deposits	0.93	1.05
Liquid Asset Ratio (LAR)		
Average for the year	0.12:1	0.74:1

42.3 Market Risk

42.3.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits. Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin.

42.3.1.1 Group's Exposure to Interest Rate Risk is Primarily Associated with Factors Such as

Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.

Yield curve risk arising from unanticipated shifts of the market yield curve Interest Rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company's conducts periodic reviews and re-prices its assets accordingly.

Notes to the Financial Statements

42.3.1.2 Interest Rate Risk Exposure on Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

Company	Up to 03 Months	03-12 Months	01-05 Years	Non Interest Bearing	Total as at 31st March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and Balances Due from Banks	-	-	-	80,350,577	80,350,577
Due from Banks and Other Financial Institutions	-	384,639,755	-	-	384,639,755
Loans and Advances to Customers	766,794,864	1,331,090,484	1,182,629,784	-	3,280,515,132
Financial Assets Measured at Fair Value Through Other Comprehensive Income	43,239,696	-	-	-	43,239,696
Receivable from Kanrich Finance Ltd	1,121,883,562				1,121,883,562
Amounts Due From Related Parties	763,102,393				763,102,393
Financial Assets Measured at Amortised Cost ' - Debt and Other Instruments	-	566,392,220	-	-	566,392,220
Total Financial Assets	2,695,020,515	2,282,122,459	1,182,629,784	80,350,577	6,240,123,335
Liabilities					
Balances Due to Banks	613,936,913	-	-	-	613,936,913
Due to Customers	2,050,739,691	2,706,587,116	1,433,980,232		6,267,356,053
Amounts Due To Related Parties				509,196	509,196
Other Borrowings	-	817,189,423	-	-	817,189,424
Total Financial Liabilities	2,664,676,604	3,523,776,539	1,433,980,232	509,196	7,698,991,585
Interest Sensitivity Gap	(30,343,911)	(1,241,654,080)	(251,350,448)	79,841,381	(1,458,868,249)

Company	Up to 03 Months	03-12 Months	01-05 Years	Non Interest Bearing	Total as at 31st March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and Balances Due from Banks	-	-	-	113,470,703	113,470,703
Due from Banks and Other Financial Institutions	-	326,054,562	-	-	326,054,562
Loans and Advances to Customers	907,460,021	1,433,413,472	1,199,158,757	-	3,540,032,250
Financial Assets Measured at Fair Value Through Other Comprehensive Income	39,832,333	-	-	-	39,832,333
Financial Assets Measured at Amortised Cost - Debt and Other Instruments	-	603,818,060	-	-	603,818,060
Total Financial Assets	947,292,354	2,363,286,094	1,199,158,757	113,470,703	4,623,207,908
Liabilities					
Balances Due to Banks	59,449,710	-	-	-	59,449,710
Due to Customers	1,243,335,990	2,614,623,658	1,497,203,804	-	5,355,163,452
Other Borrowings	118,286,849	374,847,271	-	-	493,134,120
Total Financial Liabilities	1,421,072,549	2,989,470,929	1,497,203,804	-	5,907,747,282
Interest Sensitivity Gap	(473,780,195)	(626,184,835)	(298,045,047)	113,470,703	(1,284,539,374)

42.3.2 Foreign Currency Risk

The Company often operate in a globalized environment, exposing them to foreign currency risk. This risk arises from fluctuations in exchange rates, which can impact the value of assets and liabilities denominated in foreign currencies. Currently the Company is not exposed to foreign exchange rate risk.

42.3.3 Exposure to Other Market Risks Share Investment and Price Risk

The risk experienced by investments in share trading risk is the risk that the fair value of shares decreases as a result of changes in the levels of indices and the value of individual stocks.

Based on the Company policies, Treasury division ensures that reporting in respect of the shares investments and its valuation methodologies are appropriate and consistent, and assesses the potential impact on profits and capital.

Equity Price Sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below:

	2023			2022		
	Impact on Profit	Impact on OCI	Impact on Net Assets	Impact on Profit	Impact on OCI	Impact on Net Assets
10% increase	6,650,707	-	6,650,707	6,149,113	-	6,149,113
10% decrease	(6,650,707)	-	(6,650,707)	(6,149,113)	-	(6,149,113)

Notes to the Financial Statements

42.3.4 Exposure to Gold Price Risk

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price

	2023			2022		
	Total market (Rs.)	Market price per gram 24kt	Impact on Market (Rs.)	Total market (Rs.)	Market price per gram 24kt	Impact on Market (Rs.)
	After change			After change		
10% increase	686,742,690	22,955	62,431,154	906,754,820	20,378	82,432,256
10% decrease	561,880,383	18,782	(62,431,154)	741,890,307	16,673	(82,432,256)

42.4 Operational Risk

Operational risk arises due to internal process failures, human capital losses, inadequate internal process, technological breakdowns and adverse impact from external events. Operational risk act as a bottleneck for many companies, due to an inadequate awareness on companies no operational risk indicators or insufficient internal controls. Purpose of managing operational risk is to minimize the normal losses incurred due to internal activities, restoring any disruption without impacting the core business of the Group and mitigating replication of such events in the future. Managing operational risk is prime responsibility of all Nation Lanka Finance PLC employees and Group has executed a well defined operational risk policy framework. Internal controls and strict system audit functions are kept in order to enhance the operational risk mitigating process.

