Challenging Challenge

ANNUAL REPORT 2022/23

SENKADAGALA FINANCE PLC

Challenging Challenge

Pragmatic and prudent strategy and action has always distinguished Senkadagala Finance. Founded as we are on these qualities, the Company faced the challenges of the recent past from a position of relative strength. This allowed us to confront adversity and emerge, well positioned to “travel” onward and upward towards a thriving future.

CONTENT

ABOUT THIS REPORT

Senkadagala Finance PLC is pleased to present to its Shareholders, the fifty-fourth Annual Report of the Company for the financial year 2022/23.

This is the Company's seventh report following the adoption of the International Framework for Integrated Reporting, since its first adoption in financial year 2016/17. The Report presents the Company's performance in a financial year that was challenging and when we encountered unique and unprecedented headwinds in an operating environment that was predominantly uncertain. The Report, however, describes the way Senkadagala Finance PLC faced those challenges with its long-standing experience and resilience, through visionary strategy, performance, good governance, and future focus. The Report documents our strong bonds with the customer base, geographical presence in Sri Lanka, and our efforts to drive the business forward in a mobility restricted market. It also documents our approach to stakeholders, value we place on our employees, and ethical delivery of our corporate responsibility to the environment and the society.

Boundaries to the Report

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

Framework of Reporting

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

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

Integrity of the Report

The Board of Directors takes full responsibility as to the integrity of the Report, which coincides with the Company's financial reporting cycle that covers a 12-month period from 1 April 2022 to 31 March 2023. This Report has been prepared with reference to GRI standards and complies with the disclosures, regulations and standards that are applicable to a licensed finance company operating in Sri Lanka.

Further Information

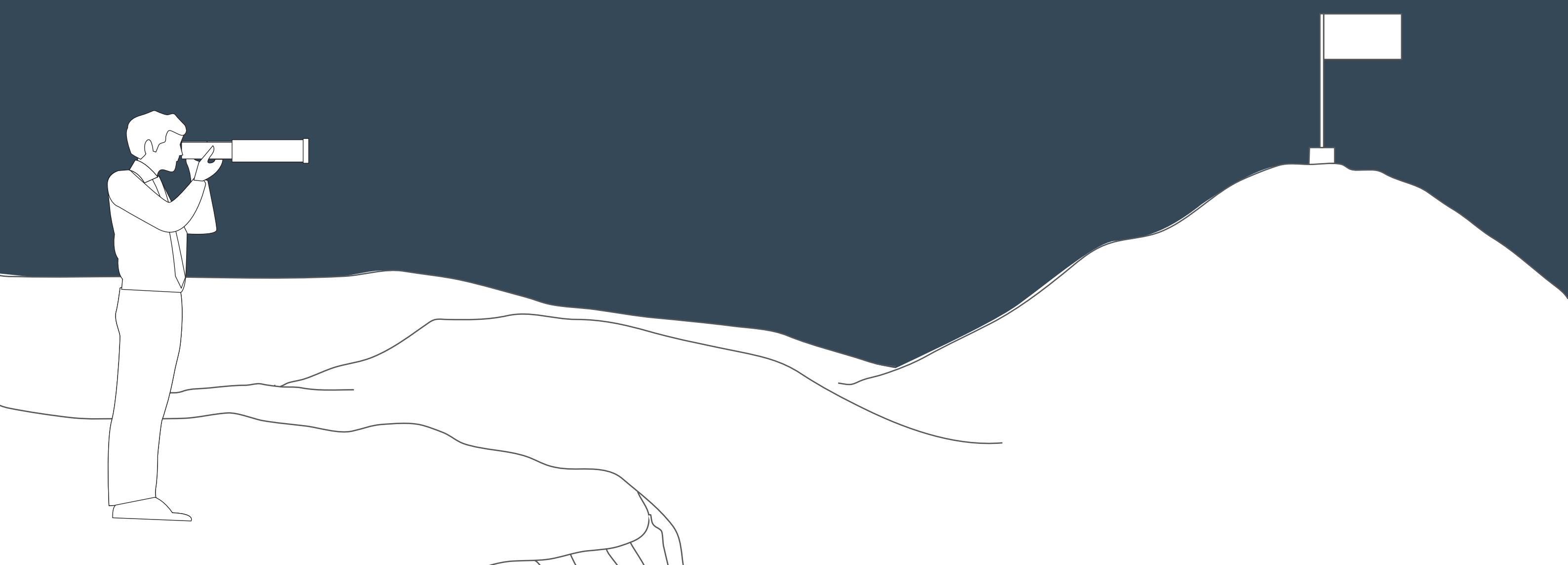
We welcome your comments and queries on this Report and we invite you to direct them to:

The ESMS Planning Manager
Senkadagala Finance PLC
2nd Floor,
267, Galle Road,
Colombo 3, Sri Lanka

Phone: +94 11 230 1301
Fax: +94 11 230 1937
Email: info@senfin.com

ORGANISATIONAL OVERVIEW

Senkadagala Finance PLC is a customer-centric Company that offers a suite of personalised financing products with its sights on operating a profitable venture based on ethical and sustainable business principles.



Vision

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

Mission

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

About the Company

Senkadagala Finance was incorporated in 1968 in Kandy. The Company has grown steadily to become one of the most recognised and largest licensed financial institutions in the country. Its brand image as a well-established and ethically managed financial institution is its hallmark that attracts heightened customer and investor confidence.

Senkadagala Finance is a well-established financial entity that has expanded in reach and scope throughout Sri Lanka, with a sprawling branch network across all nine provinces. Currently it operates from 100 branches with plans for expansion in the ensuing year. Its repertoire of products and services includes finance leasing, lending, and acceptance of deposits in the form of fixed deposits and savings deposits, pawn brokering, and foreign currency exchange. Asset management and insurance brokering services are carried out at a Group level.

The Company was listed on the *Diri Savi* Board of the Colombo Stock Exchange in March 2011. Fitch Ratings affirmed the Company in BBB+ (lka) Rating Watch Negative in October 2022, noting the heightened risk faced due to the economic and financial market volatility in the country.

With a veteran management team, capable and committed staff cadre, high liquidity levels and capital ratios well above the regulatory requirements, and having stayed resilient in the year under review, the Company is well positioned to weather the current volatile economic condition of the country.

Our Group Partners

Senkadagala Insurance Brokers (Pvt) Ltd. began offering insurance brokering services in April 2012 and continues with a steady and healthy growth. Senfin Asset Management (Pvt) Ltd. was acquired by Senkadagala Finance PLC in March 2020, adding asset management to the Group's portfolio. Senkadagala Finance has a 100% holding in both its subsidiaries: Senkadagala Insurance Brokers (Pvt) Ltd. and Senfin Asset Management (Pvt) Ltd.

Acquiring a 35% stake in Senfin Securities Ltd. in January 2023, the Company has now added trading of equity and debt instruments to the portfolio of financial services it offers to the customers. The value propositions of Senfin Securities include market intelligence through quality research, and experienced and reliable investment advisors complimented by a hassle-free online trading solution.

Senkadagala Finance with its partners embark on a collective journey to achieve the broader objective to create a "one stop shop" and offer the complete financial well-being package to its customers. This includes personal and corporate financing solutions, securities trading, asset management and financial advisory at very attractive terms on a group level.

HIGHLIGHTS OF THE YEAR

	Company			Group		
	2023	2022	Change %	**2023**	2022	Change %
Financial Results of the Year (LKR Mn.)						
Gross income	**6,846**	6,345	7.90	**6,962**	6,446	8.00
Interest income	**6,493**	6,021	7.84	**6,496**	6,022	7.88
Net interest income	**2,614**	3,590	(27.21)	**2,628**	3,591	(26.82)
Profit before taxes on financial services	**754**	1,513	(50.18)	**824**	1,566	(47.39)
Profit before income tax	**526**	1,186	(55.61)	**596**	1,239	(51.85)
Profit for the year	**445**	903	(50.71)	**478**	930	(48.60)
Dividends paid	**121**	90	34.10	**121**	90	34.10
Earnings retained during the year	**329**	850	(61.27)	**362**	877	(58.74)
Financial Position (LKR Mn.)						
Loans and advances	**24,254**	26,102	(7.08)	**24,254**	26,102	(7.08)
Total assets	**35,657**	38,997	(8.57)	**35,324**	38,671	(8.65)
Deposit base	**10,263**	10,824	(5.18)	**10,177**	10,782	(5.62)
Borrowings	**14,464**	17,139	(15.61)	**14,464**	17,139	(15.61)
Debentures	**1,769**	1,769	0.01	**1,769**	1,769	0.01
Shareholders' funds	**7,976**	7,646	4.31	**7,981**	7,618	4.76
Operational Results of the Year (LKR Mn.)						
New advances disbursed	**15,441**	18,490	(16.50)	**15,441**	18,490	(16.50)
Net flow of deposits	**(561)**	(722)	(22.38)	**(606)**	(706)	(14.23)
Borrowings obtained	**3,735**	3,604	3.64	**3,735**	3,604	3.64
Capital expenditure incurred	**39**	113	(65.63)	**39**	120	(67.59)
Information per Ordinary Share (LKR)						
Market price at the year end	**300.50**	541.25	(44.48)	**N/A**	N/A	
Earnings per share	**5.16**	10.97	(52.96)	**5.54**	11.30	(50.97)
Dividends per share	**0.65**	1.40	(53.57)	**N/A**	N/A	
Net assets per share	**92.44**	88.62	4.31	**92.50**	88.30	4.76

	Company			Group		
	2023	2022	Change %	**2023**	2022	Change %
Key Financial Ratios						
Return on average total assets (%)	**1.19**	2.35	(1.16)	**1.29**	2.44	(1.15)
Return on average shareholders' funds (%)	**5.70**	13.27	(7.57)	**6.13**	13.75	(7.62)
Net interest margin (%)	**7.65**	10.16	(2.51)	**7.69**	10.15	(2.46)
Impaired (Stage 3) loans (%)	**14.66**	14.61	0.05	**N/A**	N/A	
Interest cost to interest earned ratio (%)	**59.75**	40.37	19.38	**59.55**	40.36	19.19
Interest cover (times)	**1.14**	1.49	(23.49)	**1.15**	1.51	(23.84)
Equity to assets ratio (%)	**22.37**	19.61	2.76	**22.59**	19.70	2.89
Debt to equity ratio (times)	**2.04**	2.47	(17.41)	**2.03**	2.48	(18.15)
Price earnings ratio (times)	**58.26**	49.32	18.13	**N/A**	N/A	
Dividends yield (%)	**0.22**	0.26	(0.04)	**N/A**	N/A	
Statutory Regulatory Ratios						
Core capital ratio (%) – Minimum statutory requirement 2023 – 8.5%, 2022 – 7%	**25.12**	22.75	2.37	**N/A**	N/A	
Total capital ratio (%) – Minimum statutory requirement 2023 – 12.5%, 2022 – 11%	**28.19**	26.89	1.30	**N/A**	N/A	

Non-Financial Indicators

	Branches	Service Centres	Staff Strength	Customers Served
2023	100	0	819	86,887
2022	80	20	802	77,864
Change	25%	(100%)	2.12%	11.59%

Credit Rating
Fitch Ratings Lanka Ltd.

2023 BBB+ (lka) RWN

2022 BBB+ (lka) RWN

CHAIRMAN'S MESSAGE

In a year marked with a macroeconomic upheaval unseen in post-Independent Sri Lanka, we stayed resilient throughout with comfortable levels of liquidity and capital.

It is my pleasure, on behalf of the Board of Directors to present to you the Annual Report of Senkadagala Finance PLC for the financial year ended 31 March 2023.

In a year marked with a macroeconomic upheaval unseen in post-Independent Sri Lanka, following on the ill-effects of a waning pandemic, we stayed resilient throughout with comfortable levels of liquidity and capital. However, a contraction of the lending portfolio and a disproportionate increase in interest expenses as seen across the industry caused the total operating income of the Company to drop by almost LKR 1 Bn. for the year. Profit for the year decreased by 51% to LKR 445 Mn. from LKR 903 Mn. in the previous year. Yet, we consider ours to be a reasonable performance given the sheer magnitude of the macroeconomic calamities we faced during the year. We remain stable and ready to gear ourselves as the situation gradually normalises.

Our Purpose and Our Strategy

Our purpose is to meaningfully contribute to the economic activity of our populace thereby promoting financial inclusion and contributing to the national economy, while strengthening our balance sheet for a fair and sustainable future. In support of our purpose, we continued to make our footprint known by the un-banked and under-banked, while rendering strong support to already established customer segments that were financially distressed by the macroeconomic collapse.

As external factors impeded our conventional business strategies of market penetration, we exercised extreme care when doing new business by strengthening the credit evaluation process. At the same time, more efforts were directed for recovery of past dues in order to ensure that the Company maintains a relatively better asset quality compared to the industry. These efforts were also helpful in the wake of stringent criteria that came into effect for the classification of Non-Performing Loans. In terms of footprint, we converted the remaining 20 service centres too, to fully-fledged branches during the year as per the guidelines of the Central Bank of Sri Lanka. With a total of 100 branches spread across the country and plans to open 10 branches in ensuing financial year, we are well placed to serve our existing customers and reach untapped markets to acquire new customers in the years ahead. We eagerly look forward to the implementation of our strategic plans, as Sri Lanka gradually recovers following the IMF intervention and implementation of difficult but imperative measures to strengthen fiscal and monetary policies.

Banking on Technology

We continued to be futuristic by investing heavily in transformative technology that clearly is a hallmark of business sustainability. We understand that to capture the Gen Z market, we need to be conversant in their language of technology.

Strengthening the valuable alliances we had created with our partners through technological platforms, was another aspect we focused on in 2022/23 for organic growth. These partnerships included key stakeholders such as banks, the CRIB, and insurance companies allowing us speedy turnaround times, easy access to information on customers, debt servicing, data accuracy, and functional operational timeliness. State-of-the-art systems were installed to ensure data security and customer confidentiality. Further, the Management added another Internet Payment Gateway to expand the capacity and as a backup line, augmenting the ease of repayments for the customer.

A Strong Corporate Governance

Senkadagala Finance accords the highest importance to good corporate governance. Hence, we further strengthened the corporate governance framework, risk management oversight, internal controls, and regulatory adherence by creating an independent compliance function, appointing a Compliance Officer and subjecting all the underlying policies to an annual review. Our operations being built on strong, unwavering business ethics and values, we continued to garner the support of regulatory bodies and there were no penalties imposed on the Company for instances of non-compliance during the financial year under review.

Sustainability – A Key Criterion

The social license we have gained over several decades is invaluable to continue to engage in our business. As such, we have also established robust environmental and social governance (ESG) practices so as to be accountable towards all our stakeholders and conduct a sustainable business. We understand that good ESG performance is closely aligned to good financial performance, and that the former is an important lens through which our existing customers, and the next generation customers, will view and assess us to be sustainable for the future.

As such, we continued with our affiliation with impact lenders such as IFC, and FMO who promote internationally laid down principles for sustainable businesses. While as a Company we uphold these principles, we ensure extending financial support to our customers whose projects conform to the guidelines of sustainability, embedded in those standards. Over five decades of continuity as a profitable business should speak well for our social consciousness, in this area which we consider as non-negotiable.

The Challenge and the Response

Exponential increases in interest rates, lackluster economic activities, and drop in disposable incomes during the year under review will inevitably seep through to loan impairment at some stage. However, we are confident that this will be a relatively small pocket of stressed loans in our books as our system driven customer onboarding and credit appraisal processes, while seeking out the best customer profiles that align with our business ethic, will also help in managing their debt servicing and financial journey.

Risk based pricing is in place and provisioning to absorb any shocks impacting the asset quality is well taken care of. We recorded a Gross and a Net NPL ratio of 13.24% and 5.01% respectively as at the year end, one of the lowest in the industry calculated based on the 120 days past due classification as per the new guidelines as issued by the CBSL, and we remain watchful to ensure the numbers are within an acceptable range.

The Government's measures to curb vehicle imports adversely impacted the leasing business. The demand for pawning grew in light of the distressed economic conditions that prevailed during the year. The Company adapted its strategy and requested the regulator for licensing to offer Gold Loans. We identified the product to be relatively risk mitigated as gold articles are the collateral. We also considered the flexibility it offers the Company beyond the confines of interest rate and other restrictions that are inherent in conventional pawning products. This was approved towards the end of the financial year. We plan to launch this product, in the new financial year, exercising the utmost caution as the Company has done in the past. The investment the Company made in 2021 in acquiring Goldscope scanning machines will no doubt be advantageous in mitigating risks in Gold Loans.

A further diversification was the investment in Senfin Securities Ltd. which is expected to further expand the customer base and open new avenues for potential product lines for Senkadagala Finance in future.

In Conclusion

In an economically challenged environment, the Company fared relatively well in 2022/23. We look forward to a fairly sustainable future where our customers will have many avenues of economic activity and gains as we emerge from the challenges brought by the yesteryear's calamity. We have a clear strategy and continue to make good progress on delivering on our promise to the shareholders.

Acknowledgements

Senkadagala Finance PLC is built on the ethic of teamwork. I wish to take this opportunity to thank the MD/CEO, Mr Lakshman Balasuriya, the Additional CEO, Mr Sanath Bandaranayake and other members of the Board of Directors for their visionary leadership, expert strategising, engaging dialogue, and guidance to lead the Company into the future.

I am thankful for the ready support we receive from the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka and for their guidance at all times.

I gratefully acknowledge the contribution of our depositors and investors and thank them for the continued confidence they have placed in us. Similarly, my gratitude is due to our loyal customer base that has stayed with the Company in good as well as challenging days.

I congratulate our staff for their unstinted support, diligence, commitment and loyalty, especially in the difficult year that is under review and for manning their stations well to deliver a seamless service to our customers and safeguarding the interests of the Company.

W M R S Dias
Chairman

27 June 2023

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

The Company exercised great restraint in lending and carefully assessed customer creditworthiness and loan servicing track record prior to lending. Consequential decrease in the loan portfolio and the disproportionate increase in interest expenses compared to interest income resulted in profit after tax decreasing to LKR 445 Mn. compared to LKR 903 Mn. in 2022.

An Economic Tsunami

The year 2022 started with great promise of rebound post the COVID-19 pandemic, underpinned by the marginally positive economic landscape that was taking shape towards the end of 2021. This was short lived, however, as several domestic and international factors destabilised the growth trajectory forecasts and by March/April of 2022, the country plunged into political, social, and economic chaos.

This disrupted civilian life significantly slowed down the pace of business growth across all segments of industries that included the financial sector and indeed caused many sectors of the economy to contract. By mid-2022, Sri Lanka was careening down a slippery economic slope with crises ranging from acute shortage of foreign exchange, fuel and other commodities, sharp increase in food inflation, hours long power cuts, and rampant unrest among the youth that hampered the daily life of the country. Sri Lankan Government declared the inability to service its foreign debt, with rating agencies downgrading the country's credit rating. Financial market deals were severely hampered, while international banks refrained from accepting the Letters of Credit issued by the domestic banks.

In 2022, Sri Lanka's economy contracted by 7.8% (YoY) and inflation reached unprecedented levels. A contraction of 16% was reported in the industry sector while fertiliser shortages severely dented the agricultural sector.

The Spin-off Effect on the Business

The non-bank financial institution (NBFI) sector was however able to maintain a resilient posture by way of asset and deposit growth. Total asset base of NBFIs grew by LKR 123 Bn. recording an 8.3% increase as at end 2022, compared to 6.1% growth in 2021. The debt moratoria and concessions on loan repayments that were extended as required by the regulator, the Central Bank of Sri Lanka (CBSL), had a negative impact on the bottom line of financial institutions as 13.2% of the total loans and advances portfolios of the NBFIs were under moratoria. Understandably, CBSL's intention in extending the moratoria was to safeguard the borrowers during the extreme macroeconomic situation that confronted the nation.

Against this backdrop, the performance of the Company for the year under review was affected with profit after tax decreasing to LKR 445 Mn. compared to LKR 903 Mn. in 2022, signaling a drop of 51%. The main contributory factor for this could be identified as the drop in net interest margin which was impacted by the sharp rise in market interest rates in April 2022 that prevailed throughout the year. Given the composition of the balance sheet in terms of rate sensitive assets and liabilities, interest expenses rose disproportionately compared to interest income. The Company exercised great restraint in lending and carefully assessed customer creditworthiness and loan servicing track record prior to lending. Consequently, the net loan portfolio of the Company decreased by 7.1% in 2023.

The interest income experienced a marginal increase of 7.8% while interest expense moved up by 59.6%. As such, the net interest income decreased by 27.2% to LKR 2.6 Bn. in 2023. Total assets decreased by 8.6% YoY to LKR 35.6 Bn. The Company recorded a gross NPL ratio of 13.24% and a net NPL ratio of 5.01% at 120 days past due (dpd), in line with the new regulations issued by the CBSL on recognising non-performing loans. In comparison to industry performance of NPLs, the Company's ratios were better than those experienced by the competition.

Our Capital Base

In the backdrop of severely challenging macroeconomic developments, we are pleased to report that the core capital ratio and the total capital ratio remained at 25.12% and 28.19% respectively as at 31 March 2023, well above the minimum regulatory requirements of 8.5% and 12.5%. The two rights issues concluded in April 2021 and November 2021 and the prudent dividend policy helped the Company in maintaining the capital ratios above the regulatory requirements.

For a Profitable Tomorrow

Taking into consideration the situation that prevailed in 2022, our leadership made some key decisions towards adapting the strategy for the future. We converted all the remaining service centres to fully-fledged branches, increasing the number of branches to 100 as of end March 2023. We plan to open ten more branches spread around the country in the year 2023/24 and resource them through internal promotions. We continued to invest in our digital infrastructure and, strengthened our valuable technological alliances with industry peers for speedy access to customer data and ensuring data confidentiality. We also strictly adhered to sustainability principles in project financing, supporting those that do not harm the environment.

In January 2023, the Company invested LKR 88.5 Mn. for acquiring a 35% stake of Senfin Securities Limited (previously known as Candor Equities Limited), licensed as a stock broker under the Securities and Exchange Commission. A share of profits of this associate, amounting to LKR 5.3 Mn., was recognised in the profit of the Company for the year accordingly. This has opened cross selling opportunities and is expected to enable the Group to offer a gamut of financial products and services under the Senkadagala brand.

Total Assets under Management (AUM) of Senfin Asset Management, a fully owned subsidiary of Senkadagala Finance PLC, grew by over 44.4% to cross the LKR 5 Bn. mark primarily through the Senfin Dynamic Income Fund, the Senfin Money Market Fund, and the Senfin Growth Fund with individual AUMs recording growth rates of 74.7%, 47.0%, and 30.4% respectively. During the year, the Senfin Money Market Fund was adjudged the Gold Award winner for Best Unit Trust at the CFA Capital Market Awards 2022 having won the silver in 2021.

Treasuring Our Employees

In April 2022, the Company introduced the Paternity Leave programme, allowing the male employees to spend time and bond with their new born, promoting work-life balance further. This carries four weeks of paid leave and was well received among our staff. In the same month, a new salary structure was introduced to the operational categories, taking into account the exponential increase in cost of living.

Environmentally Mindful

Sustainability is a key area of focus within the Company. We believe that to carry a social license successfully for the past several decades the Company needs to be a responsible and accountable corporate citizen, now and in the future. Plans are underway to install solar power systems in all our properties as a green initiative, reducing grid-based energy consumption, and moving to a renewable energy source that will also reduce the carbon footprint of the Company.

Acknowledgements

In light of the true spirit of teamwork that prevails across all our functions in the Company, I wish to thank the Chairman, Mr Ravi Dias who is stepping down after nine successful years at the helm, in line with the CBSL guidelines on maximum number of years for Non-Executive Directors to serve on the Board, the Additional CEO, and the other Members of the Board for their leadership, support and guidance. The Senior Management carried the year with great dedication and diligence through the many challenges we encountered. I am thankful to them for their loyalty to the Company. All our staff performed creditably well under tremendous stress and pressure during the year under review and that helped the Company to serve its customers and to live within the regulatory requirements at all times. I greatly appreciate their efforts.

Our regulators have always extended their guidance and support to us through the years we have been in business, and I always value their input.

I thank our investors and customers and all other stakeholders who have continued to place their trust and confidence in us. With your continued support, I optimistically look forward to a better financial year in 2023/24.

L Balasuriya
Managing Director/CEO

27 June 2023


WE EXCEL
IN PLANNING
FOR THE
FUTURE

Business Model

OUR BUSINESS MODEL

From Stakeholders

Inputs

Financial Capital

LKR 7,976 Mn. in shareholders' funds
LKR 14,464 Mn. borrowings from other investors
Property, plant and equipment
Financial covenants

Institutional Capital

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

Operating Environment

Activities

Governance Framework

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

Risk Management Framework

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

Range of Products and Services

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

Excellent Service Standards

Customer centric service
Dedicated relationship managers
Personalised service
819 passionate employees

Outputs

Shareholders and Other Investors

Lending and investment portfolio
Deposit base
Sustainable growth
Return on investment

Institutional Capital

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

Outcomes

Shareholders and Other Investors

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

Institutional Capital

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

To Stakeholders

Customer Capital

LKR 10,263 Mn. in customer deposits
Findings from customer satisfaction survey

Employee Capital

819 employees with a cumulative service of 5,680 years
Competencies
Findings from employee satisfaction survey and exit interviews
1,931 training hours for the year

Social and Environmental Capital

Land, water, energy, paper

Vision **Mission**

Business **Units**

Financial Intermediation

Maturity Transformation

Support **Services**

Network of Delivery Channels

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

Streamlined Internal Processes

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

Capital Management

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

Funding and Liquidity Management

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

Business **Domain**

Customer Capital

Interest income for depositors
Funding for borrowers
Financial advice
Value added services

Employee Capital

Remuneration
Training and development
Career prospects
Creativity and innovativeness

Social and Environmental Capital

Taxes and levies to the Government
CSR activities

Customer Capital

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

Employee Capital

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

Social and Environmental Capital

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

OPERATING ENVIRONMENT

The macro environment within which the Company operates, to a large extent impacts the Company's profitability, sustainability and its progress or regress. Operating Environment documents the political, the economic and the societal fabric that was in 2022/23 and the Company's approach in functioning within it.

A Global Perspective

A new meaning to "unprecedented uncertainty"

A broad-based, sharper than expected economic slowdown combined with inflation at a record high for several years, were seen globally in 2022. Geopolitical conflicts, the lingering impact of the COVID-19 pandemic, spiraling cost of living, housing crisis, steep increases in oil prices, all contributed to economies in turmoil, across the globe.

The Federal Reserve raised its benchmark interest rate by 0.75 percentage point, making it the highest ever increase since 1994[1]. These reverberate through to all other areas as the USD still dominates the world economies for trade, although its dominance has waned through to 2023. However, by one measure, 84.3% of all cross border trade is dollar-denominated. With BRICS planning on creating a new currency to be used at least for cross-border trade, its prominence could faint in the long run but its strength cannot be underestimated in the short-term. A tentative recovery in the global economy in 2021 gave way to a significant slowdown in 2022, as different risks materialised. The downturns in China and Russia contributed to a global output contraction while inflation rose across Europe and the US. The downward trend continued through 2022 on a sharper-than-expected level, slowing down global growth from 6.3% in 2021 to 3.4% in 2022, as per the April 2023 WEO Report; it is expected that this will further reduce to 2.8% in 2023.

As the global crisis deepened IMF allocated its largest ever Special Drawing Rights (SDR) assets to nations that needed urgent financial assistance. The table below allows a glimpse into the level of adversity the global economies faced where IMF assistance was urgently needed, for retrieval and remedy[2].

1970-72 General allocation	1979-81 General allocation	2009 Special allocation	2009 General allocation	2021 General allocation
SDR Billions	SDR Billions	SDR Billions	SDR Billions	SDR Billions
9.3	12.1	21.5	161.2	456.5

Largest SDR Allocation in IMF History

New SDR allocation of USD 650 Bn., of which about USD 275 Bn. was targeted at emerging markets and developing economies.

Emerging Market Woes

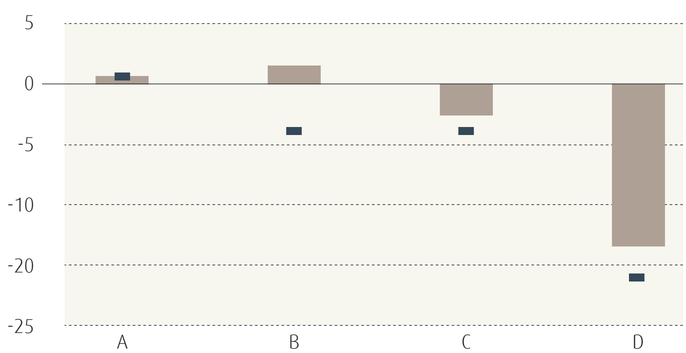
The world is currently experiencing high inflation, likes of which it has not faced in the recent history. Escalated geopolitical conflicts with currently no resolution in sight, energy disruptions, and financial market meltdowns weigh heavily on the domestic economies of emerging markets, to which Sri Lanka belongs. Shifting power play among the super powers and strategically important power players is on the rise heating up the undercurrents of geopolitical positioning for global supremacy. With these backstage activities, policymakers around the world continued to increase interest rates as a means of countering the rising inflationary costs.

1. https://www.cnbc.com/2022/06/15/fed-hikes-its-benchmark-interest-rate-by-three-quarters-of-a-point-the-biggest-increase-since-1994.html
2. https://www.imf.org/external/pubs/ft/ar/2022/in-focus/a-more-equitable-recovery
3. https://www.imf.org/en/Publications/GFSR/Issues/2023/04/11/global-financial-stability-report-april-2023 Ch 1 Data 2 Fig.1.13

IMF's latest Global Financial Stability Report (April 2023) provides insights into some of the emerging markets that clearly indicate the state of their current economies[3].

Bank equity excess returns over benchmark index

%



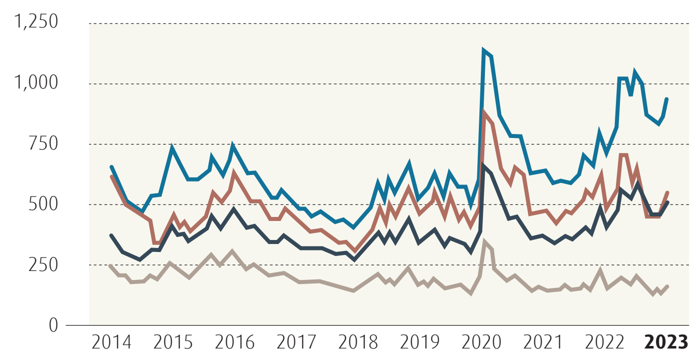
A – Latin America B – Asia C – Europe, Middle East, and Africa D – United States

Year to date Since Silicon Valley Bank collapse

Emerging market banks have been relatively unaffected by recent events.

Emerging market sovereign spreads

Basis points

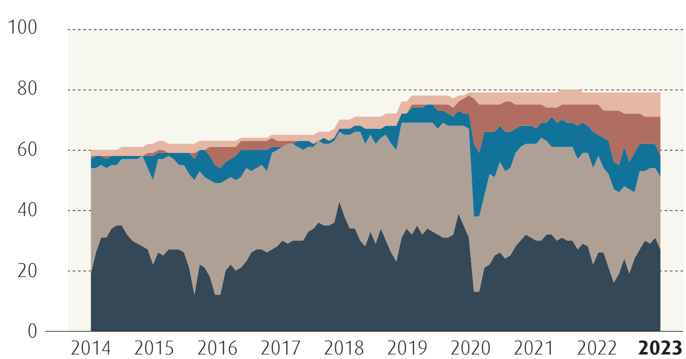


EMBIG EMBIG IG EMBIG HY
EMBIG HY excluding CC rating and below

International funding cost has spiked for risky issuers.

Number of sovereigns, by spread

Nos.

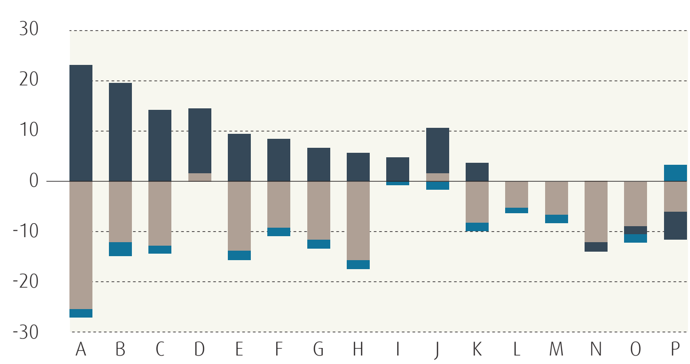


<300 300 to 700 700 to 1,000 >1,000 excluding defaulted
Defaulted

The number of distressed and defaulted sovereigns remains high compared with recent history.

Emerging market currency appreciation and depreciation

% Change



A – Hungary B – Chile C – Czechia D – Mexico E – Romania
F – Thailand G – Philippines H – Morocco I – Peru J – Brazil
K – Malaysia L – Indonesia M – South Africa N – India O – Colombia
P – Kenya

Since 1 March 2023 1 October 2022 to 1 March 2023
2022-Q1 to 2022-Q3

Emerging market currencies have been resilient to recent market stress, and most have strengthened on net since the October 2022 Global Financial Stability Report.

Sources: Bloomberg Finance L.P.; JPMorgan Chase & Co.; MSCI; and IMF staff calculations.

Note: Panel 1 is based on a sample 320 listed banks in 18 emerging market countries. Panel 2 uses weights from the previous month for any missing data point. In panel 3, "> 1,000 excluding defaulted" refers to the number of sovereigns trading with spreads over 1,000 basis points that have not defaulted. The defaulted category includes those sovereigns that were or have been rated in default for more than one month by ratings agencies and have international bond issuances. EMBIG = Emerging Market Bond Index Global; HY = high yield; IG = investment grade; Q = quarter.

3. https://www.imf.org/en/Publications/GFSR/Issues/2023/04/11/global-financial-stability-report-april-2023 Ch 1 Data 2 Fig.1.13

South Asian Perspective
Is there really a shift in wealth?

Debilitating socio-economic divides, rampant fiscal mismanagement, and depleted reserves continue to buffet the weak economies of the South Asian region. The economic headwinds manifest themselves in the balance of payments (BOP) while energy prices, mass-scale migration of skilled workers – the brain drain, depleting foreign exchange earnings and coping with natural disasters bring the economies to a breaking point. Investor sentiments were shifted due to the uncertainty in global markets coupled with monetary tightening in advanced economies that increased net capital outflows from the region in the first half of 2022. BOP pressures that resulted in depleted foreign exchange reserves demanded that countries like Sri Lanka, Pakistan, and Bangladesh seek IMF support, for the economies to be resuscitated[4].

While growth prospects dwindled, debt burden increased. According to reports, all countries in the region, except Bhutan, have downgraded their growth forecasts. India, South Asia's largest economy, revised growth projections, as per the April 2023 WEO Report, from 6.1% to 5.9% for 2023, as high borrowing costs and slower income growth dampen consumption. Growth in Pakistan is projected to drop to 0.4% as devastating floods disrupted supply chains and deteriorated investor confidence. Although the resumption of tourism and migration has supported growth in the Maldives and Nepal, other external macroeconomic factors and shocks pose a threat to growth[5].

A Sri Lankan Experience
The deep gets deeper

The global turmoil being what it was and still continues to be, the year under review has indeed brought a strange mixture of political, economic and societal challenges for Sri Lanka, culminating in events that brought the country to the centre of global attention. The year 2022 began with a hard landing; however, the waning impact of the COVID-19 pandemic in the early part of the year, offered hope for recovery and normalcy. Sri Lanka however, had barely recovered from the COVID-19 pandemic, when a series of political, economic and societal issues plunged the country into chaos and halted almost all activities that are normal in a well-functioning economy. For the first time in post-Independence history of Sri Lanka, the country declared that it cannot honor the debt servicing commitments to its lenders. The Annual Report of the Central Bank of Sri Lanka (CBSL) 2022, states that "Sri Lankan economy registered its deepest economic contraction since independence, mainly driven by the ripple effects of the unprecedented economic crisis amidst the domestic and global headwinds that reversed the post-pandemic recovery". According to its statistics, GDP contracted by 7.8% in 2022 compared to the marginal growth it showed in 2021 at 3.5%.

The crisis was in the making for a lengthy period of time. Indisciplined spending practices in the public sector, fiscal mismanagement resulting in large fiscal deficits, large scale government borrowings targeted to boost inward-focused development projects, and tightly controlled exchange rate policies that worked more on push-pull basis than on financial market–determined rates, contributed to bringing an already weakened economy to a grinding halt. As extremely adverse circumstances generally demand extreme remedial actions, political changes gave way to structural changes in the public sector on a top down basis and a long and slow process towards recovery was installed in discussion with the country's creditors, the World Bank and the International Monetary Fund (IMF).

Political engagements and serious and effective discussions with the IMF finally resulted in an emerging silver lining in the dark cloud, as the country was able to secure technical clearance paving the way for further discussions for a bail-out package. In March 2023, Sri Lanka secured the first tranche of a SDR 254 Mn. (approximately USD 333 Mn.) IMF bail-out package of a total SDR 2,286 Mn. (approximately USD 3,000 Mn.)[6].

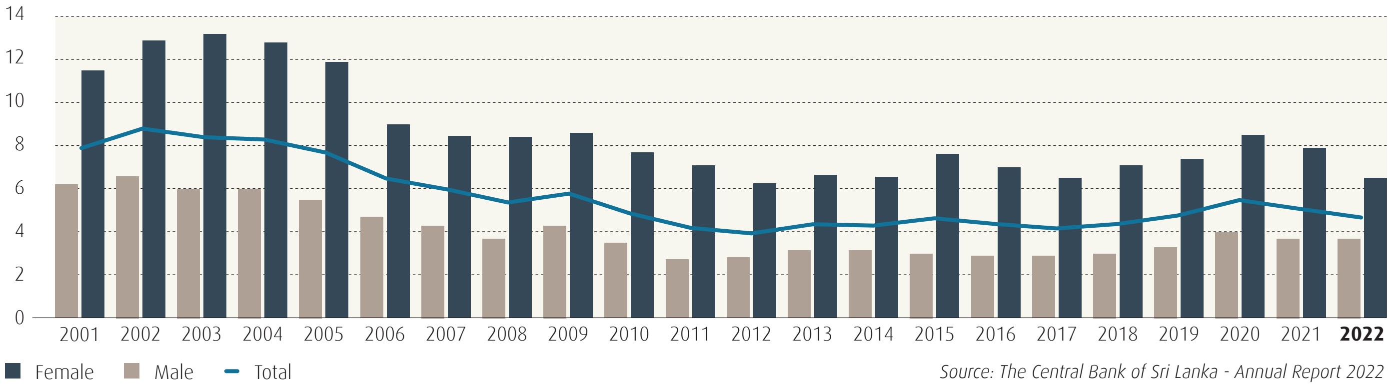
Effect on the grassroots

While high level emergency discussions took place between the powers that are, the ordinary man on the street and his family faced worsening daily impacts on their livelihood and living. Prices of essential items skyrocketed and fuel was in extremely short supply. Energy bills took a chunk off their wage while schools closed and education nose-dived. Wage earner was either discontinued or worked for a reduced pay.

4. https://openknowledge.worldbank.org/
5. https://openknowledge.worldbank.org/
6. Central Bank Annual Report 2022 v.1/p.15

Unemployment rate

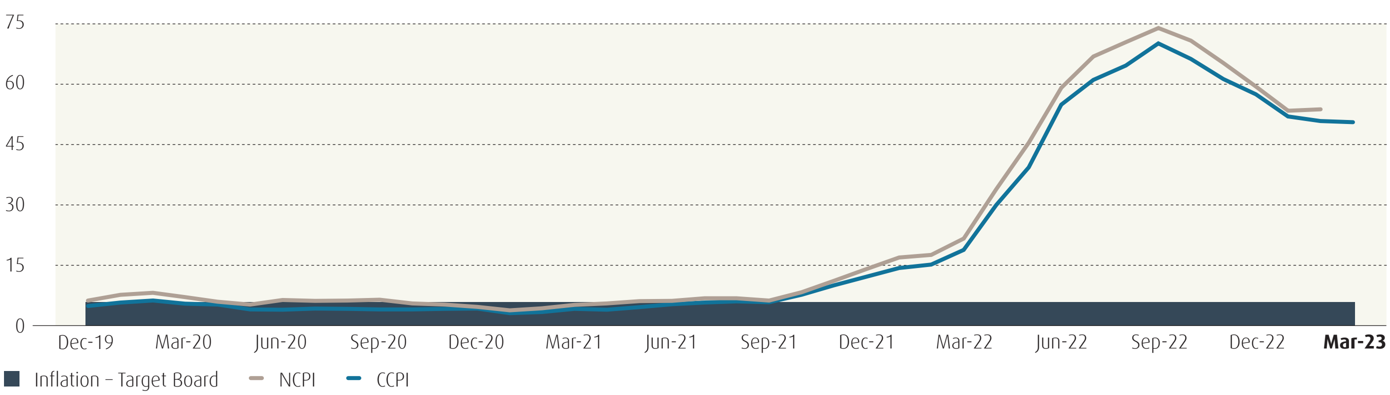
%



Source: The Central Bank of Sri Lanka - Annual Report 2022

Headline inflation (year-on-year) (a)

%



(a) The Department of Census and Statistics (DCS) commenced publishing the NCPI and the CCPI with the new base year, 2021=100, from the data releases of January 2023 and February 2023, respectively, and discontinued the publication of the NCPI and the CCPI with the old base year, 2013=100. Accordingly, data commencing January 2023 in the chart is based on the series with the new base year, 2021=100.

Sources: Central Bank of Sri Lanka – Annual Report 2022

The poverty rate increased from 13.1% in 2021 to 25.0% in 2022 (as measured at USD 3.65 per capita 2017 PPP). This signifies an additional 2.5 Mn. poor people and compounded the effects of COVID-19 that had a direct impact on the country's poverty line. Vulnerable non-poor households living close to the poverty line posed a further threat as any further income shock would have pushed those households into falling below the poverty line. As average inflation rose to 46.4% in 2022 impacting purchasing power, almost a half a million jobs in services and industry were lost. While falling incomes pushed the populace to ensure food security, expenditure on health, well-being and education were drastically reduced. Malnutrition and stunting rose from 7.4% in 2021 to 9.4% in 2022[7].

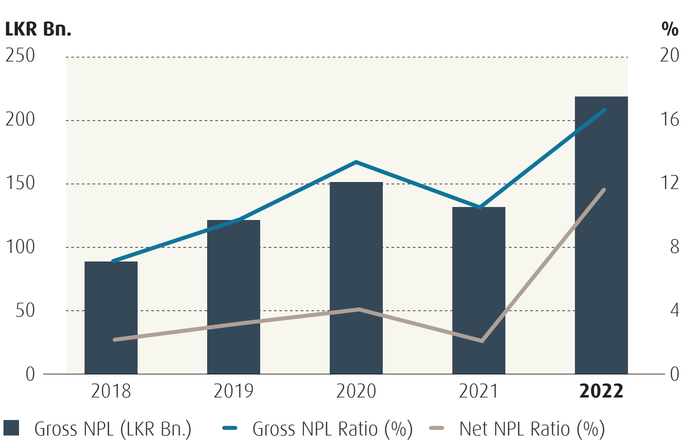
Performance of the Non-Bank Financial Institutions (NBFIs)

Despite the headwinds across the economy as a whole, the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector grew in terms of assets and deposits with adequate capital adequacy buffers for 2022. CBSL's implementation of The Master Plan for consolidation of the NBFIs afforded a strong framework for the sector in the medium-term, while safeguarding the interest of depositors and preserving financial system stability.

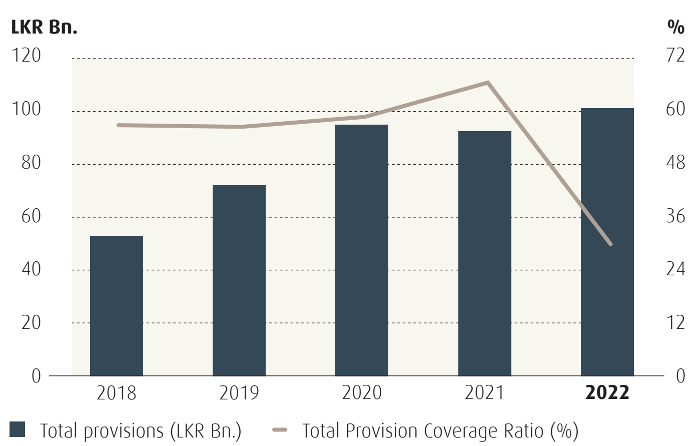
According to CBSL Annual Report 2022, "total assets of the sector amounted to LKR 1,611.2 Bn. by end 2022, representing 5.2% of the total assets of Sri Lanka's financial system. The asset base of the sector expanded by LKR 123 Bn. recording a growth of 8.3% and stood at LKR 1,611.2 Bn. by end 2022, compared to the 6.1% growth recorded in 2021. The asset expansion was mainly driven by the growth of loans and advances portfolio followed by increase in investments and liquid assets. Loans and advances accounted for 74.4% of the total assets of the sector. Finance leases dominated the loans and advances portfolio of the sector and accounted for 41.6% of total loans and advances by end 2022 compared to that of 48.3% by end 2021".

It is in this macroeconomic scenario with a myriad of challenges that Senkadagala Finance continued to operate and deliver well for its stakeholders. The ensuing chapters of the Report spell out the Company's firm hold on the finance sector in Sri Lanka and how it delivered well and contributed to the recovery of the country's troubled economy and for the safety and comfort of its customers.

Non-performing loans of the LFCs and SLCs sector



Provision coverage of LFCs and SLCs sector



Source: Central Bank of Sri Lanka - Annual Report 2022

7. Sri Lanka Development Update, World Bank Report

STAKEHOLDER ENGAGEMENT

In its fifty-four year journey of leaving a steady footprint in the finance industry, we recognise the underlying strength of many partnerships our Company formed over the years, with diverse stakeholders, which have been contributory to our success. Stress-testing of those strengths was evident in the year under review, as it faced an economic collapse of epic proportions.

In an era where social media plays a key role in exchange of communication, each and every interaction with our stakeholders could be viewed as positive or negative and immediately be an opening to the world at large to review, comment, re-post and dwell on. To this end, we identify the key stakeholders and refine our approach to stakeholder engagement in a holistic manner, to root out misconceptions or misinterpretations and cultivate transparency and authenticity. Matrix below identifies and documents the ways in which we carry out this important element of our business.

Identified Stakeholder Segments

Stakeholders	Impact of the Stakeholders	Influence of Stakeholders on SFPLC	Influence of SFPLC on the Stakeholders
Shareholders and Other investors	Investing in the Company with their capital and funding, this segment remains key for the Company's profitability and sustainable growth. The Company disseminates relevant information to them, periodically, relating to performance and governance.	High	High
Customers	Crucially important to the Company business, as it is to the customers that the Company provides its financial intermediation and facilities. Their retention, growth, and service oriented management is important for the long-term profitability of the Company.	High	High
Employees	Employees drive the business into the future and grow in tandem with the Company.	High	High
Suppliers and business partners	As integral parties to macroeconomic growth, our business partners, ranging from motor vehicle dealers to suppliers of office equipment and stationery are necessary input providers to the business.	High	High

Stakeholders	Impact of the Stakeholders	Influence of Stakeholders on SFPLC	Influence of SFPLC on the Stakeholders
Government and regulatory authorities	As a Listed Company and as a NBFI holding public deposits, regulatory compliance is a non-negotiable imperative.	High	Medium
Society and environment	The environmentally friendly policies of the Company gives it the 'social license' to function in the community it serves with the acceptance of all stakeholders	Medium	Low

Stakeholder Engagement Activity

Stakeholder	Engagement Activity	Frequency	Topic of accountability	Method of implementing and communication of accountability
Shareholders and other investors	Annual General Meeting (AGM)	Annually	Financial performance, governance, transparency, and other disclosures	The 53rd AGM of the Company was held via a virtual platform on 31 August 2022. In addition to maintaining a close relationship with its investors, a constructive and open interaction takes place between the Company and its shareholders at the AGM.
	Annual Reports	Annually	Financial performance, governance, transparency, and other disclosures	Comprehensive disclosures are presented within the Annual Report.
	Extra Ordinary General Meetings (EGM)	As required	Governance, transparency and other disclosures	There were no EGMs held during the year under review.
	Interim financial statements and investor presentations	Quarterly	Financial performance and investor communication	Interim financials provide timely and relevant information to shareholders and other investors of the Company.
	Press Conference and Releases	As required	Information related to business expansion, strategy and any other topic of relevance	Via Press Conferences
	Communications made to the Colombo Stock Exchange	As required	Matters pertaining to Investor relations, financial information, transparency, and customer services	Written Communication
	One-to-one Discussions	As required	Financial inclusion, corporate governance and risk management or any other topic relevant to the shareholder/investor	Face to face discussions
	Corporate Website	Continuous	Sustainable growth of the Company, other data and information	Web portal

Stakeholder	Engagement Activity	Frequency	Topic of accountability	Method of implementing and communication of accountability
Customers	Touch-points	Continuous	Financial Inclusion	SFPLC's wide array of services are provided through a speedy technological platform to its customer base
	Town storming, leaflet campaigns, banners, street promotions	As required	Creating awareness for new on-boarding, financial inclusion, affordability of services, new products and services, and convenience	A leaflet campaign was carried out prior to launching SUV vehicle leasing product in May 2022
	Relationship Managers	As required	Service quality, customer satisfaction, and information security	Relationship Managers offer a personalised service to the customer, on a need-based approach
	Media Advertisements	As required	Affordability of service, strength of the Company and convenience of approachability	Advertisements in the Print and Digital media
	Corporate Website	Continuous	Information related to the sustainable growth of the Company and available products	Web portal
	Customer Workshops	As required	Financial Education and Literacy	Physical workshops
Employees	Executive Meetings	Monthly	Performance management and business developments	An interactive dialogue takes place underpinning all topics related to business development and/or areas of concern
	Managers' Conference	As required	Performance, reward management, business developments, and other risk-related issues	Interactive and enthused conversations on performance evaluation mechanism and business development
	Regional Review Meetings	Quarterly	Local business developments and regional performance	Data received from the Management Information System is analysed and discussed for future growth
	Memoranda	As required	Inclusion/information dissemination	Written
	Emails	As required	Recruitment, retention and attrition, announcements, and other information	Technological portal
	Training programmes	As required	Value driven corporate culture, skill upgrading, knowledge sharing	Physical and digital platforms 1,931 hours of training was recorded in 2022/23.
	Special events for staff engagement	As required	Diversity, inclusion, career progression, team building	Unique to each event
	Open-door policy	Continuous	Career progression, accountability, grievances, concerns	Through an updated Whistleblower policy of the Company
	Operational guidelines	Continuous	Business know-how	Available as manuals, policies and communicated through training programmes

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

In 2023, we plan to continue with our relentless efforts in maintaining and nurturing our existing relationships while seeking out and building the new, for a stronger and sustainable futuristic business.

MATERIALITY

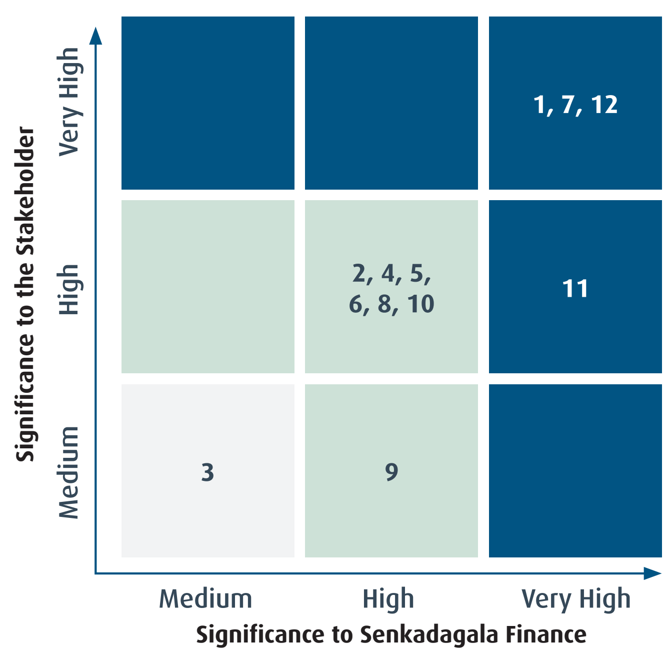
To be sustainable and to pitch for the long-term, the Company needs to possess a clear vision of the critical points that define excellence and resilience. The chapter on materiality seeks to identify these and articulate the way in which Senkadagala Finance deals with each of those key criteria.

As the COVID-19 pandemic trailed off leaving some amount of its residue impact, new crises were in the making in Sri Lanka, disrupting the short-term relief efforts aimed at alleviating the impact of the pandemic. Multiple factors, in the form of acute foreign currency shortage, energy crisis, diminishing worker remittances, soaring inflation, and political unrest materialised to destabilise an already fragile economy. The Rupee depreciated sharply and the foremost priority of the Company was to stay resilient and be proactive in the face of the many uncertainties that were the norm of the day.

With its wide reach within Sri Lanka and as a home-grown Company catering to a cross section of the society, we stayed vigilant adapting to the many challenges the financial industry weathered during 2022. Staying relevant, robust, risk-mitigated, and sustainable was the order of the day.

Within this environment, identifying, prioritising, integrating, and executing those topics that are material to our business, continued to be of essence and importance. Analysis of external factors that encompassed political, economic, social, technological, environmental, legal, and regulatory landscapes played a key role in ensuring value delivery to various stakeholder groups, in a consistent and relevant manner.

Materiality Matrix



Twelve aspects material to the Company are given on page 26.

Aspects Material to Senkadagala Finance PLC

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

V *– Very High,* H *– High,* M *– Medium*

Management Approach

When delivering value to and deriving value from our stakeholders, the Company bases its materiality decisions on mutually shared values that contribute to an ethically sustainable business operation. To this end, the Company's strategic objectives and transparency of its dealing with all stakeholders, is paramount. KPIs are in place to monitor the material aspects and ensure alignment with corporate goals, while Key Responsible Personnel (KRPs) are required, at all times, to conduct themselves and the business in a transparent and ethical manner, not only to be compliant with regulatory requirements, but as an embedded value of a long-standing and reputable Company such as ours.

Policies and procedures are in place to manage the business operations in a risk mitigated manner with trigger event reporting to evaluate and re-assess these, where necessary. Senior Management cadre is required and expected to live by the values and risk indicators and to escalate any trigger event expeditiously to the KRPs for necessary action. Procedures are also in place to guide our employees to conduct business in a responsible manner and the heads of departments are entailed with the responsibility to ensure that operations at all levels are geared towards achieving the Company's strategic imperatives as desired. Senior Managers are also responsible for continuous environmental screening and identifying and resolving any grievances.

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

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

Fitch Ratings Lanka Limited affirmed Company's credit rating at BBB+ (lka) with an outlook of Rating Watch Negative as of October 2022, sighting elevated risks due to significantly uncertain macroeconomic factors in the country.


WE ARE WELL
EQUIPPED FOR
THE TASK AHEAD

Our Story in 2022/23

FINANCIAL CAPITAL

Despite the acute pressure on net margins, severe liquidity shortages in the market and continuously declining credit quality in light of the economic condition prevailed during the year, Senkadagala Finance emerged relatively unbeaten, challenging the challenges the year brought about.

An Overview of the Year

Post pandemic related growth impediments combined with deeply entrenched economic problems and vulnerabilities resulting in downgrade of sovereign rating triggered a macroeconomic crisis in the first quarter of the financial year 2022/23. With rapidly rising interest rates, looming hyperinflation, and shortages of essential food items, medicine, cooking gas, and fuel driven by the acute shortages of foreign currency, the financial year brought about challenges never seen before, crippling social, and economic activities in the Island. However, stability of the financial sector was preserved despite the bleak economic backdrop and both the banking sector and the NBFI sector performed creditably well in terms of asset growth and profitability.

Despite the acute pressure on net margins, severe liquidity shortages in the market and continuously declining credit quality in light of the economic condition prevailed during the year, Senkadagala Finance emerged relatively unbeaten, challenging the challenges the year brought about. The Company recorded a growth in gross income to reach LKR 6,846 Mn. a 7.9% growth over the year. However, the profit after tax for the year dropped to LKR 445 Mn. driven by the pressure on net margins from rising interest expenses and limitations in repricing of fixed rated lending products in the portfolio. Total assets of the Company recorded a decline of 8.6% in line with the 7.1% negative growth of loans and advances as a result of adopting stringent credit screening measures to improve the credit profile of the portfolio in the backdrop of relatively high impairment charges.

Summary of financials for the year

Financial results	2023 LKR '000	2022 LKR '000
Total assets	**35,657,239**	38,997,407
Loans and advances	**24,253,682**	26,101,897
Customer deposits	**10,263,254**	10,823,983
Total equity	**7,975,535**	7,645,772
Gross income	**6,846,014**	6,344,549
Profit before tax	**526,302**	1,185,647
Profit after tax	**445,051**	902,971

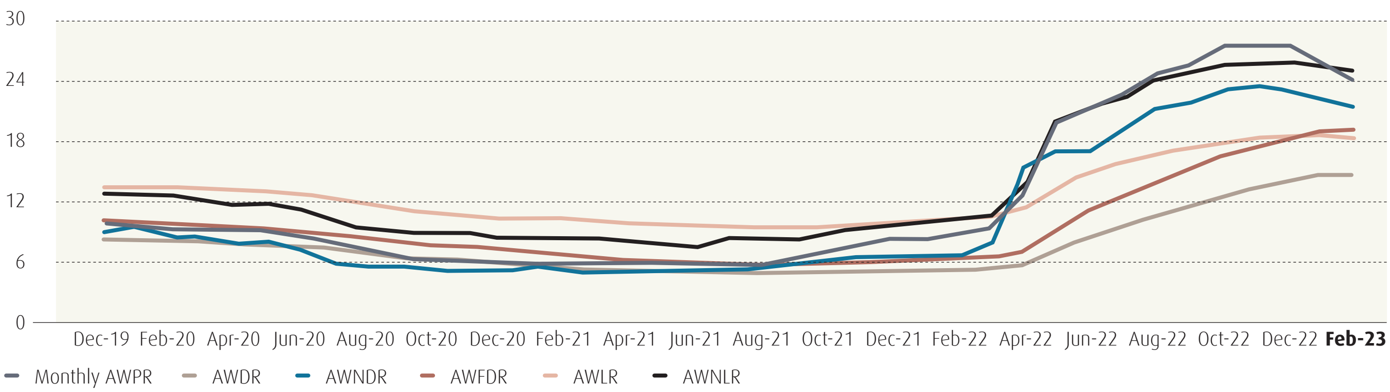
Financial Performance in Detail

Net interest income

Notable increase in policy rates coupled with significant increase in yield on government securities amidst concerns about domestic debt restructuring and significantly high borrowing requirements of the Government, depleted the market liquidity resulting in a significant increase in interest rates in March 2022 which remained high throughout the year under review. Owing to meticulous funding arrangements by the Management, the weighted average cost of funding of the Company remained low in the first half of the year. However, with the deposit book repricing at an accelerated phase and certain funding lines maturing, the Company recorded an increase in interest expenses to reach LKR 3,879 Mn. a year-on-year growth of 59.6%.

Movement of selected market interest rates

%



Source: Central Bank of Sri Lanka: Annual Report 2022

All the interest expense categories showed YoY increases during the period. The highest growth percentages were recorded in interest paid on funding from banks (189%) and on deposit liabilities (55%). Interest on other borrowings remained relatively stable with only 1.8% YoY increase, but this increase was recorded despite a reduction of LKR 2.8 Bn. a 27.3% drop in borrowings from other sources.

Parallel to the increase in market interest rates, interest income for the year recorded a growth of LKR 472 Mn. to reach LKR 6,493 Mn. However, interest income from loans and advances experienced a drop of 4.3% to reach LKR 4,595 Mn. in the year under review. Despite the strained liquidity condition in the money markets, the Company maintained significantly high liquidity positions throughout the year, lucrative investment of which brought about interest income in the form of interest income from investments in fixed deposits, repurchase agreements and other financial instruments. All three sources recorded YoY growth rates of 69%, 379% and 293% respectively. These interest income sources contributed to the 7.8% growth of interest income recorded during the year. Another noteworthy development in the year under review was that, the high liquidity position maintained enabled the Company to provide working capital loans to large corporates, yielding an interest income of LKR 79 Mn. during the year under review.

Lackluster loan growth and constraints in repricing of some lending products coupled with repricing of funding lines caused the net interest income of the Company to decrease to LKR 2,614 Mn. compared to LKR 3,590 Mn. the year before, a YoY decrease of 27.2%. Net interest margin (NIM) dropped accordingly to 7.65%. Even so, the Company recorded a NIM higher than the industry average of 6.7%.

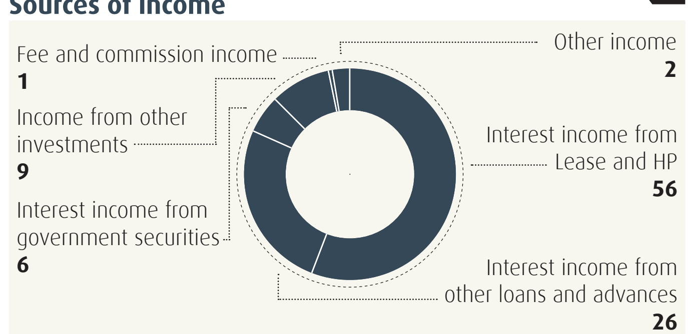
Income

The fund-based income remained the key contributor to total income with a contribution of 94.8% to gross income for the year. A growth of LKR 472.2 Mn. was recorded through this income source, financial instruments designated at fair value through profit or loss contributed to the increase with a gain of LKR 139.6 Mn. a growth of 226.8% compared to the loss of LKR 61.5 Mn. recorded the year before. As a result, the gross income of the Company recorded a growth of 7.9% to LKR 6,846 Mn. compared to LKR 6,345 Mn. of the previous year. Fee based income and commission experienced a drop of 31.6% over the year to reach LKR 40.9 Mn. owing to the weakening new business demand.

Lackluster performance of equity markets resulted in a decrease in the Company recording a profit of only LKR 53.1 Mn. on equity trading compared to LKR 87.7 Mn. of the previous year. Other operating income for the year recorded a decrease of 23.9% due to decrease in gains from foreign currency conversions.

Sources of income

%

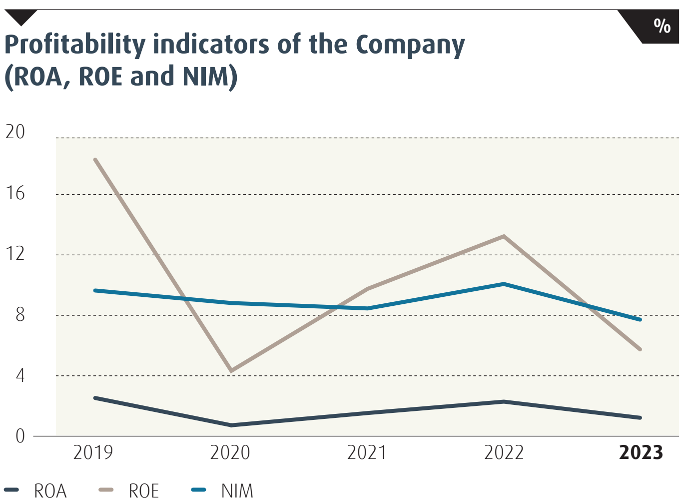


Profitability

The Company recorded a profit before tax of LKR 526 Mn. as opposed to LKR 1,186 Mn. of the year before, mainly as a result of the deterioration of net interest margins as detailed above. Profit after taxes too decreased to LKR 445 Mn. a decrease of 50.7% from LKR 903 Mn. of the previous year.

In terms of profitability indicators, Return on Assets (ROA) decreased to 1.19% from 2.35% of last year while Return on Equity (ROE) decreased to 5.7% from 13.27% of the previous year, owing to the deterioration of the net interest margins and operational efficiency of the Company. Being the root cause for the trend, the Net Interest Margin (NIM) dropped to 7.65% compared to 10.16% of the previous year.

Profitability indicators of the Company (ROA, ROE and NIM)



The Consolidated profits for the Group also depicted similar trends. The Group's post-tax profit was LKR 478 Mn. a decrease of 48.6% from the previous year. The pre-tax profit of LKR 596 Mn. recorded a decrease of 52.8%. The contribution from the subsidiaries helped to improve the fee-based income streams of the Group creating synergistic values to its stakeholders.

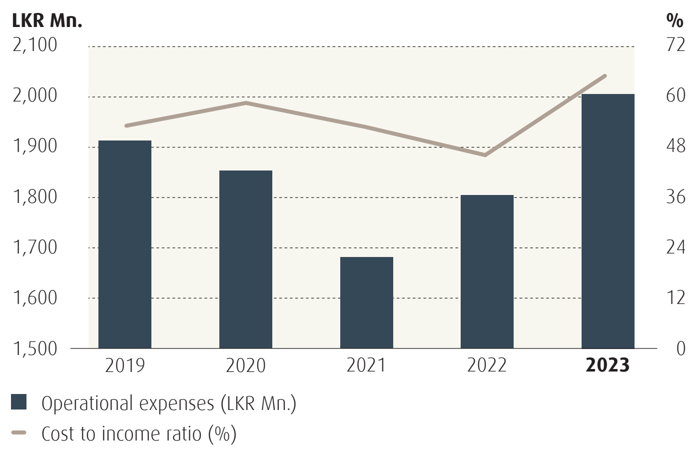
Investment in associate Company, Senfin Securities Limited contributed LKR 29 Mn. to the Company profits, with LKR 5.3 Mn. being the share of profits for the year since investment and LKR 23.8 Mn. as gain on bargain purchase, helping to elevate the profit for the year under review.

Operational efficiency

The Management continued its efforts to improve operational efficiencies in the hope of controlling the operational expenses of the Company. Although the staff cadre remained relatively unchanged, the salary increments granted to streamline identified salary anomalies in April 2022 and the resulting increases in payments to defined contribution plans, the personnel expenses increased by 5.5% YoY to LKR 831 Mn. Depreciation expenses continued on the decreasing trajectory from the last year to reach LKR 358 Mn. a YoY drop of 10.6%. The low capital expenditure incurred owing to shelving the branch expansion strategy adopted in the past was a key driver for this trend. Other operating expenses increased by a notable 31.7% to LKR 776 Mn. over the year, driven mainly by the increase in office maintenance costs in line with the inflationary pressure on goods and services felt across the economy.

The increase in operational expenses coupled with the deteriorated net income levels resulted in the cost to income ratio of the Company increasing to 67.6% compared to 46.1% recorded in the previous year.

Operational efficiency



Taxation

The public debt reaching unsustainable levels due to perpetual budget deficits being a root cause of the catastrophic economic condition the country faced during the year, demanded the government revenue be increased to sustainable levels in paving the path to recovery. Accordingly, swift tax reforms were enforced keeping with the deadlines to meet the prerequisites to secure assistance from the International Monetary Fund (IMF) for an Extended Fund Facility (EFF). These tax reforms widened the tax base while increasing the applicable rates to varying levels, and the Company too was affected by increase in tax charges accordingly.

The value added tax on financial services charge increased from 15% to 18% with effect from January 2022, increasing the tax obligations on the Company. Despite the profit before taxes on financial services decreasing by 50%, the tax charge on value addition decreased only by 26.7% during the year. Social security contribution levy on financial services was introduced during the year at a rate of 2.5% on the value addition, increasing the taxation on value addition by LKR 16.5 Mn. for the year.

In the backdrop of a 55.6% decrease in pre-tax profits, corporate income tax charge for the year was LKR 343 Mn. compared to LKR 430 Mn. of the previous year. However, this tax charge was negated by a deferred tax reversal of LKR 262 Mn. resulting from a change in the tax base on loan loss allowances and the related increase in temporary differences.

Assets

Total assets of the Company decreased to LKR 35,657 Mn. as at 31 March 2023 compared to LKR 38,997 Mn. a year ago, a YoY decrease of 8.6%, driven mainly by the decreases in the loans and advances portfolio by 7.1%, and investments in deposits with licensed financial institutions by LKR 1,675 Mn. Investments in FVTPL assets, FVOCI and investments in other financial instruments at amortised cost marginally increased during the year to reach LKR 486 Mn. LKR 360 Mn. and LKR 1,675 Mn. respectively. However, these contributions were not sufficient to negate the drop due to slow down in loan growth.

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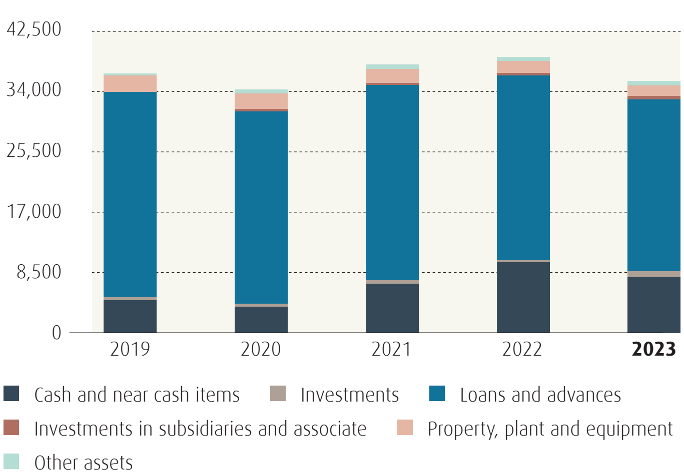
Total assets

LKR Mn.



With the onset of the economic crisis, the requirement to maintain higher cash reserves became paramount. However, the uncharacteristic interest rates and ad hoc tax changes made the conventional liquid assets relatively unattractive or high risk forms of investments. Accordingly, the Company invested excess liquidity in FVTPL financial assets, yielding a higher return, consequently, cash and cash equivalents, deposits with financial institutions and investments in REPOs witnessed a YoY decrease of 21.5%, 24.7% and 57.2% respectively.

Loans and advances

Loan type	**2023 LKR '000**	2022 LKR '000	Change (%)
Finance leases and hire purchase	**19,695,389**	22,780,618	-13.54
Commercial loans and personal loans	**890,735**	1,521,941	-41.47
Pawning advances	**2,596,820**	1,381,353	87.99
Other advances	**1,070,738**	417,985	156.17
Total	**24,253,682**	26,101,897	-7.08

The total loans and advances decreased by 7.1% over the year to LKR 24,254 Mn. against LKR 26,102 Mn. of the previous year driven mainly by the slowdown of new business growth in the leasing portfolio. The inflated second-hand vehicle prices caused mainly by import restrictions necessitated stringent screening of potential finance leasing businesses. This coupled with enhanced customer screening adopted by the Company in the wake of declining disposable incomes and debt repayment capacities reduced the new business resulting in a decrease in the leasing portfolio.

During the year, LKR 15.44 Bn. was granted in new business as opposed to LKR 18.49 Bn. of the previous year. The average LTV of new loans amounted to 53.89% as the Company primarily financed registered vehicles.

The commercial and personal loans continued to record a decrease of 41.47% during the year to reach LKR 891 Mn. by March 2023. Pawning portfolio recorded a notable growth of 87.9% to reach LKR 2,597 Mn. driven by the high demand for pawning advances and increase in gold prices experienced for most parts of the year. The short-term corporate loan product introduced the year before gained momentum with an increase of LKR 378 Mn. disbursing short-term working capital loans to large corporates.

Asset quality

The management accords the highest importance to maintaining high asset quality as a critical success factor in the finance business; it is regarded a key aspect in achieving sustainable business growth. With the deferred adoption of the Finance Business Act Direction No. 1 of 2020, Classification and Measurement of Credit Facilities, LFCs are required to classify credit facilities as NPLs based on days past due (dpd) period and/or potential risk, effective from 1 April 2022. Accordingly, the Company classified loans and advances with principal and/or interest past due for more than 120 days from the due date as NPL, as opposed to 180 days up to 31 March 2022.

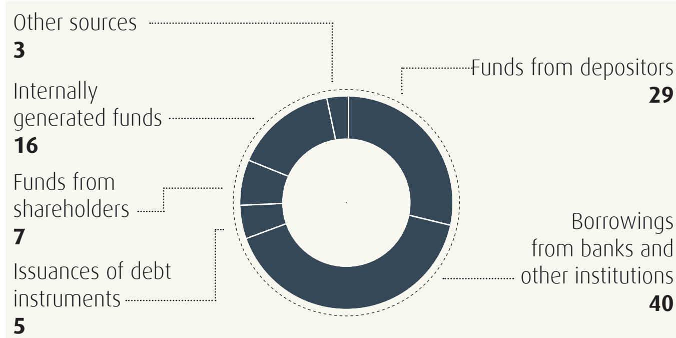
Dismal economic conditions caused the asset quality of the entire industry to deteriorate leading to disruptions to the recovery process. Nevertheless, the Company managed to maintain its Gross NPL ratio, which is gross non-performing assets as a percentage of total advances, at 13.24% compared to 120 dpd adjusted 11.90% of the previous year. However, with systematic recognition of impairments, the net NPL ratio increased to 5.01% compared to 120 dpd adjusted ratio of 4.93% of the year before, demonstrating the prudent provisioning of the Company in the face of bleak economic conditions. By March 2023, the Company has provided LKR 2,947 Mn. compared to LKR 2,702 Mn. of the previous year, recording a provision cover of 62.14%.

Liabilities

The total liabilities of the Company was recorded at LKR 27,682 Mn. at the end of the year under review compared to LKR 31,352 Mn. of March 2022. Bank borrowings recorded a marginal increase of 2.6% to LKR 6,866 Mn. while other borrowings decreased by 27.3% to reach LKR 7,598 Mn. by the year end. With the increase in market interest rates coupled with muted demand for credit, the Company resorted to medium scale funding sources to avoid financing at relatively high rates that prevailed, which resulted in a drop of 11.7% in total liabilities.

Sources of funding

%



Deposits from customers

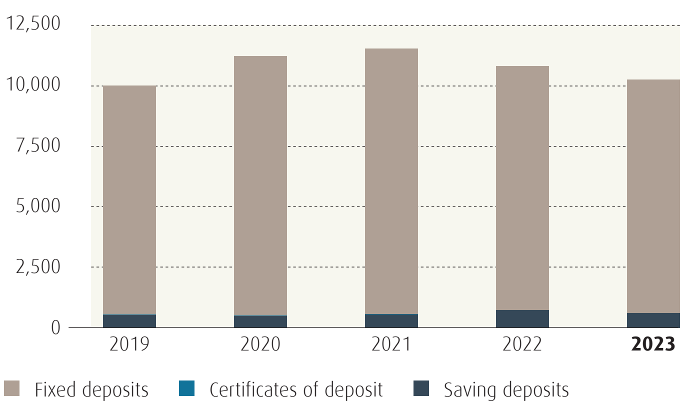
With the diminishing market liquidity levels, customer deposits became a sought-after source of funding by both banks and NBFIs. With government securities being offered at exceptionally high rates, run-on deposits was experienced across the industry. This phenomenon resulted in an inversion of the risk return pecking-order in the financial industry. In such a backdrop, deposits from customers consisting of fixed deposits and savings deposits was recorded at LKR 10,263 Mn. compared to LKR 10,824 Mn. of the previous year, testament to the strong deposit franchise enjoyed by Senkadagala Finance over the years.

The savings deposits experienced a drop of 16.2% reaching LKR 619 Mn. in March 2023 compared to LKR 739 Mn. of the preceding year. Savings deposit customers are provided with many value-added services, facilities equivalent to those of a bank deposit while offering a higher rate of return to the customers.

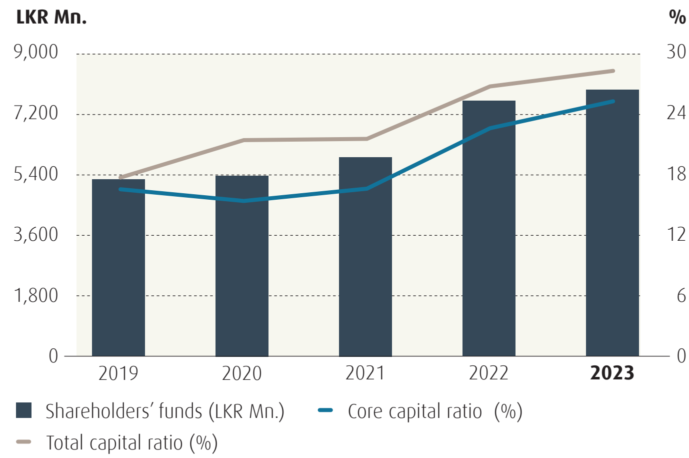
The Company discontinued the certificates of deposit product after gradually phasing out over the years, due to changes in regulations on KYC requirements making the product unattractive.

The fixed deposits base experienced a drop of 4.3% to LKR 9,644 Mn. from LKR 10,074 Mn. of the previous year.

Deposit base



Shareholders' funds and capital ratios



Shareholders' funds and capital position

Total shareholders' funds recorded a growth of 4.3% over the financial year to reach LKR 7,976 Mn. compared to LKR 7,646 Mn. of the previous year.

In compliance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, the Company transferred LKR 25 Mn. out of profits for the year to the Statutory Reserve Fund, resulting in a growth of the Fund by 4.9% to reach LKR 531 Mn. by the end of the financial year.

Retained earnings recorded a growth of 6.5% to reach LKR 5,015 Mn. with the addition of the profits generated during the year.

Accordingly, the Company recorded a core capital ratio of 25.12%s and a total capital ratio of 28.19% in March 2023, well in excess of the regulatory requirements of the Direction (Capital Adequacy Requirements) No. 3 of 2018. The augmented capital position, with capital infused through two consecutive rights issues during the financial year 2021/22, helped the Company to weather the economic turbulence of the preceding year and the Company is well placed to grow its business with the economic recovery. Further details of the capital position of the Company are given in the Shareholders and Investor Capital on page 53 of the report.

Cash flows and liquidity

Senkadagala Finance primarily depends on large scale funding for its business needs, hence high levels of liquid assets are maintained throughout. During the year, the Company generated LKR 4,216 Mn. cash flows from operating activities, much higher than the LKR 1,475 Mn. generated the previous year.

The Company used LKR 419 Mn. cash flows in investing activities during the year, primarily investing in the associate company and investing in FVOCI instruments. Capital expenditure incurred during the year was only LKR 39 Mn. compared to LKR 113 Mn. of the previous year.

Securitised borrowings of LKR 3,735 Mn. were obtained during the year while settlements amounted to LKR 7,356 Mn. This contributed to a net cash outflow of LKR 3,862 Mn. in financing activities compared to the LKR 1,804 Mn. used in the previous year.

The Company maintained higher levels of liquid assets throughout the year to weather the impact of any adverse economic conditions, which helped to safeguard the Company during severe market liquidity shortages witnessed during the year under review.

Group performance

Senkadagala Finance Group performance reflects a trend parallel to that of the Company over the year. The post-tax profit decreased by 48.6% to LKR 478 Mn. during the year, compared to LKR 930 Mn. of the previous year. The total assets recorded a decrease of 8.7% to LKR 35,324 Mn. similar to that of the Company.

Senkadagala Insurance Brokers recorded a pre-tax profit of LKR 36 Mn. with a drop of 36.8% from the previous year, owing to subdued leasing business of the Company.

Senfin Asset Management (Pvt) Ltd. generated a pre-tax profit of LKR 33.5 Mn. as opposed to LKR 26.1 Mn. recorded in the previous year, an increase of 28.3%. Total Assets Under Management (AUM) by Senfin Asset Management grew by over 44% to cross the LKR 5 Bn. mark during the year under review, primarily driven by Senfin Dynamic Income Fund, Senfin Money Market Fund and the Senfin Growth Fund with individual AUMs recording growth of 74.7%, 47.0% and 30.4% respectively.

Summary of financials of the subsidiaries and the associate for the year.

Financial results	Senkadagala Insurance Brokers (Pvt) Ltd LKR '000	Senfin Asset Management (Pvt) Ltd LKR '000	Senfin Securities Limited LKR '000
Gross income	**123,753**	**81,878**	**73,941**
Profit before tax	**113,567**	**33,528**	**52,969**
Profit after tax	**83,007**	**32,805**	**51,392**
Total assets	**81,765**	**129,822**	**573,472**
Total equity	**28,722**	**118,921**	**422,093**

Value addition and distribution

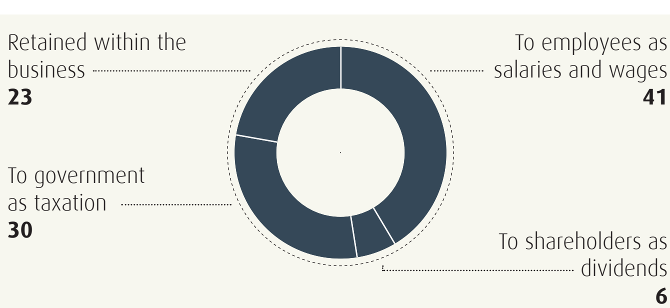
The value addition and distribution computation provides an understanding of the financial benefits each stakeholder group received due to business activities of the Company. Investors, shareholders, employees, and the government are considered as key stakeholders for the purpose of this computation.

Value added and distribution statement

	2023 LKR'000	Share %	2022 LKR'000	Share %	Change %
Value added					
Gross income	**6,846,014**		6,344,549		8
Contribution from associate	**28,190**		–		100
Less					
Cost of borrowings	**(3,879,381)**		(2,430,425)		60
Payments towards support services	**(803,256)**		(603,128)		33
Provisions for loan losses	**(207,159)**		(596,680)		(65)
	1,984,407		2,714,316		(27)
Distribution of value additions					
To employees					
as salaries and wages	**683,993**	**34**	530,954	20	29
as other benefits	**138,381**	**7**	207,756	8	(33)
To shareholders as dividends	**120,792**	**6**	90,076	3	34
To Government					
as Income taxation	**343,609**	**17**	463,172	17	(26)
as taxes on financial services	**256,537**	**13**	327,377	12	(22)
Retained within the business					
as depreciation for replenishment of assets	**371,643**	**19**	413,526	15	(10)
as deferred taxation	**(259,832)**	**(13)**	(168,722)	(6)	54
as reserves	**329,284**	**17**	850,178	31	(61)
	1,984,407		2,714,316		(27)

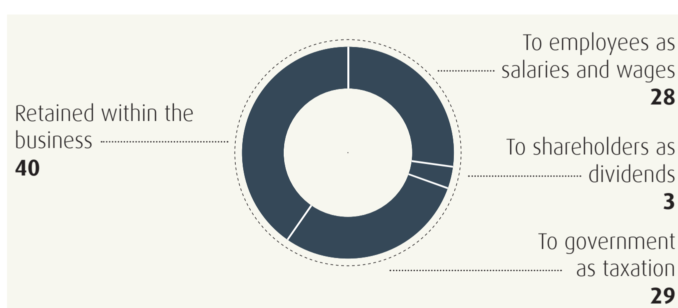
Distribution of value addition 2023

%



Distribution of value addition 2022

%



INSTITUTIONAL CAPITAL

Institutional Capital encompasses the intangible assets the Company holds and has built-in, over the years. These include in-house expertise, training and HR practices, business processes and any other proprietary information that provides the Company a competitive edge over its competitors. With its fifty-four years of operational expertise, Senkadagala Finance has a strong base in this area that allows the Company to derive value, drive profits and improve the business for a sustainable long-term.

A Key Criterion for Resilience

Customer satisfaction throughout the life cycle of the customer is our focus, to retain and grow the business in an extremely competitive business environment. In addition to the stiff competition, the year under review challenged us in many ways testing the Company's resilience. We are pleased to state that it is our strongly built institutional capital that provided the solid foundation for us to weather the storms and emerge well, maintaining our track record of operational excellence in the finance industry.

Information Communication Technology (ICT) Development

With the COVID-19 pandemic, the "footfall" of the customer began to recede and gave way to a digital world of interaction; the trend has continued even after the pandemic wound down. This transition gave the Company the opportunity to further leverage the ICT's potential to gain a larger market share and a high-quality portfolio in 2022/23. We are technologically well equipped to cater to customer needs as well as achieving operational excellence for all in-house and regulatory reporting aspects. Plans are in the pipeline to continue with technological upgrades and create greater space for digital access to our customers in a transformative manner. From humble beginnings of a PC based network, the system has now upgraded and expanded to be a sophisticated one, equipped with state-of-the-art technology that has permeated business and operational functions. This supports and drives our business into the future, which clearly has digital imprints on its horizon. Keeping in line with this ICT driven strategies, Senfin Asset Management, a fully owned subsidiary, launched a fully-fledged Web 2.0 system that provides unit holders full online access to manage their accounts.

Our resilience was proven when in 2022, the year during which we encountered unique challenges, the Company embarked on upgrading the database system to a new version. This yielded key benefits such as overall improved performance, heightened information security, cost effective operation, extended support and improved functionality.

Robust Policy and Procedural Framework

Well defined policies and procedures are in place to ensure ICT development and maintenance adheres to strict standards, providing exemplary customer data security. Both the Business Continuity Plan and the Information System Security Policy work in tandem to ensure minimal business disruptions and the safety of our database.

Corporate Culture

Synergistic values of communication

As a Company with strong home-grown ethics and values, the Management encourages open communication between the Management and the employees to achieve synergies that are the hallmark at the Head Office and the branches. Professionalism is required and established in the way we do business, with all our stakeholders and on regulatory compliance.

Talent management

Cumulative value of our talent pool is yet another key aspect of our institutional capital and recognising and developing it, an HR imperative at the Company. Talented, skilled, and diligent employees are picked and chosen for career progression and the promotions that took place in 2022 for branch managerial positions were all drawn from our existing staff. We believe that our people who already possess a wealth of organisational knowledge, whether regarding systems and processes, customers, or colleagues are well able to manage the many branches to derive great value for the Company, while delivering equally great value to the customers. Therefore, the proposed ten new branches will be resourced by internal promotions providing space for career growth and staff retention.

Team work and training

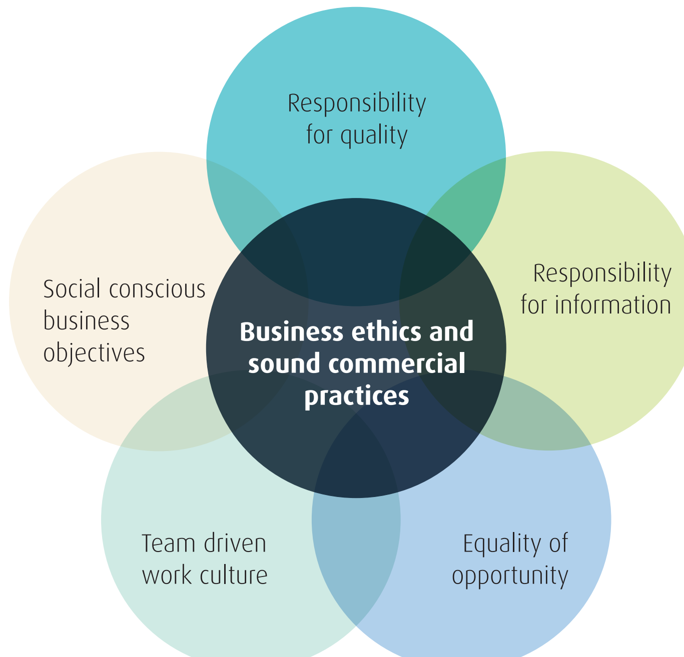
Team work and continuous development are encouraged throughout an employee's life cycle with the Company. At branches that are staffed with a smaller number of employees, staff is encouraged to learn all aspects of branch operation, rather than work in silos. We believe that an all-round knowledge of end-to-end operations will stand the staff in good stead for career progression within the Company. New recruits are trained by the existing staff and the branch performance is collectively assessed for incentives. This further encourages solidarity among the staff and a performance culture across the branch network.

Customer relationship management

Customer centricity being our key focus, we take maximum advantage of our institutional capital to ensure customer relationship management is carried out sustainably through the accumulated institutional wealth. We are pleased to record that our retention rates and onboarding rates evidence the success of our approach towards the customer.

Risk Mitigation

The Company's mettle has been tested over a long period of time, for managing and mitigating risks and those perceived as risks. The line managers and all employees are encouraged to be vigilant, and report, resolve, and manage such risks without disrupting business or adversely impacting the operational lines.



Supply Chain and Procurement Policy

The Company's procurement process is lean, in order to minimise inventory holding. Also, as it is a financial service provider its supplies are mostly stationery and allied items. With the expansion of the branch network, however, construction and interior decorating components added the need to source out such service providers, which is handled by the Administrative Department within clearly spelt out policies and guidelines. Strict adherence to the procurement policy is implemented to maintain relationships with key suppliers for ethically resourced quality supplies with timely delivery. Consumables, ordered through the Administrative Department are courier delivered to the branches.

Branch interiors are maintained by a pool of construction companies registered with us to deliver interior and exterior uniformity according to Company standards and branding. The Administrative Department manages the process and supervises the work through to a finish.

Trademark and Brand Development

Senkadagala Finance is a well-established Company with deep roots in the city of Kandy which have spread across Sri Lanka, delivering value to a large customer base. Intrinsic values it has nurtured since its inception in 1968 have remained as the solid foundation for it to be an ethical brand with impeccable corporate behaviour and strong financial stability. Credit assessment of customers is done in a well risk-mitigated manner that allows for low NPLs, which naturally contribute to the Company's financial stability. This, no doubt, leverages on brand building where customer confidence is retained in a well liquid and well managed finance company. Senkadagala Finance does not engage in price-wars for deposits but rather offers a superior service to its customers fostering long-term loyal relationships.

The Company's logo, the registered trademark of the Company, is a depiction of a four-leaf clover-a symbol of good fortune symbolising its intention of creating wealth and bringing good fortune to its loyal customer base.

Development of a Sub-brand

Senfin Asset Management and Senfin Securities are two further extensions to the Company that offer a variety of financial services and products to the customers.

In the year under review, these investments added value to the Company in many ways.

Senfin Asset Management

Senfin Asset Management (SFAM), a company licensed by the Securities and Exchange Commission of Sri Lanka, to float, operate and manage unit trusts and discretionary portfolios, joined the Group on 4 March 2020 as a fully-owned subsidiary of Senkadagala Finance PLC.

During the three year tenure that it was under the Group, SFAM showed growth launching several new unit trusts and surpassing the LKR 5 Bn. mark in total asset under management (AUM), with a year-on-year growth of 44%, primarily through the Senfin Dynamic Income Fund, Senfin Money Market Fund and the Senfin Growth Fund. Individual AUMs recorded a growth of 74.7%, 47.0% and 30.4% respectively. The company launched Sri Lanka's first ever Insurance Sector Mutual Fund during the year, bringing total Unit Trust product offering to seven funds.

In the year under review, Senfin Money Market Fund was crowned the Gold Award winner for Best Unit Trust at the CFA Capital Market Awards 2022 having won the silver in 2021.

Senfin Asset Management launched its fully-fledged Web 2.0 system which provides all unit holders online account management via www.senfinassetmanagement.com.

Senfin Securities Ltd (SSL)

A stockbroker for equity and debt trading, the SSL is licensed and regulated by the Securities and Exchange Commission (SEC) of Sri Lanka and is a trading member of the Colombo Stock Exchange (CSE). In January 2023, Senkadagala Finance obtained a stake of 35% in Senfin Securities, offering a full spectrum of specialised services to its diverse customer base including sound investment advice through quality research and market intelligence, a dedicated and highly skilled sales force, and easy access through the web portal 2.0

SSL's contribution to the financial strength of the Senkadagala Finance is complementary to the parent company as it pursues opportunities for growth both in profit and the customer base. SSL weathered the headwinds of the year under review in a resilient manner and it focused on its futuristic journey via a strong presence in the market and its digital footprint.

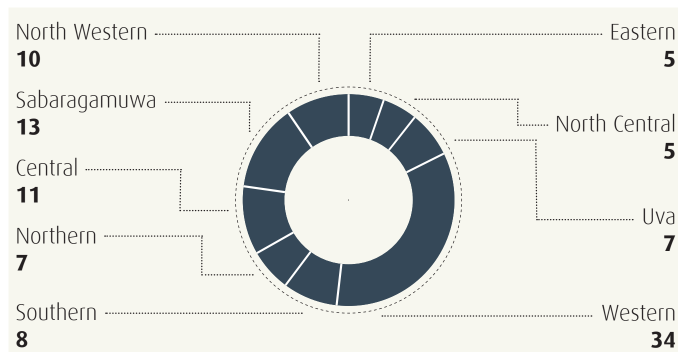
CUSTOMER CAPITAL

Promoting productive relationships with our customers is a key priority. We craft our product portfolio based on how best we can support their financial needs as foundational to a mutually sustainable long term partnership between them and our Company.

A Strong Partnership

In the core of our business are the customers and their many needs that are dynamic and varied. The years of business experience we have garnered in the industry has equipped us to understand and identify their current, latent, and emerging needs. As the year 2022 continued to spring unique and unprecedented shock waves on the economy, the Company's hands-on responsiveness helped strengthen the already robust relationships it had with its customers. Catering to different societal strata and supporting our customers to face the many personal financial challenges they encountered during the year under review, defines our customer centric approach and commitment to weather the storms together with our customers. More than ever, the year under review required that we exercise a high degree of specificity in meeting their individual needs, to overcome unique financial hardships they faced in the year.

Province wise distribution of the lending customer base



Expansion Continues

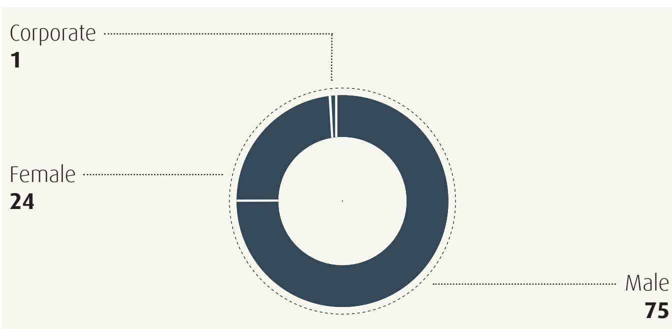
While supporting our customer is our foundational principle in doing business, expansion continues to be a major goal of the Company, given the extent of diversity that exists within our customer base. Whether it is gender, product, service or geographical location, the Company lived up to its promise of being available where it mattered, to grow and retain its customer base in a resilient manner. The Company's network is geographically spread across nine provinces and twenty five districts, enabling it to reach out to customers in even the most remote areas of the country.

Diversity and Inclusion – A Staple

Gender-wise, 75% of our customer base is male, 24% is female, and the balance 1%, corporate. This indicates our focus on financial empowerment of the individual, while, where necessary, rising up to meet the needs of the corporate segment.

%

Lending portfolio on customer type



Our Product and Service Repertoire

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

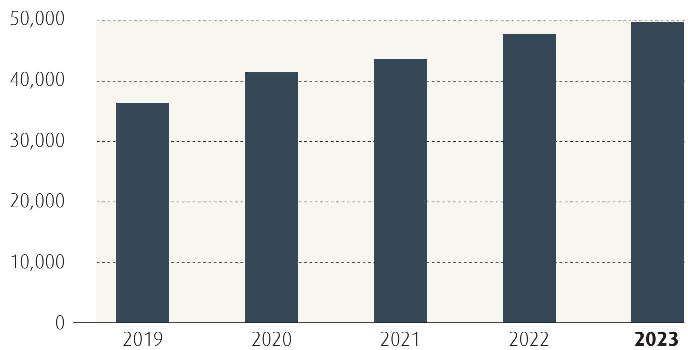
With the investment in Senfin Securities, the Group has now moved into stock brokering services through a licensed stock broker under the Group. This is expected to open doors in expanding the product portfolio offered by the Group to provide a gamut of financial services going forward.

Growth in the Face of Headwinds

Despite the stiff headwinds of 2022, our customer base and financial instrument disbursements indicated a steady growth, albeit slower than that of previous year. We attribute this to our strong regional presence, customer confidence in our brand, and our relentless efforts in upgrading customer relationship management.

Nos.

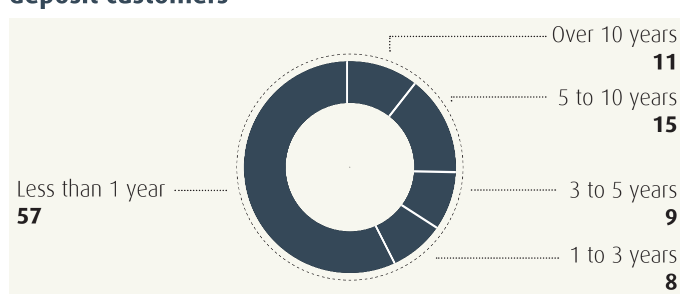
Number of customer accounts



We faced stiff competition from banks that offered extraordinarily high interest rates for FD's as well as other NBFIs. Despite such offers, the chart below reflects the longevity of our customer base, where over 25% had been with the Company for over five years and despite the high rates offered otherwise, they chose to stay with us. Our employees nevertheless kept up a strong service drive and a recovery process that enabled the Company to record a growth to take our business a step further. We are glad to record, there was no de-growth on any product or service we offered.

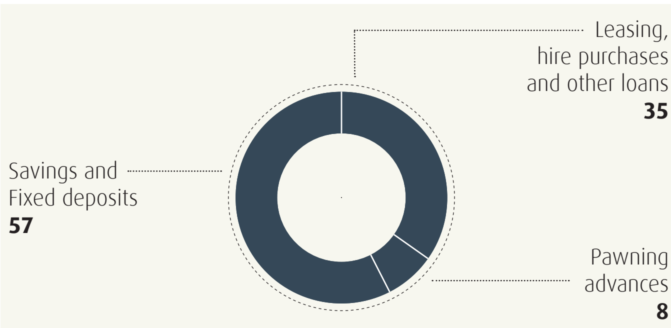
%

Length of relationship with fixed deposit customers



Number of customers in each product type

%



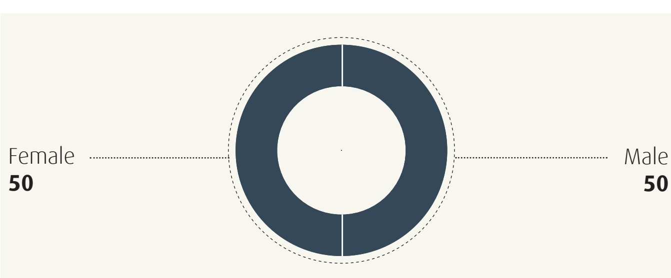
The strength of creating and nurturing our customer relationships is further reflected in the retention rates especially that of our fixed deposit base, in a highly competitive industry.

Pawning

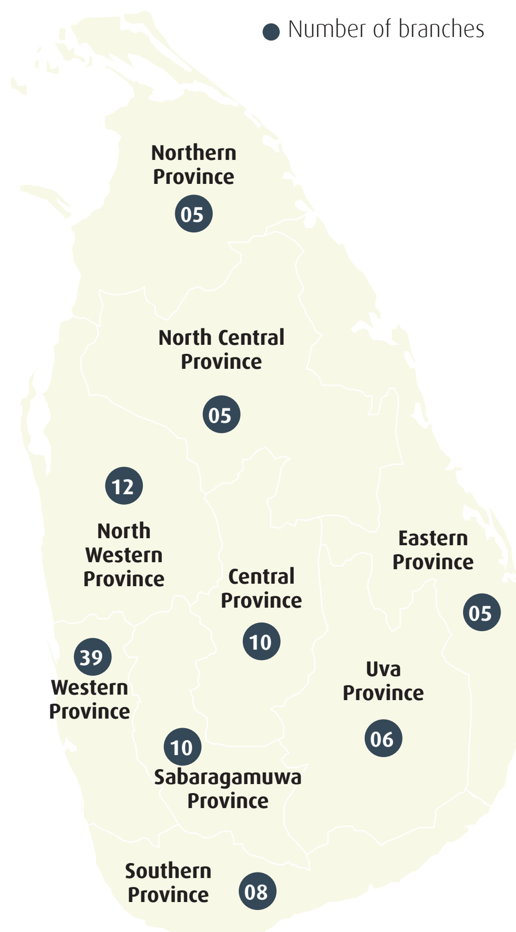
Statistics indicate that both male and female customers engage in pawning activities equally. The Goldscope scanners continues to support the efforts of gold pawning and enables the Company to detect fakes while averting any damage to authentic gold items the customers pawn. Towards the end of the financial year the Company received approval to proceed with the gold loan product. Preparations are underway to launch this product in the coming financial year.

Gender-wise distribution of the pawning customer base

%



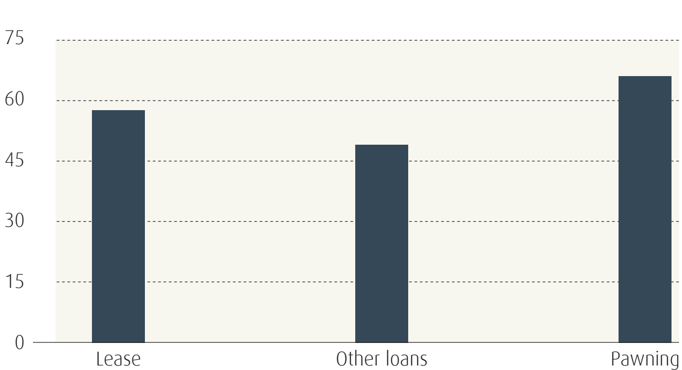
Geographical Spread



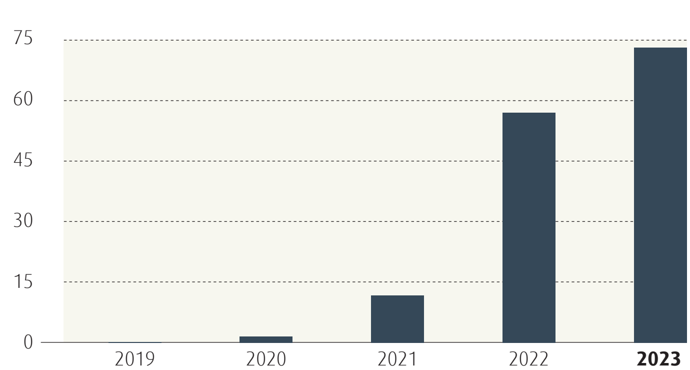
Loan portfolio

We continued with the moratoria mandated by the CBSL, in the year under review as well. The response, however was rather limited due to the deferment interest rates for the moratoria being quite high. Where necessary, the Company restructured and offered concessions to customers in its own accord, at relatively lower cost to help customers in financial difficulties. As a Company in touch with the pulse of the nation and with our wide regional spread, we are pleased to record of our contribution to alleviate some hardships faced by the populace by offering low interest rates on loans, for customers with a good credit history with the Company.

Average LTV for new business



Digital transaction volumes



Recovery and NPLs

Though an onerous task, our efforts at conducting business in a sustainable manner continued, given the uncertainties that prevailed and pervaded all areas of normalcy. We are confident of ensuring the NPLs are contained at a reasonably acceptable level that befits a business such as ours.

Digitally Savvy to Face the Future

The Internet Payment Gateway (IPG) that was introduced in 2019, continued to provide yeomen service to the customer, who mostly was home-bound due to the crises that were deepening in the first half of 2022. To assist them further, the Company created a partnership with NDB Bank IPG Portal, in addition to Commercial Bank and Seylan Bank portals that were in place. We also introduced debt servicing by deposits through Commercial, Sampath, HNB, Bank of Ceylon, Seylan, and NDB Bank accounts of the Company, to assist our customers with timely repayments while ensuring a smooth recovery process. Rental payments were accommodated through eZ Cash payment system to further the customer service aspect, post loan/finance facility disbursements. Plans are afoot for a further 10-branch expansion with a modest estimation of increasing business volume, customer onboarding and customer service.

Growth in the number and value of digital transactions as of 2019 to March 2023 is reflected above:

On the personal finance front the Senkadagala Group of Companies offer leasing, loans, FDs, savings, foreign exchange conversion, insurance brokering, asset management and stock brokering. In corporate finance, the Group offers corporate debt, asset management and stock brokering through its affiliate companies, Senfin Asset Management Pvt Ltd., Senkadagala Insurance Brokers Pvt Ltd., and Senfin Securities Limited.