42.5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, regulators and market confidence and sustain future development of the business. Capital consist of ordinary shares, retained earnings and non controlling interests of the Company. The Board of directors monitor the return on capital as well as the level of dividends to ordinary share holders.

The Company's main objective is when managing capital are:

- 01) to safeguarded the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- 02) to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher level of borrowing, and the advantages and security afforded by the strong capital position of the Company.

The Company's net debt to adjusted equity ratio at the reporting date is as follows

	31st March 2023	31st March 2022
Total liabilities	8,018,075,720	6,306,961,236
Less: cash and cash equivalents	646,742,797	717,288,763
Net debt	7,371,332,923	5,589,672,473
Total equity	919,919,100	728,316,723
Net debt to adjusted equity ratio at 31st March	8.0	7.7

Total Risk Weighted Assets Computation

As At 31st March	2023	2022	Risk Weight	2023	2022
	Rs. '000	Rs. '000	Factor%	Rs. '000	Rs. '000
Assets	Amount	Amount		Risk weighted Balance	Risk weighted Balance
Claims on Government of Sri Lanka, Public Sector Entities and Central Bank of Sri Lanka					
-Central Bank of Sri Lanka	566,392	603,818	0%	-	-
Claims on Financial institutions					
-Banks - AAA to BBB	399,134	326,055	20%	79,827	65,211
Unrated	34,625		100%	34,625	
Retail claims					
-Retail claims in respect of motor vehicles and machinery	507,951	704,269	100%	507,951	704,269
Claims Secured by Gold					
-Outstanding claim portion up to 70% of the market value	501,772	498,469	0%	-	-
-Remaining outstanding claim portion over 70% of the market value	67,046	8,747	100%	67,046	8,747
-Retail claims that do not qualify for regulatory capital purposes			100%	-	-
Other retail claims	1,845,786	1,828,150	125%	2,307,233	2,286,437
Other retail claims-Off Balance sheet item		16,700	125%		20,875
Claims on Corporates					
AAA to AA-	4,662		20%	932	
Unrated	1,955,445		100%	1,955,445	
Non-Performing Assets (NPAs)					
-Specific provisions are equal or more than 20%	107,457	337,553	150%	107,457	-
-Specific provisions are less than 20%	250,503	337,553	150%	375,755	506,329
Other claims(assets)					
-Notes and Coins	65,856	113,471	0%	-	-
-Fixed Assets	1,448,023	19,646	100%	1,448,023	19,646
-Other Assets/Exposures	1,188,902	1,761,567	100%	1,188,902	1,761,567
				8,073,196	5,373,081
Risk Weighted Amount for Operational Risk				496,993	937,755
Total Risk Weighted Amount				8,570,189	6,310,835

Notes to the Financial Statements

42.5 Capital Management (Continued)

Total Capital Base Computation

As At 31st March	2023 Rs. '000	2022 Rs. '000
Core Capital (Tier 1 Capital)		
Tier I capital		
Stated capital	2,330,073	1,224,042
Reserve fund	131,422	131,422
Fair value reserve	(88,955)	(91,340)
Audited retained earnings/(losses)	(544,807)	(314,945)
(less) Revaluation gains/surplus of investment property	(424,894)	(315,229)
General and other disclosed reserves	9,000	9,000
Current year's profit(losses)	(911,140)	(229,863)
Tier I capital	500,699	413,087
Adjustments to Tier I capital		
Other intangible assets (net)	(568)	(1,141)
Deferred tax assets (net)	(769,483)	(652,848)
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
Tier I Capital (after adjustments)	(269,353)	(240,902)
Tier 2 Capital		
Instruments qualified as Tier 2 capital	-	-
Revaluation gains (50% of eligible revaluation gains)	83,749	83,749
Eligible Tier 2 Capital	83,749	83,749
Total Adjustments to eligible Tier 2 Capital	-	-
Eligible Tier 2 Capital after adjustments	83,749	83,749
Total Capital	(185,604)	(157,153)

Capital Adequacy Ratio

As At 31st March	2023 %	2022 %
Core Capital Ratio (Minimum 8.5%)		
Core Capital Ratio	Core Capital X 100	-3.14%
	Risk Weighted Assets	-3.82%
Total Risk Weighted Capital Ratio (Minimum 12.5%)		
Total Risk Weighted Capital Ratio	Capital Base X 100	-2.17%
	Risk Weighted Assets	-2.49%

42.6 Management Assessment on Going Concern

The Company focused on supporting customers who are experiencing financial difficulties because of the COVID19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium Initiated by the CBSL. Further, impact arising from COVID - 19 and subsequent impact due to economic crisis prevalent in the country to the Company was discussed in note 49 to the financial statements.

Nation Lanka Finance PLC and Kanrich Finance Limited amalgamated on 31st July 2023 in terms of Section 244 (1) of the Companies Act No.07 of 2007. The amalgamation has approved by the monetary board of the Central Bank of Sri Lanka (CBSL) under the master plan for consolidation of Non-Bank financial institutions. The amalgamation was aimed at meeting the deficit of capital Adequacy requirement of Rs.2.5 Billion.

Nation Lanka Finance PLC received, in principle approval of the Colombo Stock Exchange (CSE) in June 2023 for the issuance and listing of the Shares of Nation Lanka Finance PLC arising from the Amalgamation of Kanrich Finance Limited with Nation Lanka Finance PLC in terms of the Listing Rules, and the concurrence of the Secured Lenders being received by the Amalgamating Companies (as applicable).