Customer Complaint Management

To deepen our customer reach, the Company has in place a customer complaint and suggestion box at each branch. A Complaint Handling Officer was appointed to manage the process that included any complaints on CBSL mandated moratoria. We were able to successfully resolve 80% of such complaints and enquiries to the satisfaction of the customers.

The Regulator Flexes the Muscle

Further to the already strictly regulated finance environment, CBSL issued further regulation in 2022/23, to shape market behaviours of the finance and leasing companies.

- Finance Business Act Directions No. 01 of 2022 – Technology Risk Management and Resilience, with the objective of incorporating the technology risk into the institutions' risk management framework
- Finance Business Act Directions No. 02 of 2022 – Mobile Phone Based E-Money services, with the objective of encouraging LFCs to engage in mobile phone based E-Money services
- Regulation No 24/06/002/0002/002 dated 18 April 2022 – Amendments to the Maximum Interest Rates on Deposits and Debt Instruments by LFCs
- Circular No. 01 of 2022 dated 20 July 2022 – on concessions to affected borrowers amidst the prevailing extra-ordinary macroeconomic circumstances.

- Finance Business Act Directions No. 03 of 2022 – Recording of Unique Identification of Depositors with the objective of strengthening the soundness and integrity of deposit information management systems.
- Regulation No. 24/10/001/001/0019/005 dated 29 November 2022 – Guidelines on Sustainable Finance Activities

Marketing Amidst a Crisis

Referrals by existing customers have been the primary source of new business for the Company, historically. For the leasing business. Our reliance is on referrals and our contacts as we do not engage in aggressive campaigns in marketing the product. FDs are marketed through campaigns while the pawning products and offers are spread in the market through town-storming.

As mobility restrictions severely hampered any aggressive top of the line marketing blitz, branch-wise leaflet campaigns were carried out for leasing with emphasis on a brand new SUV vehicle product and deposit products.

A Springboard for Sustainability

A dedicated Relationship Manager serves and advises each customer according to their needs and the solutions the Company has to offer. During non-face-to-face interaction periods, the Company ensured the customers were made aware of its products and services through leaflets, its web portal, SMS, email and through the branches and service centres that were kept open for business. Similarly, the Company engages in brand building exercises periodically creating customer awareness harnessing new business and deepening the existing business relationships. The Company maintains an interactive email portal and addresses customer needs, requirements, concerns and complaints on a timely basis. Its agility to rise up to the needs of the customer, is par excellence and will continue through to the future in a sustainable manner.

All in all, the year under review can be viewed positively as a year that not only added muscle to our customer relationship management, but a year in which the Company diligently sought and established new customer interaction processes, that will no doubt be mutually beneficial to the Company and the customer in the years to come.

EMPLOYEE CAPITAL

Our employees have been the backbone of a continued successful journey, since the incorporation of Senkadagala Finance in 1968. Their dedication, loyalty, and diligence under immense pressure that the year under review brought on with it, were the wind beneath our wings to overcome the challenges and stride forward.

Professionalism at All Levels

Our leadership team leads from the front, with strategic vision to leverage market conditions and economic trends. Our team includes highly skilled and qualified personnel, well experienced in the finance field and possessing the soft skills that are equally important in managing a large corporate, their foresight and forethought saw us riding the turbulent waves of 2022 with resilience and strategic adaptation, where necessary.

Guided by the leadership team, our employees at all levels worked tirelessly to ensure business continued without disruption, even during the most trying times. Overcoming insurmountable difficulties with their grit and resilience, our employees worked through the many crises that were rampant in the year under review.

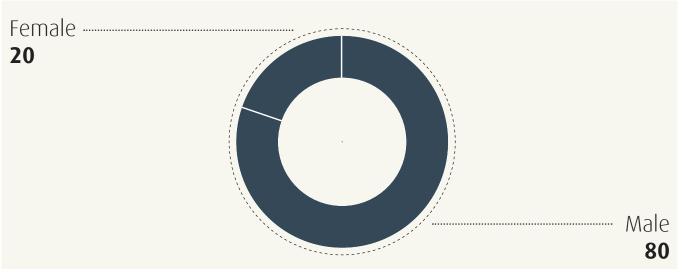
A Robust Framework

Success in attracting and retaining our talent pool is based on a well-crafted and implemented Recruitment Policy and Procedure, continuous training, health and safety measures that are in place and a strong Grievance Handling Policy. We believe that a satisfied employee delivers his or her best and we take all necessary action, on a top-down basis to ensure our employees are well mentored, rewarded, and remunerated throughout their life cycle with the Company.

A Diverse Workforce

Diversity and inclusion are practiced at all practicable levels at the Company. Upward mobility and career growth depends on skill, experience and delivery without a gender-bias. Currently the cadre consists of 657 males and 162 females.

Gender %

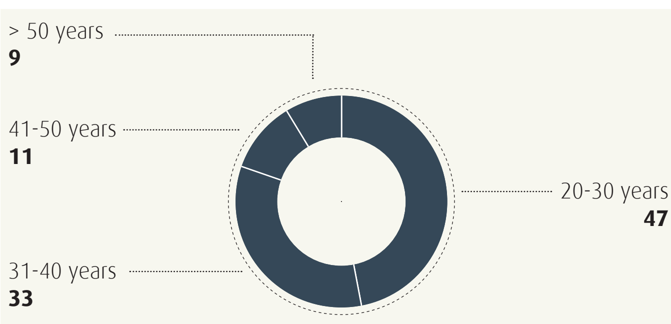


Age distribution

A well-balanced mix of differing age groups, with different strengths, provide the service that is needed at the frontlines and at strategic planning and operational levels. This is a good blend that augurs well for the longevity of the Company that has seen generations pass through its corporate portals.

Age

%

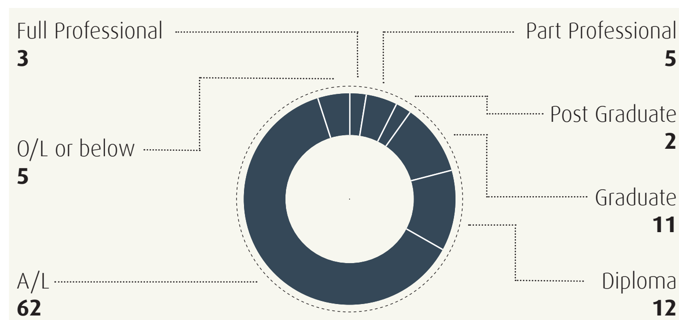


Delivering professionalism

Our qualified team delivers a professional service. Plans with a futuristic approach, and was also able to easily adapt itself to the many uncertainties in the year under review. We are pleased that most of our team members, are qualified in diverse disciplines, bringing and applying their knowledge to the business.

Qualifications

%

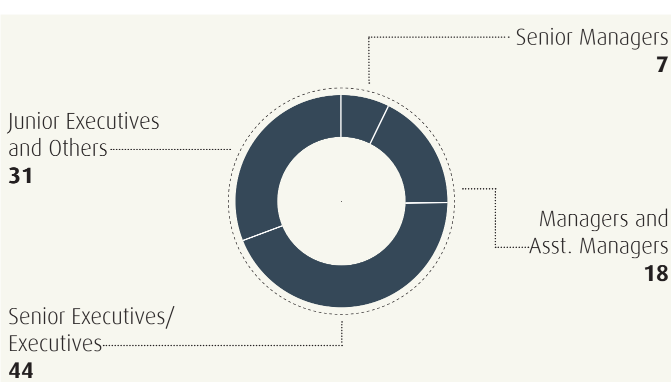


Cadre analysis

Staff layering at Senkadagala Finance is implemented giving focus to the customer interface, where most of our cadre is placed. While Senior Managers inherently set the tone for the business and drive profits and sustainability, the other levels engage with the process of achieving those goals.

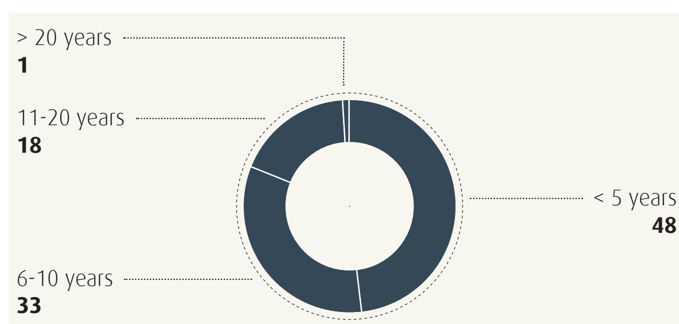
Staff grades

%



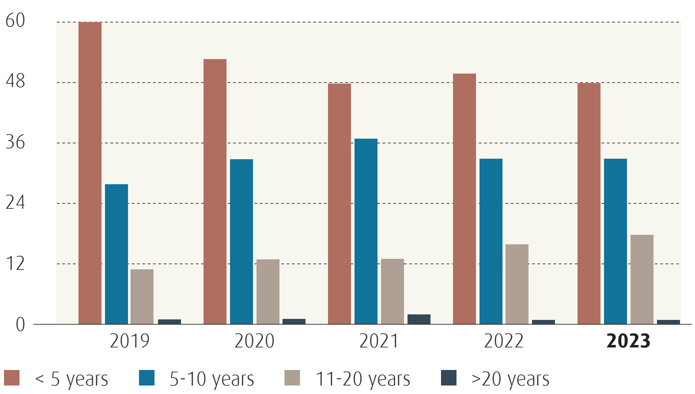
Length of service

%



Change of length of service

Nos.



It is noteworthy that Senkadagala Finance managed to improve its staff turnover which reduced to 12.6% in 2023 from 17.02% in 2022, in a backdrop where increasing staff turnover was experienced by many entities across all sectors.

Training and Development

As the economic crisis deepened, causing power cuts and hampering travelling, the Company was compelled to conduct virtual training in most cases and cancel physical training sessions. We plan to devise and implement a robust training schedule in 2023, to compensate for the shortfalls in 2022.

A total of 1931 man-hours of training was provided to our employees, on a variety of topics. These included baseline training such as Anti-Money Laundering Concepts, Know Your Customer regulations to frontline and operational staff and audit, compliance and business model training sessions offered to new recruits, senior and management level staff. Interspersed between these functional related training were motivational training sessions, geared at upgrading the soft skills and personal development of the employees. Though we were able to conduct a reduced number of training sessions on all aspects in 2022/23, these were well received by all levels of employees.

Sound Policies, Procedures and Staff Welfare

Recruitment procedure

From the point of publishing vacancy advertisements in the press, online, and social media platforms, the recruitment process functions according to the recruitment procedure laid down by the Company's Human Resources Department. All cadres face a first interview with the HR team and candidates for senior or managerial appointments face further interviews with the Senior Management, including the CEO. Where necessary induction training takes place within a month of recruitment. While performance evaluation takes place for all employees, a unique process is in place for sales and marketing staff, measuring their success individually, branch wise and regionally.

Occupational health and safety

Ensuring the health and safety of our employee capital is of paramount importance to us as a well-established and a reputed Company. A Life and Fire Safety Officer is on location at all properties owned or operated by the Company and the staff is required to fully cooperate with him, in emergency situations. In addition, staff awareness is created through various procedures and policies empowering them to be fully involved in ensuring their workspaces are free of any threat to their health and safety. Office ergonomics is well monitored and we encourage the staff to notify their supervisor, manager, or assistant manager in case of any threat to their safety or injury arising out of any lapse in that area.

Fire protection

The Company adheres to a clearly defined fire policy and the staff is periodically trained in evacuation procedures. We also encourage staff to alert the respective manager or department head, in case of any perceived fire threat, arising out of poor organisation of office areas or blockage of fire exits.

When constructing or revamping branches, fire security assessment is carried out as a priority, complying with the local regulations and requirements. Fire safety equipment is tested on a timely basis while an officer, "Life and Fire Safety in Charge", is appointed at each branch or department.

Security

A robust security system is in place at all premises with security personnel and CCTVs being strategically located. All our premises are well covered to avert any threat from external sources. Once our employees enter their working space with the Company, they are assured of protection to their person and property.

Employee grievance handling procedure

As a Company that believes in and practices two-way-communication, we encourage our employees to voice their concerns and grievances to the relevant authorities in the Company. As a corporate steeped in a culture of active interaction, we provide a safe space for our employees to engage in this process, without the fear of backlash. Grievances should always be presented to the immediate superior first, unless he or she is the cause of the grievance. Escalation then takes place from the department head or branch head level, head of HR, right up to the MD or CEO, if the grievance has not been addressed at a particular level, and resolved within five days from being voiced.

In addition, the Whistle-blower Policy allows any employee to directly address their concerns to the Senior Management, if and when it is felt needed to do so.

Personal Well-being

Medical benefits are provided through the Hospital and Surgical Insurance Policy, while a Personal Accident Policy is in place for eventualities.

Maternity leave is provided as per the Shop and Office Act and the Company has laid down a paternity leave policy to provide a maximum of 30 days paid leave for those employees who have completed five years of service with the Company.

As work-life balance underscores an employee’s personal well-being, stress levels, satisfaction levels, and improves retention with the Company, we have devised ways and means to address these in many ways. We place recruits closer to home branches, allow flexible working hours, and have created a pleasant and hazard-free working environments, to augment this concept.

Senkadagala Finance is hands-on with all its stakeholders. As such we place great value in our Employee Capital which is our face to the customers in a strongly competitive finance industry. As an ethical employer we provide for and safeguard our employees, adhere to all regulatory and industry standards required from us and go beyond, when their health and safety require immediate and undivided attention from us, as their employer.

SOCIAL AND ENVIRONMENTAL CAPITAL

With its fifty-four year history, Senkadagala Finance PLC is a well-respected financial institution that is fully cognisant of its responsibility and accountability towards the preservation of the social and environmental wealth of the country, and its ecosystem. All of its efforts, while focused on conducting a sustainable business, are geared to encompass the wider responsibility in these areas.

Supporting the Underfinanced

Our main focus is to support and empower the underbanked or un-banked segments of society, where financial inputs are pivotal to engage in income generating activities. With our wide reach across the island, we can say with some pride that we have tapped well into this segment and contributed significantly to upgrading their livelihoods and well-being in general. Our products and services are geared to suit the needs of entrepreneurs and small and medium enterprises, which comprise a large segment of the country's economic activity. Whether it is a loan, a leasing product, pawning, deposit or asset management, we intrusively focus on the needs of the community we serve, offering them a premium service at a reasonable price. As we do not engage in price-wars, we are capable of defining our product to suit the need of the hour, rather than concentrate purely on an economic gain for ourselves.

Our long experience in the industry that creates the deep brand loyalty has allowed us this convergence of mutual benefit; of a satisfied and loyal customer and a sustainable business in the long-term.

Protecting the Environmental Capital

Based on the Company's vision for a sustainable environment, effective environment and social management practices are embedded into all of its operations and businesses. The Environmental and Social Management System (ESMS) was implemented as a prerequisite to a loan agreement partnership with the International Finance Corporation (IFC). This helps us to screen the customer projects and businesses against an exclusion list to finance only those projects that do not adversely impact the environment. Assessing the many projects our customers embark on which we are considering to finance, is a primary requirement before granting any facility to a customer.

Though the financial sustainability of the business is a key focus, Senkadagala Finance does not involve itself in projects that compromise the preservation and conservation of the environment for profit. As an ethical and responsible corporate citizen, the Company complies with all regulatory requirements that enforce environmental sustainability, transparency is non-negotiable, as we apply the many requirements of ESMS to our day-to-day business. ESMS principles and their applicability to customers were communicated via an addendum added to the loan agreement.

We also help our customers ascertain and evaluate their projects and businesses from an eco-compliant view and help them identify, mitigate, and manage any environmental and social risks prior to disbursing funds. As such, we do not limit ourselves to placing a document in the hands of the customer, but walk an extra mile to ensure their projects indeed, are environmentally compliant.

Focusing on the Imperatives

National and international best practices are woven into the Company's business with the customer at each step of the way. Those footprints are integrated into customer projects as soon as practicable to do so.

The Company's reputation as a financial intermediary is a key factor in its success and sustainability. As a stalwart in the industry, its influence on its customers to apply these principles cannot be underestimated. In the same vein, it conducts its many corporate operations and businesses underscoring the high value it has placed on its environmental and social capital that seeps across all of its staff cadres.

Green Initiatives

Reducing paper-dependency within the Company, Senkadagala Finance introduced an Online Document Retrieval System that significantly reduced the need to reproduce further physical copies, contributing to its commitment to a lean green office operation. The system has also supported a quicker loan approval process improving product disbursement timeliness to the customer and staff productivity.

Replication of documents for storage was discontinued saving costs on storing, binding and other resources needed to manage the process. Online Document Retrieval allows the staff the comfort of retrieving previous documents when needed, which has also improved on the turnaround times to the customer, while significantly reducing costs.

The Company has also digitised its staff claim approval process, further helping to cut down paper consumption at branch level. Recycling of used paper continues as a practice as well as reuse of envelopes for internal purposes.

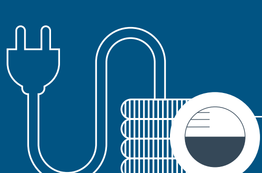
In the foregoing year, all payment processes were digitalised. This enabled the Company to greatly improve processing times while reducing costs on courier and reproducing documentation. Reducing the size of receipts provided to customers, opting to email monthly statements, opting for SMS or electronic communication on payment reminders and other customer communications helped to further reduce the paper consumption of the Company, furthering the green initiatives and reducing operational costs as well.

Conserving Energy – The Need of the Hour

Given the acute energy crisis that enveloped 2022, the Company's decision to install energy efficient systems paid off in the long run, although it required an initial investment. Newly installed Inverter Air Conditioners also help conserve power, reducing energy costs. All future construction are planned to be equipped with solar energy, while staff awareness is created about energy reducing practices in the workplace.

	2023	2022	2021	2020	2019
Electricity expenses (LKR)	**51,917,203**	43,264,306	45,429,979	48,737,658	46,192,370
Number of units	**1,495,376**	1,701,143	1,750,041	1,802,953	1,776,729
Water expenses (LKR)	**1,674,907**	1,358,024	1,268,617	1,257,440	1,146,917
Number of units	**12,117**	15,069	14,072	13,951	13,269

Conservation of energy and water in 2022/23



Electricity expenses **20.00%**

Number of units **-12.10%**

Water expenses **23.33%**

Number of units **-19.59%**

Senkadagala Finance is committed to conserving the environmental and social capital that is at the core of its many functionalities and diligently seeks ways and means to ensure that none of its activities negate this commitment that has far reaching consequences for the nation as a whole.

SHAREHOLDER AND INVESTOR CAPITAL

Listed as a Public Limited Company in 2011 in the DiriSavi Board of the Colombo Stock Exchange, Senkadagala Finance today stands as an institution that has gained its shareholder and investor trust and confidence for the long term. Its modest beginnings and current standing in the finance industry are evidence as to the value based foundation from which it continues to conduct its business across the island.

All of Company's shares carry voting rights, one vote per share. There are no other share categories currently available. The shareholder portfolio, comprising of both institutions and individuals, stands at 86,279,834 as of 31 March 2023.

Shareholder Information

Twenty largest shareholders

As at 31 March	2023		2022	
	Number of shares	% of holding	Number of shares	% of holding
E W Balasuriya & Co. (Pvt) Limited	44,781,393	51.90	44,781,393	51.90
Hallsville Trading Group Inc.	7,088,562	8.22	7,088,562	8.22
Dr (Mrs) G Madan Mohan	5,926,720	6.87	5,926,720	6.87
Mr R Balasuriya	5,926,719	6.87	5,926,719	6.87
Late Dr M Balasuriya	4,172,046	4.84	4,172,046	4.84
Dr A Balasuriya and Mr D Balasuriya	2,963,360	3.43	2,963,360	3.43
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,963,360	3.43
Dr A Balasuriya and Mr S Balasuriya	2,963,358	3.43	2,963,358	3.43
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,963,358	3.43
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,735,089	2.01
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,735,088	2.01
Ms L Fernando and Ms A L Fernando	1,735,088	2.01	1,735,088	2.01
Mr D K C R Fernando	721,444	0.84	721,444	0.84
Mrs C Fernando	185,237	0.21	185,237	0.21

As at 31 March	2023		2022	
	Number of shares	**% of holding**	Number of shares	% of holding
Estate of the late Mr D G K Hewamallika	**172,888**	**0.20**	172,888	0.20
Mr I M Thaha	**144,073**	**0.17**	144,073	0.17
Mr M M Ariyaratne	**37,680**	**0.04**	37,681	0.04
Mr P P K Ikiriwatte	**16,977**	**0.02**	16,977	0.02
Mr J K Jayatileke	**16,963**	**0.02**	16,963	0.02
Mrs S Thaha	**14,408**	**0.02**	14,408	0.02
Total	**86,263,811**	**99.97**	86,263,812	99.97

Directors' Shareholdings

As at 31 March	2023		2022	
	Number of shares	**% of holding**	Number of shares	% of holding
Dr A Balasuriya and Mr D Balasuriya	**2,963,360**	**3.43**	**2,963,360**	3.43
Mr L Balasuriya and Mr S K Balasuriya	**2,963,360**	**3.43**	**2,963,360**	3.43
Dr A Balasuriya and Mr S Balasuriya	**2,963,358**	**3.43**	**2,963,358**	3.43
Mr L Balasuriya and Ms A S Balasuriya	**2,963,358**	**3.43**	**2,963,358**	3.43
Ms L Fernando and Ms S A Fernando	**1,735,089**	**2.01**	**1,735,089**	2.01
Ms L Fernando and Mr A R Fernando	**1,735,088**	**2.01**	**1,735,088**	2.01
Ms L Fernando and Mr A L Fernando	**1,735,088**	**2.01**	**1,735,088**	2.01
Mr L Balasuriya – The Trustee of the Capitalisation Issue	**16**	**0.00**	**16**	0.00
Mr S D Bandaranayake	**–**	**0.00**	**–**	0.00
Mr W M R S Dias	**–**	**0.00**	**–**	0.00
Mr R Senanayake	**–**	**0.00**	**–**	0.00
Mr N Vasantha Kumar	**–**	**0.00**	**–**	0.00
Dr (Ms) R A Perera	**–**	**0.00**	**–**	0.00

Distribution of Shareholders

As at 31 March	2023			2022		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
1 – 1,000	**173**	**8,426**	**0.01**	160	10,688	0.01
1,001 – 10,000	**5**	**7,597**	**0.01**	3	5,334	0.01
10,001 – 100,000	**4**	**86,028**	**0.10**	4	86,029	0.10
100,001 – 1,000,000	**4**	**1,223,642**	**1.42**	4	1,223,642	1.42
1,000,001 – 10,000,000	**11**	**40,172,748**	**46.56**	11	40,172,748	46.56
Over 10,000,000 shares	**1**	**44,781,393**	**51.90**	1	44,781,393	51.90
	198	**86,279,834**	**100.00**	183	86,279,834	100.00

Residential and Non-residential Shareholders

As at 31 March	2023			2022		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
Resident shareholders	**197**	**79,191,272**	**91.78**	182	79,191,272	91.78
Non-resident shareholders	**1**	**7,088,562**	**8.22**	1	7,088,562	8.22
	198	**86,279,834**	**100.00**	183	86,279,834	100.00

Institutional and Individual Shareholders

As at 31 March	2023			2022		
	Number of holders	Number of shares	%	Number of holders	Number of shares	%
Institutions	**11**	**51,874,379**	**60.12**	13	51,875,252	60.12
Individuals	**187**	**34,405,455**	**39.88**	170	34,404,582	39.88
	198	**86,279,834**	**100.00**	183	86,279,834	100.00

Ratios and Performance Indicators

As at 31 March	2023	2022	2021	2020	2019
Earnings per share (LKR)	**5.16**	10.97	7.20	3.14	13.12
Dividends per share (LKR)	**0.65**	1.40	1.16	–	2.15
Net assets per share (LKR)	**92.44**	88.62	82.23	74.65	73.09
Price earnings ratio (times)	**58.24**	49.34	12.77	29.30	6.86
Price to book value ratio (times)	**3.25**	6.11	1.12	1.23	1.23
Dividends yield (%)	**0.22**	0.26	1.26	–	2.39

Market Price and Trade Information

As at 31 March	2023	2022
Market prices		
Highest price (LKR)	**475.00**	1,564.00
Lowest price (LKR)	**251.00**	70.00
Last traded price (LKR)	**300.50**	541.25
Last traded date	**29 March 2023**	30 March 2022
Number of trades	**359**	1,643
Number of shares traded	**3,614**	37,672
Value of shares traded (LKR)	**1,347,804**	21,198,282

Information on Public Holding and Market Capitalisation

As at 31 March	2023	2022	Minimum requirement
Public holding (%)	**21.42**	21.43	7.50
Number of public shareholders	**186**	172	200
The float adjusted market capitalisation (LKR)	**5,553,582,703**	10,007,587,161	1,000,000,000

The float adjusted market capitalisation of the Company falls under Option 1 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange. As at 31 March 2023, the Company was not in compliance with the minimum number of shareholders required therein.

Dividend Policy

Earnings after tax, capital ratios, liquidity position, and requirements for investments for future growth and industry practices are some of the factors that are taken into consideration, when distributing dividends. Added to these, the uncertain economic outlook due to continued onslaught on the economy in 2022 was factored in, for dividend distribution for the year.

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

For the year ended 31 March	2023			2022		
	Amount LKR	**DPS LKR**	**Paid date**	Amount LKR	DPS LKR	Paid date
Final dividend proposed*	**56,081,892**	**0.65**	**Subject to AGM approval**	120,791,768	1.40	21 September 2022
Total dividends proposed for the year	**56,081,892**			120,791,768		
Earnings for the year	**445,051,362**			902,971,209		
Dividends pay-out ratio (%)	**12.60**			13.38		
Earnings retention ratio (%)	**87.40**			86.62		

* *Declaration of dividend is subject to the Company receiving approval from the Central Bank of Sri Lanka, in advance of the Annual General Meeting.*

Information on Listed Debentures

Listed debentures are a reliable source of funding for corporates. It also allows the investors to reap benefits of favourable market movements and realise the gains. The Company has a subordinated listed debenture in issue as at 31 March 2023. Salient features of the debentures are given below.

	August 2019/24
Instrument	Subordinated, Unsecured, Redeemable, Rated
Listing	Main Board of the Colombo Stock Exchange
Redemption	Redeemable
Number of debentures	17,500,000
Issue price (LKR)	100.00
Tenure	5 years
Date of issue	August 2019
Date of maturity	August 2024
Interest rate (%)	Fixed coupon of 12.875% p.a.
Frequency of interest	Semi-annually
Effective annual yield (%)	13.29
Interest of comparable government securities (%)	27.25
Credit rating by Fitch Ratings Lanka Limited	BBB- (lka) RWN
Total value (LKR)	1,750,000,000
Market information	
Highest traded value (LKR)	100.01
Lowest traded value (LKR)	100.01
Last traded value (LKR)	100.01
Current yield (%)	12.87
Yield to maturity (%)	12.86

There were no redemptions of listed debentures during the financial year under review.

The subordinated debenture issue in August 2019 was primarily with the objective of strengthening the capital structure of the Company. Proceeds were utilised to finance leasing and other lending of the Company. Details of utilisation of funding are given below:

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

Other Financial Information

	2023	2022	2021	2020	2019
Debt to equity ratio (Times)	**2.04**	2.47	3.14	2.96	3.77
Interest cover (Times)	**1.14**	1.49	1.22	1.14	1.25

Capital Adequacy Ratio

The Capital Adequacy Ratios of a financial institution, are mandated by the regulator (CBSL) to ensure the financial stability of the Company and its ability to meet with the many commitments it has towards its customers. Adequate capital is the cornerstone that supports the resilience of the institution in adverse economic conditions and this was put to the litmus test in the year 2022. The CBSL has issued a number of directives, to govern the capital positions of NBFIs.

Finance Companies (Capital Funds) Direction No. 01 of 2003 – specifies that every finance company should maintain capital funds which shall at all time be more than 10% of its total deposit liabilities. It also requires NBFIs to maintain a Statutory Reserve Fund constituting a fraction of its net profits for the year, based on the ratio of capital funds to total deposit liabilities.

Finance Companies (Capital Adequacy Requirement) Direction No. 03 of 2018 – requires that LFCs maintain core capital at a level not less than 8.5% of its risk weighted assets, with the total capital constituting not less than 12.5% of its risk weighted assets with effect from July 2022. For LFCs with an asset base of LKR 100 Bn. and above the limits are set at 10% and 14% respectively. Detailed computation of the capital ratios of the Company are provided in Note 52.8 on page 275 of the Financial Statements.

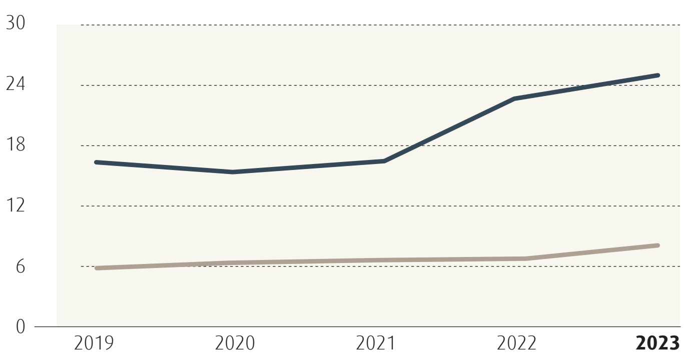
Finance Companies (Minimum Core Capital) Direction No. 02 of 2017 – requires the LFCs to maintain an unimpaired core capital not less than LKR 2.5 Bn. from 1 January 2021.

Surpassing the Regulatory Requirement

We are pleased to record that Senkadagala Finance continued to surpass the regulatory requirement of the core capital ratio of 8.50% achieving a 25.12% and the total capital ratio requirement of 12.50% achieving a 28.19% in the year under review.

Core capital ratio

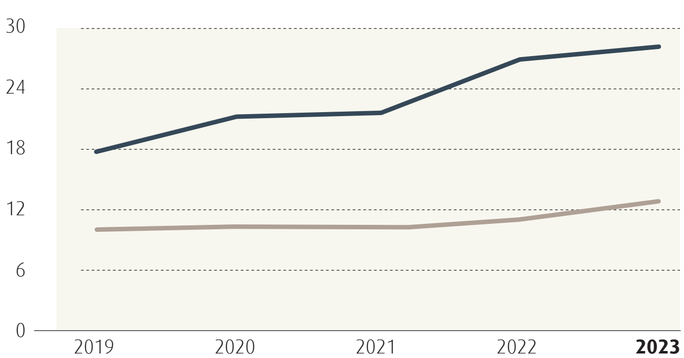
%



Senkadagala Finance PLC   CBSL minimum requirement

Total capital Ratio

%



Senkadagala Finance PLC   CBSL minimum requirement

Our Active Commitment

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

Senkadagala Finance is committed to ensuring that it functions within or above the regulatory mandated capital adequacy ratios and other statutory reserve funds. Understanding the importance of healthy capital positions, Senkadagala Finance continues to surpass the regulatory capital requirements. As at 31 March 2023, the Company recorded a core capital ratio of 25.12% and a total capital ratio of 28.19%. The Company maintains a Statutory Reserve Fund, amounting LKR 531 Mn. as at 31 March 2023. LKR 25 Mn. out of profits for the year was transferred to the said fund. The Company retained LKR 329 Mn. out of profits to support future growth and to strengthen the capital base of the Company.

WE ARE COMMITTED TO PROTECTING OUR BUSINESS AND THE INTERESTS OF ALL OUR STAKEHOLDERS

Governance

BOARD OF DIRECTORS' PROFILES

Mr W M R S Dias
CHAIRMAN

Date of appointment
15 August 2014

Skills and experience
Mr Dias is a Fellow of the Chartered Institute of Bankers, UK. He is also a Hubert Humphrey Fellow and holds a Bachelor's Degree in Law (LLB).

Other appointments
He serves on the Boards of Seylan Bank PLC and Ceylon Tea Marketing as their Chairman, and as a Director on the Boards of Carson Cumberbatch PLC and Tokyo Cement (Lanka) PLC. He also serves as a member of the Board of Directors of United States-Sri Lanka Fulbright Commission.

Previous appointments
After long and successful years of service, he retired as the Managing Director/Chief Executive Officer of Commercial Bank of Ceylon PLC. He also served on the Boards of LankaClear (Pvt) Ltd., Lanka Financial Services Bureau Ltd., Commercial Development Company PLC, Commercial Insurance Brokers (Pvt) Ltd., McLarens Holdings Ltd., and was a Council member of the Employers' Federation of Ceylon.

Mr Lakshman Balasuriya
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Date of appointment
7 July 1981

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

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

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

Dr Asoka Balasuriya
EXECUTIVE DIRECTOR

Date of appointment
29 January 1984

Skills and expertise
Holder of a Bachelor of Science and a PhD from the University of London, Dr Balasuriya's specialisation is in the field of gems and jewellery, spanning over thirty-eight years.

Other appointments
He is a Director of Senkadagala Hotels Ltd., Thompsons Beach Hotels Ltd., Senkadagala Insurance Brokers (Pvt) Ltd., and is the Chairman of E W Balasuriya & Co. (Pvt) Ltd.

Ms Lakshmi Fernando

EXECUTIVE DIRECTOR

Date of appointment
24 February 1996

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

Other appointments
In addition to being the Executive Director of Senkadagala Finance, she is a Director on the Boards of Thompsons Beach Hotels Ltd., Senkadagala Hotels Ltd., Senkadagala Insurance Brokers (Pvt) Ltd., and E W Balasuriya & Co (Pvt) Ltd.

Mr Sanath Divale Bandaranayake

EXECUTIVE DIRECTOR/ADDITIONAL CEO

Date of appointment
1 January 2014

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

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

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

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

Mr Raja Senanayake

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment
1 April 2017

Skills and expertise
Holder of FCA, BCom (Special) (USJ), PG Dip (BMgt), Mr Senanayake completed his Articles with Messrs Ernst & Young, qualifying as a Chartered Accountant. He counts over 33 years of experience in banking, finance, and accounting fields.

Other appointments
Mr Senanayake serves as an Independent Non-Executive Director of Commercial Bank of Ceylon PLC. He is a Director of Virtual Capital Technologies (Pvt.) Ltd., a software development company that specialises in enterprise solutions in the real estate, retail and telecom spaces catering to the New Zealand and the Australian markets.

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

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

Mr Namasivayam Vasantha Kumar

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment
1 July 2019

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

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

Previous appointments
A former CEO/General Manager of People's Bank, Mr Vasantha Kumar had served as President of the Association of Primary Dealers and Sri Lanka Forex Association and as Treasurer to the former ANZ Grindlays Bank, Colombo, for many years.

Dr Roshan Anne Perera

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment
1 September 2020

Skills and expertise
Dr Perera is qualified in a variety of disciplines from world renowned Universities. Obtaining her Master of Economics and a Bachelor of Arts in Economics qualifications from the University of Colombo, she ventured onto securing a Master's in Public Administration as an Edward S Mason Fellow at the John F Kennedy School of Government at Harvard University USA, a PhD in Economics from the University of Melbourne Australia, and a Master's in Environmental Geography from the University of Illinois in Chicago, IL, USA.

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

Other appointments
She presently works as an independent consultant to multilateral agencies both in Sri Lanka and abroad.

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

CORPORATE GOVERNANCE

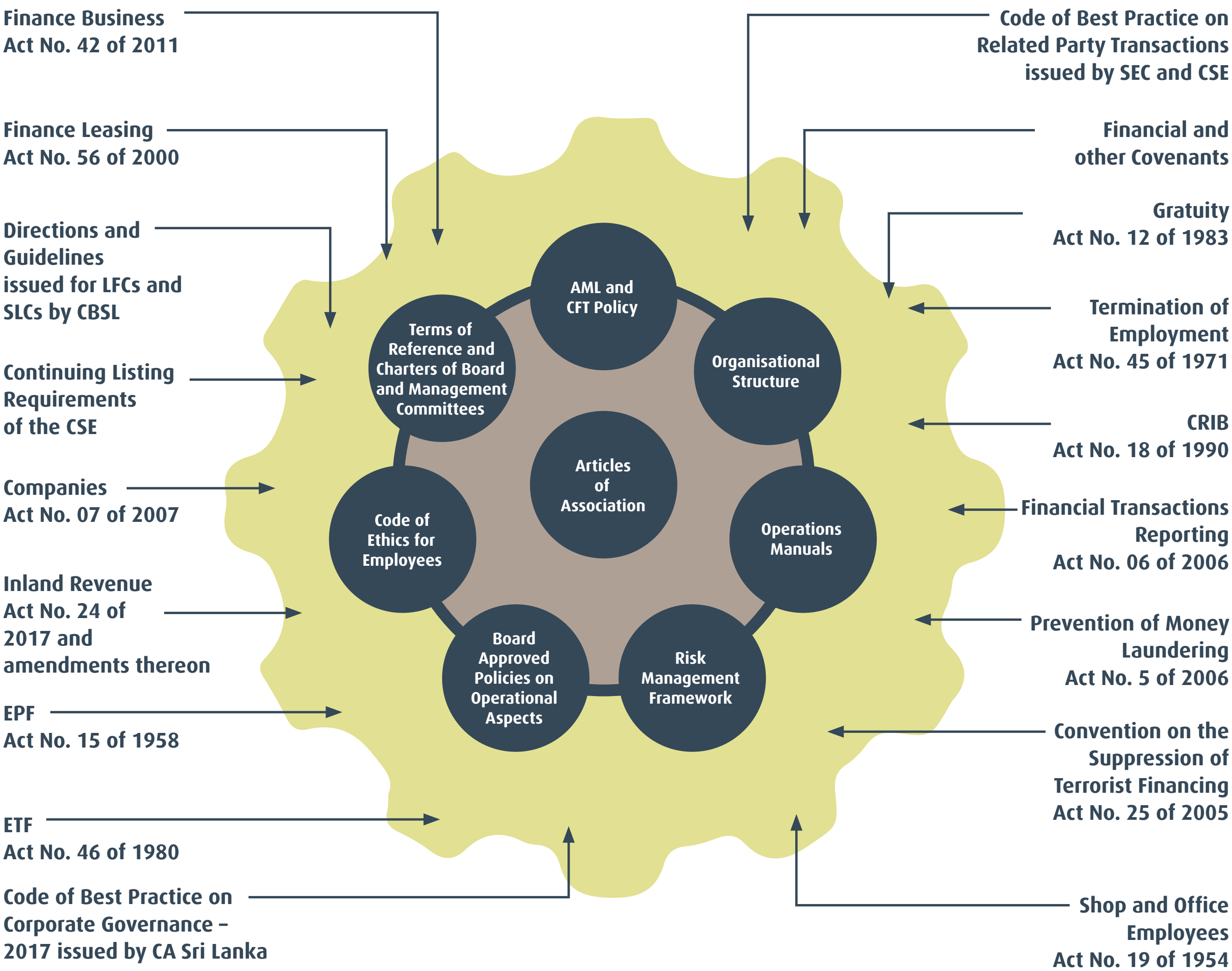
The Company's corporate governance framework is firmly established on the principles of collaboration, independence, ethical conduct, and a focused approach, ensuring effective governance within the organisation. For this purpose, the Board has laid a robust foundation through its governance philosophy, which is elaborated in this section. Further. it outlines the Company's business practices, leveraging numerous opportunities, and effectively addressing the challenges posed by the ever-changing business landscape, all while maintaining a harmonious equilibrium between stakeholder rights and responsibilities.

Corporate governance is defined as the system by which companies are directed, managed, and controlled, ensuring transparent and accountable management of the Company's affairs, including the conduct of the Board. Therefore, at Senkadagala Finance PLC, we place great importance on adhering to and implementing sound principles and practices of corporate governance derived from its inception and through the ages. The Company's commitment to these principles and practices ensure that its operations are carried out effectively, transparently, and they are communicated throughout all branches and departments within the organisation. The Board declares that the Company has not engaged in any activity, which contravenes laws and regulations during the financial year.

The governance of a financial institution should aim to safeguard the interests of all stakeholders, including shareholders, customers, employees, suppliers, regulators, depositors, and the general public. The Board declares that the Company has made all endeavours to ensure the fair treatment for all stakeholders, in particular the depositors. In light of this, the Board of Directors, followed by the Management Committee, assumes the overall responsibility for governing the Company, exercising leadership and oversight to ensure transparent, sound, and prudent business practices. The Board, in fulfilling its duties, establishes policies, procedures, and practices that promote seamless operations while providing the necessary financial, human, and other resources to achieve corporate objectives. The Company excels in financial reporting, which enhances the transparency factor which is a crucial aspect of practicing sound corporate governance. The governance framework, encompassing policies, procedures, structures, and processes, undergo regular review to identify areas for improvement and address any gaps, ensuring the entire framework remains relevant and conducive to value creation for all stakeholders and growth.

The Governance Environment of the Company

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



Corporate Governance Structure of the Company

Shareholders

Appoint

Reports to

Main Board

Chairman
Governance of the Board

Independent Non-Executive Directors (Including the Chairman) – 4

Executive Directors – 4

Overall conduct of the business and implementing strategy

Appoints

Reports to

Board Committees

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

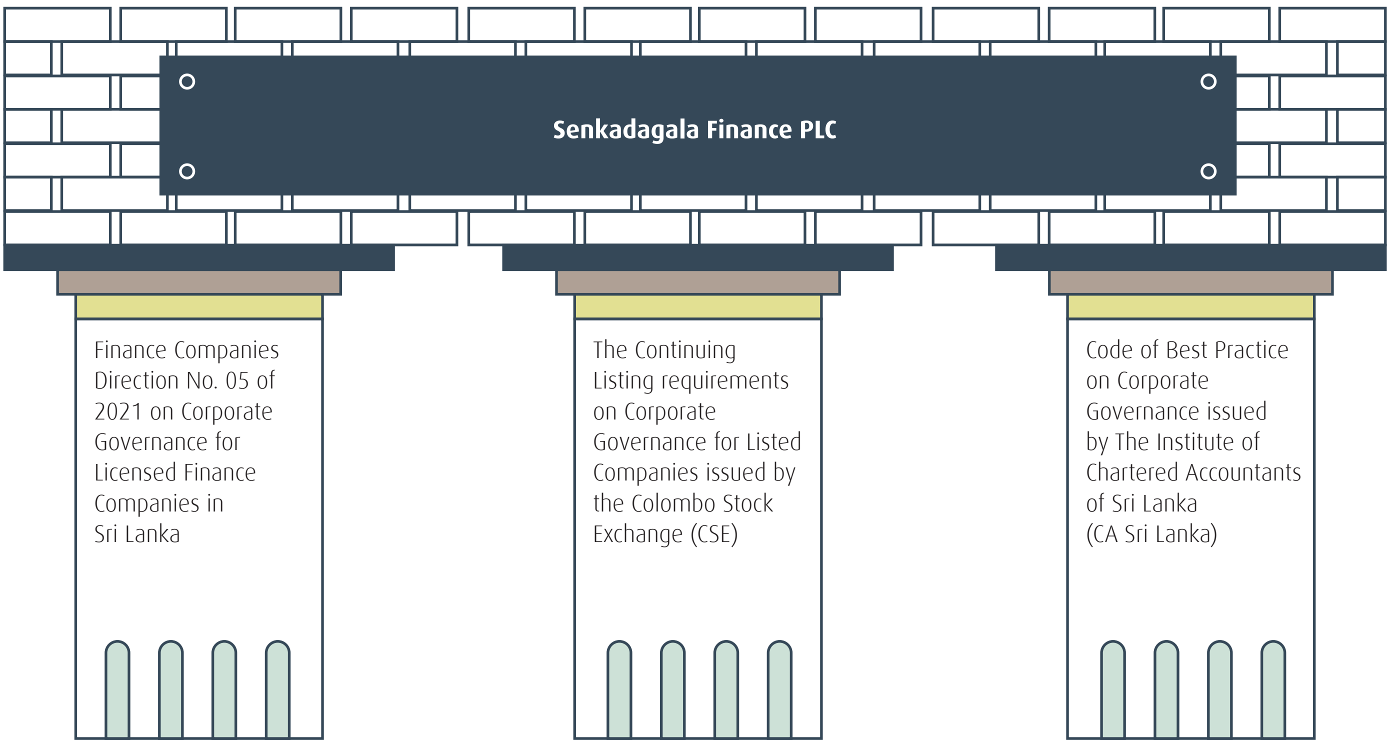
Executive Management Committee

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

Key objective

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

Codes Complied by the Company



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

With transitional provisions applicable, during which time the relevant Directions under Finance Companies (Corporate Governance) Direction No. 03 of 2008 should be followed.

This Direction comprises of sixteen fundamental principles in comparison to the nine principles of the previous Direction. They are;

1. Board's Overall Responsibilities
2. Governance Framework
3. Composition of the Board
   (Certain sections applicable with effect from 1 July 2024)
4. Assessment of Fitness and Propriety Criteria
5. Appointment and Resignation of Directors and Senior Management
6. The Chairperson and the CEO
7. Meetings of the Board
8. Company Secretary
   (Certain sections applicable with effect from 1 July 2024)
9. Delegation of Functions by the Board
10. Board Sub-Committees (applicable with effect from 1 July 2024)
11. Internal Controls
12. Related Party Transactions
    (Certain sections applicable with effect from 1 July 2024)
13. Group Governance
14. Corporate Culture
15. Conflicts of Interest
16. Disclosures

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

CBSL rule	Corporate governance principle	Compliance status	Level of compliance

1. Board's overall responsibilities

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
1.1	The Board shall assume overall responsibility and accountability for the operations of the finance company	Complied	The Board assumes overall responsibility and accountability for the operations, by setting up the strategic direction, governance framework, establishing corporate culture, and ensuring Compliance with regulatory requirements.
1.2	Business strategy and governance frameworks	Complied	The Board approves the business strategy with measurable goals for next three years, and oversees the implementation, annual review and update of the overall business strategy. The governance framework is established according to size, complexity, business strategy, and regulatory requirements of the Company. The Board assesses the effectiveness of the governance framework periodically. The Board appoints the Chairperson and the Chief Executive Officer (CEO) and defines their roles and responsibilities.
1.3	Corporate culture and values	Complied	The Board ensures that there is a sound corporate culture within the Company, which reinforces ethical, prudent and professional behaviour. The Board plays the leading role in establishing the Company's corporate culture and values, which includes developing a code of conduct and managing conflicts of interest. The Board promotes sustainable finance by including appropriate Environmental, Social and Governance (ESG) considerations in the business strategy. The Board approves the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors. This is with the view of projecting a balanced view of the Company performance, position, and prospects for the public and regulators.
1.4	Risk appetite, risk management and internal controls	Complied	The Board establishes and reviews the Risk Appetite Statement (RAS) in line with the approved business strategy and governance framework. The Board enacts the implementation of appropriate systems and controls to identify, mitigate, and manage risks prudently. The Board adopts and reviews the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically. The Board approves and oversees the business continuity and disaster recovery plan of the Company, to ensure stability, financial strength, and preserve critical operations and services if unforeseen circumstances impact the operations.

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

2. Governance framework

2.1	Board shall develop and implement a governance framework	Complied	The Board implements the governance framework within the Company, which encompasses the requirements specified in the Direction.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance

3. Composition of the Board

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
3.1	The Board's composition shall ensure a balance of skills and experience	Complied	The Board's composition includes members with the necessary skills and experience as required and appropriate for the requirements of the size, complexity, risk profile, and strategic goals of the Company.
3.2	Number of Directors on the Board	Complied	This section is effective from 1 July 2024, until such time section No. 4 of Direction No. 3 of 2008 is applicable. There were eight Directors on the Board as at the end of the financial year.
3.3	Total period of service of a Director	Complied	Please refer page 93 for the period of service for each Director.
3.4	Exception for the nine year rule for Non-Executive Directors	Not applicable	There were no such situations that arose during the financial year.
3.5	Executive Directors	Partially complied	This section is effective from 1 July 2024, until such time section No. 4 of Direction No. 3 of 2008 is applicable. Two Executive Directors are being reappointed (in the financial year 2023/24) as Non-Executive Non-Independent Directors to be compliant with this section. All other areas are complied with. Please refer pages 62 to 65 for the composition of the Board and the designations of the Board members.
3.6	Non-Executive Directors	Complied	Please refer pages 62 to 65 for the composition of the Board and the designations of the Board members.
3.7	Independent Directors	Complied	This section is effective from 1 July 2024, until such time section No. 4 of Direction No. 3 of 2008 is applicable Please refer pages 62 to 65 for the composition of the Board and the designations of the Board members.
3.8	Alternate Directors	Not applicable	No such situation arose during the financial year.
3.9	Cooling off periods	Not applicable	No such situation arose during the financial year.
3.10	Common Directorships	Complied	No such situation arose during the financial year. Please refer the Board of Directors' Profiles section from pages 62 to 65, for information on other Directorships held by the members of the Board.
3.11	A Director shall not hold office as a Director or any other equivalent position in more than 20 organisations	Complied	Non of the Directors of the Company hold Director positions in more than 20 organisations. Please refer the Board of Directors' Profiles section from pages 62 to 65, for information on other directorships held by the Board members.

4. Assessment of Fitness and Propriety Criteria

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4.1	No person shall act as a Director unless that person is a fit and proper person in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021	Complied	The CBSL granted approval for the four Independent Directors and requested changes (refer 3.5 above) and additional information to proceed in relation to three Executive Directors. Necessary information, approvals and details have been submitted. The Company is awaiting the CBSL approval for the same.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4.2	A person over the age of 70 years shall not serve as a Director	Complied	Mr S D Bandaranayake who reached the age of 70 years in September 2022 continues to function as an Executive Director of the Company on receiving approval of the Monetary Board of the Central Bank of Sri Lanka in line with the provisions of the Direction No. 05 of 2021. Please refer page 93 for the composition of the Board and the age of the Board members.
4.3	A person who attains age of 70 can continue as a Director with regulatory approval	Complied	

5. Appointment and resignation of Directors and Senior Management

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
5.1	Appointments and resignations of KRP to take place in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021	Complied	Appointments, resignations, or removals of Key Responsible Persons (KRP) will be carried out according to the specifications of the Direction. No such situation arose during the financial year.

6. The Chairperson and the CEO

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO	Complied	The roles of Chairman and CEO are segregated and are not performed by the same person.
6.2	The Chairperson shall be an Independent Director;	Complied	The Chairman, Mr W M R S Dias is an Independent Non-Executive Director. The composition and the designations of the Board members together with a brief profile is provided on pages 62 to 65 of this Report.
6.3	In case where the Chairperson is not independent	Not applicable	The Chairman of Senkadagala Finance PLC, Mr W M R S Dias is an Independent Non-Executive Director.
6.4	Responsibilities of the Chairperson	Complied	The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner. The Board Secretary prepares the agenda for Board meetings under the direct supervision of the Chairman. The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the date of the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. The Chairman ensures full and active contribution of all members of the Board including executive and non-executive members, and maintains the balance of power between the two parties. The Chairman does not engage in activities involving the direct supervision of Senior Management on operational activities. Chairman takes the lead in implementing decisions and directions by the regulators.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
			Chairman ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. Chairman carries out an annual assessment on the performance and the contribution of the Board and the CEO, during the past 12 months.
6.5	Responsibilities of the CEO	Complied	CEO implements business and risk strategies in order to achieve the established strategic objectives. CEO establishes a management structure that promotes accountability and transparency throughout the operations and preserves the effectiveness and independence of control functions. He promotes a sound corporate culture within the Company, while reinforcing ethical, prudent and professional behaviour. CEO ensures the implementation of proper compliance culture and being accountable for accurate submission of information to the regulator where applicable. Works to strengthen the regulatory and supervisory compliance framework. He addresses the supervisory concerns and any situations of non-compliance with regulatory requirements or internal policies, in a timely and appropriate manner. CEO devotes the whole of his professional time to the service of Senkadagala Finance PLC, and only carries on any other business in the capacity of a Non-Executive Director.