Further, in order to meet any deficit in the regulatory core capital requirement and a possible buffer to meet any subsequent deterioration of capital funds due to market risks, on 08th September 2023, the Company proposed a minimum capital infusion of Rs 500 Mn into its capital structure through a Private Placement by a strategic investor for which we have received the in-principle approval from the Central Bank of Sri Lanka, on 27th November 2023 and we are in the process of completing the regulatory requirements with Colombo Stock Exchange.

Further, with the pending capital infusion and the impact of the amalgamation which will be consolidated through the merger audit. The company will be in strong position with regard to going concern. Major shareholder of Singhe Capital Investment Ltd committed further capital to meet any default.

43. CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date that require adjustment to or disclosure in the Financial Statements.

44. CONTINGENT LIABILITIES

There is no contingent liability as at the reporting date since the liability pertaining to the Borrowings through Agreements, have been accounted already. Therefore, the following accounting entries related to Contingent Liabilities and related expenses have been incorporated.

	2023 Rs. '000	2022 Rs. '000
Contingencies		
Contingent Liabilities	-	67,498,129

Notes to the Financial Statements

Note 44.1 IFRIC 23 - Uncertainty Over Income Tax Treatments

Deferred tax on Investment Properties

The Inland Revenue Act No. 24 of 2017 and new tax rates including capital gains taxes were effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March 2023 has been computed at rates applicable to the year of assessment 2022/23. The provision for deferred tax as at 31 March 2023 has been calculated at 30% on capital gains arising from revalued Investment Properties applicable post 1 April 2018.

The uncertain tax treatment relates to the interpretation of the new law relating to Investment properties for tax purpose, where the group had to exercise judgment to determine the provision required for deferred taxes on capital gains applicable to Investment Properties. The group is of the view that the Investment properties used in the business falls under the category of "Investment Assets" and that it is likely that the taxation authorities would accept the group's tax treatment and accordingly, deferred tax has been provided on the related gain on revaluation post 1 April 2018.

45. COMPARATIVE INFORMATION

Comparative figures have been reclassified, where necessary, in order to conform to the current period's presentation. However, such reclassifications did not have any effect on the net profit or equity of the comparative year except the impact from the adjustment for correction of prior year adjustment disclosed.

46. EVENTS OCCURRING AFTER THE REPORTING DATE

Nation Lanka Finance PLC and Kanrich Finance Limited amalgamated on 31st July 2023 in terms of Section 244 (1) of the Companies Act No.07 of 2007. The amalgamation has approved by the monetary board of the Central Bank of Sri Lanka (CBSL) under the master plan for consolidation of Non-Bank financial institutions. The amalgamation was aimed at meeting the deficit of capital Adequacy requirement of Rs.2.5 Billion. The Net Assets of amalgamating entity, Karich Finance Limited stood at Rs. 1,629,623,427 as per the audited financials as at 31 March 2023.

Nation Lanka Finance PLC received, in principle approval of the Colombo Stock Exchange (CSE) in June 2023 for the issuance and listing of the Shares of Nation Lanka Finance PLC arising from the Amalgamation of Kanrich Finance Limited with Nation Lanka Finance PLC in terms of the Listing Rules, and the concurrence of the Secured Lenders being received by the Amalgamating Companies (as applicable).

Further, in order to meet any deficit in the regulatory core capital requirement and a possible buffer to meet any subsequent deterioration of capital funds due to market risks, on 08th September 2023, the Company proposed a minimum capital infusion of Rs 500 Mn into its capital structure through a Private Placement by a strategic investor for which we have received the in-principle approval from the Central Bank of Sri Lanka, on 27th November 2023 and we are in the process of completing the regulatory requirements with Colombo Stock Exchange.

47. MATURITY ANALYSIS

47.1 Definition of Maturity Analysis

An analysis of the interest bearing assets and liabilities employed by the Company as at 31st March 2023, based on the remaining period at the balance sheet date to the respective contractual maturity date is given below.

As at 31st March 2023	Total	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.
Maturity analysis of financial assets					
Cash and Cash Equivalents	80,350,577	80,350,577	-	-	-
Deposits with Commercial Banks	384,639,755	-	384,639,755	-	-
Financial assets measured at fair value through profit or loss					
Financial Assets Measured at FVTPL	66,507,073	-	66,507,073	-	-
Investment securities					
Financial Assets Measured at Fair Value Through Other Comprehensive Income	43,239,696	-	-	-	43,239,696
Financial Assets Measured at Amortised Cost					
- Loans and Receivable From Customers - Gross	5,806,753,774	766,794,864	1,331,090,484	729,375,150	2,979,493,276
- Debt and Other Instruments	566,392,220	-	566,392,220	-	-
Advances and other receivables					
Receivable from Kanrich Finance Ltd	1,121,883,562	1,121,883,562	-	-	-
Amounts Due From Related Parties	763,102,393	763,102,393	-	-	-
Trade & Other Receivables	108,933,699	22,752,717	86,180,982	-	-
Total	9,704,905,142	2,754,884,113	3,197,912,907	729,375,150	3,022,732,973
Maturity analysis of financial liabilities					
Non-derivative liabilities					
Interest bearing liabilities					
Due to Banks and Financial Institutions	613,936,913	-	613,936,913	-	-
Deposits liabilities					
Due to Customers	6,267,356,053	2,050,739,691	2,706,587,116	396,890,664	1,113,138,582
Interest bearing borrowings					
Lease liability	104,155,224	-	-	-	104,155,224
Amounts Due to Related Companies	509,196	-	509,196	-	-
Other Borrowings	817,189,423	-	817,189,423	-	-
Total	7,803,146,809	2,050,739,691	4,138,222,648	396,890,664	1,217,293,806