7. Meetings of the Board

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
7.1	The Board shall meet at least twelve times a financial year	Complied	Twelve meetings have been held in the financial year. Please refer page 93 for the Board meetings and their attendance details.
7.2	Inclusion of proposals by all Directors in the agenda	Complied	All Directors are able to submit proposals for discussion on matters pertaining to promotion of business and the risk management of the Company.
7.3	Notice of meetings	Complied	Directors are given adequate time and a minimum notice period for all Board meetings.
7.4	Directors shall devote sufficient time to prepare and attend Board meetings	Complied	All Directors contribute actively to matters arising at Board meetings and actively contribute by providing views and suggestions.
7.5	Meetings should constitute of 1/4th of the quorum as Independent Directors	Complied	All meetings have always had more than the minimum requirement of Independent Directors present. Please refer page 93 for the Board meetings and their attendance details.
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, at least twice a year.	Partially complied	The Chairman can meet with Non-Executive Directors without the presence of Executive Directors if necessary twice a year when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
7.7	A Director shall abstain from voting on any Board resolution where that Director has a conflict of interest	Complied	No such situation arose during the financial year. In any such situations, the Direction will be followed.
7.8	Attendance of Directors	Complied	All Directors have attended the Board meetings as stipulated by the Direction. Please refer page 93 for the Board meetings and their attendance details.
7.9	Scheduled Board meetings and ad hoc board meetings	Complied	Most Directors physically participate in the Board meetings while some Directors join through electronic means when they are unable to be physically present.

8. Company Secretary

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
8.1	Board Secretary	Complied	Section 8.1 (b) is effective from 1 July 2024, until such time relevant provisions of the Direction No. 3 of 2008 is applicable. The Board Secretary has been appointed by the Board to handle secretarial services of the Board and other functions specified by the statutes.
8.2	Access to the Company Secretary	Complied	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction.
8.3	Agenda for Board meetings	Complied	The Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, the Board Secretary obtains the Chairman's approval for the Notice of meeting and the agenda.
8.4	Minutes of Board meetings maintained for 6 years	Complied	Board meeting minutes are maintained for 6 years.
8.5	Maintaining minutes in an orderly manner	Complied	Duly recorded minutes of the Board meetings are available with the Board Secretary and those can be accessed by any Director at any point in time.
8.6	Minutes recorded in sufficient detail	Complied	Minutes of all Board meetings are duly recorded in sufficient details and retained by the Board Secretary under the direct supervision of the Chairman.
8.7	The minutes shall be inspected by any Director.	Complied	Duly recorded minutes of the Board meetings are available with the Board Secretary and those can be accessed by any Director at any point in time.

9. Delegation of functions by the Board

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
9.1	The Board shall approve a delegation of authority	Complied	The delegation of authority is established.
9.2	Absence of any of the Subcommittee	Not applicable	Subcommittees as stipulated in the Direction are established.
9.3	Senior Management level Subcommittee	Not applicable	All subcommittees are at Board level, with Senior Management participation based on invitation.
9.4	Extent of delegation	Complied	The Board ensures that delegation of authority at various levels does not hinder or reduce its ability as a whole to discharge its functions.
9.5	Review the delegation processes	Complied	The delegation of authority process is reviewed by the Board as and when necessary.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance

10. Board appointed committees

Section 10 of the Finance Companies Direction No. 05 of 2021 on Corporate Governance is effective from 1 July 2024. Until such time "Section 8: Board Appointed Committees" of the Finance Companies Corporate Governance Direction No. 03 of 2008 is applicable. Below sections are from the Direction No. 03 of 2008 accordingly.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
8 (1)	Board committees	Complied	There are four Board-appointed subcommittees which report directly to the Board, namely; the Audit Committee, the Integrated Risk Management Committee (IRMC), the Remuneration Committee, and the Related Party Transactions Review Committee. Minutes are kept for each of the above committees under the supervision of the Chairman of each committee. A report on the performance, duties and functions of each committee has been made available in this Annual Report.
8 (2)	The Audit Committee	Complied	Mr R Senanayake, a Fellow Member of CA Sri Lanka and an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee. Other members of the Committee are also Independent Non-Executive Directors and possess multifaceted experience related to the finance industry. The details of the Audit Committee are set out in the Audit Committee Report on page 94.
8 (3)	The Integrated Risk Management Committee	Complied	IRMC consists of one Independent Non-Executive Director, two Executive Directors including the CEO, and Key Management Personnel. All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodical meetings. The details of the Integrated Risk Management Committee are given on page 95 of this Annual Report.

11. Internal Controls

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
11.1	Adopt well-established internal control system	Complied	An internal control system which includes the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures exist in order to mitigate operational risks.
11.2	Features of an internal control system	Complied	The internal control system promotes effective and efficient operation, provides reliable financial information, safeguards assets, minimises the operating risk of losses from irregularities/frauds/errors, ensures effective risk management, and ensures compliance with relevant laws/regulations/directions/internal policies.
11.3	All employees shall be given the responsibility for internal controls	Complied	All employees are given responsibility for internal controls respectively.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance

12. Related party transactions

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
12.1	Board shall establish policies and procedures for related party transactions	Complied	Section 12.1 (a) is effective from 1 July 2024, until such time relevant section of Direction No. 3 of 2008 is applicable. The Related Party Transactions Policy has been established following the requirements specified in the Direction and encompassing the internal procedure of handling related party transactions.
12.2	Avoiding conflict of interest in related party transactions	Complied	The Board has taken steps to avoid conflict of interest due to related party transactions as well as favourable treatments to related parties. Particulars relating to related party transactions have been disclosed in the Notes to the Financial Statements.
12.3	Engaging in transactions with a related party to grant "more favourable treatment"	Complied	The Company has not entered into any transaction in a manner that would grant the related party "more favourable treatment" than the treatment given for transactions with an unrelated customer. The details of the Related Party Transactions Review Committee are given on page 97 of this Annual Report.

13. Group governance

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
13.1	Responsibilities of the FC as a holding company	Complied	Group governance framework defines the roles and responsibilities for the oversight and implementation of group-wide policies. Differences in the operating environments are properly understood and reflected in the Group governance framework. Reporting arrangements are in place to understand and manage material risks and developments, which may affect the Company and its subsidiaries. The Board assesses whether the internal control framework of the Group adequately addresses risks in the Group, and any risks arising from intra-group transactions. The Board ensures that there are adequate resources to effectively monitor Compliance of the Company and the subsidiaries. The Group structure does not undermine the Company's ability to exercise effective oversight. The Board's review and approval is required for the creation of new legal entities under its management. The Board has defined processes for identifying and managing all material Group-wide risks through adequate and effective policies and control.
13.2	Responsibilities as a subsidiary	Not applicable	Senkadagala Finance PLC is not a subsidiary of another financial institution.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance

14. Corporate culture

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
14.1	Adopt a code of conduct	Complied	Senkadagala Finance PLC has incorporated in its HR code as well as in other manuals of operations the areas relevant to the Code of Conduct as stipulated in the Direction, such as; appropriate conduct and addressing issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of Company assets, and fair treatment of customers.
14.2	Maintain records of breaches of code of conduct	Complied	No such situation arose during the financial year. In any such situations, the records will be maintained.
14.3	Establish a whistle-blowing policy	Complied	Whistle-blowing policy and procedure has been established and the documentation is available for all staff to access.

15. Conflicts of Interest

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
15.1 (a)	Directors shall abstain from voting on any Board resolution with a conflict of interest	Complied	No such situation arose during the financial year. In any such situations, the Direction will be followed.
15.1 (b)	Board shall establish policies and procedures for conflicts of interest	Complied	The Related Party Transactions Policy includes considerations on Conflicts of Interest, and has been established following the requirements specified in the Direction and encompassing the processes of handling Conflicts of Interest.

16. Disclosures

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
16.1 (a)	Financial reporting as per regulatory requirements and applicable accounting standards	Complied	The relevant Financial Statements are published in conformity with regulatory requirements and applicable accounting standards.
16.1 (b)	Publishing financial reports in Sinhala, Tamil, and English newspapers	Complied	The Financial Statements are published in all three languages in the newspapers.
16.1	Disclosures in the Annual Report	Complied	i. A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given on page 110. A statement of responsibility of the Board for the preparation and presentation of Financial Statements is given on page 110. ii. Names and other information of Directors and Committees are provided on pages 93. iii. The Board of Directors conducts a comprehensive evaluation of the performance of the Board Subcommittees through self-appraisal and collective effort. These assessments are based on predetermined criteria derived from the Terms of Reference (TORs) responsibilities assigned to each Board Sub Committee, predetermined goals and objectives as per the organisation strategy, and the corporate governance framework. The outcomes of the evaluation serve as a constructive basis for deliberations on necessary enhancements to be made to the Board Subcommittees.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
			iv. Fees and remuneration paid by the Company to the Directors in aggregate is given on pages 111 of this report and Note 11 of the Financial Statements. A statement on remuneration policy is included in the report by the Remuneration Committee. v. Nature of relationships between Directors is included in the Related Party Transactions Review Committee Report. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the core capital, and the aggregate values of the transactions with the Senior Management are given on Note 47 of the Financial Statements. vi. The details of the Chairperson and members of the Board Committees are given on pages 62 to 65 and attendance at such meetings are given on page 93. vii. The Group structure is given on page 132. The Group Governance is established to ensure transparency, accountability, and ethical conduct across all levels of organisation including subsidiaries and associates where applicable. The Board has implemented a comprehensive system of clear reporting arrangements, including roles and responsibilities, effective risk management protocols, and a strong internal control framework. This framework promotes adherence to legal and regulatory requirements, as well as adherence to our own policies and standards by all relevant subsidiaries and associates; while ensuring that they are compliant with the regulatory and policy requirements that are applicable only to them. viii. Board's declarations relevant to this section are given throughout the report, where applicable. ix. Statement of Internal Control by the Board is given on page 117. This statement has been certified by Messrs KPMG, External Auditor of the Company. There were no non-compliances to prudential requirements, regulations, laws and internal controls. There were no regulatory and supervisory concerns on lapses in the Finance Company's risk management, non-compliance with the Act, and Rules and Directions that have been communicated by the Director of NBFI and directed by the Monetary Board to be disclosed to the public. Board has approved the re-designation of two Executive Directors as "Non-Independent, Non-Executive Directors" in terms of the Direction No. 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons) and the Company is awaiting the CBSL approval for same.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
			x. The External Auditor of the Company has submitted a factual finding report on the corporate governance status and its compliance with Directions issued by the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
			xi. The Chairperson certifies the code of business conduct and ethics for Directors, Senior Management, and employees through his statement on page 8. xii. Management Report is given on pages 4 to 107. xiii. The policy and methodology for communication with shareholders and the contact details are provided on page 113.

The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Section 7.10 of the CSE Listing Rules requires a listed entity to publish in the Annual Report relating to the financial year commencing on or after 1 April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply. The rule addresses the areas such as Non-Executive Directors, Independent Directors, disclosures relating to Directors, criterion for defining Independence, Remuneration, and Audit Committees. The following table depicts the level of compliance of the Company under each area:

CSE rule	Corporate governance principle	Compliance status	Level of compliance
7.10.1	Non-Executive Directors	Complied	There were four Non-Executive Directors as at the end of the year. This constitutes half of the Board which has eight members in total.
7.10.2	Independent Directors	Complied	All four Non-Executive Directors were Independent Directors as well. The Non-Executive Directors have submitted the signed declarations of their independence.
7.10.3	Disclosures relating to Directors	Complied	Annual determinations as to the independence of Directors have been made and disclosed in the Annual Report (Refer Directorship status under Board and Committee meetings-attendance on page 93). A brief profile of each Director has been set out on pages 62 to 65. Information relating to new appointments to the Board is disclosed to the CSE, when appointments are made to the Board. No such appointments were made during the financial year.
7.10.4	Criteria for defining independence	Complied	All criteria given in determining the independence of Directors have been taken into consideration for the determination of independence status of the Company's Independent Directors.
7.10.5	Remuneration Committee	Complied	The Remuneration Committee solely consists of Independent Non-Executive Directors and the MD/CEO attends the meeting by invitation. The Report of the Remuneration Committee including its policy and scope has been set out on page 96 of this Annual Report.

CSE rule	Corporate governance principle	Compliance status	Level of compliance
7.10.6	Audit Committee	Complied	The Audit Committee consisted of three Independent Non-Executive Directors at the end of the financial year. The Report of the Audit Committee including its composition, policy and scope has been set out on page 94 of this Annual Report.

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

This voluntary code consists of seven fundamental principles, namely Directors, Directors' Remuneration, Relations with Shareholders, Accountability and Audit, Institutional Investors, Other Investors and Sustainability Reporting. The level of adoption of the best practices mentioned under each fundamental principle is depicted below:

Section	Corporate governance principle	Adoption status	Level of adoption
A. Directors			
A.1 The Board			
Senkadagala Finance is headed by an effective Board which directs, leads, and controls the Company.			
A.1.1	Board meetings	Adopted	There were 12 Board meetings during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 93.
A.1.2	Board responsibilities	Adopted	The Board of Directors of Senkadagala Finance PLC responsible for the following: • Formulating, implementing, and executing a sound business strategy. • Ensuring that the CEO and the Management Team possesses the skills, experience and knowledge to devise the strategy. • Having a proper succession plan for the Key Management Personnel including the CEO. • Securing integrity of information, prudent management of risks, designing effective internal controls, and ensuring business continuity. • Ensuring compliance with laws and regulations. • Considering all stakeholder interests in the corporate decision-making process. • Recognising sustainable business development in Company's strategy, decisions and other activities. • Company's values and standards are set with emphasis on adopting appropriate accounting policies.
A.1.3	Independent professional advice	Adopted	Independent professional advice could be obtained by the Directors individually, or the Board collectively, as and when required at the Company's expense.

Section	Corporate governance principle	Adoption status	Level of adoption
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. There has not been any instance when there was a requirement to remove the Secretaries of the Company.
A.1.5	Independent judgement of Directors	Adopted	The Directors bring independent judgement and scrutiny on decisions taken by the Board on issues of strategy, performance, resources, and standard of its business conduct.
A.1.6	Directors' dedication of adequate time and efforts	Adopted	The Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications, if required. They also follow up on actions taken for issues discussed at the meetings.
A.1.7	1/3rd of Directors should be able to call for Resolutions	Adopted	One third of the Directors of the Board can call for a resolution for the Board wherever they feel it is necessary.
A.1.8	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on the financial services industry is also available by way of presentations to the Board and participating in programmes organised by CBSL, etc.

A.2 Chairman and Chief Executive Officer

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

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

A.3 The Chairman's role

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

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

Section	Corporate governance principle	Adoption status	Level of adoption

A.4 Financial acumen

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

Section	Corporate governance principle	Adoption status	Level of adoption
A.4	Availability of sufficient financial acumen and knowledge	Adopted	The Board includes fellow members of both local and international professional accounting bodies. (The details of qualifications of Directors are given on pages 62 to 65). These Directors have sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

A.5 Board balance

The Board of the Company consists of four Independent Non-Executive Directors and four Executive Directors as at the end of the year.

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

Section	Corporate governance principle	Adoption status	Level of adoption

A.6 Supply of information

The Company has provided appropriate and timely information to the Board enabling it to discharge its duties effectively.

A.6.1	Information to the Board by Management	Adopted	The Management provides appropriate and timely information to the Board and the Board calls for further information where necessary. The Chairman ensures that all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.
A.6.2	Notice of Board meetings	Adopted	The Board papers including minutes of the immediately preceding meeting and the agenda are sent to the Directors, a minimum seven days before the respective Board meeting. This would give adequate time for Directors to study the related matters and get ready for effective discussions at Board meetings.

A.7 Appointments to the Board

There is a formal and transparent procedure on new appointments to the Board.

A.7.1	Nomination Committee	Not applicable	The Board as a whole decides on the selection of new Directors.
A.7.2	Assessment of Board composition	Adopted	The Board as a whole annually assesses the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Findings of the assessment of the Board are considered for new Board appointments and re-election of Directors.
A.7.3	Disclosure of details of new Directors to shareholders	Adopted	When appointing a new Director to the Board, a brief profile of the Director, experience and skills, other directorships, status of independence, etc., are disclosed not only to the shareholders but also to the general public as per the requirements under CSE Listing Rules.

A.8 Re-election

All Directors should be required to submit for re-election at regular intervals and at least once in every three years.

A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy.
A.8.2	Election of Directors	Adopted	Appointment and reappointment of all Directors including the Chairman of the Board is subject to election by shareholders.
A.8.3	Resignation of Directors	Adopted	If a Director is resigning before their appointed term has ended, they will provide a written communication to the Board with their reasons for resignation.

A.9 Appraisal of Board performance

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

A.9.1 and A.9.2	Appraisal of Board performance and annual self-evaluation of Board performance and its committees	Adopted	A formal Board performance evaluation process has been implemented and it is carried out annually. A checklist has been introduced for this purpose and it is filed with minutes of the Board meetings by the Secretary.

Section	Corporate governance principle	Adoption status	Level of adoption
A.9.3	Mode of Board performance appraisal	Adopted	The Board performance evaluation is being carried out as detailed in the above Sections A.9.1 and A.9.2.
A.9.4	Disclosure in the Annual Report	Adopted	The Board adopts a scheme of self-assessment to be undertaken by each Director annually on individual performance, of the Board as a whole and of the committees; and maintain records of such assessments.

A.10 Disclosure of information in respect of Directors

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

A.10.1	Disclosure of details of Directors in the Annual Report	Adopted	The name, qualifications, and the brief profiles including the nature of expertise of all the Directors have been set out on pages 62 to 65 in this Report. Please refer the table given on page 93 for Directorship status, Board meeting, and other Committee meeting attendance by the Directors of the Company.

A.11 Appraisal of Chief Executive Officer (CEO)

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

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

B. Directors' remuneration

B.1 Remuneration procedure

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

B.1.1	Remuneration Committee	Adopted	A Human Resource and Remuneration Committee has been set up to make recommendations to the Board on the Company's remuneration framework. Details have been given on page 96, in the Report of the Remuneration Committee.
B.1.2	Composition of the Remuneration Committee	Adopted	All the members of the Remuneration Committee are Independent Non-Executive Directors.
B.1.3	Disclosures in the Annual Report	Adopted	Details of the members and the Chairman of the Remuneration Committee have been given on page 96 of this Annual Report under the Report of the Remuneration Committee.
B.1.4	Remuneration of the Non-Executive Directors	Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors.
B.1.5	Consultation of the Chairman or the CEO and access to professional advice	Adopted	The Remuneration Committee consults the Chairman about its proposals where necessary. The CEO attends the Remuneration Committee meetings by invitation. External professional advice is obtained where necessary in determining the remuneration of the Directors and senior level staff members.

Section	Corporate governance principle	Adoption status	Level of adoption

B.2 The level and make up of remuneration

The levels of remuneration for both Executive and Non-Executive Directors are sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of the Executive Directors remuneration is structured to link rewards to corporate and individual performance.

Section	Corporate governance principle	Adoption status	Level of adoption
B.2.1 and B.2.2	Remuneration of Executive Directors	Adopted	The remuneration framework of the Executive Directors has been designed to attract, retain, and motivate Directors of the quality required and does not pay more than what is necessary for this purpose. Remuneration of the Executive Directors is designed with the long term success of the Company in mind.
B.2.3	Positioning remuneration levels of the Company	Adopted	The Remuneration Committee in deciding the remuneration levels of the Company takes into account such levels in comparable companies while paying attention to its relative performance.
B.2.4	Sensitivity to remuneration and condition of the whole Company or Group	Adopted	The Remuneration Committee considers the whole Company and the Group when making decisions related to remuneration, decisions such as annual salary increases in particular.
B.2.5	Inclusion of performance-related elements in the remuneration	Adopted	Performance-related elements have been included in the design of remuneration packages of the Company at all levels including the Executive Directors.
B.2.6	Executive share options	Not applicable	There are no share option plans for Executives.
B.2.7	Designing the remuneration	Adopted	The Remuneration Committee has considered the provisions given in Schedule E of this Code in designing the remuneration schemes of the Company.
B.2.8	Early termination of Directors	Adopted	Such situations did not arise during the year. However, the Remuneration Committee is aware that it should consider the compensation commitments given in the contracts of employment of Executive Directors, if any, in case of early termination, other than in the case of removal for misconduct.
B.2.9	Early termination where compensation commitment is not included in the initial contract	Adopted	Such situations did not arise during the year. However, the Remuneration Committee is aware that in case of an early termination, it should tailor their approach with the aim of fair dealing with regard to compensation commitments for those who have performed well, if the initial contract does not explicitly provide for such commitments.
B.2.10	Remuneration for Non-Executive Directors	Adopted	The Non-Executive Directors' remuneration has been calculated to reflect time commitment, responsibilities of their role, and market practices. No share options are available for Non-Executive Directors.

B.3 Disclosure of remuneration

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

Section	Corporate governance principle	Adoption status	Level of adoption
B.3.1	Disclosure of remuneration	Adopted	The Remuneration Committee's Report setting out the policy and scope of the Committee is given on page 96. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 11 to the Financial Statements on page 150.

Section	Corporate governance principle	Adoption status	Level of adoption

C. Relations with shareholders

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

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

Section	Corporate governance principle	Adoption status	Level of adoption
C.1.1	Notice of AGM	Adopted	Notice of the AGM is given as per the requirements of the Companies Act No. 07 of 2007.
C.1.2	Separate resolutions for separate issues and Use of proxy votes	Adopted	A separate resolution is proposed for the adoption of Financial Statements and the shareholders are given the opportunity to vote separately for each substantially separate issue by having separate resolutions, if any. The Company has adopted a methodology to count all proxy votes and to indicate the level of proxies lodged on each resolution, if any.
C.1.3	Counting of votes and publishing of information	Adopted	All valid proxy appointments are properly recorded and counted. For resolutions where the vote has been taken by a count of hands, the Company ensures that the necessary information is provided at the meeting and is made available on the website.
C.1.4	Availability of Board Subcommittees Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all Subcommittees namely, the Audit Committee, the Remuneration Committee, the Integrated Risk Management Committee, and the Related Party Transactions Review Committee are present at the AGM to answer questions raised at the AGM.
C.1.5	Procedure of voting at General Meetings	Adopted	Notice and the summary of the procedures governing voting at the Meeting including any other business to be transacted at the Meeting are circulated to the shareholders along with the Annual Report.

C.2 Communication with shareholders

The Board has implemented effective communication with shareholders.

Section	Corporate governance principle	Adoption status	Level of adoption
C.2.1	Channel to reach all shareholders of the Company	Adopted	The Annual Report and the AGM form the primary channels of communication. Shareholders are given the Annual Report with adequate time to raise any issues at the AGM based on the information published therein. Moreover interim reports, stock exchange announcements, etc. also form part of effective communication as those are available in the respective websites.
C.2.2	Policy and methodology for communication with shareholders	Adopted	The Company has adopted an open communication policy with its stakeholders by making available timely, relevant, and accurate information with fair disclosures.
C.2.3	Disclosure of implementation of the above policy and methodology	Adopted	Annual Report, Interim Financial Statements, Notices of Meetings, and CSE announcements are published on the website of the respective organisation and the Company website.
C.2.4	Contact person for communication	Adopted	The Directors and the Senior Management could be contacted by the shareholders. The contact details are available in the Company's website and also for any questions, requests, and comments, shareholders may at any time contact the Company Secretary.
C.2.5	Inform Directors of issues and concerns of shareholders	Adopted	The Directors can be directly contacted by the Shareholders to convey their issues and concerns; the Company practices an open communication policy.

Section	Corporate governance principle	Adoption status	Level of adoption
C.2.6	Contact by the shareholders	Adopted	The Company Secretary receives all the correspondence and communicates it to the Board or relevant individual Director at the earliest possible time. In the Secretary's absence, the shareholders can directly contact any relevant Director to raise their concerns.
C.2.7	The process for responding to shareholders' matters	Adopted	The Board or individual Director/s will respond to shareholders' matters through the Company's Board Secretary.

C.3 Major and material transactions

Directors disclose all major and material transactions to shareholders.

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

D. Accountability and audit

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

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

D.1.1 and D.1.2	The Board's responsibility for statutory and regulatory reporting	Adopted	Interim and Annual Financial Statements, other price sensitive public reports, reports to regulators and reports required as per statutory requirements have been presented as per the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, other Regulatory Authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange, and the Department of Inland Revenue.
D.1.3	The Board's responsibility to obtain relevant declarations from CEO and CFO on the Financial Statements and Internal Controls	Adopted	"The Annual Report of the Board of Directors" given on pages 110 to 116 describes the compliance with the requirements of this section.
D.1.4	Declarations in the Directors' Report	Adopted	The Directors have made all their declarations in the "Annual Report of the Board of Directors" given on pages 110 to 116.
D.1.5	Statement of Directors' and Auditors responsibility for Financial Statements and Statement on Internal Controls	Adopted	The Statement of "Directors' Responsibility for Financial Reporting" is given on page 110 of the Annual Report. The Auditor's reporting responsibility is given in their Report on the Financial Statements on pages 118 to 123. The Directors' Statement on Internal Control is given on page 117 and the Auditor's certification on the Directors' Statement on Internal Control is given on page 117.

Section	Corporate governance principle	Adoption status	Level of adoption
D.1.6	Management Discussion and Analysis in the Annual Report	Adopted	Pages 8 to 59 of this Annual Report contain the Management Discussion and Analysis.
D.1.7	Requirement for calling for an EGM if the net assets fall below 50% of the shareholders' funds	Not applicable	Such a situation did not arise during the year. However, should the situation arise, an EGM will be called for and shareholders will be notified.
D.1.8	Disclosure of related party transactions in the Annual Report	Adopted	The Board ensures that the related party transactions are properly captured into the system of accounts, keeping proper records on them and making necessary disclosures in the Financial Statements accordingly.

D.2 Risk management and internal control

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

D.2.1	The annual review of risks and the effectiveness of the internal control system	Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls. Further, it has to be monitored for its effectiveness on a continuous basis. The Integrated Risk Management Committee has been set up by the Board in order to look after the risk aspects of the Company and report any concerns to the Board. IRMC Report is given on page 95. The Directors' Statement on Internal Control is given on page 117.
D.2.2	Risk assessment	Adopted	The Risk Management Report on pages 98 to 107 describes the compliance to the requirement of this section.
D.2.3	Internal audit function	Partially adopted	The Company's internal audit function is assisted by Messrs Ernst & Young Advisory Services (Pvt) Ltd. to whom particularly branch audits have been outsourced. Currently the Internal Audit function, special assignments, and investigations are coordinated by the Chief Risk Officer, until a separate Internal Audit function is set up by the Board Audit Committee.
D.2.4	Review of process and effectiveness of risk management and internal controls	Adopted	Internal audit carries out regular reviews on the internal controls and reports to the Audit Committee. The Audit Committee once satisfied reports to the Board on the effectiveness of the internal control systems and based on that the Board issues the "Directors' Statement on Internal Control" Report which is given on page 117. The External Auditor reviews this statement independently and certifies it.
D.2.5	Responsibilities of Directors in maintaining a sound internal control system	Adopted	This has been stated in the "Directors' Statement on Internal Control" on page 117.

Section	Corporate governance principle	Adoption status	Level of adoption

D.3 Audit Committee

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

Section	Corporate governance principle	Adoption status	Level of adoption
D.3.1	The composition of the Audit Committee	Adopted	The Audit Committee comprised of three Independent Non-Executive Directors including its Chairman during the financial year. The Audit Committee Report is given on page 94 on this Annual Report.
D.3.2	Terms of Reference of the Audit Committee dealing with its authority and duties	Adopted	The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors. The Committee has formulated a policy for the engagement of the External Auditor for non-audit services with the approval of the Board. The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls, risk management and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and makes recommendations to the Board of Directors on matters regarding the Internal and the External Auditors including their independence, performance, terms of engagement and remuneration.
D.3.3	Disclosures of the Audit Committee	Adopted	The names of the members of the Audit Committee are given in the Audit Committee Report on page 94. The Audit Committee has undertaken an annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process and is satisfied as disclosed in the Audit Committee Report on page 94.

D.4 Related party transactions review committee

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

Section	Corporate governance principle	Adoption status	Level of adoption
D.4.1	Definitions of "Related Party" and "Related Party Transactions"	Adopted	LKAS 24 definitions have been adopted in formulating the policy on related party transactions of the Company.
D.4.2	Composition of the Related Party Transactions Review Committee	Partially adopted	The Related Party Transactions Review Committee comprised of three Independent Non-Executive Directors and an Executive Director. The Chairman of the Committee is Mr R Senanayake, an Independent Non-Executive Director. The Related Party Transactions Review Committee Report is given on page 97 of this Annual Report.

Section	Corporate governance principle	Adoption status	Level of adoption
D.4.3	Terms of Reference of the Related Party Transactions Review Committee dealing with its authority and duties	Adopted	The Company has a Board-approved Related Party Transactions Terms of Reference in place which addresses requirements under this section. The Related Party Transactions Review Committee Report is given on page 97 of this Annual Report.

D.5 Code of business conduct and ethics

The Company has adopted a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any deviations from that Code.

D.5.1	Code of Business Conduct and Ethics	Adopted	Senkadagala Finance has incorporated in its HR code as well as in other manuals of operations, areas such as addressing of conflicts of interest, conditions in receiving gifts or any other benefits, accountability, confidentiality of information, record keeping, corporate opportunities, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour.
D.5.2	Ensuring price sensitive information is promptly identified and reported	Adopted	The Company has a process to ensure timely disclosure of price sensitive information as per the CSE regulations.
D.5.3	Share purchase by Directors and Key Management Personnel	Adopted	The relevant disclosures have been made as per the requirement of this Code.
D.5.4	Affirmation of the Code of Conduct and Ethics	Adopted	The Chairman hereby confirms that he is not aware of any material violations of the terms and conditions contained in the above-mentioned Code of Conduct and Ethics.

D.6 Corporate governance disclosures

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

D.6.1	Corporate Governance Report	Adopted	This report from pages 66 to 97 satisfies the requirement.

E. Institutional investors

E.1 Shareholder voting

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

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

Section	Corporate governance principle	Adoption status	Level of adoption

E.2 Evaluation of governance disclosures

The Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the governance arrangements of the Company, particularly those relating to Board structure and composition.

Section	Corporate governance principle	Adoption status	Level of adoption
E.2	Evaluation of the corporate governance arrangements	Adopted	When evaluating the Company's corporate governance arrangements, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention particularly in the Board structure and composition.

F. Other investors

F.1 Investing/divesting decision

Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing and divesting decisions.

Section	Corporate governance principle	Adoption status	Level of adoption
F.1	Individual investors investing/ divesting decisions	Adopted	The Company by disclosing all required information that would be useful for individual shareholders, encourages them to carry out adequate analysis or seek independent advice on investing or divesting decisions.

F.2 Shareholder voting

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

Section	Corporate governance principle	Adoption status	Level of adoption
F.2	Individual shareholders' participation	Adopted	The Company sends adequate notices to all shareholders encouraging them to participate at General Meetings and this allows them to be prepared to duly exercise their voting rights.

G. Internet of things and cybersecurity

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

H. Environment, society and government

The Company has a policy on its environmental and social management system which covers IFC exclusion list and other applicable national and provincial laws on environment, health, safety, and social issues.

Board and Committee Meetings – Attendance

Name	Directorship status	Age (years)	Period of Service (years)	Board**	Audit Committee***	Integrated Risk Management Committee***	Remuneration Committee	Related Party Transactions Review Committee***
Number of meetings held*				12	03	03	04	03
Mr W M R S Dias	Chairman Independent Non-Executive Director	68	8	12/12	–	–	–	–
Mr L Balasuriya	Managing Director/Chief Executive Officer Executive Director	68	41	12/12	03/03	–	03/04	–
Dr A Balasuriya	Director – Operations Executive Director	69	39	11/12	–	–	–	–
Ms L Fernando	Director – Human Resources Executive Director	64	27	12/12	–	–	–	–
Mr S D Bandaranayake	Director/Additional Chief Executive Officer Executive Director	70	9	12/12	03/03	03/03	04/04	03/03
Mr R Senanayake	Independent Non-Executive Director	61	6	12/12	03/03	–	04/04	03/03
Mr N Vasantha Kumar	Independent Non-Executive Director	64	3	12/12	03/03	03/03	04/04	03/03
Dr (Ms) R A Perera	Independent Non-Executive Director	54	2	12/12	03/03	–	04/04	03/03

**Only three Audit Committee meetings, three Integrated Risk Management Committee meetings and three Related Party Transactions Review Committee meetings could be held during the year due to work related limitations from the economic and social unrest that was prevalent during the year.*

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

****Key Responsible Personnel attended the meetings on invitation.*

REPORT OF THE AUDIT COMMITTEE

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

Composition

The Audit Committee comprised the following Directors:

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

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

(Brief profiles of the Directors are set out on pages 62 to 65 of this Annual Report).

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

Policy and Scope

The Committee discharges its responsibilities through a series of meetings during the year. At these meetings, the Committee reviews the reports of Internal Auditors and External Auditors of the Company and interim and final Financial Statements of the Company ensuring their compliance with statutory and other requirements. The number of meetings and attendance by the Committee members at each of those meetings are given in the table on page 93 of this Annual Report.

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

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

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be reappointed as the External Auditor of the Company for the year ending 31 March 2024, subject to the approval of shareholders at the Annual General Meeting. The Audit Committee's selection and review of the External Auditors was based on capability, resource availability of the firm and their level of independence from the Company and its Board of Directors. Also this reappointment was considered and complied with the requirements of CBSL Corporate Governance Direction No. 03 of 2008 and Direction No. 05 of 2021 where applicable and the relevant Guidelines issued for the Panel of External Auditors of Licensed Finance Companies. The fees payable to the Auditors for the financial year 2022/23 were recommended by the Audit Committee and approved by the Board.

R Senanayake
Chairman
Audit Committee

27 June 2023

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

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

Composition

The Integrated Risk Management Committee comprised the following Directors:

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

(Brief profiles of the Directors are set out on pages 62 to 65 of this Annual Report).

Senior Management representatives who attend the meetings are:

- Mr P Ikiriwatte – DCEO
- Mr J Jayatileke – COO
- Mr T K Aturupana – CPO
- Mr K Rajapaksa – CFO
- Mr T Ranathunga – CRO
- Mr M Rathnaweera – CO
- Mr N Rasingolla – DCIO
- Mr R Dasanayake - DCOO
- Mr A D Hettiarachchi – GM-CV
- Mr S Supramaniam – GM-T
- Mr L Perera – GM-FX
- Mr S Mendis – GM-REC
- Mr W Tissera – HRO

Policy and Scope

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

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

S D Bandaranayake
Chairman
Integrated Risk Management Committee

27 June 2023

REPORT OF THE REMUNERATION COMMITTEE

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

Composition

- Mr R Senanayake – Independent Non-Executive Director, Chairman of the Remuneration Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – Independent Non-Executive Director

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

(Brief profiles of the members of the Committee are set out on pages 62 to 65 of this Annual Report).

Scope

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

Statement on Remuneration Policy

The Committee has reviewed the related party transactions during the financial year and confirm that they are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange. The Committee has communicated the comments, observations on such related party transactions, if any, to the Board of Directors. Details of related party transactions of the Company during the above period are disclosed in Note 47 to the Financial Statements.

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

Fees

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

Details of aggregate remuneration paid to Executive and Non-Executive Directors are given in Note 11 on page 150 of the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 93 of this Annual Report.

Access to Professional Advice

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

R Senanayake
Chairman
Remuneration Committee

27 June 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

Composition

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

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

Policy and Scope

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

Related Party Transactions During 2022/23

The Committee has reviewed the related party transactions during the financial year and has communicated the comments/observations to the Board of Directors. Details of related party transactions of the Company during the above period are disclosed in Note 47 to the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 93 of this Annual Report.

Declaration

A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 111 of this Annual Report. Further, the Directors declare that all related party transactions with the Company have been disclosed and that Directors have abstained from voting on matters in which they were materially interested in.

R Senanayake
Chairman
Related Party Transactions Review Committee

27 June 2023

RISK MANAGEMENT

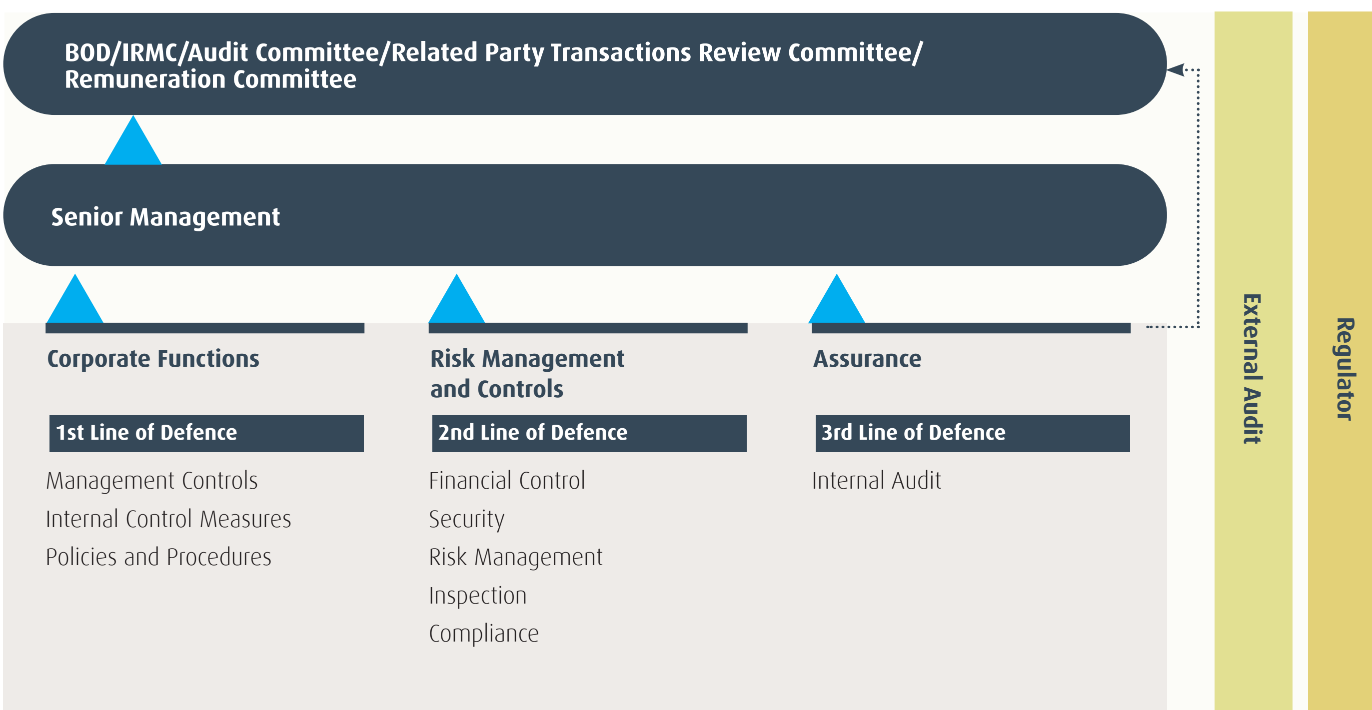
The events of the past few years, the Easter bombing, the COVID-19 pandemic followed by the economic crisis, brought to centre stage the importance of effective risk management and sound governance for sustainability and resilience of a business. All the more so for financial institutions, as their business model is centred on financial intermediation and maturity management. Effective risk management is fundamental and paramount to ensuring business continuity and sustainable returns.

Developments in the business environment such as concerns on sovereign debt sustainability, technological advancements, cybersecurity concerns and threats, tightened regulations and supervisory controls, volatile economic conditions and competitor behaviour continue to pose new challenges to companies. Strategic decision-making always has inherent risks. Social developments such as demographic changes, changes in customer tastes and perceptions, and dynamic customer requirements aggravate these risks. The social and economic milieu with social unrest coupled with high interest rates, high inflation resulting in squeezed purchasing power prevailed during the year 2022, required certain businesses to rethink their entire business model. This highlights the importance of having robust and dynamic risk management systems to tackle emerging risk factors.

Risk Management Framework

The Company has in place a robust risk management framework to ensure all risk exposures are proactively identified and meticulously managed. The framework allows line managers and specialists in internal controls, risk management, compliance and audit functions to assist the Corporate Management in forming a cohesive risk governance structure.

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

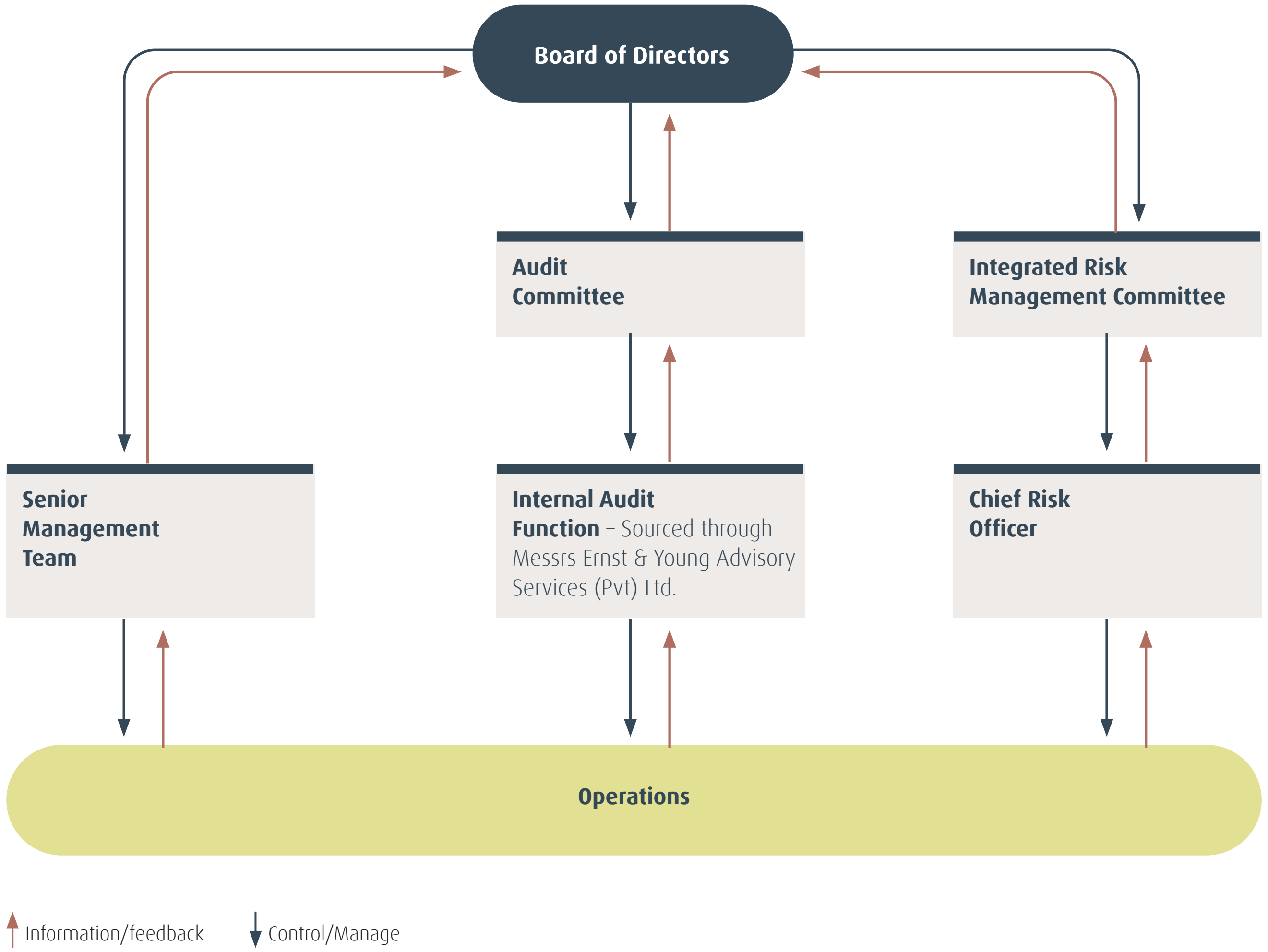


Risk Governance

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

The Integrated Risk Management Committee (IRMC), a subcommittee of the Board, with the participation of the Senior Management team assesses the effectiveness of the overall risk strategy of the Company in the context of changes in the operating environment, both local and global, and recommends effective risk management policies to safeguard stakeholder interests.

The IRMC meets periodically and identifies emerging risks and the effective action to be taken to mitigate such risks. Consideration of these suggestions by the Board forms part of the risk management process. The Board modifies the corporate risk appetite (the degree of risk the Company is willing to take), and determines the risk management controls and policies based on the agreed risk appetite. The Board also ensures that the internal control systems are adequate and promotes alignment of the organisation culture with risk management.



Risk Objectives of Senkadagala Finance

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

Risk Management Controls, Policies, and Procedures

The implementation of the risk management framework has been streamlined to ensure its effectiveness.

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

By promoting a risk sensitive culture, the Management encourages staff at all levels to be risk-conscious and not be taken unaware. When new risks are identified, they are assessed for the likelihood of occurrence and the severity of impact. Control actions are decided based on these two factors. Risk tolerance levels are derived from the risk appetite of the entity and generally accepted industry norms.

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

Independent Assurance

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

Specialised in-house audit team is established in order to carry out audits in the pawning units at branches. Resources are allocated to carry out frequent visits based on the degree of risk. Reports on findings are submitted to the Chief Risk Officer. Actions for audit findings are obtained from the unit heads and those are followed up by the superiors at Pawning Division and ensure timely implementation of same.

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

Environmental Scanning

Monitoring emerging market developments plays a key role in meticulous risk management. Standard risk management approaches are well-honed to mitigate conventional risks; however, the accelerated pace of change in recent times and deepened interconnectivity have added complexity to risk. Hence, robust environmental scanning is vital for the risk management process.

Key Developments during the Year

Continuation of restrictions on imports, high fuel prices, depreciated rupee value, heightened regulatory controls, and higher market interest rates made this year more challenging than any in our post-independence history. As a result of these developments, the financial sector witnessed a weak demand for credit, deteriorated asset quality, rising impairment costs, diminishing interest margins, and increase in operational costs the ultimate result of which was a drop in profitability. Increasing reliance on digital technologies, further driven by the COVID-19 pandemic, has radically transformed societies. Simultaneously, cyber-threats are increasing in tandem with the development of technology. Spill over effects of these further deteriorated the economic condition in the country, ultimately threatening business continuity of certain industries and entities.

Risk event	Impact to the Company	Risk mitigation techniques
Rapid economic downturn	Decrease in demand for new business	• Identify niche customer segments and industries for business promotion • Ensure satisfaction of existing customers • Reduce switching costs for customers of competitors
Deterioration of financial position of customers	Increase in NPL due to drop in repayment capacity of customers	• Restructure loans to ease the repayment burden of customers • Allow third-party transfers • Amicable settlement
Market interest rate fluctuations	Reduced interest margins decreased profitability	• Continuous evaluation of product pricing in line with market trends • Opt for long-term funding to match with income patterns • Focus on asset and liability pricing management
Technological transformation	Increased demand to implement state-of-the-art systems and processes to stay competitive	• Enhanced Internet Payment Gateway (IPG) facilities enabling on-line payments through Company website • Set up/developed new lines for internal and external communications with all stakeholders • Implementing strategies to embrace the technological transformation
Cybersecurity threats	Increased risk of data security and business disruption	• Introduced state-of-the-art cybersecurity measures • Maintain disaster recovery sites, enabling business continuity in the event of lapses of control • Introduced new security measures to safeguard against identified and potential threats

Risk Types

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

1. Credit risk
a. Default risk
b. Concentration risk

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

3. Liquidity risk

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

Credit risk

A risk inherent in lending is that counterparties may not be able to honour their financial obligations, known as credit risk. Credit risk may take two forms; default risk (general risk in lending) or concentration risk. Financial institutions by the nature of their business, are highly susceptible to credit risk. Meticulous credit risk management is vital to optimally balance risks and return for such businesses.

Loans and advances, a major component of the assets of the Company are exposed to credit risk and this exposure amounted to LKR 24,254 Mn. as at 31 March 2023, the bulk of which was accounted for by finance leases. Hence, this risk is extremely important in the Company's risk profile and managing it is critical to the operations of the Company.

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

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

Marketing Staff

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

Recovery Department

- Site visit by Recovery Officer
- Follow-up actions
- Restructure loans
- Voluntary handover
- Allow third party transfers to creditworthy customers

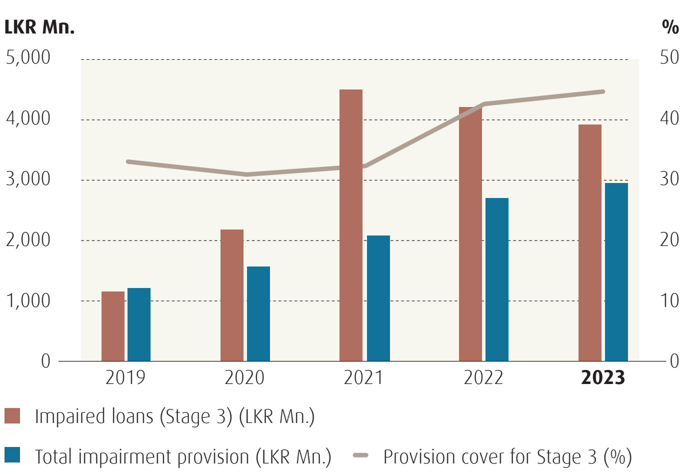
Legal Department

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

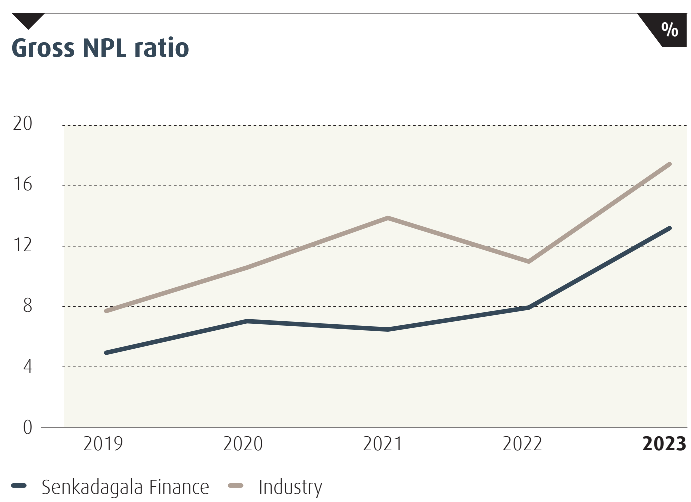
The initiatives that were taken in 2021/22 to strengthen the credit evaluation process and the recovery process of the Company were continued during this year as well. One such key initiative, was the system automation of capturing of the CRIB information. Thereby the Company is expected to achieve more rapid credit evaluation, while reducing human errors. This has also enabled the Company to streamline the pricing to align with the risk appetite of the Company in a systematic way. While certain issues were encountered during the process of automation, they were ironed out during the financial year.

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

Impaired loans and provision cover



Gross NPL ratio



The financial services sector has been experiencing an overall increase in defaults in the past few years due to economic downturn that continued during the year under review. This trend applied to Senkadagala Finance as well. With the deferred application of the Finance Business Act Direction No. 1 of 2020, Classification and Measurement of Credit Facilities, with effect from 1 April 2022, the Company classified credit facilities as NPLs based on days past due period and/or potential risk. Accordingly, for the period ended 31 March 2023, the Company classified loans and advances with principal and/or interest past due for more than 120 days from the due date as NPL, as opposed to 180 days up to 31 March 2022. As a result, the gross NPL ratio was recorded at 13.24% at the year end. This was higher than the 11.90% recorded in March 2022, recalculated on the 120 days past due basis.

However, the Company continued to maintain its NPLs at a level well below the industry average of 17.5% for the year ended December 2022. The classification threshold will be reduced from 120 days to 90 days past due with effect from 1 April 2023. This will move towards placing the NBFIs on par with the classification for the banking sector, which would further deteriorate the NPL ratio in the periods to come.

Market Risk

Market risk occurs as a result of changes in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices so as to cause losses. Probable losses vary with the extent of fluctuation of the underlying variable and the extent of exposures.