Notes to the Financial Statements

48. OPERATING SEGMENTS

The Company has four reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. The following summary describes the operations in each of the company's reportable segments:

- Lending - Includes Leasing/Hire Purchases/Term Loans/Pawning/Micro Lending (Note 19)
- Property Development- Gain on Land and Property Development- Real estate business (Note 23) / Changes in Fair Value of Investment Properties (Note 24)
- Services - Fees and Commission Income

Investments & Others - Income from Trading of shares /Other Comprehensive Income

	Lending		Property Development		
As at 31st March	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	
Total Revenue	1,147,153,327	914,227,658	109,664,907	180,040,754	
Inter Segment	-	-	-	-	
Segment Revenue (Net)	1,147,153,327	914,227,658	109,664,907	180,040,754	
Segment Income	1,147,153,327	914,227,658	109,664,907	180,040,754	
Segment Expenses	(1,300,108,548)	(571,164,017)	-	-	
Depreciation	-	-	-	-	
Other Operating Expenses	(507,129,452)	(409,850,279)	-	-	
Operating Profit/(Loss)	(660,084,673)	(66,786,638)	109,664,907	180,040,754	
Impairment for fall In Value of Investments	-	-	-	-	
Impairments charges for Loan and other Losses	(454,684,315)	(189,317,195)	-	15,102,448	
	(1,114,768,988)	(256,103,833)	109,664,907	195,143,202	
Vat on Financial Services	-	-	-	-	
Income Tax	-	-	-	-	
Segment Result After Tax	(1,114,768,988)	(256,103,833)	109,664,907	195,143,202	
Segment Assets	4,231,547,107	4,469,904,872	1,448,590,702	1,315,931,153	
Segment Liabilities	6,881,292,966	5,414,613,162	178,298,150	289,106,308	

Services		Investments & Others		Company Total	
2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
8,057,915	9,771,207	279,047,663	49,638,091	1,543,923,812	1,153,677,710
-	-	-	-	-	-
8,057,915	9,771,207	279,047,663	49,638,091	1,543,923,812	1,153,677,710
8,057,915	9,771,207	279,047,663	49,638,091	1,543,923,812	1,153,677,710
-	-	-	-	(1,300,108,548)	(571,164,017)
-	-	(59,551,550)	(56,534,603)	(59,551,550)	(56,534,603)
(2,421,996)	(1,891,181)	(239,669,797)	(314,487,436)	(749,221,245)	(726,228,896)
5,635,919	7,880,026	(20,173,684)	(321,383,948)	(564,957,531)	(200,249,806)
-	-	5,015,946	(24,752,378)	5,015,946	(24,752,378)
-	-	(4,256)	(385,996)	(454,688,571)	(174,600,743)
5,635,919	7,880,026	(15,161,994)	(346,522,322)	(1,014,630,156)	(399,602,927)
-	-	(3,220,641)	(285,725)	(3,220,641)	(285,725)
-	-	103,422,211	170,026,073	103,422,211	170,026,073
5,635,919	7,880,026	85,039,576	(176,781,974)	(914,428,586)	(229,862,579)
1,164,501,417	404,841,930	2,093,355,594	844,600,004	8,937,994,820	7,035,277,959
-	-	958,484,604	603,241,766	8,018,075,720	6,306,961,236

Notes to the Financial Statements

49. NON COMPLIANCE WITH CENTRAL BANK REQUIREMENTS AND GOING CONCERN

The Company has not complied with the Capital Adequacy requirements (Direction No 03 of 2018) and Minimum Core Capital (Direction No 02 of 2017) as at the reporting date.

The Company's current year total comprehensive loss is 914,428,586 /- resulting a accumulated losses of Rs.1,461,620,854/- as at 31 March 2023 (31 March 2022- Rs. 544,807,114/-). The core capital level of the Group is currently at a deficit of Rs.1,999 Mn as at 31 March 2023 (Rs.2,100Mn as at 31 March 2022), against the minimum regulatory core capital of Rs. 2,500 Mn resulting in non-compliance with the Minimum Core Capital Direction No 02 of 2017. The Total capital adequacy ratio of the Group is currently at -3.14% as at 31 March 2023 (-3.82% as at 31 March 2022) against the minimum regulatory requirement of 8.50% resulting in non-compliance with the Capital Adequacy Direction No 03 of 2018.

Central Bank of Sri Lanka issued a Direction on 30th August 2022, to seize accepting Fixed Deposits and Lending other than Pawning and Secured Loans (Cash Backed). However, the Company has accepted new Fixed Deposits to the value of Rs. 1,924,187,479 and new lending of Rs. 21,120,000 as Lease & Hire purchase and Rs. 1,232,160,000 as Micro Loans, during the period from 01st October 2022 to 31 March 2023.

Nation Lanka Finance PLC and Kanrich Finance Limited amalgamated on 31st July 2023 in terms of Section 244 (1) of the Companies Act No.07 of 2007. The amalgamation has approved by the monetary board of the Central Bank of Sri Lanka (CBSL) under the master plan for consolidation of Non-Bank financial institutions. The amalgamation was aimed at meeting the deficit of capital Adequacy requirement of Rs.2.5 Billion.