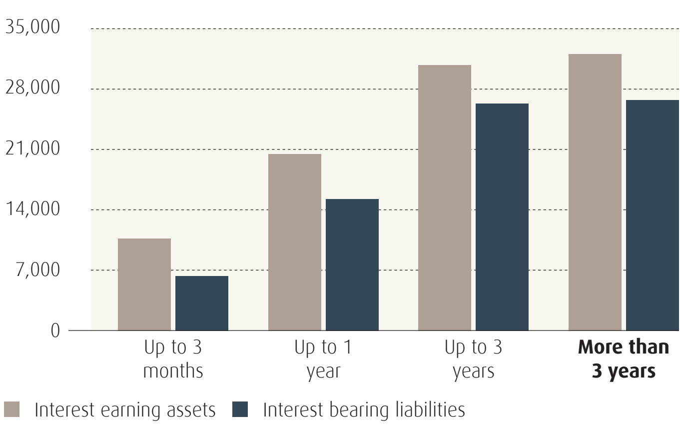
Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
Interest rate risk	Losses due to unfavourable movement of interest rates	Maintain an optimal net interest spread	• Meticulous asset and liability management • Setting risk tolerance levels • Continuous environmental scanning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

Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
		Minimise translation losses	• Swap cash flows to minimise the exchange risk exposure • Hedge to lessen the effects of the foreign currency borrowings • Regularly review the effectiveness of the hedge
Commodity price risk	Adverse movements in commodity prices	Minimise exposure to commodities	• Minimal exposure to such risk due to nature of business • Closely monitoring fluctuations in market prices of gold and setting optimum advance levels for pawning

In managing interest rate risk, the Company focuses on controlling the potential impacts of repricing of interest-earning assets and interest-bearing liabilities yield curve movements and basis risk (movements in a hedging situation not offsetting each other). Meticulous management of interest rate risk is vital for the Company, because the majority of its earnings are through interest income. The market rates experienced a rapid increase during the financial year fuelled by regulatory action taken to stabilise the turbulent economic situation. Nevertheless, securing low-cost funding in the previous years, when low market interest rates prevailed, enabled the Company to maintain a net interest margin of 7.65% compared to 10.16% of last year. Company also managed to maintain a positive gap between cumulative interest-earning assets and interest-bearing liabilities at all maturity buckets.

Analysis of cumulative maturity gap

LKR Mn.



Liquidity Risk

A very important consideration for the credibility of a financial organisation is that it should be able to honour its commitments as they fall due.

Liquidity risk materialises when an institution fails to service such financial commitments in a timely manner. Impact of unforeseen or ill-planned liquidity risk is one of the common reasons for insolvency of financial institutions; even major players in the finance business have at times failed due to poor liquidity management. Therefore prudent liquid assets management is key for a financial institution's success. Senkadagala Finance PLC continuously maintains a high level of liquidity, in managing its working capital and this was one of the strengths that enabled us steer though the crisis situation that prevailed.

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

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

Liquidity ratio	Regulatory requirement Percentage %	**As at 31 March 2023 (%)**	As at 31 March 2022 (%)
Government Securities to average deposit liabilities	7.50	**15.81**	18.19
Liquid assets to fixed deposits and CDs	10.00	**31.22**	34.16
Liquid assets to savings deposits	15.00	**486.15**	466.18
Liquid assets to unsecured senior borrowings	10.00	**66.82**	85.87

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

Operational Risk

Operational risks are the possibility of losses arising due to inadequate or failed internal processes, people, and systems as a result of internal and/or external events. It covers a broad spectrum of activities, organisational units, and functions within an organisation and hence, a robust internal control system as well as adequate levels of capital should be in place to mitigate and provide margins for potential losses.

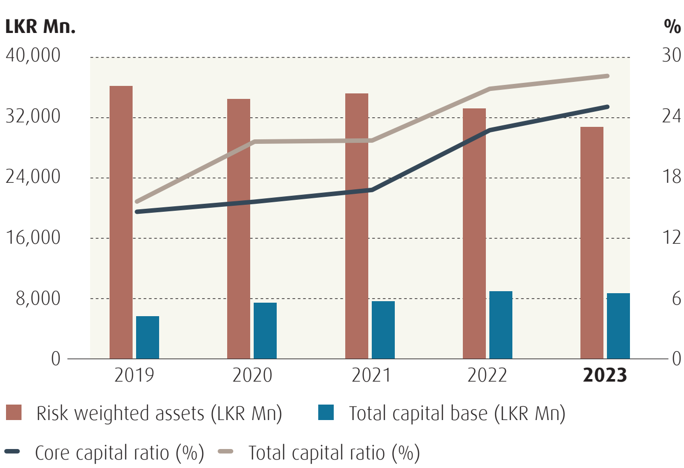
Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
Internal controls	Losses due to lapses in internal controls	Eliminate internal fraud	• Robust internal control systems are in place • Accountability • IT backed controls are in place • Authority limits hardcoded to system controls • A strong risk culture set by the Board and Senior Management • Procedures for reviews and controls • Whistle-blowing policy • Fraud response plans • Complaint handling procedures
		Minimise external fraud	• Dynamic customer screening process • Upgraded information system security • Strong and timely response team • Internal audit • Fraud response plans
		Enhance employment practices and workplace safety	• Employee screening policies • Continuous training and development • Update systems, processes, and procedures • Value placement on ethical business conduct

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
		Develop execution, delivery and process management	• Comprehensive operations manuals • Ongoing education of the operational staff on changes to market conditions and business processes
Technology related risk	Risk associated with operations, involvement and adoption of information technology within the organisation	Minimise system downtime	• System development and upgrades • Well trained systems support team • Online system support
		Improve system and data security	• Update and upgrade information system security • State-of-the-art system security software • Ensure accuracy and reliability of management information systems • Continuous system development • Capable and experienced Technology Team
		Improve hardware functionality and eliminate breakdowns	• Regular maintenance and upkeep • Co-sourcing suppliers to ensure prompt restoration in system breakdowns
Disasters and contingencies	Loss due to unforeseen events	Minimise business disruption and system failures	• Disaster Recovery Site in place enabling continuous operations with minimal downtime • Business Continuity Plan and disaster management policies in place • Data backups and cloud servers
		Minimise losses due to damage to physical assets	• Comprehensive insurance covers • Regular staff training on workplace safety measures • Following best practices in disaster management at branches (placement of fire extinguishers)
Strategic risk	Losses arising due to strategic decisions	Systematic analysis of strategic decisions and meticulous implementation	• Environmental scanning • Regular reporting • Meeting at regular intervals to review the progress • Remedial measures for deviations • Independent perspective provided by Non-Executive Directors • External expert's advice

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
Regulatory and compliance risk	Losses that arise due to failure of complying with applicable rules, regulations, and codes of conduct	Comply with all regulatory restrictions and controls	• Incorporate regulatory limits and restrictions into internal controls • Fast tracked communication channels to IT and operational departments • Assign responsibility to functional managers • Compliance Register and frequent reports • Regular reports to the Board of Directors • External assurance sourcing Messrs Ernst & Young Advisory Services (Pvt) Ltd.
Reputational risk	Loss of earnings, profitability, capital, or brand image due to negative publicity	Adequate controls over all risk criteria	• Effective and honest communication • Proper internal controls • Regulatory compliance • Two way customer relations • Robust customer complaint handling • Customer care management ethics

The Company maintains adequate capital levels to safeguard against the possibility of operational risk. Detailed information on the capital position of the entity is available on pages 275 to 277 of this Report. Additionally, in line with the Finance Business Act, Direction (Capital Adequacy Requirement) No. 3 of 2018, a capital charge for operational risk was introduced. Accordingly, Senkadagala Finance has provided a capital charge of LKR 488 Mn. for operational risk under the Basic Indicator Approach.

Risk weighted assets and capital positions




OUR JOURNEY
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Financial Reports

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF SENKADAGALA FINANCE PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group, for the year ended 31 March 2023 to the shareholders, which was approved by the Board of Directors on 27 June 2023.

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

Domicile and Legal Form

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

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

Vision and Mission

The Company's vision and mission are stated on page 4 of this Report.

Principal Activities and Operations

The principal lines of business of the Company include providing financial accommodation in the form of finance leases, hire purchase, commercial loans and personal loans. Additional lines of business include pawning, corporate loans, foreign exchange transactions, investment in money market instruments and the acceptance of public deposits in the form of term deposits and savings deposits.

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

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

Senfin Real Estate (Pvt) Ltd. was incorporated on 05 October 2021 as a fully own subsidiary of Senfin Asset Management with the objective of investing, developing, operating and trading of real estate assets. However, with the changes of economic conditions and underlying legal implication, the business proposition of Senfin Real Estate (Pvt) Ltd. is no longer viable. Hence, it is in the process of being stricken-off from the register of the Registrar General of Companies.

During the year under review Senkadagala Finance PLC acquired a stake of Senfin Securities Limited, a licensed stock broker with the Securities and Exchange Commission of Sri Lanka, engaged in providing brokerage services for trading of equity and debt securities in the Colombo Stock Exchange. With only 35% holding, Senfin Securities Limited is an associate of Senkadagala Finance PLC since 2 January 2023.

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

Management and Financial Review of Business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 8 to 9), the Managing Director/CEO's Review (on pages 10 to 11), Business Model (on pages 14 to 15) and Our Story on 2022/23 (on pages 29 to 59) sections. These reports together with the audited financial statements provide an overall assessment of the performance of the Company and the Group during the financial year.

Branch Expansion and Future Development

Senkadagala Finance PLC has 100 branches in operation Islandwide. 20 service centres were converted in to fully-fledged branches during the year. Preparations are underway to open 10 new branches in the coming financial year, reigniting the branch expansion strategy of the Company.

Directors' Responsibility for Financial Reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 124 to 277.

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

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company and the Group as at 31 March 2023 and the profit of the year then ended and has been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007, Finance Companies Act No. 78 of 1988 which was replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these Acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

Directors' Statement on Internal Controls Over Financial Reporting

The Directors of the Company are responsible for setting out the policy regarding internal control over financial reporting, a statement on the general control mechanisms adopted by the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 05 of 2021 is given on page 117 of this report.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting as referred to on page 117 of said statement.

Auditor's Report

The Auditors of the Company Messrs KPMG performed the audit on the separate and the Consolidated Financial Statements for the year ended 31 March 2023. The Auditor's Report issued thereon is given on pages 118 to 123 of this Annual Report.

Accounting Notes

The accounting policies adopted in preparing and presenting of these Financial Statements are given on pages 132 to 277 of this Annual Report.

The Company and the Group prepared the Financial Statements for all periods up to and including the year ended 31 March 2023 in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka, which has converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

There were no significant changes to the accounting policies adopted by the Company and the Group during the year except for the changes set out in Note 2.9 (on page 137) of the Financial Statements.

Directors Interests

As required by the Section 192 (1) and (2) of the Companies Act, all Directors have made declarations of the interests with the Company and the Group. The share ownership of Directors is disclosed on page 115 of this report.

Remuneration and Other Benefits of Directors

Directors' remunerations in respect of the Company is LKR 32,553,120/- (2022 – LKR 30,225,800/-) and for the Group LKR 34,353,120/- (2022 – LKR 31,875,800/-) for the financial year under review.

Related Party Transactions

The Directors have disclosed the transactions that could be classified as related party transactions in terms of Sri Lanka Accounting Standard 24, "Related Party Disclosures", in the Financial Statements, and accordingly given in Note 47 on page 233 of this Annual Report.

The Directors confirm that the transactions carried out with the related parties during the year ended 31 March 2023 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and there were no related party transactions exceeding the threshold of 10% of equity or 5% of total assets, which ever is lower, as per the Audited Financial Statements of the Company during the year. All related party transactions have been reviewed by the Board Related Party Transactions Review Committee and observations of the Committee have been duly communicated to the Board.

Donations

A sum of LKR 272,500/- (2022 – LKR 90,000/-) was paid out by way of donations during the financial year under review.

Income

The income generated by the Company and the Group during the financial year comprise the following:

	Company		Group	
For the year ended 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Interest income	**6,492,904,281**	6,020,701,098	**6,496,364,447**	6,021,828,921
Fee and commission income	**40,958,579**	59,909,000	**222,225,045**	242,862,671
Other income	**312,150,732**	263,939,208	**243,361,467**	181,520,443
Total	**6,846,013,592**	6,344,549,306	**6,961,950,959**	6,446,212,035

Further analysis is given in Notes 4, 5.1, 6.1 and 7 to 9 of the Financial Statements on pages 142 to 146 of this report.

Profit and Appropriations

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

	2023 LKR	2022 LKR
Profit before income taxation	**526,302,454**	1,185,646,689
Income taxation paid	**(81,251,092)**	(282,675,480)
Profit for the period	**445,051,362**	902,971,209
Other comprehensive income, net of tax	**5,024,243**	37,283,268
Balance brought forward	**4,710,899,740**	3,906,721,410
Profit available for appropriation	**5,160,975,345**	4,846,975,887
Appropriated as follows:		
Transfers to statutory reserve fund	**25,000,000**	46,000,000
Dividends paid	**120,791,768**	90,076,147
Unappropriated profit carried forward	**5,015,183,577**	4,710,899,740

Dividends

The dividend payout for the year was 12.60% (2022 – 13.38%). Details on dividend declarations, payments, and the dividend policy are available in Shareholder and Investor Capital on page 53 of this Report.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 33 on pages 217 to 219 of this report.

Reserves

The aggregate reserves of the Company as at 31 March 2023 amounted to LKR 7,976 Mn., the aggregate reserves as at 31 March 2022 were LKR 7,646 Mn. Movement in reserves during the year is given in Statement of Changes in Equity on pages 128 to 129 of this report.

Capital Expenditure

The total capital expenditure for the year amounted to LKR 38.9 Mn. (2022 – LKR 113.2 Mn.).

Details of property, plant and equipment are available on pages 205 to 212 of this report. Details relating to the depreciation charge for the year are also available thereon.

Market Value of Freehold Assets

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

The valuation has been carried out based on open market value of similar properties. These values have not been incorporated in the Financial Statements. Details of free hold property owned by the Company including extent, location and number of buildings are given in Note 29 and 30 of the Financial Statements on pages 202 and 205 to this report.

Issue of Shares and Debentures

Stated capital

Senkadagala Finance PLC has in issue 86,279,834 ordinary shares with a book value of LKR 2,424,777,045 as at 31 March 2023. No new shares were issued during the year under review. The Company does not have any other categories of shares in issue.

Details of the stated capital are given in Note 44 of the Financial Statements on page 231 of this report.

Debentures

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

Details of debentures in issue as at 31 March 2023 are given in detail in Note 38 of the Financial Statements on page 225 respectively. Further information on the listed debentures is given on page 57 of this report.

Share Information

Information relating to earnings per share, dividends per share, net assets per share, market price per share and the distribution of shareholding is stated on page 55, under Shareholder and Investor Capital section. The twenty largest shareholders as at 31 March 2023 together with an analysis of the shareholding are also stated therein.

Equitable Treatment to Shareholders

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

Communication with Shareholders

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

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

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

Corporate Services (Pvt) Ltd.
216, de Saram Place, Colombo 10, Sri Lanka.
Email: corporateservices@corporateservices.lk

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

Further details on engagement with the Shareholders of the Company are provided under Stakeholder Engagement section on page 21 of the Annual Report.

Directors

The Board of Directors of Senkadagala Finance PLC consists of Directors with financial and commercial experience. The Directors are subject to an annual assessment of their fitness and propriety to continue as Directors in terms of Finance Business Act Direction No. 06 of 2021.

A brief profile of the Directors with their qualifications and experience is detailed on pages 62 to 65 of this report.

Following were the Directors of the Company during the year:

- Mr W M R S Dias
- Mr L Balasuriya
- Dr A Balasuriya
- Ms L Fernando
- Mr S D Bandaranayake
- Mr R Senanayake
- Mr N Vasanth Kuma
- Dr (Ms) R A Perera

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

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

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

- Dr P Ramanujam
- Mr D R Abeysuriya
- Mr S Balasuriya
- Mr D T P Collure
- Mr S K Balasuriya
- Mr S D Bandaranayake

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

- Mr D R Abeysuriya
- Mr S K Balasuriya
- Mr S D Bandaranayake

Independence of Directors

The Board has carried out a determination of the independence or non-independence status of its Non-Executive Directors in accordance with the Section 7.10.3 of the Continuing Listing Rules of the CSE. Particulars of independence of Directors are set out in pages 62 to 65 of this Report along with a brief profile of the Director.

Board and Committee Meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Integrated Risk Management Committee meetings and Related Party Transactions Review Committee meetings were held during the year at the Registered Office of the Company. Members of the Board and each of these committees have attended the meetings in person or virtually on a regular basis. Details of the members and their attendance is given in page 93 of this report.

Recommended for Re-election

In accordance with the Finance Business Act Directions No. 05 of 2021 (Corporate Governance), Mr S D Bandaranayake was re-appointed as an Executive Director with the approval of the Monetary Board of the Central Bank of Sri Lanka, on reaching the age of 70 years. In accordance with sections 210 and 211 of the Companies Act No. 07 of 2007, he is recommended for re-election in the forthcoming Annual General Meeting of the Company.

Retirement of Director

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

Directors' Shareholdings

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

	2023		2022	
	Number of shares	**% of holding**	Number of shares	% of holding
Dr A Balasuriya and Mr D Balasuriya	**2,963,360**	**3.43**	2,963,360	3.43
Dr A Balasuriya and Mr S Balasuriya	**2,963,358**	**3.43**	2,963,358	3.43
Mr L Balasuriya and Mr S K Balasuriya	**2,963,360**	**3.43**	2,963,360	3.43
Mr L Balasuriya and Ms A S Balasuriya	**2,963,358**	**3.43**	2,963,358	3.43
Ms L Fernando and Ms S A Fernando	**1,735,089**	**2.01**	1,735,089	2.01
Ms L Fernando and Mr A R Fernando	**1,735,088**	**2.01**	1,735,088	2.01
Ms L Fernando and Ms A L Fernando	**1,735,088**	**2.01**	1,735,088	2.01
Mr L Balasuriya – The Trustee of the Capitalisation Issue	**16**	**0.00**	16	0.00
Mr S D Bandaranayake	**–**	**0.00**	–	0.00
Mr W M R S Dias	**–**	**0.00**	–	0.00
Mr R Senanayake	**–**	**0.00**	–	0.00
Mr N Vasantha Kumar	**–**	**0.00**	–	0.00
Dr (Ms) R A Perera	**–**	**0.00**	–	0.00

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

Directors' Interests in Debentures

Details of Debentures held by the Directors of the Company are mentioned in Note 47 on page 233 of this report.

Environment

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

Statutory Payments

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

Post Balance Sheet Events

A final dividend of LKR 0.65 per share for the financial year ended 31 March 2023 was recommended by the Board of Directors, subject to receiving approval by the Central Bank of Sri Lanka before the date of the Annual General Meeting and on receiving approval by the shareholders at the Annual General Meeting.

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

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

Appointment of Auditors

The Financial Statements of the year under review have been audited by Messrs KPMG, Chartered Accountants, who offer themselves for re-appointment. A resolution will be proposed at the Annual General Meeting to re-appoint them as auditors and authorising the Directors to resolve their remuneration.

Auditor's Remuneration, Other Fees, and Payables

The Auditors, Messrs KPMG was paid audit fees of LKR. 3,500,000 (2022 – LKR 3,000,000) for the Company and LKR 550,000 (2022 – LKR 427,000) for the subsidiary companies for the period under review. In addition they were paid LKR 2,901,704 (2022 – LKR 1,378,002), for permitted non-audit related services of the Company and LKR 139,562 (2022 – LKR 180,747) for the subsidiaries respectively. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 7 of 2007.

Amounts pertaining to the audit fee of Rs. 3,500,000 of the Company and LKR 550,000 of the subsidiaries were payable as at the year end.

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

Risk Management

Information pertaining to material foreseeable risk factors and specific steps taken by the Company in managing such risks are detailed in the risk management section on pages 98 to 107 of this Report.

Corporate Governance

The Board places great emphasis on maintaining effective corporate governance practices, policies and systems are structured accordingly and reviewed time to time to enhance transparency and accountability. The report on corporate governance is given on pages 62 to 97 of the Annual Report.

Internal Control

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

Employment Policies

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

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

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

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. During the year under review the Company initiated online training programs to update staff on latest developments on policies, procedures and other operational related systems. The Company had 819 employees as at 31 March 2023 (2022 - 802) and 835 (2022 – 818) in the Group respectively.

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

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

Going Concern

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

Compliance with Laws and Regulations

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

By order of the Board of
Senkadagala Finance PLC

W M R S Dias
Chairman

L Balasuriya
Chief Executive Officer/Managing Director

Corporate Services (Private) Limited
Secretaries

Colombo
27 June 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

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

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

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

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

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

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

Confirmation

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

Statement On Prudential Requirements

The Company is fully compliant with prudential requirements, regulations, laws, and internal controls, and there have been no concerns raised by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka regarding the Company's Risk Management Systems or non-compliance with directions that require public disclosure. As a result, there are no measures to be taken or any information to disclose in this regard.

External Auditors Certification

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

By order of the Board,

W M R S Dias
Chairman

R Senanayake
Chairman of the Board Audit Committee

S D Bandaranayake
Director/Additional CEO

Colombo
27 June 2023

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

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

To the Shareholders of Senkadagala Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Senkadagala Finance PLC (the "Company") and the Consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Refer to Note 2.8 (Significant accounting judgments, estimates and assumptions), Note 2.8.6 (Impairment losses on Finance lease, hire purchase, loans, and other advances), Note 23 (Financial assets at amortized cost - finance leases and hire purchase) and Note 24 (Financial assets at amortized cost - Loans and receivables from customers) to these financial statements.

Risk Description	Our response
As at 31 March 2023, net finance lease and hire purchases and other loans and receivables amounted to Rs. 19,695 Mn and Rs. 4,558 Mn respectively which is 68% of the total assets of the Company. Allowance for impairment as at 31 March amounted to Rs. 2,118 Mn and Rs. 829 Mn on finance lease and hire purchases and other loans and receivables respectively. Allowances for expected credit losses (ECL) is a key audit matter due to the significance of the finance lease and hire purchases and other loans and receivable balance to the financial statements and high degree of complexity and judgment are involved in estimating ECL on finance lease and hire purchases and other loans and advances to the customers. The Company uses both individual impairment assessment and collective impairment assessment. Collective impairment is calculated using internally developed statistical models which are inherently complex, and judgment is required in developing the models. There is a number of key inputs and assumptions used by the Company in applying the requirements of SLFRS 9 to the models including definition of significant increase in credit risk (SICR), selection and input of forward-looking information, past due information, historical loss parameters etc. Some of these assumptions and inputs are heavily dependent upon the macroeconomic environment, also additional adjustments and overlays are provided to the model to reflect the effects of current economic developments to address known model limitations due to emerging trends in the economy and the portfolios. Additional subjectivity and judgment have been introduced into the Company's measurements of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing out audit effort thereon.	Our audit procedures included the following: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counterparty credit quality and restructuring of lease and loans receivables from customers, the process of the measurement of impairment allowances for lease and loans receivables from customers; • Reconciliation of the data used in the ECL calculation process to gross balances recorded in the general ledger with source systems; • Challenging the validity of the models used and assumptions including staging, probability of default (PD) and loss given default (LGD) adopted by the Company for the calculation of collective impairment allowances; • Assessing and challenging the reasonability of the assumptions used in the ECL model including forward-looking macroeconomic factors with the assistance of KPMG Financial Risk Management specialists; • Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgment applied in the use of economic factors, the loss emergence period and the observation period for historical losses and assessing key internal controls over the input of underlying data into the models. • Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic development; • Assessing the ongoing effectiveness of the Significant increase in credit risk criteria and independently calculated the staging of loans and leases.

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Risk Description	Our response
Additionally, allowances for individually significant leases and loans exceeding specific thresholds are individually assessed by the Company. These specific allowances are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company in respect of the lease and loan receivables. The disclosures regarding the Company's application of SLFRS 9 and SLFRS 7 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	• Assessing the adequacy of individual impairment provision by; – Evaluating the criteria used to identify individually significant customers – Obtaining management's assessment of the recoverability of these exposures and challenged whether individual impairment provisions were appropriate. – On a sample basis, testing large customers based on quantitative thresholds and evaluating those large customers where impairment indicators have been identified by management. • Assessing prevailing uncertain and volatile macroeconomic environment in the country within the ECL model by, assessing the appropriateness of weight of different economic scenarios. • Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; • Assessing the appropriateness of the Company's disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

2. IT systems and controls over financial reporting

Risk Description	Our response
The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Key areas of importance are system calculations in relation to significant accounts including interest calculations, updating of the general ledger, interface between different modules within the system etc.	Our procedures included; We worked with KPMG IT Audit specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of general IT controls in relation to financial accounting and reporting system involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems etc; • Examining the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required;

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Risk Description	Our response
This is an area of significant risk in our audit due to the dependency of the financial reporting process on the IT systems and controls driven by significant transaction volumes and accordingly identified as a Key Audit Matter.	• Evaluating the design, implementation and operating effectiveness of the specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on business continuity; • Re-performing selected automated computations and comparing the results with the system calculations and the general ledger. • Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.

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 auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is FCA 3272.

Chartered Accountants
Colombo, Sri Lanka

28 June 2023

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Gross income	4	**6,846,013,592**	6,344,549,306	**6,961,950,959**	6,446,212,035
Interest income	5.1	**6,492,904,281**	6,020,701,098	**6,496,364,447**	6,021,828,921
Interest expense	5.3	**(3,879,380,604)**	(2,430,425,436)	**(3,868,363,731)**	(2,430,467,299)
Net interest income	5	**2,613,523,677**	3,590,275,662	**2,628,000,716**	3,591,361,622
Fee and commission income	6.1	**40,958,579**	59,909,000	**222,225,045**	242,862,671
Fee and commission expense	6.2	**(26,875,854)**	(13,626,837)	**(26,875,854)**	(13,626,837)
Net fee and commission income	6	**14,082,725**	46,282,163	**195,349,191**	229,235,834
Net gain from trading	7	**53,083,911**	87,745,348	**58,369,793**	88,903,399
Net gain/(loss) from financial instruments designated at fair value through profit or loss	8	**78,083,964**	(61,556,651)	**81,088,297**	(61,833,520)
Other operating income	9	**180,982,857**	237,750,511	**103,903,377**	154,450,564
Net other operating income		**312,150,732**	263,939,208	**243,361,467**	181,520,443
Total operating income		**2,939,757,134**	3,900,497,033	**3,066,711,374**	4,002,117,899
Impairment charges and other credit losses	10	**(207,159,418)**	(596,679,543)	**(207,159,418)**	(596,679,543)
Net operating income		**2,732,597,716**	3,303,817,490	**2,859,551,956**	3,405,438,356
Personnel expenses	11	**(830,795,495)**	(787,766,078)	**(865,355,463)**	(816,658,079)
Depreciation expenses	12.1	**(357,739,131)**	(400,029,740)	**(365,913,938)**	(409,001,030)
Amortisation expenses	12.2	**(13,903,669)**	(13,496,354)	**(13,980,960)**	(13,568,558)
Other operating expenses	13	**(776,380,508)**	(589,501,527)	**(790,427,413)**	(600,327,758)
Operating profit before taxation on financial services		**753,778,913**	1,513,023,791	**823,874,182**	1,565,882,931
Taxes on financial services	14	**(256,537,187)**	(327,377,102)	**(256,537,187)**	(327,377,102)
Operating profit after taxation on financial services		**497,241,726**	1,185,646,689	**567,336,995**	1,238,505,829
Share of profits of associate, net of tax	28.1	**29,060,728**	–	**29,060,728**	–
Profit before income tax		**526,302,454**	1,185,646,689	**596,397,723**	1,238,505,829
Income tax expense	15	**(81,251,092)**	(282,675,480)	**(118,533,985)**	(308,879,755)
Profit for the year		**445,051,362**	902,971,209	**477,863,738**	929,626,074
Basic/diluted earnings per share	16	**5.16**	10.97	**5.54**	11.30

Figures in brackets indicate deductions.

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Profit for the year		**445,051,362**	902,971,209	**477,863,738**	929,626,074
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain on defined benefit plans	43.2	**8,421,192**	49,056,932	**8,099,961**	49,281,026
Deferred tax effect on actuarial gain	33	**(2,526,358)**	(11,773,664)	**(2,429,988)**	(11,827,446)
Changes in fair value of investments in equity at fair value through other comprehensive income	46	**479,611**	(702,105)	**479,611**	(702,105)
Share of other comprehensive income of associate, net of tax	28.2	**(870,591)**	–	**(870,591)**	–
Other comprehensive income for the year, net of tax		**5,503,854**	36,581,163	**5,278,993**	36,751,475
Total comprehensive income for the year		**450,555,216**	939,552,372	**483,142,731**	966,377,549

Figures in brackets indicate deductions.

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

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Assets					
Cash and cash equivalents	20	**492,429,493**	627,213,024	**515,465,068**	664,573,516
Deposits with licensed financial institutions	21	**5,113,380,978**	6,789,342,503	**5,121,558,512**	6,797,594,653
Repurchase agreements		**666,610,501**	1,557,904,480	**666,610,501**	1,557,904,480
Financial assets held at fair value through profit or loss	22	**485,751,196**	287,661,234	**556,025,320**	355,645,146
Financial assets at amortised cost – Finance leases and hire purchases	23	**19,695,389,245**	22,780,618,451	**19,695,389,245**	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	24	**4,558,292,534**	3,321,278,114	**4,558,593,534**	3,321,523,114
Financial assets measured at fair value through other comprehensive income	25	**360,242,379**	14,762,768	**360,242,379**	14,762,768
Financial assets at amortised cost – Other financial instruments	26	**1,674,913,303**	1,035,774,578	**1,674,913,303**	1,035,774,578
Investments in subsidiaries	27	**328,301,663**	328,301,663	**–**	–
Investment in associate	28	**116,740,137**	–	**116,740,137**	–
Investment property	29	**352,724,122**	356,952,871	**257,062,610**	261,291,359
Property, plant and equipment	30	**1,100,527,672**	1,334,764,142	**1,108,074,539**	1,343,982,403
Intangible assets	31	**58,328,337**	64,030,133	**58,799,228**	64,578,315
Right-of-use assets	32	**346,392,989**	361,074,334	**352,869,137**	374,026,629
Deferred tax assets	33	**109,259,525**	–	**109,990,943**	–
Other assets	34	**197,954,691**	137,728,644	**171,620,428**	98,611,151
Total assets		**35,657,238,765**	38,997,406,939	**35,323,954,884**	38,670,886,563
Liabilities					
Due to banks	35	**6,866,156,797**	6,691,396,111	**6,866,404,668**	6,691,396,111
Financial liabilities at amortised cost – Due to depositors	36	**10,263,254,075**	10,823,983,380	**10,176,610,569**	10,782,338,451
Financial liabilities at amortised cost – Other borrowings	37	**7,597,711,767**	10,447,595,018	**7,597,711,767**	10,447,595,018
Subordinated debentures	38	**1,768,800,757**	1,768,547,190	**1,768,800,757**	1,768,547,190
Lease liabilities	39	**354,424,986**	357,216,955	**362,960,317**	372,152,014
Current tax payable	40	**137,312,045**	206,362,197	**143,525,569**	209,737,818
Deferred tax liabilities	33	**–**	150,572,153	**–**	149,430,114
Amounts due to related company	41	**282,122,456**	282,122,456	**–**	–
Other liabilities	42	**293,105,771**	514,919,330	**305,382,724**	517,703,460
Employee retirement benefits	43	**118,815,083**	108,920,569	**121,745,571**	113,524,408
Total liabilities		**27,681,703,737**	31,351,635,359	**27,343,141,942**	31,052,424,584

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Equity					
Stated capital	44	**2,424,777,045**	2,424,777,045	**2,424,777,045**	2,424,777,045
Statutory reserve fund	45	**531,036,033**	506,036,033	**535,997,079**	510,997,079
Fair value reserve	46	**4,538,373**	4,058,762	**4,538,373**	4,058,762
Retained earnings		**5,015,183,577**	4,710,899,740	**5,015,500,445**	4,678,629,093
Total equity		**7,975,535,028**	7,645,771,580	**7,980,812,942**	7,618,461,979
Total liabilities and equity		**35,657,238,765**	38,997,406,939	**35,323,954,884**	38,670,886,563

Figures in brackets indicate deductions.

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

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011.

P K Rajapaksa
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.

W M R S Dias
Chairman

L Balasuriya
Chief Executive Officer/Managing Director

Colombo, Sri Lanka
27 June 2023

STATEMENT OF CHANGES IN EQUITY

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Company					
Balance as at 1 April 2021	1,587,862,680	460,036,033	4,760,867	3,906,721,410	5,959,380,990
Profit for the year	–	–	–	902,971,209	902,971,209
Other comprehensive income, net of tax	–	–	(702,105)	37,283,268	36,581,163
Total comprehensive income for the year	–	–	(702,105)	940,254,477	939,552,372
Transactions with equity holders recognised directly in equity					
Rights issue of shares	836,914,365	–	–	–	836,914,365
Dividends to equity holders	–	–	–	(90,076,147)	(90,076,147)
Transfers to reserves	–	46,000,000	–	(46,000,000)	–
Total contributions from and distribution to equity holders	836,914,365	46,000,000	–	(136,076,147)	746,838,218
Balance as at 31 March 2022	2,424,777,045	506,036,033	4,058,762	4,710,899,740	7,645,771,580
Balance as at 1 April 2022	2,424,777,045	506,036,033	4,058,762	4,710,899,740	7,645,771,580
Profit for the year	–	–	–	445,051,362	445,051,362
Other comprehensive income, net of tax	–	–	479,611	5,024,243	5,503,854
Total comprehensive income for the year	–	–	479,611	450,075,605	450,555,216
Transactions with equity holders recognised directly in equity					
Dividends to equity holders	–	–	–	(120,791,768)	(120,791,768)
Transfers to reserves	–	25,000,000	–	(25,000,000)	–
Total contributions from and distribution to equity holders	–	25,000,000	–	(145,791,768)	(120,791,768)
Balance as at 31 March 2023	**2,424,777,045**	**531,036,033**	**4,538,373**	**5,015,183,577**	**7,975,535,028**

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Group					
Balance as at 1 April 2021	1,587,862,680	464,997,079	4,760,867	3,847,625,586	5,905,246,212
Profit for the year	–	–	–	929,626,074	929,626,074
Other comprehensive income, net of tax	–	–	(702,105)	37,453,580	36,751,475
Total comprehensive income for the year	–	–	(702,105)	967,079,654	966,377,549
Transactions with equity holders recognised directly in equity					
Rights issue of shares	836,914,365	–	–	–	836,914,365
Dividends to equity holders	–	–	–	(90,076,147)	(90,076,147)
Transfers to reserves	–	46,000,000	–	(46,000,000)	–
Total contributions from and distribution to equity holders	836,914,365	46,000,000	–	(136,076,147)	746,838,218
Balance as at 31 March 2022	2,424,777,045	510,997,079	4,058,762	4,678,629,093	7,618,461,979
Balance as at 1 April 2022	2,424,777,045	510,997,079	4,058,762	4,678,629,093	7,618,461,979
Profit for the year	–	–	–	477,863,738	477,863,738
Other comprehensive income, net of tax	–	–	479,611	4,799,382	5,278,993
Total comprehensive income for the year	–	–	479,611	482,663,120	483,142,731
Transactions with equity holders recognised directly in equity					
Dividends to equity holders	–	–	–	(120,791,768)	(120,791,768)
Transfers to reserves	–	25,000,000	–	(25,000,000)	–
Total contributions from and distribution to equity holders	–	25,000,000	–	(145,791,768)	(120,791,768)
Balance as at 31 March 2023	**2,424,777,045**	**535,997,079**	**4,538,373**	**5,015,500,445**	**7,980,812,942**

Figures in brackets indicate deductions.

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

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Cash flows from operating activities					
Interest and commission receipts		**6,063,993,782**	6,148,073,003	**6,248,720,414**	6,332,154,497
Interest payments		**(3,684,542,979)**	(2,269,539,924)	**(3,672,149,834)**	(2,267,595,170)
Recoveries of bad debts	10.3	**61,529,199**	37,530,572	**61,529,199**	37,530,572
Other operating income		**48,446,129**	66,215,277	**48,366,649**	65,915,330
Operating expenditure		**(1,015,933,058)**	(911,183,007)	**(1,029,979,963)**	(922,009,238)
Rent expenses		**(10,097,415)**	(3,722,899)	**(10,097,415)**	(3,722,899)
Cash payments to employees		**(802,447,339)**	(766,717,612)	**(836,091,239)**	(794,376,370)
Operating cash flow before changes in operating assets and liabilities (Note A)		**660,948,319**	2,300,655,410	**810,297,811**	2,447,896,722
Changes in operating assets and liabilities					
Net funds received from customers		**2,006,694,245**	752,379,881	**2,006,638,245**	752,409,881
Net deposits from customers		**(560,729,305)**	(722,438,961)	**(605,727,882)**	(706,229,194)
Deposits with licensed financial institutions		**2,577,972,983**	275,995,633	**2,578,047,600**	267,743,482
Government and other securities		**252,155,254**	(803,865,564)	**252,155,254**	(803,865,564)
Other assets		**(70,226,047)**	(8,776,051)	**(73,009,277)**	(10,513,989)
Other liabilities		**(317,173,642)**	105,268,427	**(313,506,781)**	97,469,061
Net changes in operating assets and liabilities		**3,888,693,488**	(401,436,635)	**3,844,597,159**	(402,986,323)
Net cash flows from operations		**4,549,641,807**	1,899,218,775	**4,654,894,970**	2,044,910,399
Taxes paid	40	**(323,327,404)**	(406,588,389)	**(351,439,441)**	(431,514,640)
Retirement benefit liabilities paid	43	**(10,032,450)**	(18,049,963)	**(12,943,100)**	(18,295,963)
Net cash generated from operating activities		**4,216,281,953**	1,474,580,423	**4,290,512,429**	1,595,099,796
Cash flows from investing activities					
Investment in shares of associate	28.1	**(88,550,000)**	–	**(88,550,000)**	–
Net investment in trading securities		**(66,922,087)**	247,036,923	**(60,922,085)**	229,786,922
Net investment in financial assets at FVOCI		**(345,000,000)**	–	**(345,000,000)**	–
Dividends received		**90,422,504**	96,692,871	**3,422,504**	2,692,871
Purchase of property, plant and equipment	30.1	**(30,695,389)**	(90,781,358)	**(30,722,655)**	(97,353,071)
Purchase of intangible assets	31.1	**(8,201,873)**	(22,407,115)	**(8,201,873)**	(22,737,238)
Proceeds from sale of property, plant and equipment		**51,060,207**	2,112,000	**51,060,207**	2,112,000
Addition of right-of-use assets	32	**(21,518,100)**	(10,085,988)	**(21,518,100)**	(10,085,988)
Net cash (used in)/generated from investing activities		**(419,404,738)**	222,567,333	**(500,432,002)**	104,415,496
Cash flows from financing activities					
Proceeds from rights issue		**–**	836,914,365	**–**	836,914,365
Borrowings obtained		**3,735,000,000**	3,603,700,000	**3,735,000,000**	3,603,700,000
Repayment of borrowings		**(7,355,562,843)**	(6,030,233,586)	**(7,355,562,843)**	(6,030,233,586)
Repayment of lease liabilities	39	**(126,918,071)**	(123,901,873)	**(134,694,071)**	(130,381,873)
Dividends paid		**(114,763,561)**	(90,076,147)	**(114,763,561)**	(90,076,147)
Net cash used in financing activities		**(3,862,244,475)**	(1,803,597,241)	**(3,870,020,475)**	(1,810,077,241)

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Net decrease in cash and cash equivalents		**(65,367,260)**	(106,449,485)	**(79,940,048)**	(110,561,949)
Cash and cash equivalents at the beginning of the year		**419,678,324**	526,127,809	**457,038,816**	567,600,765
Cash and cash equivalents at the end of the year		**354,311,064**	419,678,324	**377,098,768**	457,038,816
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	20	**492,517,823**	627,271,907	**515,553,398**	664,632,399
Bank overdrafts	35	**(138,206,759)**	(207,593,583)	**(138,454,630)**	(207,593,583)
		354,311,064	419,678,324	**377,098,768**	457,038,816
Note A					
Reconciliation of operating profit					
Profit before income tax		**526,302,454**	1,185,646,689	**596,397,723**	1,238,505,829
Depreciation and amortisation	12	**371,642,800**	413,526,094	**379,894,898**	422,569,588
Dividends received	9	**(80,422,504)**	(85,692,871)	**(3,422,504)**	(2,692,871)
Profit on disposal of property, plant and equipment	9	**(34,973,072)**	(1,510,127)	**(34,973,072)**	(1,510,127)
Provision for defined benefit plan	43.1	**28,348,156**	21,048,466	**29,264,224**	22,281,709
Impairment charge on financial assets	10	**230,822,783**	553,152,658	**230,822,783**	553,152,658
Profit on disposal of right-of-use assets		**(987,421)**	–	**(987,421)**	–
Net gain from trading	7	**(53,083,911)**	(87,745,348)	**(58,369,793)**	(88,903,399)
Net gain/(loss) from financial instruments designated at FVTPL	8	**(78,083,964)**	61,556,651	**(81,088,297)**	61,833,520
Loan losses and write-offs	10.3	**71,274,725**	99,363,161	**71,274,725**	99,363,161
Loss/(gain) from auction of pawned articles	10.3	**1,341,606**	(2,706,144)	**1,341,606**	(2,706,144)
Unrealised gain from foreign currency conversion		**(17,141,152)**	(84,332,236)	**(17,141,152)**	(84,332,236)
Interest expenses on lease liabilities	39	**56,647,312**	57,598,226	**58,023,584**	59,584,843
Share of profits of associate, net of tax	28.1	**(5,331,645)**	–	**(5,331,645)**	–
Gain on bargain purchase of associate	28.1	**(23,729,083)**	–	**(23,729,083)**	–
Net interest accrued for lease, hire purchase, other loans and advances		**(469,869,078)**	67,462,905	**(469,869,078)**	67,462,905
Accrued interest on borrowings		**137,936,746**	103,063,491	**137,936,746**	103,063,491
Accrued interest on debentures		**253,567**	223,795	**253,567**	223,795
		660,948,319	2,300,655,410	**810,297,811**	2,447,896,722

Figures in brackets indicate deductions.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Domicile and legal form

Senkadagala Finance PLC is a public limited liability company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 and registered under the Finance Company Act No.78 of 1988 which was replaced by the Finance Business Act No 42 of 2011. The Company was re-registered under the Companies Act No. 7 of 2007 on 14 November 2011.

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

The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 3.

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

1.2 Number of employees

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

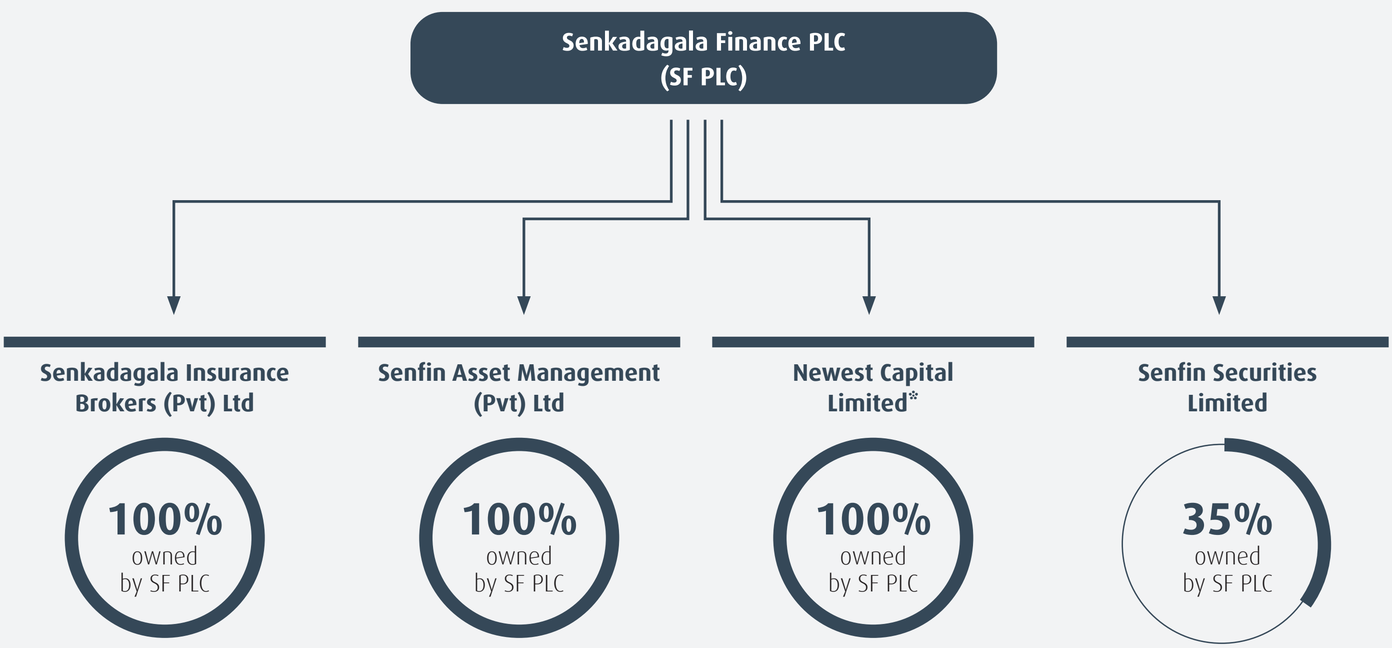
Company	819 (31 March 2022 - 802)
Group	835 (31 March 2022 - 818)

1.3 Consolidated Financial Statements

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2023 comprise those of the Company (Parent Company) and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its associate.

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

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



In the process of being woundup

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

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements of the Company and the Group are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and the amendments to these Acts and appropriate disclosures are provided as required by the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

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

2.2 Responsibility for Financial Statements

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

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

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2023 were adopted and approved by the Board of Directors on 27 June 2023.

These Financial Statements include the following components:

- A Statement of Profit or Loss providing the information on the financial performance of the Company and the Group for the year under review. (Refer page 124)
- A Statement of Other Comprehensive Income providing the other comprehensive income of the Company and the Group for the year under review. (Refer page 125)
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end. (Refer page 126)
- A Statement of Changes in Equity providing the information on all changes in shareholders' equity of the Company and the Group, during the year under review. (Refer page 128)
- A Statement of Cash Flows providing the information on the cash and cash equivalents, generating ability of the Company and the Group and the utilisation of those cash flows. (Refer page 130)
- Notes to the Financial Statements comprising accounting policies and other explanatory information of the Company and the Group. (Refer pages 132 to 277)

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Preparation of Financial Statements

The Company and the Group presents its Statement of Financial Position broadly grouped by nature and listed in order of relative liquidity. An analysis based on maturity of recovery or settlement is presented in Note 50. No adjustments have been made for inflationary factors affecting the 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 recognised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liability simultaneously.

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

2.5.1 Reporting date

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

2.6 Materiality, aggregation, and rounding

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 and amendments to the LKAS 1 on "Disclosure initiative" which was effective from 1 January 2016.

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

2.7 Comparative information

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

2.8 Significant accounting judgements, estimates and assumptions

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

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

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

2.8.1 Uncertainty of estimates in preparation of Financial Statements due to the implications of the economic condition

The economic condition of the country has increased the uncertainty of estimates made in preparation of the Financial Statements. The uncertainty is associated with the expected economic downturn due to import restrictions, exposure to interest rate and foreign currency exchange rate fluctuations and various factors that is affecting general business operations.

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

Judgments relevant to the assessment of expected credit losses and recoverable amounts of non-financial assets are further discussed in Note 10 to these Financial Statements.

2.8.2 Going concern

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

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

2.8.3 Determination of control over investees

The Management applies its judgement to determine whether the Group controls an investee. The control indicators are set out in Note 27 and Note 28.

2.8.4 Fair value of financial instruments

The fair values of financial assets and financial liabilities recognised on the SOFP, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 19.

2.8.5 Financial assets and liabilities classification and subsequent measurement

The significant accounting policies of the Group provide scope for financial assets to be classified and subsequently measured into different categories, namely, at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 18.
- The contractual cash flow characteristics of the financial assets as set out in Note 18.

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

- Financial liabilities at fair value through profit or loss, and within this category as designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial instruments depends on their classification.

2.8.6 Impairment losses on finance lease, hire purchase, other loans and receivables

The measurement of impairment losses across the categories of financial assets under the Sri Lanka Accounting Standard on "Financial Instrument" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant lease and hire purchases, loans and receivables at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. In particular, the Management's judgements are required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral.

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

The Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgment and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment, and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).
- Selection of forward-looking macro-economic scenarios and their probability weights, to derive economic input into ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision. Further details of the impairment model adopted is provided in Note 10 of the Financial Statements.

2.8.7 Impairment of non-financial assets

The Group assesses whether there are any indications of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "Value in use" of such individual assets or the CGUs. Estimating "Value in use" requires the management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates.

2.8.8 Classification of investment properties

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as investment property. On the other hand, a property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as property, plant and equipment. The Group assesses on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties.

2.8.9 Defined benefit obligation

The Group does not operate a funded pension schemes, the cost of the defined benefit obligation of the Company is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discounting rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The defined benefit obligations of the subsidiaries are not actuarially valued. The liabilities are valued using gratuity formula method and arrive at the present value using a number of factors that are determined on an actuarial basis using a number of assumptions which requires management judgement.

2.8.10 Useful life of property, plant and equipment and intangible assets

The Group reviews the residual value, useful life and method of depreciation for property, plant and equipment and method of amortisation for intangible assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rate methods and hence subject to uncertainty.

2.8.11 SLFRS 16 Leases

- **Determination of the lease term for lease contracts with renewal and termination options**

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

- **Estimating the incremental borrowing rate**

  Further, as the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Group estimates the IBR using observable input when available and is required to make certain entity specific adjustments.

2.8.12 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.8.13 Provisions for liabilities, commitments and contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

2.9 Changes in accounting policies and disclosures

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

2.9.1 Onerous contracts – Cost of Fulfilling a contract (Amendments to LKAS 37)

The amendments specify which cost an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment apply for Annual Reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied.

2.9.2 Property, plant and equipment: Proceeds before intended use (Amendments to LKAS 16).

Amendments prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

2.9.3 Fees in the "10 per cent" test for derecognition of financial liabilities (Amendments to SLFRS 9)

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial liabilities during the year.

2.9.4 Business combinations – Updating a reference to conceptual framework (Amendments to SLFRS 3)

The amendments are intended to replace a reference to the framework for the preparation and presentation of Financial Statements, issued in 1989, with a reference to the "Conceptual Framework for Financial Reporting" issued in March 2018 without significantly changing its requirements. An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential "Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of Financial Statements.

2.10 Accounting for moratorium

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

The moratorium on loan repayment was considered as a non-substantial modification of a financial asset under SLFRS 9. Modifications to the original terms and conditions of the loans due to the moratorium did not result in derecognition of the original loans if the modification does not result in cash flows that are substantially different. Accordingly based on the change in cash flows discounted at the original effective interest rate, the Company records a Day one loss which have been netted off under the interest income. Accordingly, Day one loss of LKR 0.96 Mn. is recognised during the year ended 31 March 2023 under interest income in Note 5.1, representing the difference between the original carrying value of the loan before moratorium and the present value of the revised cash flows (discounted at the original effective interest rate of the contract) at the date of the loan modification.

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

2.11 Amendments to SLFRS 16 – COVID-19 related rent concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01 June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

3. Significant Accounting Policies

3.1 Basis of consolidation

The Financial Statements of the Group comprise of the Financial Statements of the Company and its subsidiaries for the year ended 31 March 2023. The Financial Statements of the Company's subsidiaries for the purpose of consolidation are prepared for the same reporting year as that of Senkadagala Finance PLC, using uniform accounting policies.

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

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

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

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

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

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

3.1.1 Non-controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly, are disclosed separately as "Non-controlling Interest" measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the parent and to the non–controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit. The accounting policies of the subsidiaries are changed when necessary to align them with the policies adopted by the Group. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the no controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.1.2 Subsidiaries

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

3.1.3 Loss of control

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

3.1.4 Associates

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

3.1.5 Transactions eliminated on consolidation

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

3.2 Non-current assets held for sale and disposal groups

The Group intends to recover the value of non-current assets and disposal groups classified as held for sale as at the reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for sale in its present condition, Management has committed to the sale and the sale is expected to have been completed within one year from the date of classification.

These assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired.

The Group recognises an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset, only to the extent of the cumulative impairment losses that have been recognised previously. Impairment loss 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 financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Group's other accounting policies. As a result, once classified, the Group neither amortises nor depreciates the assets classified as held for sale.