Nation Lanka Finance PLC received, in principle approval of the Colombo Stock Exchange (CSE) in June 2023 for the issuance and listing of the Shares of Nation Lanka Finance PLC arising from the Amalgamation of Kanrich Finance Limited with Nation Lanka Finance PLC in terms of the Listing Rules, and the concurrence of the Secured Lenders being received by the Amalgamating Companies (as applicable).

Further, in order to meet any deficit in the regulatory core capital requirement and a possible buffer to meet any subsequent deterioration of capital funds due to market risks, on 08th September 2023, the Company proposed a minimum capital infusion of Rs. 500 Mn into its capital structure through a Private Placement by a strategic investor for which we have received the in-principle approval from the Central Bank of Sri Lanka, on 27th November 2023 and we are in the process of completing the regulatory requirements with Colombo Stock Exchange.

Value Added Statement

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Value Added				
Value added income earned by Key Business Activities	1,141,787	965,951	1,141,787	965,951
Cost of services bought from outside	(1,709,940)	(987,873)	(1,709,940)	(987,814)
	(562,539)	(21,922)	(562,539)	(21,863)
Other income	410,441	146,761	410,441	146,761
Expected credit loss charge	(454,689)	(174,601)	(454,689)	(174,601)
Value Added	(612,400)	(49,761)	(612,400)	(49,702)

	Group			Company		
	2023 Rs.000	2022 Rs.000	%	2023 Rs.000	2022 Rs.000	%
Distribution of Value added						
To Employees	339,390	309,579	-56	339,390	309,579	-56
To Providers of Capital	-	-	-	-	-	-
To Government Revenue						
- Income Tax	(103,422)	16,347	17	(103,422)	16,347	17
- VAT on Financial Services	3,221	286	-1	3,221	286	-1
To Expansion & Growth						0
- Retained income	(911,140)	(432,507)	149	(911,140)	(432,448)	149
- Depreciation	59,552	56,535	-10	59,552	56,535	-10
	(612,400)	(49,761)	100	(612,400)	(49,702)	100

Ten Year Summary - Company

For the Year ended 31st March	2023	2022	2021	2020	2019
Statement of Income	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
Revenue	1,141,787	843,820	1,188,081	1,949,608	2,317,633
Profit/(Loss) before provision & taxation & share of associate co. profit/(loss)	(556,653)	(241,215)	(17,950)	92,732	439,182
Impairment for fall in value of investments	-	-	-	-	-
Impairment charges for Loan & other Losses	(454,689)	(174,601)	(108,130)	(156,527)	(118,849)
Profit/(Loss) before taxation & associated profit/(Loss)	(1,011,342)	(415,816)	(126,080)	(63,795)	320,333
Share of associate co. profit/(loss)	-	-	-	-	-
Profit/(Loss) before taxation	(1,011,342)	(415,816)	(126,080)	(63,795)	320,333
VAT on Financial Services	(3,221)	(286)	(16,429)	(48,749)	(82,826)
Income tax expenses	103,422	170,026	18,192	121,131	15,982
Profit/(Loss) after taxation	(911,140)	(246,075)	(124,317)	8,586	253,489
Other Comprehensive Income	(3,288)	16,213	9,886	1,572	219
Profit/(Loss) from discontinuing operations	-	-	-	-	-
Non Controlling Interest	-	-	-	-	-
Profit/(Loss) attributable to share holders	(914,429)	(229,863)	(114,432)	10,158	253,708
Retained Profit/(Loss) brought forward	-	-	-	-	-
Profit available for appropriation	(914,429)	(229,863)	(114,432)	10,158	253,708
Appropriations	-	-	-	-	-
Effect of Acquisitions, Disposals & Change in percentage Holdings in Subsidiaries	-	-	-	-	-
Change in Holdings	-	-	-	-	-
Transfer to reserves/adjustments	-	-	-	-	-
Retained profit carried forward	(914,429)	(229,863)	(114,432)	10,158	253,708
Basic Earnings/(Loss) per share	(0.31)	(0.18)	(0.09)	0.01	0.24
Dividends per share	-	-	-	-	-

	2018	2017	2016	2015	2014	2013
	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
	2,299,948	2,341,171	2,338,992	1,215,341	1,610,180	1,148,520
	544,366	933,795	646,993	(314,318)	(250,228)	37,731
						(2,017)
	(596,826)	(601,041)	(340,911)	(283,652)	180,029	10,517
	(52,461)	332,754	306,082	(597,970)	(70,199)	36,611
			7,477	5,699	4,891	11,637
	(52,461)	332,754	313,560	(592,271)	(65,308)	48,248
	(43,966)	(60,560)	(54,454)	(169)	(13,785)	(919)
	48,650	16,209	(59,198)	(3,498)	(5,177)	(51,251)
	(47,776)	288,403	199,908	(595,938)	(84,270)	(3,922)
	(6,709)	320	(4,055)	(1,082)	11,100	(9,148)
	-	-	-	25,290	130,302	
	-	-	-	22,837	(5,112)	(15,663)
	(54,485)	288,723	195,853	(548,893)	52,020	(28,733)
	-	-	-	(1,640,320)	(1,760,037)	(1,722,654)
	(54,485)	288,723	195,853	(2,189,213)	(1,708,017)	(1,751,387)
	-	-	-	(9,907)	-	(8,651)
	-	-	-	-	23,277	-
	-	-	-	5,342.00	44,419	-
	(54,485)	288,723	195,853	(2,193,778)	(1,640,321)	(1,760,038)
	(0.06)	0.24	0.71	(2.18)	0.17	(0.08)

Ten Year Summary - Company

For the Year ended 31st March	2023	2022	2021	2020	2019
Statement of Income	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
Assets					
Property ,Plant & Equipments	43,782	20,787	35,606	46,476	81,741
Long Term Investments	66,507	61,491	30,844	16,229	18,321
Non Current Assets	8,827,706	6,952,999	7,196,183	8,675,734	8,526,600
Net Current Assets/(Liabilities)	(1,431,126)	(552,584)	(723,994)	(794,990)	(115,221)
Total Asset less Current Liabilities	7,506,868	6,482,694	6,538,639	7,943,450	8,511,441
Non Current Liabilities	(6,586,949)	(5,754,377)	(5,580,460)	(6,870,838)	(7,434,602)
	919,919	728,317	958,179	1,072,611	1,076,839
Financed by					
Stated Capital/Ordinary shares	2,330,073	1,224,042	1,224,042	1,224,042	1,224,042
Statutory Reserve Fund	131,422	131,422	131,422	131,422	129,705
Other Reserves	9,000	9,000	9,000	9,000	9,000
Retained Earnings	(1,461,621)	(544,807)	(310,623)	(193,492)	(181,000)
Investment Fund Reserve	-	-	-	-	-
Fair Value Reserve	(88,955)	(91,340)	(95,662)	(98,361)	(104,908)
Non Controlling Interest	-	-	-	-	-
	919,919	728,317	958,179	1,072,611	1,076,839
Net Assets/(Liability) per share	0.31	0.54	0.71	0.97	1.43

	2018	2017	2016	2015	2014	2013
	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
	118,562	127,042	92,575	199,411	231,393	342,853
	547,165	27,565	52,241	91,191	4,851	4,586
	7,910,906	7,506,550	7,153,520	5,330,224	2,391,383	2,403,398
	40,854	355,278	(84,474)	(189,221)	44,429	516,816
	8,617,488	8,016,435	7,213,863	5,431,605	2,672,056	3,267,653
	(8,017,517)	(7,361,980)	(6,770,989)	(5,642,261)	(2,133,260)	(2,871,722)
	599,971	654,455	442,874	(210,656)	538,796	395,931
	623,661	623,660	2,329,043	1,826,717	1,818,415	1,817,952
	96,290	96,290	13,641	8,336	7,550	7,550
	9,000	9,000	9,660	83,755	83,755	134,302
	(128,980)	(74,495)	(1,909,391)	(2,193,779)	(1,639,535)	(1,760,037)
	-	-	-	-	5,342	-
	-	-	-	-	-	-
	-	-	(79)	64,315	263,269	196,164
	599,971	654,455	442,874	(210,656)	538,796	395,931
	0.80	1.43	0.59	(1.10)	1.10	0.80

Shareholders and Investor Information

1. TWENTY LARGEST SHAREHOLDERS

No.	Name	No of Shares as at 31/03/2023	%	No of Shares as at 31/03/2022	%
1.	Singhe Capital Investment Limited	1,357,174,057	46.26	-	-
2.	Mr. V R Ramanan	965,842,690	32.92	751,556,976	55.52
3.	DFCC Bank PLC/ Mr. U H Dharmadasa	129,904,407	4.43	141,587,275	10.46
4.	Ceyoka (Pvt) Ltd	107,892,355	3.68	1,500,000	0.11
5.	Mr. H K J Dharmadasa	87,536,211	2.98	87,536,211	6.47
6.	Mr. J Rudra	40,346,735	1.38	38,899,235	2.87
	Mr. J Rudra & Mrs. Rudra (Joint)	6,187	-	6,187	-
7.	Hatton National Bank PLC/Mr. R E Rambukwella	12,200,000	0.42	10,200,000	0.75
	Mr. R E Rambukwella	347,001	0.01	332,001	0.02
8.	Mr. R N R Kurukulasuriya	10,391,376	0.35	10,391,376	0.77
9.	Richard Pieris Financial Services (Pvt) Ltd/ Mr. H J C Perera	6,000,000	0.20	6,000,000	0.44
	Mr. H J C Perera	2,725,000	0.09	2,725,000	0.20
10.	Hatton National Bank PLC/ Mr. A P L Fernando	4,423,400	0.15	4,423,400	0.33
11.	Mr. S S De Silva	4,086,713	0.14	-	-
12.	Mr. S P R Karunaratne	3,954,376	0.13	3,954,376	0.29
13.	Seylan Bank Limited/ Mr.R P Sugathadasa	3,470,930	0.12	3,470,930	0.26
14.	Seylan Bank PLC/Mr. K L G Udayananda	3,040,061	0.10	3,040,061	0.22
	Mr. K L G Udayananda	900,000	0.03	900,000	0.07
15.	Mr. A D Edussuriya	3,000,000	0.10	2,000,000	0.15
16.	Mr. R Udalagama	2,953,450	0.10	2,953,450	0.22
17.	Mr. A Wijesiriwardane	2,900,343	0.10	20	-
18.	Mr. V Sivasudhan	2,888,888	0.10	2,888,888	0.21
19.	Mr. A.P.P. Ekanayaka	2,546,977	0.09	140,000	0.01
20.	Mr. A A M N A Weerasinghe	2,500,000	0.09	1,500,000	0.11
	Total	2,757,031,157	93.97	1,076,005,363	79.48

2. STOCK EXCHANGE LISTING

Nation Lanka Finance PLC is a Public Quoted Company. Its issued ordinary shares were listed with the Colombo Stock Exchange on 30th June 1994.