In the Statement of Profit or Loss of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from profit or loss from continuing operations, down to the level of profit after taxes, even when the Group retains a NCI in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Statement of Profit or Loss.

3.3 Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other operating income", in the Statement of Profit or Loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Unrealised gains and losses are dealt under "other operating income" in the Statement of Profit or Loss.

3.4 Cash flow statement

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

3.5 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing services (Business Segment). Details of the business segments of the Group is given on Note 51.

3.6 Related party transactions

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

3.7 Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 49 as necessary.

3.8 Maturity analysis

The Group has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date, in Note 50.

3.9 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 benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

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

The Group's share of any contingencies and capital commitments of a Subsidiary for which the Group is also liable severally or otherwise are also included with appropriate disclosures.

Details of contingent liabilities and commitments of the Group are given on Note 48.

3.10 New accounting standards issued but not yet effective

Several amendments to Accounting Standards are effective for annual reporting periods beginning on or after 1 April 2023, and early application is permitted. However, the Group has not early adopted the following amendments to Accounting Standards in preparing these Consolidated Financial Statements as they are not expected to have a significant impact on the Consolidated Financial Statements.

3.10.1 Amendments to LKAS 08: Accounting Policies, changes in accounting estimates and errors – Definition of accounting estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. The Group does not expect this will result in a material impact on its Financial Statements.

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

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the Financial Statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give a rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) gives rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for Annual Reporting periods beginning on or after 1 January 2023. The Group does not expect this will result in a material impact on its Financial Statements.

3.10.3 Amendments to LKAS 01: Presentation of Financial Statements – Disclosure of Accounting Policies and amendments to IFRS practice Statement 2 – Making Materiality judgements

Amendments to LKAS 1 and IFRS Practice Statement 2 (Making Materiality Judgments), provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. The Group is in the process of revisiting related Financial Statement disclosures to ensure the consistency with the amended requirements.

4. Gross Income

Accounting Policy

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

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Interest income	5.1	**6,492,904,281**	6,020,701,098	**6,496,364,447**	6,021,828,921
Fee and commission income	6.1	**40,958,579**	59,909,000	**222,225,045**	242,862,671
Net gain from trading	7	**53,083,911**	87,745,348	**58,369,793**	88,903,399
Net gain/(loss) from financial instruments designated at fair value through profit or loss	8	**78,083,964**	(61,556,651)	**81,088,297**	(61,833,520)
Other operating income	9	**180,982,857**	237,750,511	**103,903,377**	154,450,564
Total gross income		**6,846,013,592**	6,344,549,306	**6,961,950,959**	6,446,212,035

5. Net Interest Income

Accounting Policy

Interest income and interest expenses from financial instruments are recognised using the effective interest rate (EIR). The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as “interest income” for financial assets and “interest expense” for financial liabilities.

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

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

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Interest income	5.1	**6,492,904,281**	6,020,701,098	**6,496,364,447**	6,021,828,921
Interest expense	5.3	**(3,879,380,604)**	(2,430,425,436)	**(3,868,363,731)**	(2,430,467,299)
Net interest income		**2,613,523,677**	3,590,275,662	**2,628,000,716**	3,591,361,622

5.1 Interest Income

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Cash and short term funds		**22,356,278**	12,713,271	**25,816,444**	13,681,494
Fixed deposits		**478,612,353**	282,763,053	**478,612,353**	282,763,053
Repurchase agreements		**164,721,251**	34,371,897	**164,721,251**	34,531,497
Financial assets at amortised cost					
– Finance leases and hire purchases		**3,821,415,150**	4,356,660,258	**3,821,415,150**	4,356,660,258
– Commercial loans	5.2	**123,462,488**	161,168,174	**123,462,488**	161,168,174
– Personal loans		**31,861,420**	38,008,485	**31,861,420**	38,008,485
– Pawning advances		**512,069,757**	231,820,960	**512,069,757**	231,820,960
– Fixed deposit loans		**26,925,034**	6,133,604	**26,925,034**	6,133,604
– Short-term corporate loans		**78,884,438**	7,779,867	**78,884,438**	7,779,867
– Other financial instruments		**235,409,657**	59,965,912	**235,409,657**	59,965,912
Interest on delayed insurance premium		**91,915,558**	98,698,257	**91,915,558**	98,698,257
Interest on overdue rentals		**905,270,897**	730,617,360	**905,270,897**	730,617,360
Total interest income		**6,492,904,281**	6,020,701,098	**6,496,364,447**	6,021,828,921

5.2 Impact due to moratorium

Interest income from commercial loans includes LKR 0.96 Mn. (2022 – LKR 4.04 Mn.) impact of modifications made to loans due to debt concessionary schemes implemented by the Company as a measure to support the recovery of businesses of customers affected by the COVID-19 pandemic. (Refer Note 2.10)

5.3 Interest Expense

For the year ended 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Due to banks	**1,426,147,551**	493,423,922	**1,426,147,551**	493,423,922
Financial liabilities at amortised cost				
– Due to depositors	**1,403,077,078**	904,760,450	**1,390,683,933**	902,815,696
– Other borrowings	**758,012,520**	744,639,812	**758,012,520**	744,639,812
– Commercial paper	**9,930,076**	4,466,732	**9,930,076**	4,466,732
Subordinated debenture	**225,566,067**	225,536,294	**225,566,067**	225,536,294
Interest expenses on lease liabilities	**56,647,312**	57,598,226	**58,023,584**	59,584,843
Total interest expenses	**3,879,380,604**	2,430,425,436	**3,868,363,731**	2,430,467,299

6. Net Fee and Commission Income

Accounting Policy

The Group earns fee and commission income from a diverse range of services it provides to its customers. The Company collects credit-related fees from customers including reimbursement of expenses such as legal fees, valuation and document charges and are recognised when earned. Commission income earned are recognised to the Statement of Profit or Loss on accrual basis.

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Fee and commission income	6.1	**40,958,579**	59,909,000	**222,225,045**	242,862,671
Fee and commission expense	6.2	**(26,875,854)**	(13,626,837)	**(26,875,854)**	(13,626,837)
Net fee and commission income		**14,082,725**	46,282,163	**195,349,191**	229,235,834

6.1 Fee and commission income

For the year ended 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Finance charges	**22,186,067**	38,909,336	**22,186,067**	38,909,336
Loan protection fee	**11,290,692**	11,717,118	**11,290,692**	11,717,118
Commission income	**23,395**	25,051	**181,289,861**	182,978,722
Legal and other charges	**7,458,425**	9,257,495	**7,458,425**	9,257,495
Total fee and commission income	**40,958,579**	59,909,000	**222,225,045**	242,862,671

6.2 Fee and commission expense

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Commission paid	**100,000**	60,000	**100,000**	60,000
Inspection fee and other charges	**26,775,854**	13,566,837	**26,775,854**	13,566,837
Total fee and commission expense	**26,875,854**	13,626,837	**26,875,854**	13,626,837

7. Net Gain from Trading

Accounting Policy

Results arising from trading activities include all gains and losses from sale of financial assets and financial liabilities "held for trading".

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Equities and unit trust investments	**53,083,911**	87,745,348	**58,369,793**	88,903,399
Net gain from trading	**53,083,911**	87,745,348	**58,369,793**	88,903,399

8. Net Gain/(Loss) from Financial Instruments Designated at Fair Value Through Profit or Loss (FVTPL)

Accounting Policy

Net gain/loss from financial instruments designated at FVTPL includes unrealised fair value changes of financial assets and financial liabilities "held for trading".

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Changes in fair value of financial assets designated at FVTPL	**78,083,964**	(61,556,651)	**81,088,297**	(61,833,520)
Net gain/(loss) from financial instruments designated at FVTPL	**78,083,964**	(61,556,651)	**81,088,297**	(61,833,520)

9. Other Operating Income

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as other operating income on an accrual basis.

Dividend income is recognised when the Group's right to receive the payment is established.

Profit/loss on disposal of property, plant and equipment is recognised in the period in which significant risks and rewards of ownership are transferred to the buyer and the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incidental disposal costs is recognised as an other income.

Rent income from operating leases are accounted for, on a straight-line basis over the periods of the lease agreement.

Foreign exchange gain/loss includes gain and losses from foreign currency transaction settlements and gain/losses from translation of monetary items.

	Company		Group	
For the year ended 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Dividend income from subsidiaries	**77,000,000**	83,000,000	**–**	–
Dividend income from other equity investments	**3,422,504**	2,692,871	**3,422,504**	2,692,871
Profit on disposal of property, plant and equipment	**34,973,072**	1,510,127	**34,973,072**	1,510,127
Rent income	**29,081,048**	28,296,610	**28,779,766**	27,996,610
Income from trading of foreign currency	**94,906**	18,665	**94,906**	18,665
Net realised and unrealised gain from foreign currency conversion	**20,452,152**	84,332,236	**20,452,152**	84,332,236
Other income	**15,959,175**	37,900,002	**16,180,977**	37,900,055
Total other operating income	**180,982,857**	237,750,511	**103,903,377**	154,450,564

10. Impairment Charges and Other Credit Losses

Accounting Policy

Impairment charges as per SLFRS 9

The Group recognises the loss allowance for impairment using the expected credit loss (ECL) method for the following financial instruments;

- Cash and Cash equivalents
- Deposits with licensed financial institutions
- Finance leases and hire purchases
- Other loans and receivables
- Financial assets at amortised cost – Debt and other financial instruments

No impairment loss is recognised on equity investments that are measured at FVTPL.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted, and should incorporate all available information relevant to the assessment, including information about past events, current economic conditions at the reporting date and reasonable and supportable forecasts thereof. In addition, estimation of ECL takes into account the time value of money.

Impairment charges on finance leases, hire purchases, other loans and receivables

For finance leases, hire purchases, other loans and receivables above a predefined threshold, the Group individually assesses for significant increase in credit risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are collectively assessed for impairments along with the remaining portfolio.

The Group computes ECL using following three components. These are generally derived from statistical models using historical data and adjusted to reflect forward looking information;

- **Probability of default (PD)**

  PD is an estimate of the likelihood of a borrower defaulting on its financial obligations over a given time horizon. Days past due (DPD), the number of days since the due date is the primary input into the determination of the term structure of the PD exposures. The Group uses statistical models to analyse the data and generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

- **Loss given on default (LGD)**

  LGD is an estimate of loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

- **Exposure at default (EAD)**

  EAD represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities.

Impairment charges on other financial assets

Impairment charges on other financial investments include other financial investment measured at amortised cost and debt investments. The Group does not have historical loss experience in financial investments, thus the Group considers PDs published by external sources.

LGD for the debt securities issued by the Sri Lankan government in Rupees is considered as 0%, and there is no investment in foreign currency-denominated government securities. For all other instruments, LGD is considered as 45% in accordance with the guidelines issued by the Central Bank of Sri Lanka.

EAD of a debt instrument is its gross carrying amount.

Forward looking information

The Group incorporates forward looking information into both its assessment as to whether the credit risk of an instrument has increased since its initial recognition and its measurement of ECL.

The Group has identified key drivers of credit risk both qualitative and quantitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources. The key variables of the model are as follows:

Quantitative	Qualitative
Sector NPL Ratio	Government Policies
Credit Growth	Status of the Industry Business
GDP Growth	Management Outlook
Inflation (YoY) (CCPI)	Regulatory Impact
Interest Rate	
Unemployment	

Write-off of financial assets

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Impairment charges on individual impairment	10.1	**114,254,742**	234,019,138	**114,254,742**	234,019,138
Expected credit losses on collective impairment	10.2	**116,568,041**	319,133,520	**116,568,041**	319,133,520
Other credit (reversals)/losses	10.3	**(23,663,365)**	43,526,885	**(23,663,365)**	43,526,885
Total impairment charges and other credit losses		**207,159,418**	596,679,543	**207,159,418**	596,679,543

10.1 Impairment charges on individual impairment

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Finance leases and hire purchases	23.3	**42,637,933**	182,386,845	**42,637,933**	182,386,845
Commercial loans	24.1.1	**71,616,809**	53,538,687	**71,616,809**	53,538,687
Other advances	24.4.1	**–**	(1,906,394)	**–**	(1,906,394)
Total impairment charges on individual impairment		**114,254,742**	234,019,138	**114,254,742**	234,019,138

10.2 Expected credit losses/(reversal) on collective impairment

For the year ended 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Cash and cash equivalents	20.1	**29,447**	48,689	**29,447**	48,689
Deposits with licensed financial institutions	21.1	**(7,979,952)**	9,415,448	**(7,979,952)**	9,415,448
Finance leases and hire purchases	23.4.1	**335,686,046**	57,444,201	**335,686,046**	57,444,201
Commercial loans	24.1.3	**(111,473,500)**	237,727,727	**(111,473,500)**	237,727,727
Personal loans	24.2.1	**1,527,812**	964,275	**1,527,812**	964,275
Pawning advances	24.3.1	**10,338,578**	201,757	**10,338,578**	201,757
Other advances	24.4.3	**(111,560,390)**	13,331,423	**(111,560,390)**	13,331,423
Total expected credit losses on collective impairment		**116,568,041**	319,133,520	**116,568,041**	319,133,520

10.3 Other credit (reversals)/losses

For the year ended 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Direct write-offs	**71,274,725**	99,363,161	**71,274,725**	99,363,161
Net gain on sale of repossessed assets	**(34,750,497)**	(15,599,560)	**(34,750,497)**	(15,599,560)
Net loss/(gain) from auction of pawned articles	**1,341,606**	(2,706,144)	**1,341,606**	(2,706,144)
Recovery of loans previously written-off	**(61,529,199)**	(37,530,572)	**(61,529,199)**	(37,530,572)
Total other credit (reversals)/losses	**(23,663,365)**	43,526,885	**(23,663,365)**	43,526,885

The Company has written off advances amounting to LKR 71,274,725/- (2022 – LKR 99,363,161/-) as it believes that there is no reasonable expectation of recovering the financial asset in its entirely or partly thereof.

10.4 Analysis of impairment charges and other credit losses

For the year ended 31 March 2023	Note	Company and Group			
		Stage 1 LKR	**Stage 2 LKR**	**Stage 3 LKR**	**Total LKR**
– Cash and cash equivalents	20.1	**29,447**	**–**	**–**	**29,447**
– Deposits with licensed financial institutions	21.1	**(7,979,952)**	**–**	**–**	**(7,979,952)**
– Finance leases and hire purchases		**46,596,345**	**252,399,254**	**79,328,380**	**378,323,979**
– Commercial loans		**4,404,616**	**(95,475,329)**	**51,214,022**	**(39,856,691)**
– Personal loans		**1,881,605**	**(224,722)**	**(129,071)**	**1,527,812**
– Pawning advances		**8,720,707**	**679,359**	**938,512**	**10,338,578**
– Other advances		**(7,585,484)**	**2,860,390**	**(106,835,296)**	**(111,560,390)**
		46,067,284	**160,238,952**	**24,516,547**	**230,822,783**
Direct write-offs					**71,274,725**
Net gain on sale of repossessed assets					**(34,750,497)**
Net loss from auction of pawned articles					**1,341,606**
Recovery of loans previously written-off					**(61,529,199)**
Total impairment charges and other losses					**207,159,418**

For the year ended 31 March 2022	Note	Company and Group Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
– Cash and cash equivalents	20.1	48,689	–	–	48,689
– Deposits with licensed financial institutions	21.1	9,415,448	–	–	9,415,448
– Finance leases and hire purchases		110,307,790	77,758,920	51,764,336	239,831,046
– Commercial loans		12,183,495	83,915,982	195,166,937	291,266,414
– Personal loans		170,260	662,623	131,392	964,275
– Pawning advances		334,190	81,065	(213,498)	201,757
– Other advances		(8,910,864)	3,496,940	16,838,953	11,425,029
		123,549,007	165,915,531	263,688,120	553,152,658
Direct write-offs					99,363,161
Net gain on sale of repossessed assets					(15,599,560)
Net gain from auction of pawned articles					(2,706,144)
Recovery of loans previously written-off					(37,530,572)
Total impairment charges and other losses					596,679,543

11. Personnel Expenses

Accounting Policy

Personnel expenses includes salaries, bonus, terminal benefit expenses and other employee related expenses.

The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Group has legal or constructive obligation to pay.

Defined benefit plan

The cost of the defined benefit obligation of the Company is determined using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 "Employee Benefits" and valuation of the defined benefit obligation is carried out by a qualified actuary. This method involves estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounted to determine its present value. The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service cost is recognised immediately.

The defined benefit obligations of the subsidiaries are not actuarially valued, but valued using gratuity formula method and arrive at the present value using a number of factors that are determined on an actuarial basis using a number of assumptions which requires management judgement.

The key assumptions used in determining the employee retirement benefit are given in Note 43.

The actuarial gain or losses are recognised in the statement of other comprehensive income in the year in which they arise.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Profit or Loss. The Group recognises gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Gratuity payments are made by the Group according to the Payment of Gratuity Act No. 12 of 1983. Accordingly, the Group is liable to pay gratuity to employees who have completed a minimum of five years of service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

The defined benefit obligations of the Group are not externally funded.

Defined contribution plan

The Group contributes to the following defined contribution schemes;

Employees' Provident Fund

The Group and the employee contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary (excluding overtime) to the Employees' Trust Fund maintained by the Employees Trust Fund Board of the Central Bank of Sri Lanka.

		Company		Group	
For the year ended 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Salaries and wages		**651,440,160**	500,727,750	**675,667,715**	521,972,250
Directors' emoluments	11.1	**32,553,120**	30,225,800	**34,353,120**	31,875,800
Employer's contribution to Employees' Provident Fund		**80,516,574**	60,491,667	**83,348,310**	62,998,595
Employer's contribution to Employees' Trust Fund		**20,129,144**	15,122,917	**20,837,078**	15,749,649
Contribution for defined benefit plan	43.1	**28,348,156**	21,048,466	**29,264,224**	22,281,709
Performance incentives		**–**	154,933,137	**3,548,500**	156,307,113
Other personnel expenses		**17,808,341**	5,216,341	**18,336,516**	5,472,963
Total personnel expenses		**830,795,495**	787,766,078	**865,355,463**	816,658,079

11.1 Directors' emoluments

Directors' emoluments represent the fees, salaries and allowance paid to both Executive and Non-Executive Directors of the Company and the Group.

12. Depreciation and Amortisation Expenses

Accounting Policy

Depreciation of property, plant and equipment

Depreciation is calculated using the straight-line method to write down the cost of property, plant, and equipment to its residual values over the estimated useful lives and is recognised in the Statement of Profit or Loss. Lands are not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

The depreciation rates and estimated useful lives of the property, plant and equipment of the Company and the Group are as follows:

Class of asset	% per annum	Useful life (Years)
Buildings	5	20
Office equipment	10	10
Computers and other equipment	25	4
Furniture, fixtures and fittings	10	10
Motor vehicles	16.67	6
Generators	12.5	8

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given in Note 30.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date and adjusted, if required.

Amortisation of intangible assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Details of which is as follows:

Class of intangible assets	% per annum	Useful life (Years)
Computer software	12	8.3

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

12.1 Depreciation expenses

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Depreciation of investment property	29	**4,228,749**	4,228,749	**4,228,749**	4,228,749
Depreciation of property, plant and equipment	30.1	**248,844,726**	290,893,789	**250,543,386**	293,388,932
Depreciation of right-of-use assets	32.1	**104,665,656**	104,907,202	**111,141,803**	111,383,349
Total depreciation expenses		**357,739,131**	400,029,740	**365,913,938**	409,001,030

12.2 Amortisation expenses

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Amortisation of computer software	31.1	**13,903,669**	13,496,354	**13,980,960**	13,568,558
Total amortisation expenses		**13,903,669**	13,496,354	**13,980,960**	13,568,558

13. Other Operating Expenses

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of the specific item of the income. All the expenditure incurred in the running of the business and in maintaining the property, plant, and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

For the year ended 31 March		Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
External Auditors' remuneration	– Audit fee and expenses	**3,500,000**	3,000,000	**4,050,000**	3,427,000
	– Audit related services	**2,901,704**	1,378,002	**3,041,266**	1,558,749
Internal Auditors' remuneration		**9,033,316**	5,510,214	**9,033,316**	5,510,214
Legal expenses		**12,313,950**	2,838,827	**12,313,950**	2,838,827
Contribution to deposit insurance scheme of the CBSL		**14,264,889**	15,349,992	**14,264,889**	15,349,992
Other administrative expenses		**178,096,425**	149,552,850	**181,765,899**	152,423,937
Establishment expenses		**521,479,244**	365,833,682	**528,597,621**	370,953,248
Selling expenses		**34,790,980**	46,037,960	**37,360,472**	48,265,791
Total other operating expenses		**776,380,508**	589,501,527	**790,427,413**	600,327,758

Crop Insurance Levy (CIL)

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

14. Taxes on Financial Services

Accounting Policy

Value Added Tax (VAT) on financial services

VAT on financial service is calculated in accordance with Value added tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable including benefits in money and non-money contribution or provision relating to terminal benefits. VAT on financial services was charged at 15% from 1 April 2021 to 31 December 2021 and at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL)

As per Social Security Contribution Levy Act No. 25 of 2022, effective from 1 October 2022, The Company is liable to pay SSCL on financial services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further non-financial services are made liable on the turnover at the rate of 2.5%.

	Company		Group	
For the year ended 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Value added tax on financial services	**240,042,316**	327,377,102	**240,042,316**	327,377,102
Social security contribution levy on financial services	**16,494,871**	–	**16,494,871**	–
Total taxes on financial services	**256,537,187**	327,377,102	**256,537,187**	327,377,102

15. Income Tax Expense

Accounting Policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment do not meet the definition of income taxes, and therefore accounted for under LKAS 37 provisions, contingent liabilities, and contingent assets.

Current taxation

Current tax assets and liabilities consists of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto.

Withholding Tax (WHT) on dividend distributed by the Group

With the implementation of Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends has been introduced effective from 1 January 2023, on residents as well as non-residents at the rate of 15%. Dividends paid by the Group will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Group subjected to WHT.

WHT on dividend distributed by the subsidiary and associates

The dividend income received from subsidiaries and associate was liable for income tax at 14% up until 30 September 2022. Applicable income tax rate for dividend received during the period from 1 October 2022 to 31 December 2022 was 15%. As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends has been introduced effective from 1 January 2023. Accordingly, dividend income received from subsidiaries and associate will be liable to WHT at the rate of 15% which will be a final tax for the Company.

Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets of liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future: and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised: such reductions are reversed when the probability of future taxable profits improve.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For the purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

For the year ended 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Current tax expense					
Current income tax charge	15.1	**343,609,128**	429,627,528	**374,294,263**	456,136,107
WHT on dividends distributed by subsidiary		**–**	–	**6,000,000**	–
Under provision in respect of previous year		**–**	–	**90,767**	180,600
Income tax assessment		**–**	33,543,897	**–**	33,543,897
		343,609,128	463,171,425	**380,385,030**	489,860,604
Deferred tax expense					
Reversal of temporary differences		**(262,358,036)**	(180,495,945)	**(261,851,045)**	(180,980,849)
Total income tax expenses		**81,251,092**	282,675,480	**118,533,985**	308,879,755

15.1 Reconciliation of the current income tax charge

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Net profit before tax	**497,241,726**	1,185,646,689	**567,336,995**	1,238,505,829
Adjustments				
Exempt income	**(158,673,766)**	(640,104,614)	**(166,002,152)**	(639,827,745)
Disallowable expenses	**1,249,535,759**	2,137,791,121	**1,250,289,906**	2,143,317,754
Allowable expenses	**(296,423,902)**	(857,513,130)	**(296,532,676)**	(859,939,026)
Taxable income	**1,291,679,817**	1,825,820,066	**1,355,092,073**	1,882,056,812
Income tax @ 24%	**150,090,878**	417,630,526	**162,915,523**	443,524,531
Income tax @ 30%	**187,613,597**	–	**203,646,197**	–
Current tax liability on business income	**337,704,475**	417,630,526	**366,561,720**	443,524,531
Current tax liability on investment and other income	**5,904,653**	11,997,002	**7,732,543**	12,611,576
Income tax on profit for the year	**343,609,128**	429,627,528	**374,294,263**	456,136,107
Effective tax rate (%)	**69.10**	36.24	**65.97**	36.83

The amount of current tax payable is the best estimate of the tax amount expected to be the paid and, it is measured using tax rates enacted at the reporting date. With the enactment of the Inland Revenue (Amended) Act No. 45 of 2022, income tax rate was revised from 24% to 30% effective from 1 October 2022 of the year of assessment 2022-23. Accordingly, recognised income tax on profit is 24% on first period and 30% on second period for business income, and for dividend income 14% for the first period and 15% for the second period.

16. Earnings Per Share

Accounting Policy

Basic earnings per share (EPS) is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, as per the Sri Lanka Accounting Standard – LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting both the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all potentially dilutive ordinary shares, if any.

		Company		Group	
For the year ended 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Profit attributable to ordinary shareholders of the Company		**445,051,362**	902,971,209	**477,863,738**	929,626,074
Weighted average number of ordinary shares	16.2	**86,279,834**	82,287,954	**86,279,834**	82,287,954
Basic/diluted earnings per ordinary share		**5.16**	10.97	**5.54**	11.30

16.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2023 and there have been no transaction involving ordinary shares or partial ordinary shares as at the reporting date which would require a restatement of EPS.

16.2 Weighted average number of ordinary shares

	Company		Group	
For the year ended 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Number of shares held as at 1 April as per stated capital	**86,279,834**	77,030,636	**86,279,834**	77,030,636
Weighted average effect of number of shares issued due to the rights issue	**–**	5,257,318	**–**	5,257,318
Bonus element due to rights issue to existing shareholders	**–**	–	**–**	–
Weighted average number of shares held as at 31 March used as the denominator for EPS	**86,279,834**	82,287,954	**86,279,834**	82,287,954

17. Dividend Per Share

Accounting Policy

Provision for final dividends is recognised at the time a dividend is recommended and declared by the Board of Directors and is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividends in accordance with the Companies Act No. 07 of 2007 and being approved by the Central Bank of Sri Lanka in line with the guideline dated 31 January 2023, on Declaration of Dividends or Repatriation of Profits.

Dividend per share is calculated by dividing dividend paid/proposed to ordinary shareholders of the Company, by the number of ordinary shares in issue.

17.1 Declared and paid during the year

For the year ended 31 March	Company	
	2023 LKR	2022 LKR
Final dividend paid (2021/22 – LKR 1.40, 2020/21 – LKR 1.16)	**120,791,768**	90,076,147
Gross dividend paid to ordinary shareholders	**120,791,768**	90,076,147

17.2 Dividend proposed for the year

For the year ended 31 March	Company	
	2023 LKR	2022 LKR
Final dividend proposed (2022/23 – LKR 0.65, 2021/22 – LKR 1.40)	**56,081,892**	120,791,768
Gross dividend proposed to ordinary shareholders	**56,081,892**	120,791,768
Gross dividend per share	**0.65**	1.40

The final dividend declaration for the financial year 2022/23 is subject to receiving approval by the Central Bank of Sri Lanka, in line with the Guideline dated 31 January 2023, on Declaration of Dividends or Repatriation of Profits.

18. Financial Instruments

Accounting Policy

Date of recognition

The Group initially recognises finance leases, hire purchase, other loans and receivables, deposits and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss, as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred in the Statement of Profit or Loss. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

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

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated;
- The risks that affect the performance of the business model and how those risks are managed, managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

- **Securities purchased under resale agreements (reverse repos)**

  When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the effective interest rate with the corresponding interest income being recognised as interest income in the Statement of Profit or Loss.

- **Finance lease and hire purchase, loans and other receivables at amortised cost**

  Details of "Finance lease and hire purchase, loans and other advances at amortised cost" are given in Notes 23 and 24.

- **Debt and other financial instruments measured at amortised cost**

  Details of "Debt and other financial instruments measured at amortised cost" are given in Note 26.

- **Cash and cash equivalents**

  Details of "Cash and cash equivalents" are given in Note 20.

Financial assets measured at FVOCI

Financial assets at FVOCI include equity instruments measured at fair value through other comprehensive income.

- **Debt instruments measured at FVOCI**

  Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding.

- **Equity instruments designated at FVOCI**

  Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI.

Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as a FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss".

Interest earned is accrued in "Interest income", using the effective interest rate, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at fair value through profit or loss, and within this category as designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

- **Financial liabilities at fair value through profit or loss, and within this category as designated at FVTPL;**

  Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities designated at FVTPL are recorded in the Statement of Financial Position at fair value when the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis, or a group of financial liabilities or financial assets and financial liabilities are managed and its performance is evaluated on a fair value basis.

  Changes in fair value are recorded in "Net fair value gains/(losses) from financial instruments at FVTPL" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the own credit reserve through Other Comprehensive Income and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

- **Financial liabilities at amortised cost**

  Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors", "Other borrowings", "lease liabilities" and "Subordinated liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Such financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Interest expense" in the Statement of Profit or Loss. Gains and losses also recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except, and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

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 first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

Measurement of reclassification of financial assets

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 effective interest rate is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in the Other Comprehensive income.

- To amortised cost

  The fair value on reclassification date becomes the new carrying amount. The effective interest rate is calculated based on the new gross carrying amount.

Reclassification of financial instruments at "Fair value through Other Comprehensive Income"

- To fair value through profit or loss

  The accumulated balance in Other Comprehensive Income is reclassified to profit and loss on the reclassification date.

- To amortised cost

  The financial asset is reclassified at fair value. The cumulative balance in Other Comprehensive Income is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. Effective interest rate determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

Reclassification of Financial Instruments at "Amortised Cost"

- To fair value through Other Comprehensive Income

  The asset is remeasured at fair value, with any difference recognised in Statement of Other Comprehensive Income. Effective interest rate determined at initial recognition is not adjusted as a result of the reclassification.

- To fair value through Profit or Loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

The Group did not reclassify any of its financial assets or liabilities during the year ended 31 March 2023.

Derecognition of financial assets and financial liabilities

- **Financial assets**

  The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

  On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in Statement of Other Comprehensive Income is recognised in Statement of Profit or Loss. However, cumulative gain/loss recognised in Statement of Other Comprehensive Income in respect of equity investment securities designated at FVOCI is not recognised in Statement of Profit or Loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

  The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised, the asset is recognised to the extent of the Group's continuing involvement in the asset. The Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

- **Financial liabilities**

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

Modification of financial assets and financial liabilities

- **Financial assets**

  If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. In such cases the contractual rights to cash flows from the original financial asset are deemed to have expired. The original financial asset is derecognised and a new financial asset is recognised at fair value.

  If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in Statement of Profit or Loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income

- **Financial liabilities**

  Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Statement of Profit or Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any Expected Credit Loss allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any Expected Credit Loss allowance.

Overview of the Expected Credit Loss (ECL) principles

The Group records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- **Stage 1:** A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of 12 months expected credit losses that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.
- **Stage 3:** If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

- **Purchased or originated credit impaired (POCI) financial assets:** Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Group does not have POCI loans as at the reporting date.

The key judgements and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9. The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or an instrument.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation that significantly affects the performance of the credit facility.
- Frequent changes in the senior management of an institutional customer.
- Delay in the commencement of business operations/projects by more than two years from the originally agreed date.
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants.
- When the customer is deceased/insolvent.
- When the Company is unable to contact or find the customer.
- A fall of 50% or more in the turnover and/or profit before tax of the customer.
- Erosion in net-worth by more than 25% when compared to the previous year.

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Group determines significant increase in credit risk based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to Stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 120 days past due on its contractual payments.

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is "default". In assessing whether a borrower is in default, Group reviews its individually significant finance leases, hire purchase, other loans and receivables above a predefined threshold at each reporting date.

Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above.

Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include;

- Credit impaired facilities of individually significant customers,
- The treasury, trading and interbank relationships (such as due from banks, money at call and short notice, placements with banks, government securities, investments in debentures etc.)

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and type of assets financed characteristics.

Details of the ECL computation are given in Note 10.

18.1 Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments as at 31 March 2023.

	Company			
As at 31 March 2023	Financial instruments at FVTPL LKR	Financial instruments at FVOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	492,429,493	492,429,493
Deposits with licensed financial institutions	–	–	5,113,380,978	5,113,380,978
Repurchase agreements	–	–	666,610,501	666,610,501
Financial assets held at fair value thought profit or loss	485,751,196	–	–	485,751,196
Financial assets at amortised cost – Finance leases and hire purchases	–	–	19,695,389,245	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	4,558,292,534	4,558,292,534
Financial assets measured at fair value through other comprehensive income	–	360,242,379	–	360,242,379
Financial assets at amortised cost – other financial instruments	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	44,163,258	44,163,258
Total financial assets	485,751,196	360,242,379	32,245,179,312	33,091,172,887

As at 31 March 2023	Company			
	Financial instruments at FVTPL LKR	Financial instruments at FVOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial liabilities				
Deposits from customers	–	–	10,263,254,075	10,263,254,075
Bank overdrafts	–	–	138,206,759	138,206,759
Due to banks and other borrowed funds	–	–	14,325,661,805	14,325,661,805
Debt instruments issued	–	–	1,768,800,757	1,768,800,757
Lease liabilities	–	–	354,424,986	354,424,986
Amounts due to related company	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	206,075,224	206,075,224
Total financial liabilities	–	–	27,338,546,062	27,338,546,062

As at 31 March 2023	Group			
	Financial instruments at FVTPL LKR	Financial instruments at FVOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	515,465,068	515,465,068
Deposits with licensed financial institutions	–	–	5,121,558,512	5,121,558,512
Repurchase agreements	–	–	666,610,501	666,610,501
Financial assets held at fair value thought profit or loss	556,025,320	–	–	556,025,320
Financial assets at amortised cost – Finance leases and hire purchases	–	–	19,695,389,245	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	4,558,593,534	4,558,593,534
Financial assets measured at fair value through other comprehensive income	–	360,242,379	–	360,242,379
Financial assets at amortised cost – other financial instruments	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	10,163,258	10,163,258
Total financial assets	556,025,320	360,242,379	32,242,693,421	33,158,961,120
Financial liabilities				
Deposits from customers	–	–	10,176,610,569	10,176,610,569
Bank overdrafts	–	–	138,454,630	138,454,630
Due to banks and other borrowed funds	–	–	14,325,661,805	14,325,661,805
Debt instruments issued	–	–	1,768,800,757	1,768,800,757
Lease liabilities	–	–	362,960,317	362,960,317
Other financial liabilities	–	–	206,075,224	206,075,224
Total financial liabilities	–	–	26,978,563,302	26,978,563,302

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments as at 31 March 2022.

	Company			
As at 31 March 2022	Financial instruments at FVTPL LKR	Financial instruments at FVOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial assets				
Cash and cash equivalents	–	–	627,213,024	627,213,024
Deposits with licensed financial institutions	–	–	6,789,342,503	6,789,342,503
Repurchase agreements	–	–	1,557,904,480	1,557,904,480
Financial assets held at fair value thought profit or loss	287,661,234	–	–	287,661,234
Financial assets at amortised cost – Finance leases and hire purchases	–	–	22,780,618,451	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	–	–	3,321,278,114	3,321,278,114
Financial assets measured at fair value through other comprehensive income	–	14,762,768	–	14,762,768
Financial assets at amortised cost – other financial instruments	–	–	1,035,774,578	1,035,774,578
Other financial assets	–	–	53,940,052	53,940,052
Total financial assets	287,661,234	14,762,768	36,166,071,202	36,468,495,204
Financial liabilities				
Deposits from customers	–	–	10,823,983,380	10,823,983,380
Bank overdrafts	–	–	207,593,583	207,593,583
Due to banks and other borrowed funds	–	–	16,931,397,546	16,931,397,546
Debt instruments issued	–	–	1,768,547,190	1,768,547,190
Lease liabilities	–	–	357,216,955	357,216,955
Amounts due to related company	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	321,734,938	321,734,938
Total financial liabilities	–	–	30,692,596,048	30,692,596,048

As at 31 March 2022	Group			
	Financial instruments at FVTPL LKR	Financial instruments at FVOCI LKR	Financial instruments at amortised cost LKR	Total carrying amount LKR
Financial Assets				
Cash and cash equivalents	–	–	664,573,516	664,573,516
Deposits with licensed financial institutions	–	–	6,797,594,653	6,797,594,653
Repurchase agreements	–	–	1,557,904,480	1,557,904,480
Financial assets held at fair value thought profit or loss	355,645,146	–	–	355,645,146
Financial assets at amortised cost – Finance leases and hire purchases	–	–	22,780,618,451	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	–	–	3,321,523,114	3,321,523,114
Financial assets measured at fair value through other comprehensive income	–	14,762,768	–	14,762,768
Financial assets at amortised cost – other financial instruments	–	–	1,035,774,578	1,035,774,578
Other financial assets	–	–	9,940,052	9,940,052
Total financial assets	355,645,146	14,762,768	36,167,928,844	36,538,336,758
Financial liabilities				
Deposits from customers	–	–	10,782,338,451	10,782,338,451
Bank overdrafts	–	–	207,593,583	207,593,583
Due to banks and other borrowed funds	–	–	16,931,397,546	16,931,397,546
Debt instruments issued	–	–	1,768,547,190	1,768,547,190
Lease liabilities	–	–	372,152,014	372,152,014
Other financial liabilities	–	–	321,734,938	321,734,938
Total financial liabilities	–	–	30,383,763,722	30,383,763,722

19. Fair Value Measurement of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between levels of hierarchy during the year.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building. There were no valuation of land and building done as at reporting date as management believes that there is no material change in fair value of Land and buildings.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

19.1 Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Company				
As at 31 March 2023	Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
Financial assets measured at fair value					
Investments in equity securities – quoted	197,400,984	–	–	197,400,984	197,400,984
Investments in equity securities – unquoted	–	–	360,242,379	360,242,379	360,242,379
Investments in unit trust – unquoted	–	288,350,212	–	288,350,212	288,350,212
	197,400,984	288,350,212	360,242,379	845,993,575	845,993,575
Financial assets not measured at fair value					
Cash and cash equivalents	–	–	–	–	492,429,493
Deposits with licensed financial institutions	–	–	–	–	5,113,380,978
Repurchase agreements	–	–	–	–	666,610,501
Finance leases and hire purchases	–	–	–	–	19,695,389,245
Other loans and receivables	–	–	–	–	4,558,292,534
Investment in government treasury bills	1,651,704,930	–	–	1,651,704,930	1,667,371,333
Investments in debentures	–	–	8,852,210	8,852,210	7,541,970
Other financial assets	–	–	–	–	44,163,258
	1,651,704,930	–	8,852,210	1,660,557,140	32,245,179,312
Financial liabilities not measured at fair value					
Due to banks	–	–	–	–	6,866,156,797
Term deposits from customers	–	–	10,295,529,542	10,295,529,542	9,643,980,575
Savings deposits from customers	–	–	–	–	619,273,500
Borrowings	–	–	–	–	7,597,711,767
Subordinated debentures	–	–	1,594,216,393	1,594,216,393	1,768,800,757
Lease liabilities	–	–	–	–	354,424,986
Amounts due to related company	–	–	–	–	282,122,456
Other financial liabilities	–	–	–	–	206,075,224
	–		11,889,745,935	11,889,745,935	27,338,546,062

As at 31 March 2023	Group Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
Financial assets measured at fair value					
Investments in equity securities – quoted	197,400,984	–	–	197,400,984	197,400,984
Investments in equity securities – unquoted	–	–	360,242,379	360,242,379	360,242,379
Investments in unit trust – unquoted	–	358,624,336	–	358,624,336	358,624,336
	197,400,984	358,624,336	360,242,379	916,267,699	916,267,699
Financial assets not measured at fair value					
Cash and cash equivalents	–	–	–	–	515,465,068
Deposits with licensed financial institutions	–	–	–	–	5,121,558,512
Repurchase agreements	–	–	–	–	666,610,501
Finance leases and hire purchases	–	–	–	–	19,695,389,245
Other loans and receivables	–	–	–	–	4,558,593,534
Investment in government treasury bills	1,651,704,930	–	–	1,651,704,930	1,667,371,333
Investments in debentures	–	–	8,852,210	8,852,210	7,541,970
Other financial assets					10,163,258
	1,651,704,930	–	8,852,210	1,660,557,140	32,242,693,421
Financial liabilities not measured at fair value					
Due to banks	–	–	–	–	6,866,404,668
Term deposits from customers	–	–	10,200,888,903	10,200,888,903	9,557,337,069
Savings deposits from customers	–	–	–	–	619,273,500
Borrowings	–	–	–	–	7,597,711,767
Subordinated debentures	–	–	1,594,216,393	1,594,216,393	1,768,800,757
Lease liabilities	–	–	–	–	362,960,317
Amounts due to related company	–	–	–	–	–
Other financial liabilities	–	–	–	–	206,075,224
	–	–	11,795,105,296	11,795,105,296	26,978,563,302

19.2 Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Company				
As at 31 March 2022	Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR
Financial assets measured at fair value					
Investments in equity securities – quoted	53,068,592	–	–	53,068,592	53,068,592
Investments in equity securities – unquoted	–	–	14,762,768	14,762,768	14,762,768
Investments in unit trust – unquoted	–	234,592,642	–	234,592,642	234,592,642
	53,068,592	234,592,642	14,762,768	302,424,002	302,424,002
Financial assets not measured at fair value					
Cash and cash equivalents	–	–	–	–	627,213,024
Deposits with licensed financial institutions	–	–	–	–	6,789,342,503
Repurchase agreements	–	–	–	–	1,557,904,480
Finance lease and hire purchases	–	–	–	–	22,780,618,451
Other loans and receivables	–	–	–	–	3,321,278,114
Investment in government treasury bills	1,039,068,000	–	–	1,039,068,000	1,035,774,578
Other financial assets	–	–	–	–	53,940,052
	1,039,068,000	–	–	1,039,068,000	36,166,071,202
Financial liabilities not measured at fair value					
Due to banks	–	–	–	–	6,691,396,111
Term deposits from customers	–	–	12,683,867,582	12,683,867,582	10,084,941,641
Savings deposits from customers	–	–	–	–	739,041,739
Borrowings	–	–	–	–	10,447,595,018
Subordinated debentures	–	–	1,885,608,086	1,885,608,086	1,768,547,190
Lease liabilities	–	–	–	–	357,216,955
Amounts due to related company	–	–	–	–	282,122,456
Other financial liabilities	–	–	–	–	321,734,938
	–	–	14,569,475,668	14,569,475,668	30,692,596,048

Group					
Level 1 LKR	Level 2 LKR	Level 3 LKR	Fair value LKR	Carrying amount LKR	As at 31March 2022
					Financial assets measured at fair value
53,068,592	–	–	53,068,592	53,068,592	Investments in equity securities – quoted
–	–	14,762,768	14,762,768	14,762,768	Investments in equity securities – unquoted
–	302,576,554	–	302,576,554	302,576,554	Investments in unit trust – unquoted
53,068,592	302,576,554	14,762,768	370,407,914	370,407,914	
					Financial assets not measured at fair value
–	–	–	–	664,573,516	Cash and cash equivalents
–	–	–	–	6,797,594,653	Deposits with licensed financial institutions
–	–	–	–	1,557,904,480	Repurchase agreements
–	–	–	–	22,780,618,451	Finance lease and hire purchases
–	–	–	–	3,321,523,114	Other loans and receivables
1,039,068,000	–	–	1,039,068,000	1,035,774,578	Investment in government treasury bills
–	–	–	–	9,940,052	Other financial assets
1,039,068,000	–	–	1,039,068,000	36,167,928,844	
					Financial liabilities not measured at fair value
–	–	–	–	6,691,396,111	Due to banks
–	–	12,639,648,881	12,639,648,881	10,043,296,712	Term deposits from customers
–	–	–	–	739,041,739	Savings deposits from customers
–	–	–	–	10,447,595,018	Borrowings
–	–	1,885,608,086	1,885,608,086	1,768,547,190	Subordinated debentures
–	–	–	–	372,152,014	Lease liabilities
–	–	–	–	–	Amounts due to related company
–	–	–	–	321,734,938	Other financial liabilities
–	–	14,525,256,967	14,525,256,967	30,383,763,722	

19.3 Measurement of fair values – Company

Valuation techniques and significant unobservable inputs used for financial instruments not measured at fair value.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Deposits with licensed financial institutions	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits. Interest rate varied from 6.42% to 26.00%	The estimated fair Value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance leases, hire purchases, and other loans	Where available, fair value of finance leases, hire purchases and other loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
Other liabilities*	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits liability. Interest rate varied from 7.25% to 28.00%	The estimated fair value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A
Financial asset at FVOCI	Based on the net assets value approach	Net assets per share of the Company. Senkadagala Hotel (Pvt) Ltd as at 31 March 2023 – LKR 72.00 (2022 – LKR 70.00) Venture Tea (Pvt) Ltd as at 31 March 2023 – LKR 150.00 (2022 – N/A)	The estimated fair value would increase/(decrease) based on the net assets of the Company

**Other liabilities consists of due to banks, deposits from customers, borrowings and debentures*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other advances	Short-term and floating rated borrowings
	Bank overdrafts

19.4 Measurement of fair values – Group

Valuation techniques and significant unobservable inputs used for Financial instruments not measured at fair value.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Deposits with licensed financial institutions	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits. Interest rate varied from 6.42% to 26.00%	The estimated fair value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance leases, hire purchases, and other loans	Where available, fair value of finance leases, hire purchases and other loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
Other liabilities*	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits liability. Interest rate varied from 7.25% to 28.00%	The estimated fair value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A
Financial asset at FVOCI	Based on the net assets value approach	Net assets per share of the Company. Senkadagala Hotel (Pvt) Ltd as at 31 March 2023 – LKR 72.00 (2022 – LKR 70.00) Venture Tea (Pvt) Ltd as at 31 March 2023 – LKR 150.00 (2022 – N/A)	The estimated fair value would increase/(decrease) based on the Net assets of the Company

**Other liabilities consists of due to banks, deposits from customers, borrowings and debentures*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other advances	Short-term and floating rated borrowings
	Bank overdrafts

20. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Cash in hand held in local currency		**145,948,782**	132,772,363	**145,976,982**	132,806,660
Cash in hand held in foreign currency		**73,832**	79,429	**85,461**	91,058
Balances with licensed commercial banks		**346,495,209**	494,420,115	**369,490,955**	531,734,681
Gross cash and cash equivalents*		**492,517,823**	627,271,907	**515,553,398**	664,632,399
Allowance for impairment losses	20.1	**(88,330)**	(58,883)	**(88,330)**	(58,883)
Net cash and cash equivalents		**492,429,493**	627,213,024	**515,465,068**	664,573,516

20.1 Movement in allowance for collective impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**58,883**	10,194	**58,883**	10,194
Charge for the year	**29,447**	48,689	**29,447**	48,689
Balance at the end of the year	**88,330**	58,883	**88,330**	58,883

**Gross cash and cash equivalents are reported in the Statement of Cash Flows.*

21. Deposits with Licensed Financial Institutions

Accounting Policy

Deposits with licensed financial institutions includes fixed deposits. Deposits with licensed financial institutions are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Fixed deposits		**5,114,912,793**	6,798,854,270	**5,123,090,327**	6,807,106,420
Allowance for impairment losses	21.1	**(1,531,815)**	(9,511,767)	**(1,531,815)**	(9,511,767)
Net deposits with licensed financial institutions		**5,113,380,978**	6,789,342,503	**5,121,558,512**	6,797,594,653

21.1 Movement in allowance for collective impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**9,511,767**	96,319	**9,511,767**	96,319
Charge/(reversal) for the year	**(7,979,952)**	9,415,448	**(7,979,952)**	9,415,448
Balance at the end of the year	**1,531,815**	9,511,767	**1,531,815**	9,511,767

22. Financial Assets held at Fair Value through Profit or Loss

Accounting Policy

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss".

Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Quoted equity	22.1	**197,400,984**	53,068,592	**197,400,984**	53,068,592
Unquoted unit trust	22.2	**288,350,212**	234,592,642	**358,624,336**	302,576,554
		485,751,196	287,661,234	**556,025,320**	355,645,146

22.1 Quoted equity

As at 31 March	Note	Company 2023 No. of shares	Company 2023 Cost LKR	Company 2023 Market value LKR	Company 2022 No. of shares	Company 2022 Cost LKR	Company 2022 Market value LKR
Bank, Finance, and Insurance							
Central Finance Company PLC		**48,528**	**335,812**	**3,513,427**	48,528	335,812	3,304,757
National Development Bank PLC		**842**	**8,536**	**35,561**	792	8,536	44,114
Commercial Bank of Ceylon PLC		**5,281**	**469,342**	**323,597**	5,088	469,342	319,018
Beverage, Food, and Tobacco							
Ceylon Tobacco PLC		**3,100**	**142,017**	**2,110,325**	3,100	142,017	1,786,375
Hotels and Travels							
Aitken Spence PLC		**495**	**3,355**	**64,845**	495	3,355	36,482
Manufacturing							
Royal Ceramics Lanka PLC		**200**	**273**	**5,520**	200	273	8,140
Diversified Holdings							
Hayleys PLC		**1,130**	**7,175**	**81,360**	1,130	7,175	86,897
John Keells Holdings PLC		**4,462**	**164,976**	**624,680**	4,462	164,976	646,990
Trading							
Lanka Indian Oil Corporation PLC		**5,500**	**148,500**	**943,250**	5,500	148,500	169,400
Portfolio Investment	22.1.1		**159,391,355**	**189,698,419**		36,718,653	46,666,419
			160,671,341	**197,400,984**		37,998,639	53,068,592

As at 31 March	Note	Group 2023 No. of shares	Group 2023 Cost LKR	Group 2023 Market value LKR	Group 2022 No. of shares	Group 2022 Cost LKR	Group 2022 Market value LKR
Bank, Finance, and Insurance							
Central Finance Company PLC		**48,528**	**335,812**	**3,513,427**	48,528	335,812	3,304,757
National Development Bank PLC		**842**	**8,536**	**35,561**	792	8,536	44,114
Commercial Bank of Ceylon PLC		**5,281**	**469,342**	**323,597**	5,088	469,342	319,018
Beverage, Food, and Tobacco							
Ceylon Tobacco PLC		**3,100**	**142,017**	**2,110,325**	3,100	142,017	1,786,375
Hotels and Travels							
Aitken Spence PLC		**495**	**3,355**	**64,845**	495	3,355	36,482
Manufacturing							
Royal Ceramics Lanka PLC		**200**	**273**	**5,520**	200	273	8,140
Diversified Holdings							
Hayleys PLC		**1,130**	**7,175**	**81,360**	1,130	7,175	86,897
John Keells Holdings PLC		**4,462**	**164,976**	**624,680**	4,462	164,976	646,990
Trading							
Lanka Indian Oil Corporation PLC		**5,500**	**148,500**	**943,250**	5,500	148,500	169,400
Portfolio Investment	22.1.1		**159,391,355**	**189,698,419**		36,718,653	46,666,419
			160,671,341	**197,400,984**		37,998,639	53,068,592

22.1.1 Portfolio investment

	Company					
	2023			2022		
As at 31 March	**No. of shares**	**Cost LKR**	**Market value LKR**	No. of shares	Cost LKR	Market value LKR
Bank Finance and Insurance						
Capital Alliance PLC	–	–	–	12,900.00	129,000.00	122,550.00
Ceylinco Insurance PLC (Non voting)	**10,000**	**1,560,322**	**10,540,000**	10,000	1,560,322	12,095,000
Commercial Bank of Ceylon PLC	–	–	–	72	4,722	4,514
Lanka Ventures PLC	**61,800**	**2,552,579**	**2,348,400**	61,800	2,552,579	2,781,000
Seylan Bank PLC (Non voting)	**59,401**	**2,241,315**	**1,366,223**	54,339	2,241,315	1,347,607
Hatton National Bank PLC (Non voting)	**32,566**	**5,348,333**	**2,833,242**	31,938	5,348,184	3,353,490
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	**760,372**	**90,643,856**	**107,022,359**	40,215	4,032,213	5,338,541
Ceylon Beverage Holdings PLC	**2,321**	**1,936,261**	**2,426,606**	2,321	1,936,261	1,640,367
Chemicals and Pharmaceuticals						
CIC Holdings PLC (Non voting)	–	–	–	35,000	371,901	875,000
Haycarb PLC	**20,000**	**350,437**	**1,126,000**	20,000	350,437	1,004,000
Healthcare						
Ceylon Hospitals PLC (Non voting)	**46,577**	**1,856,002**	**4,443,446**	43,838	1,609,492	3,603,484
Ceylon Hospitals PLC (Voting)	**6,366**	**587,395**	**843,495**	5,992	545,320	626,164
Hotels and Travels						
Taj Lanka Hotels PLC	**114,432**	**3,478,514**	**1,739,366**	114,432	3,478,514	1,510,502
John Keels Hotels PLC	**251,000**	**3,197,111**	**4,743,900**	251,000	3,197,111	2,936,700
Investment Trusts						
Renuka Holdings PLC (Non voting)	**104,123**	**2,199,708**	**1,176,590**	100,000	2,199,708	1,150,000
Manufacturing						
Ceylon Grain Elevators PLC	**300,127**	**22,729,403**	**25,180,655**	–	–	–
Power and Energy						
LVL Energy Fund PLC	**2,037,110**	**14,610,304**	**13,648,637**	150,000	1,061,760	1,275,000
Diversified Holdings						
C T Holdings PLC	**5,500**	**909,830**	**990,000**	5,500	909,830	833,250
Aitken Spence PLC	**52,500**	**2,495,136**	**6,877,500**	52,500	2,495,136	3,869,250
Telecommunications						
Dialog Axiata PLC	**230,000**	**2,694,848**	**2,392,000**	230,000	2,694,848	2,300,000
		159,391,355	**189,698,419**		36,718,653	46,666,419

Group						
2023			2022			
No. of shares	Cost LKR	Market value LKR	No. of shares	Cost LKR	Market value LKR	As at 31 March
						Bank Finance and Insurance
–	–	–	12,900	129,000	122,550	Capital Alliance PLC
10,000	1,560,322	10,540,000	10,000	1,560,322	12,095,000	Ceylinco Insurance PLC (Non voting)
–	–	–	72	4,722	4,514	Commercial Bank of Ceylon PLC
61,800	2,552,579	2,348,400	61,800	2,552,579	2,781,000	Lanka Ventures PLC
59,401	2,241,315	1,366,223	54,339	2,241,315	1,347,607	Seylan Bank PLC (Non voting)
32,566	5,348,333	2,833,242	31,938	5,348,184	3,353,490	Hatton National Bank PLC (Non voting)
						Beverage, Food and Tobacco
760,372	90,643,856	107,022,359	40,215	4,032,213	5,338,541	Lanka Milk Foods (CWE) PLC
2,321	1,936,261	2,426,606	2,321	1,936,261	1,640,367	Ceylon Beverage Holdings PLC
						Chemicals and Pharmaceuticals
–	–	–	35,000	371,901	875,000	CIC Holdings PLC (Non voting)
20,000	350,437	1,126,000	20,000	350,437	1,004,000	Haycarb PLC
						Healthcare
46,577	1,856,002	4,443,446	43,838	1,609,492	3,603,484	Ceylon Hospitals PLC (Non voting)
6,366	587,395	843,495	5,992	545,320	626,164	Ceylon Hospitals PLC (Voting)
						Hotels and Travels
114,432	3,478,514	1,739,366	114,432	3,478,514	1,510,502	Taj Lanka Hotels PLC
251,000	3,197,111	4,743,900	251,000	3,197,111	2,936,700	John Keels Hotels PLC
						Investment Trusts
104,123	2,199,708	1,176,590	100,000	2,199,708	1,150,000	Renuka Holdings PLC (Non voting)
						Manufacturing
300,127	22,729,403	25,180,655	–	–	–	Ceylon Grain Elevators PLC
						Power and Energy
2,037,110	14,610,304	13,648,637	150,000	1,061,760	1,275,000	LVL Energy Fund PLC
						Diversified Holdings
5,500	909,830	990,000	5,500	909,830	833,250	C T Holdings PLC
52,500	2,495,136	6,877,500	52,500	2,495,136	3,869,250	Aitken Spence PLC
						Telecommunications
230,000	2,694,848	2,392,000	230,000	2,694,848	2,300,000	Dialog Axiata PLC
	159,391,355	189,698,419		36,718,653	46,666,419	

22.2 Unquoted unit trust

	Company					
	2023			2022		
As at 31 March	**No. of Units**	**Cost LKR**	**Market value LKR**	No. of Units	Cost LKR	Market value LKR
Unquoted unit trust						
National Equity Fund	**205,559**	**1,921,491**	**7,253,245**	205,559	1,921,491	6,682,059
Guardian Acuity Equity Fund	**–**	**–**	**–**	1,247,839	21,037,574	20,673,078
Guardian Acuity Money Market Fund	**555,783**	**13,366,147**	**14,071,770**	–	–	–
Senfin Money Market Fund	**–**	**–**	**–**	–	–	–
Senfin Growth Fund	**25,682,822**	**193,722,000**	**262,221,615**	25,427,199	191,222,000	205,197,492
Senfin Dividend Fund	**242,009**	**2,500,000**	**2,213,582**	242,009	2,500,000	2,040,013
Senfin Insurance Sector Fund	**250,000**	**2,500,000**	**2,590,000**	–	–	–
Senfin Dynamic Income Fund	**–**	**–**	**–**	–	–	–
		214,009,638	**288,350,212**		216,681,065	234,592,642

23. Financial Assets at Amortised Cost – Finance Leases and Hire Purchases

Accounting Policy

Amount receivable under finance leases and hire purchases net of arrears prepaid rentals, unearned lease income and allowance for expected credit losses are presented in below,

Finance leases and hire purchases include financial assets measured at amortised cost if both of the following conditions are met;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, finance leases and hire purchases are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest income" in the Statement of Profit or Loss. The losses arising from impairment are recognised in "impairment charges and other credit losses" in the Statement of Profit or Loss.

Group						
2023			2022			
No. of Units	**Cost LKR**	**Market value LKR**	No. of Units	Cost LKR	Market value LKR	As at 31 March
						Unquoted unit trust
205,559	**1,921,491**	**7,253,245**	205,559	1,921,491	6,682,059	National Equity Fund
–	**–**	**–**	1,247,839	21,037,574	20,673,078	Guardian Acuity Equity Fund
555,783	**13,366,147**	**14,071,770**	–	–	–	Guardian Acuity Money Market Fund
946,985	**16,595,877**	**18,943,969**	2,818,777	40,809,997	45,779,472	Senfin Money Market Fund
27,760,262	**210,059,970**	**283,432,276**	27,504,638	207,559,970	221,962,432	Senfin Growth Fund
680,986	**6,500,000**	**6,228,776**	242,009	2,500,000	2,040,013	Senfin Dividend Fund
2,178,620	**22,000,000**	**22,570,500**	–	–	–	Senfin Insurance Sector Fund
500,000	**5,000,000**	**6,123,800**	500,000	5,000,000	5,439,500	Senfin Dynamic Income Fund
	275,443,485	**358,624,336**		278,829,032	302,576,554	

Finance leases and hire purchases net of impairment allowance

As at 31 March	Note	Company **2023 LKR**	Company 2022 LKR	Group **2023 LKR**	Group 2022 LKR
Net investment in finance leases	23.1	**21,786,333,114**	24,474,303,110	**21,786,333,114**	24,474,303,110
Net investment in hire purchases	23.2	**27,384,117**	42,441,643	**27,384,117**	42,441,643
		21,813,717,231	24,516,744,753	**21,813,717,231**	24,516,744,753
Impairment losses					
Provision for individual impairment	23.3	**(351,469,156)**	(308,831,223)	**(351,469,156)**	(308,831,223)
Provision for collective impairment	23.4	**(1,766,858,830)**	(1,427,295,079)	**(1,766,858,830)**	(1,427,295,079)
Net investment after impairment		**19,695,389,245**	22,780,618,451	**19,695,389,245**	22,780,618,451

23.1 Finance leases

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Gross investment in leases receivable within one year	**9,914,164,503**	11,776,057,578	**9,914,164,503**	11,776,057,578
Gross investment in leases receivable between one and five years	**16,305,429,848**	17,046,584,920	**16,305,429,848**	17,046,584,920
Repossessed lease receivable	**421,888,094**	179,356,102	**421,888,094**	179,356,102
Leases receivable in arrears	**1,417,560,100**	1,118,339,126	**1,417,560,100**	1,118,339,126
	28,059,042,545	30,120,337,726	**28,059,042,545**	30,120,337,726
Unearned lease income	**(6,125,922,797)**	(5,486,990,886)	**(6,125,922,797)**	(5,486,990,886)
Initial lease rentals	**(1,747,495)**	(1,904,949)	**(1,747,495)**	(1,904,949)
Pre paid lease rentals	**(145,039,139)**	(157,138,781)	**(145,039,139)**	(157,138,781)
Net investment in finance leases	**21,786,333,114**	24,474,303,110	**21,786,333,114**	24,474,303,110

23.2 Hire purchases

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Gross investment in hire purchases receivable within one year	**12,612,914**	28,504,173	**12,612,914**	28,504,173
Repossessed hire purchases receivable	**14,771,203**	13,937,470	**14,771,203**	13,937,470
Net investment in hire purchases	**27,384,117**	42,441,643	**27,384,117**	42,441,643
Net investment in finance leases and hire purchases	**21,813,717,231**	24,516,744,753	**21,813,717,231**	24,516,744,753

23.3 Movement in allowance for individual impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**308,831,223**	126,444,378	**308,831,223**	126,444,378
Charge for the year	**42,637,933**	182,386,845	**42,637,933**	182,386,845
Balance at the end of the year	**351,469,156**	308,831,223	**351,469,156**	308,831,223
Gross amount of finance leases and hire purchases individually determined to be impaired	**456,920,642**	369,487,362	**456,920,642**	369,487,362

23.4 Movement in allowance for collective impairment

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year		**1,427,295,079**	1,307,357,680	**1,427,295,079**	1,307,357,680
Net impairment charge for the year	23.4.1	**335,686,046**	57,444,201	**335,686,046**	57,444,201
Interest income accrued on impaired finance leases and hire purchases		**3,877,705**	62,493,198	**3,877,705**	62,493,198
Balance at the end of the year		**1,766,858,830**	1,427,295,079	**1,766,858,830**	1,427,295,079
Total of individual and collective impairment		**2,118,327,986**	1,736,126,302	**2,118,327,986**	1,736,126,302

23.4.1 Net Impairment Charge for the Year

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Impairment charge on ECL	**373,154,623**	57,444,201	**373,154,623**	57,444,201
Write-offs for the year	**(37,468,577)**	–	**(37,468,577)**	–
Net impairment charge	**335,686,046**	57,444,201	**335,686,046**	57,444,201

23.5 Stage classification of finance leases and hire purchases

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Net investment in finance leases and hire purchases				
Stage 1	**12,288,430,494**	14,720,527,866	**12,288,430,494**	14,720,527,866
Stage 2	**6,864,020,412**	6,931,454,677	**6,864,020,412**	6,931,454,677
Stage 3	**2,661,266,325**	2,864,762,210	**2,661,266,325**	2,864,762,210
	21,813,717,231	24,516,744,753	**21,813,717,231**	24,516,744,753
Impairment charge				
Stage 1	**(302,281,403)**	(255,685,058)	**(302,281,403)**	(255,685,058)
Stage 2	**(736,942,998)**	(484,543,744)	**(736,942,998)**	(484,543,744)
Stage 3	**(1,079,103,585)**	(995,897,500)	**(1,079,103,585)**	(995,897,500)
Net investment in finance leases and hire purchases after impairment	**19,695,389,245**	22,780,618,451	**19,695,389,245**	22,780,618,451

23.6 Movement of gross carrying amounts of finance leases and hire purchase

	Company and Group			
	Stage 1 LKR	**Stage 2 LKR**	**Stage 3 LKR**	**Total LKR**
Balance as at 1 April 2022	**14,720,527,866**	**6,931,454,677**	**2,864,762,210**	**24,516,744,753**
New disbursement	**6,247,793,337**	**1,330,922,930**	**64,497,000**	**7,643,213,267**
Transfer to Stage 1	**1,381,804,923**	**(1,252,833,924)**	**(128,970,999)**	**–**
Transfer to Stage 2	**(3,805,497,551)**	**4,224,963,555**	**(419,466,004)**	**–**
Transfer to Stage 3	**(298,030,688)**	**(856,646,364)**	**1,154,677,052**	**–**
Derecognised or repaid	**(5,958,167,393)**	**(3,513,840,462)**	**(836,588,470)**	**(10,308,596,325)**
Write-offs*	**–**	**–**	**(37,644,464)**	**(37,644,464)**
Balance as at 31 March 2023	**12,288,430,494**	**6,864,020,412**	**2,661,266,325**	**21,813,717,231**

**Finance leases and hire purchases write-off during the year included an amount of LKR 25,990,027/- which is subject to enforcement activities.*

	Company and Group			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	14,232,828,794	8,579,008,662	3,357,344,916	26,169,182,372
New disbursement	11,249,965,391	2,326,309,538	65,268,700	13,641,543,629
Transfer to Stage 1	1,624,129,130	(1,512,984,349)	(111,144,781)	–
Transfer to Stage 2	(2,932,642,831)	3,266,518,162	(333,875,331)	–
Transfer to Stage 3	(316,640,983)	(1,215,921,371)	1,532,562,354	–
Derecognised or repaid	(9,137,111,635)	(4,511,475,965)	(1,645,393,648)	(15,293,981,248)
Balance as at 31 March 2022	14,720,527,866	6,931,454,677	2,864,762,210	24,516,744,753

23.7 Movement of impairment allowances of finance leases and hire purchase

	Company and Group			
	Stage 1 LKR	**Stage 2 LKR**	**Stage 3 LKR**	**Total LKR**
Balance as at 1 April 2022	**255,685,058**	**484,543,744**	**995,897,500**	**1,736,126,302**
Changes due to finance leases and hire purchases recognised in the opening balance:				
Transfer to Stage 1	**112,251,797**	**(87,781,326)**	**(24,470,471)**	**–**
Transfer to Stage 2	**(75,380,274)**	**154,694,973**	**(79,314,699)**	**–**
Transfer to Stage 3	**(7,094,709)**	**(65,869,840)**	**72,964,549**	**–**
Interest accrued on impaired finance leases and hire purchases	**–**	**–**	**3,877,705**	**3,877,705**
Write-offs	**–**	**–**	**(37,468,577)**	**(37,468,577)**
Net remeasurement of loss allowance	**16,819,531**	**251,355,447**	**147,617,578**	**415,792,556**
Balance as at 31 March 2023	**302,281,403**	**736,942,998**	**1,079,103,585**	**2,118,327,986**

	Company and Group			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	145,377,268	406,784,824	881,639,966	1,433,802,058
Changes due to finance leases and hire purchases recognised in the opening balance:				
Transfer to Stage 1	92,981,727	(70,100,765)	(22,880,962)	–
Transfer to Stage 2	(34,628,075)	106,785,561	(72,157,486)	–
Transfer to Stage 3	(4,066,630)	(76,091,646)	80,158,276	–
Interest accrued on impaired finance leases and hire purchases	–	–	62,493,198	62,493,198
Net remeasurement of loss allowance	56,020,768	117,165,770	66,644,508	239,831,046
Balance as at 31 March 2022	255,685,058	484,543,744	995,897,500	1,736,126,302

24. Financial assets at amortised cost – Other loans and receivables

Accounting Policy

Other loans and receivables include financial assets measured at amortised cost if both of the following conditions are met;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, other loans and receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest income" in the Statement of Profit or Loss. The losses arising from impairment are recognised in "impairment charges and other credit losses" in the Statement of Profit or Loss.

		Company		Group	
As at 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Commercial loans	24.1	**762,066,931**	1,338,339,341	**762,066,931**	1,338,339,341
Personal loans	24.2	**128,667,374**	183,601,123	**128,667,374**	183,601,123
Pawning advances	24.3	**2,596,820,076**	1,381,352,984	**2,596,820,076**	1,381,352,984
Other advances	24.4	**1,070,738,153**	417,984,666	**1,071,039,153**	418,229,666
		4,558,292,534	3,321,278,114	**4,558,593,534**	3,321,523,114

24.1 Commercial loans

		Company		Group	
As at 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Gross investment in commercial loans receivable within one year		**967,851,525**	1,340,174,769	**967,851,525**	1,340,174,769
Gross investment in commercial loans receivable between one and five years		**381,752,907**	877,640,227	**381,752,907**	877,640,227
Interest receivable on facilities under relief measures due to COVID-19		**6,404,595**	7,263,378	**6,404,595**	7,263,378
Commercial loans receivable in arrears		**248,479,944**	86,924,494	**248,479,944**	86,924,494
		1,604,488,971	2,312,002,868	**1,604,488,971**	2,312,002,868
Unearned commercial loan income		**(72,213,687)**	(163,240,612)	**(72,213,687)**	(163,240,612)
Pre paid commercial loan rentals		**(3,800,678)**	(7,100,715)	**(3,800,678)**	(7,100,715)
Net investment in commercial loans		**1,528,474,606**	2,141,661,541	**1,528,474,606**	2,141,661,541
Impairment losses					
Provision for individual impairment	24.1.1	**(266,705,462)**	(195,088,653)	**(266,705,462)**	(195,088,653)
Provision for collective impairment	24.1.2	**(499,702,213)**	(608,233,547)	**(499,702,213)**	(608,233,547)
Net investment in commercial loans after impairment		**762,066,931**	1,338,339,341	**762,066,931**	1,338,339,341

24.1.1 Movement in allowance for individual impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**195,088,653**	141,549,966	**195,088,653**	141,549,966
Charge for the year	**71,616,809**	53,538,687	**71,616,809**	53,538,687
Balance at the end of the year	**266,705,462**	195,088,653	**266,705,462**	195,088,653
Gross amount of commercial loans individually determined to be impaired	**303,171,438**	237,054,852	**303,171,438**	237,054,852

24.1.2 Movement in allowance for collective impairment

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year		**608,233,547**	355,662,398	**608,233,547**	355,662,398
Net impairment (reversal)/charge for the year	24.1.3	**(111,473,500)**	237,727,727	**(111,473,500)**	237,727,727
Interest income accrued on impaired commercial loans		**2,942,166**	14,843,422	**2,942,166**	14,843,422
Balance at the end of the year		**499,702,213**	608,233,547	**499,702,213**	608,233,547
Total of individual and collective impairment		**766,407,675**	803,322,200	**766,407,675**	803,322,200

24.1.3 Net impairment charge for the year

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Impairment (reversal)/charge on ECL	**(77,903,982)**	237,727,727	**(77,903,982)**	237,727,727
Write-offs for the year	**(33,569,518)**	–	**(33,569,518)**	–
Net impairment (reversal)/charge	**(111,473,500)**	237,727,727	**(111,473,500)**	237,727,727

24.2 Personal loans

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Gross investment in personal loan receivable within one year		**66,375,921**	86,602,586	**66,375,921**	86,602,586
Gross investment in personal loan receivable between one and five years		**125,745,551**	176,650,175	**125,745,551**	176,650,175
Personal loan receivable in arrears		**418,699**	4,326,235	**418,699**	4,326,235
		192,540,171	267,578,996	**192,540,171**	267,578,996
Unearned personal loan income		**(56,293,801)**	(80,326,178)	**(56,293,801)**	(80,326,178)
Pre paid personal loan rentals		**(5,086,909)**	(2,687,420)	**(5,086,909)**	(2,687,420)
Net investment in personal loan		**131,159,461**	184,565,398	**131,159,461**	184,565,398
Impairment losses					
Provision for collective impairment	24.2.1	**(2,492,087)**	(964,275)	**(2,492,087)**	(964,275)
Net investment in personal loans after impairment		**128,667,374**	183,601,123	**128,667,374**	183,601,123

24.2.1 Movement in allowance for collective impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**964,275**	–	**964,275**	–
Charge for the year	**1,527,812**	964,275	**1,527,812**	964,275
Balance at the end of the year	**2,492,087**	964,275	**2,492,087**	964,275
Total of individual and collective impairment	**2,492,087**	964,275	**2,492,087**	964,275

24.3 Pawning advances

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Gross investment in pawning advances		**2,313,571,050**	1,302,527,568	**2,313,571,050**	1,302,527,568
Interest receivable from pawning advances		**294,335,758**	79,573,570	**294,335,758**	79,573,570
Net investment in pawning advances		**2,607,906,808**	1,382,101,138	**2,607,906,808**	1,382,101,138
Impairment losses					
Provision for collective impairment	24.3.1	**(11,086,732)**	(748,154)	**(11,086,732)**	(748,154)
Net investment in pawning advances after impairment		**2,596,820,076**	1,381,352,984	**2,596,820,076**	1,381,352,984

24.3.1 Movement in allowance for collective impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	**748,154**	546,397	**748,154**	546,397
Charge for the year	**10,338,578**	201,757	**10,338,578**	201,757
Balance at the end of the year	**11,086,732**	748,154	**11,086,732**	748,154

24.4 Other advances

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Loans against fixed deposits		**251,194,708**	111,811,954	**251,194,708**	111,811,954
Insurance receivables		**278,914,452**	262,609,534	**278,914,452**	262,609,534
Staff debtors		**35,229,277**	21,583,246	**35,530,277**	21,828,246
Sundry debtors		**1,160,174**	7,017,364	**1,160,174**	7,017,364
Short-term corporate loans		**553,233,961**	175,517,377	**553,233,961**	175,517,377
		1,119,732,572	578,539,475	**1,120,033,572**	578,784,475
Impairment losses					
Provision for individual impairment	24.4.1	**–**	–	**–**	–
Provision for collective impairment	24.4.2	**(48,994,419)**	(160,554,809)	**(48,994,419)**	(160,554,809)
Net investment in other advances after impairment		**1,070,738,153**	417,984,666	**1,071,039,153**	418,229,666

24.4.1 Movement in allowance for individual impairment

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year	–	1,906,394	–	1,906,394
Reversal for the year	–	(1,906,394)	–	(1,906,394)
Balance at the end of the year	–	–	–	–
Gross amount of loans individually determined to be impaired	–	7,017,364	–	7,017,364

24.4.2 Movement in allowance for collective impairment

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year		160,554,809	147,223,386	160,554,809	147,223,386
Net impairment(reversal)/charge for the year	24.4.3	(111,560,390)	13,331,423	(111,560,390)	13,331,423
Balance at the end of the year		48,994,419	160,554,809	48,994,419	160,554,809
Total of individual and collective impairment		48,994,419	160,554,809	48,994,419	160,554,809

24.4.3 Net impairment charge for the year

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Impairment (reversal)/charge on ECL	(111,560,390)	51,594,940	(111,560,390)	51,594,940
Write-offs for the year	–	(38,263,517)	–	(38,263,517)
Net impairment (reversal)/charge	(111,560,390)	13,331,423	(111,560,390)	13,331,423

24.5 Stage classification of other loans and receivables

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Commercial loans				
Stage 1	**228,673,880**	354,403,535	**228,673,880**	354,403,535
Stage 2	**142,660,135**	673,301,927	**142,660,135**	673,301,927
Stage 3	**1,157,140,591**	1,113,956,079	**1,157,140,591**	1,113,956,079
	1,528,474,606	2,141,661,541	**1,528,474,606**	2,141,661,541
Impairment charge				
Stage 1	**(24,365,691)**	(19,961,075)	**(24,365,691)**	(19,961,075)
Stage 2	**(21,785,437)**	(117,260,766)	**(21,785,437)**	(117,260,766)
Stage 3	**(720,256,547)**	(666,100,359)	**(720,256,547)**	(666,100,359)
Net investment in commercial loans after impairment	**762,066,931**	1,338,339,341	**762,066,931**	1,338,339,341
Personal loans				
Stage 1	**128,205,062**	142,097,263	**128,205,062**	142,097,263
Stage 2	**2,949,241**	42,176,156	**2,949,241**	42,176,156
Stage 3	**5,158**	291,979	**5,158**	291,979
	131,159,461	184,565,398	**131,159,461**	184,565,398
Impairment charge				
Stage 1	**(2,051,865)**	(170,260)	**(2,051,865)**	(170,260)
Stage 2	**(437,901)**	(662,623)	**(437,901)**	(662,623)
Stage 3	**(2,321)**	(131,392)	**(2,321)**	(131,392)
Net investment in personal loans after impairment	**128,667,374**	183,601,123	**128,667,374**	183,601,123
Pawning advances				
Stage 1	**2,501,460,202**	1,345,293,694	**2,501,460,202**	1,345,293,694
Stage 2	**61,320,418**	26,268,131	**61,320,418**	26,268,131
Stage 3	**45,126,188**	10,539,313	**45,126,188**	10,539,313
	2,607,906,808	**1,382,101,138**	**2,607,906,808**	**1,382,101,138**
Impairment charge				
Stage 1	**(9,223,267)**	(502,560)	**(9,223,267)**	(502,560)
Stage 2	**(830,042)**	(150,683)	**(830,042)**	(150,683)
Stage 3	**(1,033,423)**	(94,911)	**(1,033,423)**	(94,911)
Net investment in pawning advances after impairment	**2,596,820,076**	1,381,352,984	**2,596,820,076**	1,381,352,984

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Other advances				
Stage 1	**838,676,448**	121,104,941	**838,977,448**	121,349,941
Stage 2	**155,601,934**	237,635,815	**155,601,934**	237,635,815
Stage 3	**125,454,190**	219,798,719	**125,454,190**	219,798,719
	1,119,732,572	578,539,475	**1,120,033,572**	578,784,475
Impairment charge				
Stage 1	**(1,583,327)**	(9,168,811)	**(1,583,327)**	(9,168,811)
Stage 2	**(15,983,834)**	(13,123,444)	**(15,983,834)**	(13,123,444)
Stage 3	**(31,427,258)**	(138,262,554)	**(31,427,258)**	(138,262,554)
Net investment in other advances after impairment	**1,070,738,153**	417,984,666	**1,071,039,153**	418,229,666
Net investment in other loans and receivables before impairment	**5,387,273,447**	4,286,867,552	**5,387,574,447**	4,287,112,552
Provision for impairment	**(828,980,913)**	(965,589,438)	**(828,980,913)**	(965,589,438)
Net investment in other loans and receivables after impairment	**4,558,292,534**	3,321,278,114	**4,558,593,534**	3,321,523,114

24.6 Movement in gross carrying amounts of other loans and receivables

24.6.1 Company

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2022	1,962,899,433	979,382,029	1,344,586,090	4,286,867,552
New disbursement	8,318,610,832	374,044,492	156,951,527	8,849,606,851
Transfer to Stage 1	323,173,337	(290,503,588)	(32,669,749)	–
Transfer to Stage 2	(131,613,249)	229,692,857	(98,079,608)	–
Transfer to Stage 3	(86,399,567)	(240,397,320)	326,796,887	–
Derecognised or repaid	(7,201,724,951)	(689,686,742)	(336,228,759)	(8,227,640,452)
Other net changes in portfolio	512,069,757	–	–	512,069,757
Write-offs*	–	–	(33,630,261)	(33,630,261)
Balance as at 31 March 2023	3,697,015,592	362,531,728	1,327,726,127	5,387,273,447

**Other loans and receivables write off during the year included an amount of LKR 12,192,666/- which is subject to enforcement activities.*

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	1,849,021,295	475,028,542	1,149,543,278	3,473,593,115
New disbursement	4,967,309,863	1,091,179,313	338,413,668	6,396,902,844
Transfer to Stage 1	26,887,433	(19,210,031)	(7,677,402)	–
Transfer to Stage 2	(120,427,259)	128,320,867	(7,893,608)	–
Transfer to Stage 3	(90,768,840)	(155,479,629)	246,248,469	–
Derecognised or repaid	(4,873,449,387)	(540,059,682)	(302,577,139)	(5,716,086,208)
Other net changes in portfolio	231,820,960	–	–	231,820,960
Write-offs	(27,494,632)	(397,351)	(71,471,176)	(99,363,159)
Balance as at 31 March 2022	1,962,899,433	979,382,029	1,344,586,090	4,286,867,552

24.6.2 Group

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2022	1,963,144,433	979,382,029	1,344,586,090	4,287,112,552
New disbursement	8,318,610,832	374,044,492	156,951,527	8,849,606,851
Transfer to Stage 1	323,173,337	(290,503,588)	(32,669,749)	–
Transfer to Stage 2	(131,613,249)	229,692,857	(98,079,608)	–
Transfer to Stage 3	(86,399,567)	(240,397,320)	326,796,887	–
Derecognised or repaid	(7,201,668,951)	(689,686,742)	(336,228,759)	(8,227,640,452)
Other net changes in portfolio	512,069,757	–	–	512,069,757
Write-offs	–	–	(33,630,261)	(33,630,261)
Balance as at 31 March 2023	3,697,316,592	362,531,728	1,327,726,127	5,387,574,447

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	1,849,266,295	475,028,542	1,149,543,278	3,473,838,115
New disbursement	4,967,309,863	1,091,179,313	338,413,668	6,396,902,844
Transfer to Stage 1	26,887,433	(19,210,031)	(7,677,402)	–
Transfer to Stage 2	(120,427,259)	128,320,867	(7,893,608)	–
Transfer to Stage 3	(90,768,840)	(155,479,629)	246,248,469	–
Derecognised or repaid	(4,873,449,387)	(540,059,682)	(302,577,139)	(5,716,086,208)
Other net changes in portfolio	231,820,960	–	–	231,820,960
Write-offs	(27,494,632)	(397,351)	(71,471,176)	(99,363,159)
Balance as at 31 March 2022	1,963,144,433	979,382,029	1,344,586,090	4,287,112,552

24.7 Movement of impairment allowances of other loans and receivables

	Company and Group			
	Stage 1 LKR	**Stage 2 LKR**	**Stage 3 LKR**	**Total LKR**
Balance as at 1 April 2022	**29,802,706**	**131,197,516**	**804,589,216**	**965,589,438**
Changes due to other loans and receivables recognised in the opening balance:				
Transfer to Stage 1	**38,050,211**	**(21,397,244)**	**(16,652,967)**	**–**
Transfer to Stage 2	**(6,482,614)**	**57,351,431**	**(50,868,817)**	**–**
Transfer to Stage 3	**(3,495,004)**	**(41,865,840)**	**45,360,844**	**–**
Interest accrued on impaired other loans and receivables	**–**	**–**	**2,942,166**	**2,942,166**
Write-offs	**–**	**–**	**(33,569,518)**	**(33,569,518)**
Net remeasurement of loss allowance	**(20,651,149)**	**(86,248,649)**	**918,625**	**(105,981,173)**
Balance as at 31 March 2023	**37,224,150**	**39,037,214**	**752,719,549**	**828,980,913**

	Company and Group			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	26,025,625	43,040,906	575,915,616	644,982,147
Changes due to other loans and receivables recognised in the opening balance:				
Transfer to Stage 1	4,453,533	(1,375,878)	(3,077,655)	–
Transfer to Stage 2	(1,242,069)	4,406,395	(3,164,326)	–
Transfer to Stage 3	(5,982,638)	(14,110,010)	20,092,648	–
Interest accrued on impaired other loans and receivables	–	–	14,843,422	14,843,422
Write-offs	–	–	(38,263,517)	(38,263,517)
Net remeasurement of loss allowance	6,548,255	99,236,103	238,243,028	344,027,386
Balance as at 31 March 2022	29,802,706	131,197,516	804,589,216	965,589,438

25. Financial Assets Measured at Fair Value Through Other Comprehensive Income

Accounting Policy

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial instruments is given in Note 18.

No impairment loss is recognised on equity investments classified under FVOCI

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Unquoted shares				
Credit Information Bureau of Sri Lanka	**90,586**	90,586	**90,586**	90,586
Finance House Consortium (Pvt) Ltd.	**200,000**	200,000	**200,000**	200,000
Senkadagala Hotels Limited	**14,951,793**	14,472,182	**14,951,793**	14,472,182
Venture Tea (Pvt) Ltd.	**345,000,000**	–	**345,000,000**	–
	360,242,379	14,762,768	**360,242,379**	14,762,768

The Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purpose and no strategic investments were disposed of during 2022/23 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

26. Financial Assets at Amortised Cost – Other Financial Instruments

Accounting Policy

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs

Debt investments subsequently measured at their amortised cost using the effective interest method. The Group recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Group measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

As at 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Treasury bills	**1,667,371,333**	1,035,774,578	**1,667,371,333**	1,035,774,578
Other debt securities	**7,541,970**	–	**7,541,970**	–
	1,674,913,303	1,035,774,578	**1,674,913,303**	1,035,774,578

27. Investments in subsidiaries

Accounting Policy

Subsidiary is an investee controlled by the Group. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognise the investments in subsidiaries at cost.

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of the Subsidiaries in the Group have a common financial year which ends on 31 March.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

As at 31 March	Note	Company	
		2023 LKR	2022 LKR
Senkadagala Insurance Brokers (Pvt) Ltd.	27.1	**20,000,000**	20,000,000
Newest Capital Limited	27.2	**281,510,277**	281,510,277
Senfin Asset Management (Pvt) Ltd.	27.3	**26,791,386**	26,791,386
		328,301,663	328,301,663

27.1 Senkadagala Insurance Brokers (Pvt) Ltd.

As at 31 March	Company 2023 LKR	Company 2022 LKR
(2,000,000 Ordinary shares) Holding (%)	**100**	100
Place of business	No. 437B,1st Floor, Katugastota Road, Kandy.	
Cost of the investment	**20,000,000**	20,000,000

27.2 Newest capital limited

As at 31 March	Company 2023 LKR	Company 2022 LKR
(150,000,000 Ordinary shares) Holding (%)	**100**	100
Place of business	No. 267, Galle Road, Colombo 03.	
Cost of the investment	**281,510,277**	281,510,277

27.3 Senfin Asset Management (Pvt) Ltd

As at 31 March	Company 2023 LKR	Company 2022 LKR
(19,916,303 Ordinary shares) Holding (%)	**100**	100
Place of business	3rd Floor, 180, Bauddhaloka Mawatha, Colombo 04.	
Cost of investment	**31,729,600**	31,729,600
Impairment loss	**(4,938,214)**	(4,938,214)
Net cost of the investment	**26,791,386**	26,791,386
Total investments in subsidiaries	**328,301,663**	328,301,663

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2023. Accordingly, it was concluded that there is no impairment provision is required to be made in the Financial Statements as at the reporting date.

28. Investment in Associate

Accounting Policy

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, investments in associates are carried at cost plus post acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss as "Share of Profit of Associate" in the Statement of Profit or Loss.

In the separate financial statements, Investments in associates are accounted at cost.

	Company	
As at 31 March	**2023 LKR**	2022 LKR
Senfin Securities Limited		
(196,777,777 Ordinary shares) Holding (%)	**35**	–
Place of business	4th floor, 180, Bauddhaloka Mawatha, Colombo 04	
Cost of investment	**88,550,000**	–
Carrying value of the investment	**116,740,137**	–

28.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Consolidated Financial Statements is as follows:

	Senfin Securities Limited	
As at 31 March	**2023 LKR**	2022 LKR
Cost of investment	**88,550,000**	–
Add: Share of profit applicable to the Group		
Investment in associate – As at 1 April	**–**	–
Investment in associate during the year	**88,550,000**	
Gain from a bargain purchase	**23,729,083**	
Share of profit of associate, net of tax	**5,331,645**	–
	29,060,728	
Share of other comprehensive income/(expense) of associate, net of tax	**(870,591)**	–
Total comprehensive income	**28,190,137**	–
Dividend received	**–**	–
Balance as at 31 March	**116,740,137**	–

28.2 Summarised financial information in respect of the associate is set out below:

28.2.1 Summarised Statement of Profit or Loss

	Senfin Securities Limited	
As at 31 March	**2023 LKR**	2022 LKR
Revenue	**35,947,224**	–
Expenses	**(19,136,340)**	–
Income tax	**(1,577,614)**	–
Profit from continuing operations, net of tax	**15,233,270**	–
Group's share of profit from continuing operations, net of tax	**5,331,645**	–
Other comprehensive income, net of tax	**(2,487,404)**	–
Group's share of other comprehensive income from continuing operations, net of tax	**(870,591)**	–
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income	**4,461,054**	–

28.2.2 Summarised Statement of Financial Position

As at 31 March	Senfin Securities Limited 2023 LKR	2022 LKR
Non-current assets	**34,427,017**	–
Current assets	**539,045,097**	–
Non-current liabilities	**(16,472,624)**	–
Current liabilities	**(134,906,244)**	–
Net assets	**422,093,246**	–
Company's share of net assets of the associate;		
Net assets	**422,093,246**	–
Newly issued shares to Senkadagala Finance PLC	**(88,550,000)**	–
	333,543,246	–
Carrying amount of interest in associate (@ 35%)	**116,740,137**	–

29. Investment Property

Accounting Policy

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – "Property, Plant and Equipment"

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non depreciated. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as an investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Cost or valuation				
Balance at the beginning of the year	**386,382,655**	386,382,655	**299,444,424**	299,444,424
Balance at the end of the year	**386,382,655**	386,382,655	**299,444,424**	299,444,424
Accumulated depreciation				
Balance at the beginning of the year	**29,429,784**	25,201,035	**38,153,065**	33,924,316
Charge for the year	**4,228,749**	4,228,749	**4,228,749**	4,228,749
Balance at the end of the year	**33,658,533**	29,429,784	**42,381,814**	38,153,065
Carrying amount at the end of the year	**352,724,122**	356,952,871	**257,062,610**	261,291,359

29.1 Fully depreciated investment property

The cost of fully depreciated Investment property which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Buildings	**4,141,019**	4,141,019	**4,141,019**	4,141,019

29.2 Information of freehold investment property

Company

Location	Building	Number of Buildings	Valuation LKR	**Cost 2023 LKR**	**Carrying Value 2023 LKR**	Cost 2022 LKR	Carrying Value 2022 LKR
98, Dean's Road, Colombo 10	3,220 sq.ft.	1	70,800,000	**3,500,000**	**500,000**	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	2,450 sq.ft.	1	102,375,000	**7,542,068**	**7,040,083**	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	850 sq.ft.	1	90,275,000	**70,679,827**	**58,162,313**	70,679,827	58,991,062
98, Yatinuwara Veediya, Kandy	2,813 sq.ft.	1	74,350,000	**6,060,760**	**5,421,726**	6,060,760	5,421,726
30, Kinsey Road, Colombo 7	12,050 sq.ft.	1	316,500,000	**298,600,000**	**281,600,000**	298,600,000	285,000,000
			654,300,000	**386,382,655**	**352,724,122**	386,382,655	356,952,871

29.2.2 Group

Location	Extent		Number of Buildings	Valuation	**Cost 2023**	**Carrying Value 2023**	Cost 2022	Carrying Value 2022
	Land	Building		LKR	**LKR**	**LKR**	LKR	LKR
98, Dean's Road, Colombo 10	6.000 P	3,220 sq.ft.	1	70,800,000	**3,500,000**	**500,000**	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	2,450 sq.ft.	1	102,375,000	**7,542,068**	**7,040,083**	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	850 sq.ft.	1	90,275,000	**70,679,827**	**58,162,313**	70,679,827	58,991,062
98, Yatinuwara Veediya, Kandy	7.698 P	2,813 sq.ft.	1	74,350,000	**6,060,760**	**5,421,726**	6,060,760	5,421,726
30, Kinsey Road, Colombo 7	20.10 P	12,050 sq.ft.	1	316,500,000	**211,661,769**	**185,938,488**	211,661,769	189,338,488
				654,300,000	**299,444,424**	**257,062,610**	299,444,424	261,291,359

29.3 Amount recognised in profit or loss

Rental income recognised by the Group from the investment property during period was LKR 25,800,000/- (2022 – LKR 25,200,000/-) and was included in the other operating income. Maintenance expenses included in establishment expenses in relation to income generating property was LKR 19,550/- during period (2022 – LKR 432,268/-). There are no vacant properties in the Group.

29.4 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 25 March 2023. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of LKR 654,300,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for, since the price may not adequately reflect the fair market value.	The reference range of value for the properties range from LKR 3,500,000 to LKR 11,250,000. Price per square foot for the properties range from LKR 1,500 to LKR 5,500.	Estimated fair value would increase/ (decrease) if; Price per perch increases/(decreases) Price per square foot increases/ (decreases)

30. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised. The costs of day-today servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated. The depreciation rates and estimated useful lives of the different types of assets are given in Note 12.

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

30.1 Company

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2022	**493,786,781**	**206,668,138**	**486,314,072**	**462,504,491**	**91,087,313**	**444,067,245**
Additions during the year	**–**	**–**	**5,946,498**	**9,761,992**	**1,911,500**	**6,709,419**
Disposals during the year	**(5,750,951)**	**(6,749,049)**	**(18,949,517)**	**(1,368,969)**	**(2,368,884)**	**(6,388,115)**
As at 31 March 2023	**488,035,830**	**199,919,089**	**473,311,053**	**470,897,514**	**90,629,929**	**444,388,549**
Accumulated depreciation						
As at 1 April 2022	**–**	**42,541,610**	**339,957,609**	**276,397,269**	**75,082,013**	**427,568,311**
Charge for the year	**–**	**10,749,918**	**36,687,449**	**38,860,824**	**6,541,797**	**10,530,345**
Disposals	**–**	**(1,263,521)**	**(18,696,947)**	**(1,351,168)**	**(2,368,884)**	**(6,388,115)**
As at 31 March 2023	**–**	**52,028,007**	**357,948,111**	**313,906,925**	**79,254,926**	**431,710,541**
Net book value	**488,035,830**	**147,891,082**	**115,362,942**	**156,990,589**	**11,375,003**	**12,678,008**

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2021	493,786,781	206,668,138	478,049,773	400,305,759	82,803,703	447,442,819
Additions during the year	–	–	8,264,299	63,244,017	9,006,468	6,441,000
Disposals during the year	–	–	–	(1,045,285)	(722,858)	(9,816,574)
As at 31 March 2022	493,786,781	206,668,138	486,314,072	462,504,491	91,087,313	444,067,245
Accumulated depreciation						
As at 1 April 2021	–	31,566,723	302,666,779	242,293,451	69,471,153	421,380,728
Charge for the year	–	10,974,887	37,290,830	35,111,052	6,333,718	16,004,157
Disposals	–	–	–	(1,007,234)	(722,858)	(9,816,574)
As at 31 March 2022	–	42,541,610	339,957,609	276,397,269	75,082,013	427,568,311
Net book value	493,786,781	164,126,528	146,356,463	186,107,222	16,005,300	16,498,934

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Total LKR	
						Cost
2,649,678	**64,706,944**	**1,183,316,162**	**14,607,236**	**47,091,158**	**3,496,799,218**	As at 1 April 2022
–	**5,875,100**	**–**	**124,200**	**366,680**	**30,695,389**	Additions during the year
(63,500)	**–**	**(48,496,900)**	**(253,000)**	**(1,675,347)**	**(92,064,232)**	Disposals during the year
2,586,178	**70,582,044**	**1,134,819,262**	**14,478,436**	**45,782,491**	**3,435,430,375**	As at 31 March 2023
						Accumulated depreciation
1,904,501	**53,312,068**	**889,402,902**	**13,216,542**	**42,652,251**	**2,162,035,076**	As at 1 April 2022
165,831	**3,137,037**	**139,484,419**	**587,768**	**2,099,338**	**248,844,726**	Charge for the year
(63,500)	**–**	**(43,916,617)**	**(253,000)**	**(1,675,347)**	**(75,977,099)**	Disposals
2,006,832	**56,449,105**	**984,970,704**	**13,551,310**	**43,076,242**	**2,334,902,703**	As at 31 March 2023
579,346	**14,132,939**	**149,848,558**	**927,126**	**2,706,249**	**1,100,527,672**	Net book value

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Total LKR	
						Cost
2,622,138	63,902,044	1,185,879,292	13,716,236	45,360,354	3,420,537,037	As at 1 April 2021
27,540	804,900	–	891,000	2,102,134	90,781,358	Additions during the year
–	–	(2,563,130)	–	(371,330)	(14,519,177)	Disposals during the year
2,649,678	64,706,944	1,183,316,162	14,607,236	47,091,158	3,496,799,218	As at 31 March 2022
						Accumulated depreciation
1,719,845	50,171,341	712,989,541	12,596,933	40,202,097	1,885,058,591	As at 1 April 2021
184,656	3,140,727	178,412,669	619,609	2,821,484	290,893,789	Charge for the year
–	–	(1,999,308)	–	(371,330)	(13,917,304)	Disposals
1,904,501	53,312,068	889,402,902	13,216,542	42,652,251	2,162,035,076	As at 31 March 2022
745,177	11,394,876	293,913,260	1,390,694	4,438,907	1,334,764,142	Net book value

30.2 Group

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2022	**493,786,781**	**206,668,138**	**493,535,787**	**464,260,426**	**91,087,313**	**447,918,175**
Additions during the year	**–**	**–**	**5,973,764**	**9,761,992**	**1,911,500**	**6,709,419**
Disposals during the year	**(5,750,951)**	**(6,749,049)**	**(18,949,517)**	**(1,368,969)**	**(2,368,884)**	**(6,388,115)**
As at 31 March 2023	**488,035,830**	**199,919,089**	**480,560,034**	**472,653,449**	**90,629,929**	**448,239,479**
Accumulated depreciation						
As at 1 April 2022	**–**	**42,541,610**	**341,152,997**	**277,033,282**	**75,082,013**	**429,946,782**
Charge for the year	**–**	**10,749,918**	**37,379,682**	**39,006,335**	**6,541,797**	**11,051,845**
Disposals	**–**	**(1,263,521)**	**(18,696,947)**	**(1,351,168)**	**(2,368,884)**	**(6,388,115)**
As at 31 March 2023	**–**	**52,028,007**	**359,835,732**	**314,688,449**	**79,254,926**	**434,610,512**
Net book value	**488,035,830**	**147,891,082**	**120,724,302**	**157,965,000**	**11,375,003**	**13,628,967**

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR	Computer and accessories LKR
Cost						
As at 1 April 2021	493,786,781	206,668,138	481,042,881	401,002,587	82,803,703	450,064,749
Additions during the year	–	–	12,492,906	64,303,124	9,006,468	7,670,000
Disposals during the year	–	–	–	(1,045,285)	(722,858)	(9,816,574)
As at 31 March 2022	493,786,781	206,668,138	493,535,787	464,260,426	91,087,313	447,918,175
Accumulated depreciation						
As at 1 April 2021	–	31,566,723	303,194,279	242,793,585	69,471,153	423,284,304
Charge for the year	–	10,974,887	37,958,718	35,246,931	6,333,718	16,479,052
Disposals	–	–	–	(1,007,234)	(722,858)	(9,816,574)
As at 31 March 2022	–	42,541,610	341,152,997	277,033,282	75,082,013	429,946,782
Net book value	493,786,781	164,126,528	152,382,790	187,227,144	16,005,300	17,971,393

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Total LKR	
						Cost
2,704,558	**64,706,944**	**1,190,444,322**	**14,738,276**	**47,278,658**	**3,517,129,378**	As at 1 April 2022
–	**5,875,100**	**–**	**124,200**	**366,680**	**30,722,655**	Additions during the year
(63,500)	**–**	**(48,496,900)**	**(253,000)**	**(1,675,347)**	**(92,064,232)**	Disposals during the year
2,641,058	**70,582,044**	**1,141,947,422**	**14,609,476**	**45,969,991**	**3,455,787,801**	As at 31 March 2023
						Accumulated depreciation
1,953,414	**53,312,068**	**896,021,913**	**13,333,386**	**42,769,510**	**2,173,146,975**	As at 1 April 2022
171,319	**3,137,037**	**139,795,618**	**600,872**	**2,108,963**	**250,543,386**	Charge for the year
(63,500)	**–**	**(43,916,617)**	**(253,000)**	**(1,675,347)**	**(75,977,099)**	Disposals
2,061,233	**56,449,105**	**991,900,914**	**13,681,258**	**43,203,126**	**2,347,713,262**	As at 31 March 2023
579,825	**14,132,939**	**150,046,508**	**928,218**	**2,766,865**	**1,108,074,539**	Net book value

Facsimile machine LKR	Generator LKR	Motor vehicles LKR	Photostat machine LKR	Printers LKR	Total LKR	
						Cost
2,677,018	63,902,044	1,193,007,452	13,847,276	45,492,855	3,434,295,484	As at 1 April 2021
27,540	804,900	–	891,000	2,157,133	97,353,071	Additions during the year
–	–	(2,563,130)	–	(371,330)	(14,519,177)	Disposals during the year
2,704,558	64,706,944	1,190,444,322	14,738,276	47,278,658	3,517,129,378	As at 31 March 2022
						Accumulated depreciation
1,763,270	50,171,341	718,420,288	12,700,673	40,309,731	1,893,675,347	As at 1 April 2021
190,144	3,140,727	179,600,933	632,713	2,831,109	293,388,932	Charge for the year
–	–	(1,999,308)	–	(371,330)	(13,917,304)	Disposals
1,953,414	53,312,068	896,021,913	13,333,386	42,769,510	2,173,146,975	As at 31 March 2022
751,144	11,394,876	294,422,409	1,404,890	4,509,148	1,343,982,403	Net book value

30.3 Property, plant and equipment retired from active use

Following fully depreciated property, plant and equipment were retired from active use as at the Statement of Financial Position date.

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Furniture, fittings and fixtures	**17,002,348**	–	**17,002,348**	–
Office equipment	**1,174,769**	808,805	**1,174,769**	808,805
Air conditioner	**2,368,884**	722,858	**2,368,884**	722,858
Computer and accessories	**6,388,115**	9,816,574	**6,388,115**	9,816,574
Facsimile machine	**63,500**	–	**63,500**	–
Motor vehicles	**7,100,000**	–	**7,100,000**	–
Photostat machine	**253,000**	–	**253,000**	–
Printers	**1,675,347**	371,330	**1,675,347**	371,330
	36,025,963	11,719,567	**36,025,963**	11,719,567

30.4 Fully depreciated property, plant and equipment

The cost of fully depreciated property, plant and equipment which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Furniture, fittings, and fixtures	**114,666,883**	109,091,029	**115,385,169**	109,436,664
Office equipment	**82,241,379**	69,024,277	**82,241,379**	69,387,605
Air Conditioner	**66,239,523**	61,447,260	**66,239,523**	61,447,260
Computer and accessories	**414,995,886**	397,390,249	**416,698,816**	399,155,179
Facsimile machine	**984,400**	940,400	**984,400**	940,400
Generator	**42,586,933**	40,386,933	**42,586,933**	40,386,933
Motor vehicles	**475,977,380**	202,755,252	**482,281,880**	202,755,252
Photostat machine	**12,363,216**	11,678,636	**12,363,216**	11,678,636
Printers	**38,166,618**	37,745,631	**38,260,618**	37,839,631
	1,248,222,218	930,459,667	**1,257,041,934**	933,027,559

30.5 Property, plant and equipment pledged as security for liability

There were no items of property, plant and equipment pledged as security for liabilities as at reporting date.

30.6 Temporarily idle property, plant and equipment

There were no any temporarily idle property, plant and equipment as at reporting date.

30.7 Title restriction on property, plant and equipment

There were no restrictions existing on the title of property, plant and equipment of the Group as at reporting date.