3. DISTRIBUTION OF SHAREHOLDINGS – 31ST MARCH 2023

Value Band	Resident			Non – Resident			Total		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
1 - 1,000	10,847	1,945,799	0.07	22	9,500	-	10,869	1,955,299	0.07
1,001 - 10,000	1,729	7,167,771	0.24	11	73,207	-	1,740	7,240,978	0.24
10,001 - 100,000	842	31,233,901	1.06	6	152,600	0.01	848	31,386,501	1.07
100,001 - 1,000,000	249	75,503,329	2.57	3	829,385	0.03	253	76,332,714	2.60
1,000,001 & above	61	1,925,936,830	65.65	1	890,984,517	30.37	62	2,816,921,347	96.02
Total	13,728	2,041,787,630	69.59	43	892,049,209	30.41	13,771	2,933,836,839	100.00

4. CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	2022/2023			2021/2022		
	No of Shares	Shareholders	No of %	No of Shares	Shareholders	No of %
Individuals	1,273,212,730	13,543	43.40	1,134,838,194	13,301	83.83
Institutions	1,660,624,109	228	56.60	218,954,412	240	16.17
Total	2,933,836,839	13,771	100.00	1,353,792,606	13,541	100.00

6. SHARE INFORMATION

	2022/2023	2021/2022
Book Value (Group)		
Net Assets Per Share Rs.	0.31	0.54
Share Price	0.5	0.7
Highest Rs.	0.5	2.1
Lowest Rs	0.4	0.7
Value as at last trading date - 31st March Rs.	0.5	0.7
Earnings (Group)		
Earnings Per Share Rs.	-0.31	-0.18
Price Earnings Ratio (times)	-1.61	-3.85
Dividend		
Dividend Per Share Rs.	-	-
Dividend Rate (%)		
Public Holding	13,749	13,538
The percentage of Public Holding	20.82%	24.19%

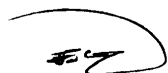
Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY SIXTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NATION LANKA FINANCE PLC WILL BE HELD AS AN ONLINE AUDIO-VISUAL MEETING ON FRIDAY THE 10TH MAY 2024, AT 10 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

1. To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the year ended 31st March 2023 together with the Report of the Auditors thereon.
2. To elect, Ms. K G D W K Bandara, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.
3. To elect, Mr. U R Seneviratne, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.
4. To elect, Mrs. L M N Jayawickrema, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.
5. To elect, Mr. N W M Gunawansa, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.
6. To appoint External Auditors, from the panel of Auditors approved by the Central Bank of Sri Lanka. In place of the retiring Auditors (in terms of Finance Company Direction No.3 of 2008) M/s. KPMG, Chartered Accountants, for the ensuing financial year 2023/2024 and to authorize the Board of Directors to determine their remuneration.
7. To authorize the Board of Directors to determine contributions to charities and other donations for the financial year 2023/2024.
8. To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD



Corporate Arcade Ltd
Company Secretaries

8th April 2024

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him / her. A proxy need not be a member of the Company. The form of proxy is enclosed for this purpose.
2. To be valid, the instrument appointing a proxy should be deposited with the Company Secretaries, Corporate Arcade Ltd, No.9/4, 1 – B, Edmonton Road, Colombo 06, not less than 48 hours before the time fixed for the Annual General Meeting.
3. Shareholders appointing proxies (other than Directors of the Company) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the form of proxy. Only registered Proxy holders will be permitted to attend the Annual General Meeting.
4. Shareholders / Proxy holders are requested when attending the Annual General Meeting to bring with them the National Identity Card or any other form of valid identification.

The Board of Directors, have decided to hold the Annual General Meeting (AGM) through Audio or Audio/ Visual means in conformity with the regulatory provisions of the Company.

Please refer instructions to participate at the Annual General Meeting via online.

Instructions to Participate at the Annual General Meeting (AGM)

a) Shareholders who wish to participate at the AGM (on-line) are requested to email the following information to nationlanka.agm@gmail.com

Details of Shareholder		
1. Full name		
2. Address		
3. National Identify Card number / Company Registration number		
4. CDS Account number		
5. Contact number	Land line:	Mobile:
6. Email address (to which the on-line meeting link should be forwarded by the Company)		

- b) A Shareholder is entitled to appoint a proxy to participate and vote (on-line) on his/her behalf.
- c) A Proxy Holder need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose.
- d) The completed Form of Proxy should reach 48 hours before the time fixed for the Annual General Meeting, either by:
- (i) Post or hand delivered to the Company Secretaries, Corporate Arcade Ltd at No.9/4, Edmonton Road, Colombo 06 or
 - (ii) Scanned and emailed to the email address: nationlanka.agm@gmail.com

Only registered Shareholders and registered Proxy Holders will be permitted to log in to participate at the AGM via on-line.

[illegible]

Form of Proxy

I/We of being a Member/

Members of Nation Lanka Finance PLC hereby appoint holder of
NIC No. of or failing him /her

Victor Rajamanner Ramanan of Colombo – 6 whom failing

Ahalape Gamage Maheen Priyantha of Galle whom failing

Shamila Arunodani Wickramasinghe of Colombo 05 whom failing

K.G Decpani Wasantha Kumuduni Bandara of Gampola whom failing

Udaya Ranjith Senevirathne of Thalawathugoda whom failing

Luckshmi Menaka Minu Jayawickrema of Kal Eliya whom failing

Nanayakkara Wasampaliyage Maurapada Gunawansha of Nugegoda whom failing

as my / * our proxy to represent me / * us on my/ * our behalf as indicated below at the Thirty Sixth Annual General Meeting of the Company to be held on Friday the 10th May 2024 and at any adjournment thereof.

Please indicate your preference by placing a ✓ against the Resolution No.

	For	Against
1. To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the Year ended 31st March 2023 together with the Report of the Auditors thereon.	☐	☐
2. To elect Ms. K G D W K Bandara, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.	☐	☐
3. To elect Mr. U R Seneviratne, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.	☐	☐
4. To elect Mrs. L M N Jayawickrema, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.	☐	☐
5. To elect Ms. Mr. N W M Gunawansha, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.	☐	☐
6. To appoint External Auditors, from the panel of Auditors approved by the Central Bank of Sri Lanka. In place of the retiring Auditors (in terms of Finance Company Direction No.3 of 2008) M/s. KPMG, Chartered Accountants, for the ensuing financial year 2023/2024 and to authorize the Board of Directors to determine their remuneration.	☐	☐
7. To authorize the Directors to determine contributions to charities and other donations for the year 2023/2024.	☐	☐

As witness my/ our hand/s this day of 2024.

.....
NIC/Reg. No

.....
Signature

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF PROXY

- 1) Please perfect the form of proxy overleaf, by signing in the space provided and filling in the date of signature, after filling in legibly your full name and address.
- 2) Please return the completed Form of Proxy after deleting one or other of the alternative words indicated by asterisks in the body of the form, if he/she wishes his/her proxy holder to participate at the AGM online, shall e-mail the above information to nationlanka.agm@gmail.com
- 3) To be valid, completed form of Proxy should be submitted either by e-mail nationlanka.agm@gmail.com or by post / delivered to the Company Secretaries at No.9/4, Edmonton Road, Colombo 06, not less than 48 hours before the time appointed for the holding of the meeting.
- 4) If the form of Proxy has been signed by an attorney, the relative Power of Attorney should also as Company the completed form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 5) If the shareholder is a Company or a corporate body, the Proxy should be executed under its Common Seal (where applicable) in accordance with its Articles of Association or Constitution.
- 6) If there is any doubt as to how the vote is to be exercised by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded.

Corporate Information

NAME OF THE COMPANY

Nation Lanka Finance PLC

FORMER NAMES OF THE COMPANY

Ceylinco Securities & Investments Ltd
Ceylinco Securities & Financial Services PLC
Ceylinco Finance PLC

LEGAL STATUS

A Public Quoted Company with Limited Liability incorporated in Sri Lanka on 15th July 1987. Approved Credit Agency under the Mortgage Act No.6 of 1949 and Inland Trust Receipts Act No.14 of 1990. Registered as a Finance Leasing Establishment w.e.f. 01/08/2002 under the Finance Leasing Act No.56 of 2000 and Registered as a Finance Company w.e.f 5th March 2012 under the Finance Business Act No.42 of 2011.

REGISTRATION NUMBER

PQ 33

ACCOUNTING YEAR END

31st March

TAX PAYER IDENTIFICATION NUMBER (TIN)

134001518

REGISTERED / BUSINESS OFFICE

No.690, Galle Road,
Colombo 03
Tel: 4760800
Fax: (941) 4760867
E-Mail: info@nlfplc.com
Web: www.nationlanka.com

SUBSIDIARIES

Nation Micro Investment Ltd

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Pan Asia Banking Corporation PLC
Sampath Bank PLC
Seylan Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Cargills Bank Limited
Nation Trust Bank PLC

BOARD OF DIRECTORS

Mr. V R Ramanan
Chairman (Non - Executive)

Mr. A G M Priyantha
(Non-Independent / Non-Executive)

Mrs. S A Wickramasinghe
(Non-Executive / Independent Director)

Ms. K.G D W K Bandara
(Non-Executive / Independent Senior Director)
(Appointed w.e.f 14.09.2022)

Mr. U R Seneviratne
(Non-Executive / Independent Director)
(Appointed w.e.f 26.03.2024)

Mrs. L M N Jayawickrema
(Non-Executive / Independent Director)
(Appointed w.e.f 26.03.2024)

Mr. N W M Gunawansa
(Non-Executive / Independent Director)
(Appointed w.e.f 26.03.2024)

Mr. J Rudra
Director – Recoveries (Executive)
(Retired w.e.f 07.06.2022)

Mr. N J K Dissanayake
(Non-Executive / Independent Senior Director)
(Resigned w.e.f 14.09.2022)

COMPANY SECRETARIES & REGISTRARS

Corporate Arcade Ltd
No.9/4, Edmonton Road,
Colombo 06

Tel : 2514420 / 2514421
E-Mail : cal@sltnet.lk

AUDITORS

M/s. KPMG
Chartered Accountants
P.O. Box 186, Colombo

LAWYERS

Ms. W D A Priyabhashini,
Attorney-at-Law
No.690, Galle Road,
Colombo 03



NATION LANKA FINANCE PLC

No.690, Galle Road, Colombo 03

Tel: +94 11 4760 80 | Fax: (941) 4760867

E-Mail: info@nlfplc.com | Web: www.nationlanka.com