30.8 Borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment as at reporting date.

30.9 Information of freehold land and building

30.9.1 Company

Location	Number of Buildings	Extent		Valuation	**Cost 2023**	**Carrying Value 2023**	Cost 2022	Carrying Value 2022
		Land	Building	LKR	**LKR**	**LKR**	LKR	LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq. ft.	47,150,000	**13,010,874**	**6,678,382**	13,010,874	7,318,382
Highway Park, Amunugama, Pothuhera	1	A. 5 R. 25.49 P	680 sq. ft.	55,825,000	**30,711,364**	**24,462,229**	30,711,364	24,949,354
92, Dean's Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	92,600,000	**24,600,000**	**23,343,322**	24,600,000	23,479,229
No. 255 & 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	126,000,000	**77,999,400**	**70,019,025**	77,999,400	71,330,868
No. 91B & 93, Colombo Road , Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	55,700,000	**46,799,100**	**45,176,228**	46,799,100	45,510,507
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	137,400,000	**114,484,181**	**104,446,833**	114,484,181	107,675,112
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.ft.	–	**–**	**–**	12,500,000	11,348,964
No.14, Kotugodella Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	399,000,000	**380,350,000**	**361,800,893**	380,350,000	366,300,893
Total				913,675,000	**687,954,919**	**635,926,912**	700,454,919	657,913,309

30.9.2 Group

Location	Number of Buildings	Extent Land	Extent Building	Valuation LKR	Cost 2023 LKR	Carrying Value 2023 LKR	Cost 2022 LKR	Carrying Value 2022 LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.ft.	47,150,000	**13,010,874**	**6,678,382**	13,010,874	7,318,382
Highway Park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.ft.	55,825,000	**30,711,364**	**24,462,229**	30,711,364	24,949,354
92, Dean's Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	92,600,000	**24,600,000**	**23,343,322**	24,600,000	23,479,229
No. 255 & 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	126,000,000	**77,999,400**	**70,019,025**	77,999,400	71,330,868
No. 91B & 93, Colombo Road , Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	55,700,000	**46,799,100**	**45,176,228**	46,799,100	45,510,507
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	137,400,000	**114,484,181**	**104,446,833**	114,484,181	107,675,112
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.ft.	–	**–**	**–**	12,500,000	11,348,964
No.14, Kotugodella Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	399,000,000	**380,350,000**	**361,800,893**	380,350,000	366,300,893
Total				913,675,000	**687,954,919**	**635,926,912**	700,454,919	657,913,309

30.9.3 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 25 March 2023. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for the above of LKR 913,675,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	The reference range of value for the properties range from LKR 125,000 to LKR 29,200,000. Price per square foot for the properties range from LKR 1,000 to LKR 11,000.	Estimated fair value would increase/ (decrease) if; Price per perch increases/(decreases) Price per square foot increases/ (decreases)

31. Intangible Assets

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as given in Note 12.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated.

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

Goodwill on acquisitions

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash–generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with Sri Lanka Accounting Standard (SLFRS 8) Operating Segments.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiary is sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

31.1 Intangible assets – Company

As at 31 March	2023 LKR	2022 LKR
Software		
Cost		
Balance at the beginning of the year	**287,198,138**	264,791,023
Additions during the year	**8,201,873**	22,407,115
Balance at the end of the year	**295,400,011**	287,198,138
Accumulated amortisation		
Balance at the beginning of the year	**223,168,005**	209,671,651
Amortisation for the year	**13,903,669**	13,496,354
Balance at the end of the year	**237,071,674**	223,168,005
Carrying amount	**58,328,337**	64,030,133

31.2 Intangible assets – Group

As at 31 March	2023			2022
	Software LKR	Website LKR	Total LKR	Total LKR
Cost				
Balance at the beginning of the year	**291,112,598**	**197,847**	**291,310,445**	268,573,207
Additions during the year	**8,201,873**	**–**	**8,201,873**	22,737,238
Balance at the end of the year	**299,314,471**	**197,847**	**299,512,318**	291,310,445
Accumulated amortisation				
Balance at the beginning of the year	**226,534,283**	**197,847**	**226,732,130**	213,163,572
Amortisation for the year	**13,980,960**	**–**	**13,980,960**	13,568,558
Balance at the end of the year	**240,515,243**	**197,847**	**240,713,090**	226,732,130
Carrying amount	**58,799,228**	**–**	**58,799,228**	64,578,315

31.3 Fully amortised intangible assets

The cost of fully amortised intangible assets which are still in use as at the Statement of Financial Position date is as follows:

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Software	**209,077,310**	154,467,616	**212,347,676**	157,737,983
Website	**–**	–	**197,847**	197,847
	209,077,310	154,467,616	**212,545,523**	157,935,830

31.4 The Group does not recognise any goodwill as at the reporting date.

32. Right-Of-Use Assets

Accounting Policy

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site to its original state, less any lease incentives received.

The right-of-use asset subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following;

- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Amounts receivable under finance leases are included under “Finance lease receivable”. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment. Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as “Hire purchase receivable”. Such assets are accounted for in a similar manner as finance leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of other operating income.

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance at the beginning of the year		**361,074,334**	409,875,363	**374,026,629**	409,875,363
Additions during the year		**71,367,075**	46,020,185	**71,367,075**	65,448,627
Depreciation charge for the year	32.1	**(104,665,656)**	(104,907,202)	**(111,141,803)**	(111,383,349)
Advance payment made during the year	32.2	**21,518,100**	10,085,988	**21,518,100**	10,085,988
Disposal during the year		**(2,900,864)**	–	**(2,900,864)**	–
Balance at the end of the year		**346,392,989**	361,074,334	**352,869,137**	374,026,629

32.1 Amounts recognised in Statement of Profit or Loss

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Depreciation of right-of-use assets	**104,665,656**	104,907,202	**111,141,803**	111,383,349

32.2 Amounts recognised in Statement of Cash Flows

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Total cash outflow from lease	**(21,518,100)**	(10,085,988)	**(21,518,100)**	(10,085,988)

33. Deferred Tax Assets/(Liabilities)

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer to Note 15 for more details on taxation.

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority.

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Summary of net deferred tax assets/(liabilities)				
Balance at the beginning of the year	**(150,572,153)**	(319,294,434)	**(149,430,114)**	(318,583,517)
Amount reversed during the year	**283,623,535**	180,495,945	**283,012,328**	180,980,849
Effect of change in tax rate	**(21,265,499)**	–	**(21,161,283)**	–
Total amount reversed to the Statement of Profit or Loss	**262,358,036**	180,495,945	**261,851,045**	180,980,849
Amount charged during the year – Statement of Other Comprehensive Income	**(2,021,086)**	(11,773,664)	**(1,943,990)**	(11,827,446)
Effect of change in tax rate	**(505,272)**	–	**(485,998)**	–
Total amount reversed to the Statement of Other Comprehensive Income	**(2,526,358)**	(11,773,664)	**(2,429,988)**	(11,827,446)
Balance at the end of the year	**109,259,525**	(150,572,153)	**109,990,943**	(149,430,114)

The unutilised tax loss as at the reporting date was LKR 13,257,454 (2022 – LKR 50,500,775/-) which is available for offsetting against the future taxable income of the company for a minimum period of 6 years. Accordingly, unrecognised deferred tax asset amounts to LKR 3,977,236/- as at the reporting date on brought forward tax losses (2022 – LKR 12,120,185).

33.1 Reconciliation of net deferred tax assets/(liabilities)

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Deferred tax assets				
Retirement benefit obligation	**35,644,525**	26,140,937	**36,523,672**	27,245,858
Lease liabilities	**106,327,496**	–	**108,888,095**	–
Unclaimed impairment provision	**331,376,292**	169,014,134	**331,376,292**	169,014,134
	473,348,313	195,155,071	**476,788,059**	196,259,992
Deferred tax liabilities				
Property, plant and equipment	**87,796,346**	82,187,060	**88,563,867**	82,625,805
Lease capital balance	**172,374,546**	261,279,231	**172,372,509**	261,279,231
Right-of-use assets	**103,917,896**	2,260,933	**105,860,740**	1,785,070
	364,088,788	345,727,224	**366,797,116**	345,690,106
Net deferred tax assets/(liabilities)	**109,259,525**	(150,572,153)	**109,990,943**	(149,430,114)

Company

As at 31 March	Statement of Financial Position 2023 LKR	Statement of Financial Position 2022 LKR	Statement of Profit or Loss 2023 LKR	Statement of Profit or Loss 2022 LKR	Statement of Comprehensive Income 2023 LKR	Statement of Comprehensive Income 2022 LKR
Deferred tax assets on:						
Retirement benefit obligation	**35,644,525**	26,140,937	**12,029,946**	719,641	**(2,526,358)**	(11,773,664)
Lease liabilities	**106,327,496**	–	**106,327,496**	–	**–**	–
Unclaimed impairment provision	**331,376,292**	169,014,134	**162,362,158**	3,439,686	**–**	–
	473,348,313	195,155,071	**280,719,600**	4,159,327	**(2,526,358)**	(11,773,664)
Deferred tax liabilities on:						
Property, plant and equipment	**87,796,346**	82,187,060	**(5,609,286)**	9,403,398	**–**	–
Lease capital balance	**172,374,546**	261,279,231	**88,904,685**	166,851,231	**–**	–
Right-of-use assets	**103,917,896**	2,260,933	**(101,656,963)**	81,989	**–**	–
	364,088,788	345,727,224	**(18,361,564)**	176,336,618	**–**	–
Deferred tax effect on comprehensive income	**–**	–	**262,358,036**	180,495,945	**(2,526,358)**	(11,773,664)
Net deferred tax assets/(liabilities)	**109,259,525**	(150,572,153)	**–**	–	**–**	–

Group

As at 31 March	Statement of Financial Position 2023 LKR	Statement of Financial Position 2022 LKR	Statement of Profit or Loss 2023 LKR	Statement of Profit or Loss 2022 LKR	Statement of Comprehensive Income 2023 LKR	Statement of Comprehensive Income 2022 LKR
Deferred tax assets on:						
Retirement benefit obligation	**36,523,672**	27,245,858	**11,707,802**	956,579	**(2,429,988)**	(11,827,446)
Lease liabilities	**108,888,095**	–	**108,888,095**	–	**–**	–
Unclaimed impairment provision	**331,376,292**	169,014,134	**162,362,158**	3,439,686	**–**	–
	476,788,059	196,259,992	**282,958,055**	4,396,265	**(2,429,988)**	(11,827,446)
Deferred tax liabilities on:						
Property, plant and equipment	**88,563,867**	82,625,805	**(5,938,062)**	9,175,501	**–**	–
Lease capital balance	**172,372,509**	261,279,231	**88,906,722**	166,851,231	**–**	–
Right-of-use assets	**105,860,740**	1,785,070	**(104,075,670)**	557,852	**–**	–
	366,797,116	345,690,106	**(21,107,010)**	176,584,584	**–**	–
Deferred tax effect on comprehensive income	**–**	–	**261,851,045**	180,980,849	**(2,429,988)**	(11,827,446)
Net deferred tax assets/(liabilities)	**109,990,943**	(149,430,114)	**–**	–	**–**	–

34. Other Assets

Accounting Policy

Other assets include gold stock, deposits, dividend receivables, advances, and prepayments, etc. These assets are non-interest earning and recorded at the amounts that are expected to be received.

As at 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Stock of gold specimen	**259,200**	259,200	**259,200**	259,200
Advance payments	**50,696,637**	39,511,685	**51,810,383**	40,672,797
Vehicle inventory for trade	**63,045,800**	–	**63,045,800**	–
Funds held at Orion Fund Management	**–**	6,783,404	**–**	6,783,404
Cash cover	**1,278,873**	1,278,873	**1,278,873**	1,278,873
Dividend receivables	**34,000,000**	44,000,000	**–**	–
Rent income receivable	**8,884,385**	1,877,775	**8,884,385**	1,877,775
Sundry deposits	**9,128,692**	8,897,192	**9,138,692**	8,907,192
Other receivables	**30,661,104**	35,120,515	**37,203,095**	38,831,910
	197,954,691	137,728,644	**171,620,428**	98,611,151

35. Due to Banks

Accounting Policy

These include bank overdrafts, term loans, and other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Statement of Profit or Loss over the period of the loan using the effective interest rate (EIR) of the facility.

As at 31 March	Note	Company		Group	
		2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Bank overdrafts		**138,206,759**	207,593,583	**138,454,630**	207,593,583
Asset securitised loans	35.1	**6,727,950,038**	6,483,802,528	**6,727,950,038**	6,483,802,528
		6,866,156,797	6,691,396,111	**6,866,404,668**	6,691,396,111

35.1 Asset securitised loans movement during the year

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance as at the beginning of the year	**6,460,370,367**	7,080,407,522	**6,460,370,367**	7,080,407,522
Loans obtained during the year	**3,600,000,000**	2,600,000,000	**3,600,000,000**	2,600,000,000
Capital repayment during the year	**(3,428,499,257)**	(3,220,037,155)	**(3,428,499,257)**	(3,220,037,155)
Balance before amortised interest payable	**6,631,871,110**	6,460,370,367	**6,631,871,110**	6,460,370,367
Amortised interest payable	**96,078,928**	23,432,161	**96,078,928**	23,432,161
Balance as at the end of the year	**6,727,950,038**	6,483,802,528	**6,727,950,038**	6,483,802,528

35.2 Asset securitised loans

Lending institution	Nature of facility	Term in months	Security	Interest rate	Company/Group 2023 LKR	Company/Group 2022 LKR
Long-term borrowings						
Commercial Bank of Ceylon PLC	Revolving term loans/ term loans	48	Lease receivables and USD fixed deposit	Floating/Fixed	**2,270,760,000**	2,493,703,700
National Development Bank PLC	Term loan	60	Lease receivables	Fixed	**100,000,000**	100,000,000
People's Bank	Term loans	53	USD fixed deposits	Floating	**3,511,111,110**	2,866,666,667
DFCC Bank	Term loans	48	Lease receivables	Fixed	**750,000,000**	1,000,000,000
Total for Company/Group					**6,631,871,110**	6,460,370,367

Finance lease and hire purchase aggregate portfolio amounting to LKR 1,501,827,069/- (2022 – LKR 2,210,885,806/-) have been pledged as security for bank loans.

The Company has pledged USD denominated fixed deposits amounting to LKR 4,853,621,658/- in principle, to obtain loans from Peoples' Bank and Commercial Bank of Ceylon PLC.

The Company has not had any defaults of principal, interest or other breaches with regard to due to banks during 2022/23 or 2021/22

36. Financial Liabilities at Amortised Cost – Due to Depositors

Accounting Policy

Due to depositors comprise of interest bearing savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the EIR method. Interest expense on these deposits is recognised to the Statement of Profit or Loss.

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Saving deposits		**619,273,500**	739,041,739	**619,273,500**	739,041,739
Certificates of deposit	36.1	**–**	10,593,470	**–**	10,593,470
Fixed deposits	36.2	**9,643,980,575**	10,074,348,171	**9,557,337,069**	10,032,703,242
		10,263,254,075	10,823,983,380	**10,176,610,569**	10,782,338,451

36.1 Certificates of deposit

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Face value	**–**	10,800,000	**–**	10,800,000
Interest in suspense	**–**	(206,530)	**–**	(206,530)
	–	10,593,470	**–**	10,593,470

36.2 Fixed deposits

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Fixed deposits	**9,234,758,818**	9,851,775,277	**9,149,206,388**	9,810,534,407
Amortised interest payable	**409,221,757**	222,572,894	**408,130,681**	222,168,835
	9,643,980,575	10,074,348,171	**9,557,337,069**	10,032,703,242

Deposit insurance scheme

As per the Direction No. 1 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all Licensed Finance Companies (LFC) are required to pay an insurance premium.

Deposit insurance scheme calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits include all the time deposits held by the LFC except for –

- Deposit liabilities to member institutions.
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies.
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel of the respective Member Institution.
- Deposits falling within the meaning of abandoned property in terms of the Banking Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.
- Dormant deposits in terms of the Finance Business Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

37. Financial Liabilities at Amortised Cost – Other Borrowings

Accounting Policy

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in Statement of Profit or Loss.

		Company		Group	
As at 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Commercial papers	37.1	**72,050,003**	67,734,520	**72,050,003**	67,734,520
Asset securitised loans	37.2	**7,525,661,764**	10,379,860,498	**7,525,661,764**	10,379,860,498
		7,597,711,767	10,447,595,018	**7,597,711,767**	10,447,595,018

37.1 Commercial papers

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Commercial papers capital outstanding	**70,000,000**	65,000,000	**70,000,000**	65,000,000
Amortised interest payable	**2,050,003**	2,734,520	**2,050,003**	2,734,520
	72,050,003	67,734,520	**72,050,003**	67,734,520

37.1.1 Commercial papers movement during the year

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance as at the beginning of the year	**65,000,000**	310,000,000	**65,000,000**	310,000,000
Issued during the year	**135,000,000**	65,000,000	**135,000,000**	65,000,000
Settled during the year	**(130,000,000)**	(310,000,000)	**(130,000,000)**	(310,000,000)
Balance before amortised interest payable	**70,000,000**	65,000,000	**70,000,000**	65,000,000
Amortised interest payable	**2,050,003**	2,734,520	**2,050,003**	2,734,520
Balance as at the end of the year	**72,050,003**	67,734,520	**72,050,003**	67,734,520

37.2 Asset securitised loans

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Assets securitisation loans capital outstanding	**2,750,000,000**	3,350,000,000	**2,750,000,000**	3,350,000,000
Borrowings from International Finance Corporation (IFC)	**–**	585,000,000	**–**	585,000,000
Borrowings from Netherlands Development Finance Bank (FMO)	**3,636,507,790**	4,983,333,340	**3,636,507,790**	4,983,333,340
Borrowings from Incofin Investment Management	**1,090,952,335**	1,495,000,000	**1,090,952,335**	1,495,000,000
Amortised interest payable/(receivable)	**48,201,639**	(33,472,842)	**48,201,639**	(33,472,842)
	7,525,661,764	10,379,860,498	**7,525,661,764**	10,379,860,498

37.2.1 Asset securitised loans movement during the year

For the year ended 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Balance as at the beginning of the year	**10,413,333,340**	9,594,059,956	**10,413,333,340**	9,594,059,956
Loans obtained during the year	**–**	1,003,700,000	**–**	1,003,700,000
Capital repayment during the year	**(3,797,063,587)**	(2,565,196,431)	**(3,797,063,587)**	(2,565,196,431)
Effect of movement in Foreign Exchange Rate	**861,190,372**	2,380,769,815	**861,190,372**	2,380,769,815
Balance before amortised interest payable	**7,477,460,125**	10,413,333,340	**7,477,460,125**	10,413,333,340
Amortised interest payable/(receivable)	**48,201,639**	(33,472,842)	**48,201,639**	(33,472,842)
Balance as at the end of the year	**7,525,661,764**	10,379,860,498	**7,525,661,764**	10,379,860,498

37.2.2 Asset securitised loans

Lending institution/trustee	Nature of facility	Term in months	Security	Interest rate	Company/Group	
					2023 LKR	2022 LKR
Long-term borrowings						
Hatton National Bank PLC	Syndication loan 2	60	Lease receivables	Fixed	**100,000,000**	100,000,000
Hatton National Bank PLC	Syndication loan 3	60	N/A	Fixed	**2,650,000,000**	3,250,000,000
International Financial Corporation (IFC)	Term loan	60	Lease receivables	Fixed	**–**	585,000,000
Netherlands Development Finance Bank (FMO)	USD term loan	53	Lease receivables	Fixed	**3,636,507,790**	4,983,333,340
Incofin Investment Management	USD term loan	38	Lease receivables	Floating	**1,090,952,335**	1,495,000,000
Total for Company/Group					**7,477,460,125**	10,413,333,340

Securities pledged

Lease and hire purchase aggregate portfolio amounting to LKR 3,157,752,319/- (2022 – LKR 5,620,923,902/-) have been pledged as security for the above loans.

The Company has not had any defaults of principal, interest or other breaches with regard to other borrowings during 2022/23 or 2021/22.

38. Subordinated Debentures

Accounting Policy

Subordinated debentures include debentures issued by the Company and initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Statement of Profit or Loss over the period of the loan using EIR method.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year	**1,750,000,000**	1,750,000,000	**1,750,000,000**	1,750,000,000
Amortised interest payable	**18,800,757**	18,547,190	**18,800,757**	18,547,190
Balance at the end of the year	**1,768,800,757**	1,768,547,190	**1,768,800,757**	1,768,547,190

Outstanding debentures as at 31 March 2023 consists of 17,500,000 (2021/22 – 17,500,000) listed unsecured redeemable subordinated rated debentures of LKR 100 each issued by the Company in August 2019, details of which is given below:

As at 31 March	Interest payable	period of issue	period of maturity	**2023**	2022
2019/20 – Fixed rated 12.875% p.a.	Semi-annually	2019/20	2024//25	1,750,000,000	1,750,000,000

The Company has not had any defaults of principal or interest or other breaches with regard to subordinated debentures during 2022/23 or 2021/22.

39. Lease Liabilities

Accounting Policy

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

As at 31 March	Company		Group	
	2023 LKR	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year	**357,216,955**	377,500,417	**372,152,014**	377,500,417
Additions during the year	**71,367,075**	46,020,185	**71,367,075**	65,448,627
Interest expense recognised in Statement of Profit or Loss	**56,647,312**	57,598,226	**58,023,584**	59,584,843
Payment during the year	**(126,918,071)**	(123,901,873)	**(134,694,071)**	(130,381,873)
Early termination of lease liabilities	**(3,888,285)**	–	**(3,888,285)**	–
Balance at the end of the year	**354,424,986**	357,216,955	**362,960,317**	372,152,014
Amounts recognised in Statement of Profit or Loss				
Interest expense recognised in Statement of Profit or Loss	**56,647,312**	57,598,226	**58,023,584**	59,584,843
Amounts recognised in Statement of Cash Flows				
Net cash outflow from lease	**(126,918,071)**	(123,901,873)	**(134,694,071)**	(130,381,873)

40. Current Tax Payable

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Refer Note 15 for more details on taxation.

The Company is subject to income taxes and other taxes including VAT on financial services, Stamp duty, Social Security Contribution Levy etc.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Income tax				
Balance at the beginning of the year	**120,529,213**	63,946,177	**123,904,834**	65,558,870
Current income tax charge	**343,609,128**	429,627,528	**374,294,263**	456,136,107
Under provision in respect of previous year	**–**	–	**90,767**	180,600
Income tax assessment	**–**	33,543,897	**–**	33,543,897
Payments made during the year	**(321,808,652)**	(406,588,389)	**(349,637,556)**	(431,514,640)
Withholding tax receivable	**(1,518,752)**	–	**(1,801,885)**	–
Balance at the end of the year	**140,810,937**	120,529,213	**146,850,423**	123,904,834
Other tax liabilities/(receivables)	**(3,498,892)**	85,832,984	**(3,324,854)**	85,832,984
	137,312,045	206,362,197	**143,525,569**	209,737,818

41. Amounts Due to Related Company

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Newest Capital Limited	**282,122,456**	282,122,456	**–**	–
	282,122,456	282,122,456	**–**	–

42. Other Liabilities

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other liabilities mainly comprise accrued expenses, payable to vendors, dividend payable, etc.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Accrued expenditure – Non-interest	**18,085,140**	18,019,140	**19,484,263**	19,213,013
Payable to vendors	**206,075,224**	321,734,938	**206,075,224**	321,734,938
Dividend payable	**20,418,160**	14,389,953	**20,418,160**	14,389,953
Value added tax payable	**1,177,438**	–	**2,466,855**	–
Withholding tax payable on dividend	**–**	–	**6,000,000**	–
Deposit insurance premium	**1,110,877**	1,196,399	**1,110,877**	1,196,399
Deferred loan protection fee	**8,451,646**	14,882,203	**8,451,646**	14,882,203
Other liabilities	**37,787,286**	30,325,009	**41,375,699**	31,915,266
Staff bonus payable	**–**	114,371,688	**–**	114,371,688
	293,105,771	514,919,330	**305,382,724**	517,703,460

43. Employee Retirement Benefits

Accounting Policy

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 11 for Company's policy on retirement benefit obligation.

		Company		Group	
As at 31 March	Note	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year		**108,920,569**	154,978,998	**113,524,408**	158,819,688
Retirement benefit expense recognised in the Statement of Profit or Loss	43.1	**28,348,156**	21,048,466	**29,264,224**	22,281,709
Retirement benefit expense recognised in the Statement of Other Comprehensive Income	43.2	**(8,421,192)**	(49,056,932)	**(8,099,961)**	(49,281,026)
Benefits paid during the year		**(10,032,450)**	(18,049,963)	**(12,943,100)**	(18,295,963)
Balance at the end of the year		**118,815,083**	108,920,569	**121,745,571**	113,524,408

43.1 Retirement benefit expense recognised in the Statement of Profit or Loss

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Current service cost	**13,099,277**	17,196,924	**13,763,772**	17,402,988
Interest cost	**15,248,879**	11,003,508	**15,500,452**	12,030,687
Plan amendment	**–**	(7,151,966)	**–**	(7,151,966)
	28,348,156	21,048,466	**29,264,224**	22,281,709

43.2 Retirement benefit expense recognised in the Statement of Other Comprehensive Income

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Actuarial loss/(gain) for the year	**15,319,614**	(49,056,932)	**15,640,845**	(49,281,026)
Liability gain due to changes in financial assumptions	**(23,740,806)**	–	**(23,740,806)**	–
	(8,421,192)	(49,056,932)	**(8,099,961)**	(49,281,026)

As required by Sri Lanka Accounting Standards (LKAS -19) "Employee Benefits", The Company follows actuarial valuation method to determine Employee Benefit Obligation, while subsidiaries follows Gratuity formula method.

Company

Mr Piyal S Goonathilake FSA (USA), a member of the American Academy of Actuaries has carried out an independent actuarial valuation of the defined benefit obligation as at 31 March 2023. The valuation was carried out using the Projected Unit Credit Actuarial Cost Method, the method recommended by Sri Lanka Accounting Standard – LKAS 19 on Defined Benefit Obligations.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS 19. Further, the salary increment rate of 5% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

As at 31 March	2023 LKR	2022 LKR
Discount rate	**19.5%**	14.0%
Salary scale	**5.0%**	5.0%
Retirement age	**60 years**	60 years
Weighted average duration of the defined benefit obligation	**3.4 years**	4.7 years
Staff turnover:		
20 - 40 years	**11% - 19%**	11% - 19%
41 - 50 years	**1% - 3%**	1% - 3%
51 years or above	**1%**	1%

Subsidiaries

The principle assumptions used by subsidiaries as follows;

	Salary scale %	Discount rate %	Staff turnover %	Retirement age
Senkadagala Insurance Brokers (Pvt) Ltd.	17.00	18.00	0.00	79
Senfin Asset Management (Pvt) Ltd.	13.00	19.50	29.22	60

43.3 Sensitivity of assumptions employed

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Statement of Profit or Loss and employment benefit obligation for the year.

	Increase/(decrease) in discount rate %	Increase/(decrease) in salary increment rate %	Sensitivity effect on Statement of Profit or Loss increase/ (reduction) in profit for the year LKR	Sensitivity effect on employment benefit obligation increase/ (reduction) in the liability LKR
Senkadagala Finance PLC				
	+1%	–	3,109	(3,109)
	-1%	–	(3,407)	3,407
	–	+1	(3,753)	3,753
	–	-1	3,455	(3,455)
Senkadagala Insurance Brokers (Pvt) Ltd.				
	1%	–	235	(235)
	-1%	–	(163)	163
	–	1	(161)	161
	–	-1	(235)	235
Senfin Asset Management (Pvt) Ltd.				
	1%	–	933	(933)
	-1%	–	(988)	988
	–	1	(989)	989
	–	-1	931	(931)

43.4 The Expected Benefit Payout in the Future Years for Retirement Gratuity

As at 31 March	Note	Company 2023 LKR	Company 2022 LKR
Within 12 Months		**21,420,775**	18,466,667
Between 2 – 5 Years		**91,399,086**	69,579,957
Over 5 Years		**134,157,186**	86,988,945
Over 10 Years		**723,100,000**	571,200,000
		970,077,047	746,235,569

The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

44. Stated Capital

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

As at 31 March	2023		2022	
	No. of shares LKR	Value LKR	No. of shares LKR	Value LKR
Issued and fully paid shares				
Balance at the beginning of the year	**86,279,834**	**2,424,777,045**	72,475,061	1,587,862,680
Rights issue	–	–	13,804,773	836,914,365
Balance at the end of the year	**86,279,834**	**2,424,777,045**	86,279,834	2,424,777,045

44.1 Rights issue of shares

During the financial year 2021/22, the Company made a rights issue of one (1) new ordinary share for every fourteen (14) ordinary shares held, at a price of LKR 70/- per share in the month of April 2021 and a second rights issue of one (1) new ordinary share for every nine (9) existing ordinary shares at an issue price of LKR 55/- per in the month of November, with the approval of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

44.2. Rights and restrictions of ordinary shares

The shares of the Senkadagala Finance PLC are quoted on the Diri Savi 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 shares rank equally with regard to the Company's residual assets.

45. Statutory Reserve Fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year	**506,036,033**	460,036,033	**510,997,079**	464,997,079
Transfers during the year	**25,000,000**	46,000,000	**25,000,000**	46,000,000
Balance at the end of the year	**531,036,033**	506,036,033	**535,997,079**	510,997,079

The reserve fund is maintained in compliance with Direction No. 1 of 2003 of the Central Bank of Sri Lanka (Capital Funds) for Licensed Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of each period after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital funds to deposit liabilities	% of transfer to reserve fund
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred an amount of LKR 25,000,000/- (2022 - LKR 46,000,000/-) which is above the required 5% of its net profit after taxation to the reserve fund as the Company's capital funds to deposit liabilities, belongs to not less than 25% category.

46. Fair Value Reserve

This fair value reserve relates to fair value adjustments of equity investments measured at fair value through other comprehensive income.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year	**4,058,762**	4,760,867	**4,058,762**	4,760,867
Changes in fair value of investments in equity at fair value through other comprehensive income	**479,611**	(702,105)	**479,611**	(702,105)
Balance at the end of the year	**4,538,373**	4,058,762	**4,538,373**	4,058,762

The fair value reserve comprises of fair value adjustments of equity investments measured at fair value through other comprehensive income.

47. Related Party Transactions

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures". Details of related party transactions are reported below.

Name of the Company	Nature of transaction	**Transaction amount 2023 LKR**	Transaction amount 2022 LKR	**Balance outstanding as at 31 March 2023 LKR**	Balance outstanding as at 31 March 2022 LKR
Parent company					
E. W. Balasuriya and Company (Private) Limited	Payment of rent expenses	**(25,320,000)**	(23,760,000)	**–**	–
	Dividend payment	**(62,693,950)**	(51,231,856)	**–**	–
	Reimbursement of expenses on Telephone	**8,000,000**	13,600,000	**2,400,000**	800,000
	Investment in debenture	**–**	–	**(983,600,000)**	(978,600,000)
	Payment of debenture interest	**(122,836,251)**	(135,948,748)	**(10,755,599)**	(10,700,924)
	Net funds paid	**(202,850,201)**	(197,340,604)		
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	**(1,423)**	(16,209,767)	**(40,552,430)**	(41,240,870)
	Deposit interest expense	**(5,357,510)**	(1,944,754)	**(1,091,076)**	(404,059)
	Dividend income	**77,000,000**	83,000,000	**34,000,000**	44,000,000
	Rent income	**301,282**	300,000	**–**	–
	Net funds received	**71,942,349**	65,145,479		
Subsidiary					
Newest Capital Limited	Payment made on behalf of Newest Capital Limited	**–**	(62,640)	**–**	–
	Net funds paid	**–**	(62,640)	**–**	–
	Balance payable	**–**	–	**(282,122,456)**	(282,122,456)
Subsidiary					
Senfin Asset Management (Pvt) Ltd.	Net investment in fixed deposits	**45,000,000**	–	**(45,000,000)**	–
	Deposit interest expense	**(7,035,638)**	–	**–**	–
	Reimbursement of expenses on paper advertisement	**–**	187,500	**–**	–
	Reimbursement of business promotion	**–**	304,500	**–**	–
	Net funds received	**37,964,362**	492,000	**–**	–

The Company has invested LKR 198,722,000/- (2022 – LKR 193,722,000/-) in units of the unit trusts managed by Senfin Asset Management (Pvt) Ltd.

Name of the Company	Nature of transaction	**Transaction amount 2023 LKR**	Transaction amount 2022 LKR	**Balance outstanding as at 31 March 2023 LKR**	Balance outstanding as at 31 March 2022 LKR
Company under common control					
Senkadagala Hotels Limited	Net investment in fixed deposits	**12,723,324**	(264,113)	**(91,680,120)**	(83,073,951)
	Deposit interest expense	**(10,723,684)**	(5,860,684)	**(6,157,401)**	(2,040,246)
	Rent income	**1,800,000**	1,800,000	**150,000**	–
	Payment of rent expense	**(1,381,680)**	(1,381,680)	**(115,140)**	(115,140)
	Reimbursement of expenses on electricity	**(494,080)**	(527,295)	**(146,389)**	(146,643)
	Net funds received/(paid)	**1,923,880**	(6,233,772)		
Associate					
Senfin Securities Limited	Net short-term loan	**125,144,637**	(175,517,377)	**50,000,000**	175,000,000
	Interest income on short-term loan	**4,220,478**	7,779,867	**372,740**	517,377
	Investment in ordinary share – Acquire 35% stake holding	**(88,550,000)**	–	**–**	–
	Net funds received/(paid)	**40,815,115**	(167,737,510)		
Net accommodation granted to Senfin securities (Pvt) Ltd. as % of core capital		**3.15%**	10.37%		
Net accommodation outstanding from Senfin Securities (Pvt) Ltd. as % of core capital		**0.65%**	2.33%		

Company under common control

Thompson's Beach Hotels Ltd, having E W Balasuriya and Company (Pvt) Ltd as the common parent, is considered a related party of the Company. However, there had been no intercompany transactions during the period under review.

47.1 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross income of the Company.

47.2 Non-recurrent related party transactions

The Company did not enter in to any non-recurrent transactions which exceeds 10% of equity or 5% of total assets, whichever is lower, during the year with any related party. Details of outstanding values of such transactions are as follows:

Name of the Company	Nature of transaction	**Transaction amount 2023 LKR**	Transaction amount 2022 LKR	**Balance outstanding as at 31 March 2023 LKR**	Balance outstanding as at 31 March 2022 LKR
Parent company					
E.W.Balasuriya and Company (Private) Limited	Investment in subordinated listed debenture – August 2019	**-**	–	**983,600,000**	978,600,000

47.3 Transactions With Key Management Personnel (KMP) of the Company

According to Sri Lanka Accounting Standard – LKAS 24 Related Party Disclosures, Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly Senior Management Team, Deputy CEO, CEO and the other members of the Board of Directors of the Company (including executive and non executive Directors), and of the Ultimate Parent Company have been classified as key management personnel of the Company.

47.3.1 Compensation of Key Management Personnel

As at 31 March		**2023 LKR**	2022 LKR
Short-term employee benefits	Board of Directors	**32,553,120**	30,225,800
	Other key management personnel	**53,053,810**	53,681,700

47.3.2 Post employment benefits to Key Management Personnel

The key management personnel are entitled to gratuity as per the provisions laid down by the Payment of Gratuity Act No.12 of 1983 and such provision as at 31 March 2023 amounted to LKR 38,939,018/- (2022 – LKR 31,816,320/-)

47.3.3 Deposits held by Key Management Personnel

As at 31 March	**2023 LKR**	2022 LKR
Deposits held with the Company	**103,621,015**	389,116,904
Investments in debentures	**75,000,000**	75,000,000

48. Commitments and Contingencies

48.1 Capital expenditure commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to the following:

As at 31 March	2023 LKR	2022 LKR
Approved but not contracted for	103,000,000	–
Approved and contracted for	–	–
	103,000,000	–

The capital expenditure approved is in relation to the proposed 10 new branches to be opened within financial year 2023/24.

48.2 Contingent liabilities

The Company has undertaken a Loan Protection Scheme for opting customers, whereby the Company undertakes to insure a certain amount of the receivable balances of lease contracts with a third party insurance company for a fee collected upfront. The loss in case of death or permanent disability is covered through the insurance policy, however based on past experience the Company expects that the probable loss in the event of death and permanent disability would not result in an loss exceeding the insured amount.

Other than the matters disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the reporting date.

49. Event After The Reporting Period

There were no material events occurring after the reporting date that require adjustment to or disclose in the Financial Statements except below;

Dividend declaration

The Board of Directors has proposed a final dividend of LKR 0.65 per share for the year ended 31 March 2023 subject to approval of the Central Bank of Sri Lanka, to be approved by the shareholders at the Annual General Meeting for the financial year ended 2022/23. In accordance with the LKAS 10, Events after the Reporting Period, the proposed dividend is not recognised as a liability in the Financial Statements as at year end.

50. Maturity Analysis

50.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2023, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are given below.

	Up to 3 Months LKR	3 to 12 Months LKR	1 to 3 Years LKR	More than 3 Years LKR	**Total as at 31.03.2023 LKR**
Interest earning assets					
Cash and cash equivalents	492,429,493	–	–	–	**492,429,493**
Deposits with licensed financial institutions	1,856,359,680	1,438,767,918	1,818,253,380	–	**5,113,380,978**
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	**2,341,523,804**
Finance leases, hire purchases and other loans and receivables	6,058,799,590	8,382,475,631	8,573,931,185	1,238,475,373	**24,253,681,779**
Total interest earning assets	10,741,570,597	9,821,825,519	10,392,184,565	1,245,435,373	**32,201,016,054**
Non-interest earning assets					
Financial assets held at FVTPL	485,751,196	–	–	–	**485,751,196**
Financial assets measured at FVOCI	–	–	–	360,242,379	**360,242,379**
Investment in subsidiaries and associate	–	–	–	445,041,800	**445,041,800**
Tangible and intangible assets	–	–	–	1,511,580,131	**1,511,580,131**
Right-of-use assets	26,254,558	73,125,447	149,491,038	97,521,946	**346,392,989**
Other receivables	172,347,173	25,348,319	–	109,518,724	**307,214,216**
Total non-interest earning assets	684,352,927	98,473,766	149,491,038	2,523,904,980	**3,456,222,711**
Total assets	11,425,923,524	9,920,299,285	10,541,675,603	3,769,340,353	**35,657,238,765**
Percentage as at 31 March 2023 (%)	32	28	30	10	**100**

	Up to 3 Months LKR	3 to 12 Months LKR	1 to 3 Years LKR	More than 3 Years LKR	**Total as at 31.03.2023 LKR**
Interest bearing liabilities					
Deposits from customers	3,828,643,868	3,911,997,258	2,268,839,167	253,773,782	**10,263,254,075**
Bank overdrafts	138,206,759	–	–	–	**138,206,759**
Due to banks	1,436,363,705	2,115,218,778	3,103,464,555	72,903,000	**6,727,950,038**
Borrowings	969,443,394	2,820,926,118	3,807,342,255	–	**7,597,711,767**
Debt securities issued	–	18,800,757	1,750,000,000	–	**1,768,800,757**
Lease liabilities	26,539,616	72,702,251	147,753,383	107,429,736	**354,424,986**
Total interest bearing liabilities	6,399,197,342	8,939,645,162	11,077,399,360	434,106,518	**26,850,348,382**
Non interest bearing liabilities	514,365,756	127,289,714	130,619,416	59,080,469	**831,355,355**
Total liabilities	6,913,563,098	9,066,934,876	11,208,018,776	493,186,987	**27,681,703,737**
Percentage as at 31 March 2023 (%)	20	26	31	1	**78**
Shareholders' funds	–	–	–	7,975,535,028	**7,975,535,028**
Total shareholders' funds and liabilities	6,913,563,098	9,066,934,876	11,208,018,776	8,468,722,015	**35,657,238,765**

50.2 Group

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2023, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are given below:

	Up to 3 Months LKR	3 to 12 Months LKR	1 to 3 Years LKR	More than 3 Years LKR	**Total as at 31.03.2023 LKR**
Interest earning assets					
Cash and cash equivalents	515,465,068	–	–	–	**515,465,068**
Deposits with licensed financial institutions	1,864,537,214	1,438,767,918	1,818,253,380	–	**5,121,558,512**
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	**2,341,523,804**
Finance leases, hire purchases and other loans and receivables	6,059,100,590	8,382,475,631	8,573,931,185	1,238,475,373	**24,253,982,779**
Total interest earning assets	10,773,084,706	9,821,825,519	10,392,184,565	1,245,435,373	**32,232,530,163**
Non-interest earning assets					
Financial assets held at FVTPL	556,025,320	–	–	–	**556,025,320**
Financial assets measured at FVOCI	–	–	–	360,242,379	**360,242,379**
Investment in associate	–	–	–	116,740,137	**116,740,137**
Tangible and intangible assets	–	–	–	1,423,936,377	**1,423,936,377**
Right-of-use assets	27,873,596	77,982,557	149,491,038	97,521,946	**352,869,137**
Other receivables	145,456,073	25,905,192	–	110,250,106	**281,611,371**
Total non interest earning assets	729,354,989	103,887,749	149,491,038	2,108,690,945	**3,091,424,721**
Total assets	11,502,439,695	9,925,713,268	10,541,675,603	3,354,126,318	**35,323,954,884**
Percentage as at 31 March 2023 (%)	33	28	30	9	**100**

	Up to 3 Months LKR	3 to 12 Months LKR	1 to 3 Years LKR	More than 3 Years LKR	**Total as at 31.03.2023 LKR**
Interest bearing liabilities					
Deposits from customers	3,772,389,087	3,881,608,533	2,268,839,167	253,773,782	**10,176,610,569**
Bank overdrafts	138,454,630	–	–	–	**138,454,630**
Due to banks	1,436,363,705	2,115,218,778	3,103,464,555	72,903,000	**6,727,950,038**
Borrowings	969,443,394	2,820,926,118	3,807,342,255	–	**7,597,711,767**
Debt securities issued	–	18,800,757	1,750,000,000	–	**1,768,800,757**
Lease liabilities	28,583,457	79,193,741	147,753,383	107,429,736	**362,960,317**
Total interest bearing liabilities	6,345,234,273	8,915,747,927	11,077,399,360	434,106,518	**26,772,488,078**
Non-interest bearing liabilities	247,603,789	128,607,539	133,292,769	61,149,767	**570,653,864**
Total liabilities	6,592,838,062	9,044,355,466	11,210,692,129	495,256,285	**27,343,141,942**
Percentage as at 31 March 2023 (%)	19	26	32	1	**78**
Shareholders' funds	–	–	–	7,980,812,942	**7,980,812,942**
Total shareholders' funds and liabilities	6,592,838,062	9,044,355,466	11,210,692,129	8,476,069,227	**35,323,954,884**

51. Segment Report

The Company has seven reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. For each of the strategic business line, the Company management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Finance leasing and hire purchase
- Pawning advances
- Other loans and receivables
- Investments
- Insurance brokering
- Unit trust management
- Unallocated

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company's management. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

As at 31 March	Finance leasing and hire purchase 2023 LKR	Finance leasing and hire purchase 2022 LKR	Pawning advances 2023 LKR	Pawning advances 2022 LKR	Other loans and receivables 2023 LKR	Other loans and receivables 2022 LKR	Investments 2023 LKR	Investments 2022 LKR
Revenue								
External customers								
Interest	**4,674,437,697**	5,051,873,898	**512,069,757**	231,820,960	**405,297,288**	347,192,107	**901,099,539**	389,814,133
Trading	**–**	–	**–**	–	**–**	–	**137,012,180**	27,346,748
Commissions	**–**	–	**–**	–	**–**	–	**–**	–
Rent	**–**	–	**–**	–	**–**	–	**28,779,766**	27,996,610
Dividends	**–**	–	**–**	–	**–**	–	**3,422,504**	2,692,871
Other income	**11,290,692**	11,717,118	**–**	–	**–**	–	**34,973,072**	1,510,127
Total revenue	**4,685,728,389**	5,063,591,016	**512,069,757**	231,820,960	**405,297,288**	347,192,107	**1,105,287,061**	449,360,489
Profit before tax								
Taxation								
Profit after tax								
Segment assets	**19,695,389,245**	22,780,618,451	**2,596,820,076**	1,381,352,984	**1,961,472,458**	1,939,925,130	**9,833,557,113**	11,345,531,197
Segment liabilities	**18,890,803,513**	25,088,184,660	**2,064,440,864**	1,148,585,467	**1,633,981,058**	1,720,206,009	**4,456,033,078**	2,226,411,827
Information on Cash flows								
Operating activities	**1,964,283,697**	2,960,486,633	**188,896,746**	96,506,830	**(49,603,829)**	84,475,246	**2,536,300,699**	(1,229,693,223)
Investing activities	**–**	–	**–**	–	**–**	–	**(439,989,374)**	234,591,793
Capital expenditure	**(33,804,786)**	(72,886,296)	**(4,457,132)**	(4,419,621)	**(3,366,634)**	(6,206,766)	**(16,878,128)**	(36,299,882)
Financing activities	**–**	–	**–**	–	**–**	–	**–**	–
Net cash flow	**1,930,478,911**	2,887,600,337	**184,439,614**	92,087,209	**(52,970,463)**	78,268,480	**2,079,433,197**	(1,031,401,312)
Depreciation and amortisation	**(285,281,182)**	(342,998,699)	**(37,614,078)**	(20,798,482)	**(28,411,278)**	(29,208,680)	**(4,228,749)**	(4,228,749)
Impairment charges and other credit losses	**(341,949,602)**	(205,173,537)	**(11,680,184)**	(25,387,597)	**138,519,863**	(356,654,272)	**7,979,952**	(9,415,448)

Insurance brokering		Unit trust management		Unallocated		Total	
2023 LKR	2022 LKR	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
1,412,453	615,972	**2,047,713**	511,851	**–**	–	**6,496,364,447**	6,021,828,921
–	–	**2,445,910**	(276,869)	**94,906**	18,665	**139,552,996**	27,088,544
116,425,027	116,483,895	**64,841,439**	66,469,776	**23,395**	25,051	**181,289,861**	182,978,722
–	–	**–**	–	**–**	–	**28,779,766**	27,996,610
–	–	**–**	–	**–**	–	**3,422,504**	2,692,871
–	–	**–**	–	**66,277,621**	170,399,122	**112,541,385**	183,626,367
117,837,480	117,099,867	**69,335,062**	66,704,758	**66,395,922**	170,442,838	**6,961,950,959**	6,446,212,035
						596,397,723	1,238,505,829
						(118,533,985)	(308,879,755)
						477,863,738	929,626,074
40,121,884	37,400,839	**84,555,378**	104,041,956	**1,112,038,730**	1,082,016,006	**35,323,954,884**	38,670,886,563
19,043,200	6,171,636	**10,634,759**	17,705,335	**268,205,470**	845,159,650	**27,343,141,942**	31,052,424,584
(27,782,092)	25,178,998	**25,645,784**	24,212,092	**(347,228,576)**	(366,066,780)	**4,290,512,429**	1,595,099,796
–	–	**–**	–	**–**	–	**(439,989,374)**	234,591,793
(27,266)	–	**–**	(6,901,836)	**(1,908,682)**	(3,461,896)	**(60,442,628)**	(130,176,297)
–	–	**–**	–	**(3,870,020,475)**	(1,810,077,241)	**(3,870,020,475)**	(1,810,077,241)
(27,809,358)	25,178,998	**25,645,784**	17,310,256	**(4,219,157,733)**	(2,179,605,917)	**(79,940,048)**	(110,561,949)
(385,497)	(1,257,937)	**(7,866,601)**	(7,785,557)	**(16,107,513)**	(16,291,484)	**(379,894,898)**	(422,569,588)
–	–	**–**	–	**(29,447)**	(48,689)	**(207,159,418)**	(596,679,543)

52. Risk Management

52.1 Introduction

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance company. Purpose of risk management is that the institution properly identifies, measures and manages risk and maintain adequate records on all efforts to ensure the extent of risks assumed is compensated with adequate return.

With this in mind, the Company has established and operates mechanisms, to ensure the effectiveness of on-going assessment of relevant risk types on an individual basis and on the overall risk position of the organisation.

At Senkadagala Finance PLC, the Board of Directors approves the Integrated Risk Management Policy, which sets the objectives, principles, processes and responsibilities for risk management within the Company. The policy sets guidelines for defining, quantifying, monitoring and reporting financial risks. The Integrated Risk Management Committee, which is a subcommittee of the Board, is responsible for reviewing the effectiveness of risk control policies, procedures and regulations.

More specifically, the committee is responsible for ensuring

- Integrity and adequacy of the risk management function of the Company
- Adequacy of the Company's capital
- Risk exposures and risk profiles of the Company are within acceptable parameters and to make recommendations to the Board of Directors on any action required for deviation.
- The compliance of the Company's operations with relevant laws, regulations and standards

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

52.2 Credit risk

Credit risk is the probable loss that may arise if borrower is unable to meet the financial obligations to the lender. In order to manage credit risk, the Company has established robust policies for credit appraisal and the staff is regularly trained in evaluating creditworthiness of prospective clients. Senkadagala Finance PLC manages high-risk sectors through sector restrictions that require prior high-level clearance before taking on new exposures even for small amounts. Once credits facilities are funded, they are continually monitored to identify changes in risk profiles. Further, sourcing and approval of clients are segregated to achieve independence. Recovery and NPA management are also given greater emphasis and are aggressively controlled.

The Company has undertaken, for a fee received in advanced from willing customers in the event of a death of a lessee the Company will not pursue litigation on the outstanding due from the next of kin or legal heir of the deceased and release them from all legal encumbrances. The Company has mitigated this risk by obtaining an insurance policy to cover its exposure on the above.

The Company's Management is closely monitoring the outcomes of adverse economic conditions caused by the prevailing current market conditions proactively, whilst achieving the risk-return objectives of the Company. This has been proven through the Company's ability to maintain its NPL at a lower level compared to the industry average. The Company has always acted with due care and taken prudent measures to ensure an effective, efficient and healthy repayments by credit customers while safeguarding the interests of other stakeholders.

Impairment assessment

Individually assessed allowances

The allowances appropriate for each individually significant lease and loan advances is determined on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance include the sustainability of the counterparty's business plan, its ability to improve performance if it is in financial difficulty. Projected receipts and the expected pay outs, should bankruptcy ensues, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The Company computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information. Economic data such as current economic conditions, unemployment levels and local or industry-specific problems are also considered when assessing the collective impairment.

With the adoption of SLFRS – 9 "Financial instruments" the Company manages credit quality using a three stage approach which is in line with the standard requirements as well.

Stage 1: 12-month expected credit losses (ECL)

Stage 2: Lifetime expected credit losses (ECL) – Not credit impaired

Stage 3: Lifetime expected credit losses (ECL) – Credit impaired

Expected credit loss assessment

As at 31 March 2023, the base case assumptions have been updated to reflect the rapidly evolving economic condition using relevant forecasts. In addition to the base case forecast which reflects the adverse economic condition, 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 to those projected.

During the financial year, the Company changed the existing PD computation method of "Risk Migration Matrix approach" to "Transition Matrix duration approach" to capture more prudent PD ratio.

Management overlays added to the modelled ECL provision considering the prevailing uncertain and volatile Macro-economic environment by;

- Economic factor Adjustment were adjusted by increasing worst case and decreasing the best case.
- Adjustment on PD was made to incorporate the overlays on the overall model based on stress testing and historic patterns

Table below shows the classification of assets based on the above-mentioned three stage model.

52.2.1 Credit quality by class of financial assets

Company

As at 31 March 2023	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	**492,429,493**	**–**	**–**	**492,429,493**
Deposits with licensed financial institutions	**5,113,380,978**	**–**	**–**	**5,113,380,978**
Repurchase agreements	**666,610,501**	**–**	**–**	**666,610,501**
Financial assets held at fair value thought profit or loss	**485,751,196**	**–**	**–**	**485,751,196**
Financial assets at amortised cost – Finance leases and hire purchases	**11,986,149,091**	**6,127,077,414**	**1,582,162,740**	**19,695,389,245**
Financial assets at amortised cost – Other loans and receivables	**3,634,109,619**	**323,494,514**	**575,006,578**	**4,558,292,534**
Financial assets measured at fair value through comprehensive income	**360,242,379**	**–**	**–**	**360,242,379**
Financial assets at amortised cost – other financial instruments	**1,674,913,303**	**–**	**–**	**1,674,913,303**
Other financial assets	**44,163,258**	**–**	**–**	**44,163,258**
Total financial assets	**24,457,749,818**	**6,383,671,848**	**2,249,751,221**	**33,091,172,887**

As at 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Cash and cash equivalents	627,213,024	–	–	627,213,024
Deposits with licensed financial institutions	6,789,342,503	–	–	6,789,342,503
Repurchase agreements	1,557,904,480	–	–	1,557,904,480
Financial assets held at fair value thought profit or loss	287,661,234	–	–	287,661,234
Financial assets at amortised cost – Finance leases and hire purchases	14,464,842,808	6,446,910,933	1,868,864,710	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	1,933,096,727	848,184,513	539,996,874	3,321,278,114
Financial assets measured at fair value through comprehensive income	14,762,768	–	–	14,762,768
Financial assets at amortised cost – other financial instruments	1,035,774,578	–	–	1,035,774,578
Other financial assets	53,940,052	–	–	53,940,052
Total financial assets	26,764,538,174	7,295,095,446	2,408,861,584	36,468,495,204

Group

As at 31 March 2023	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	**515,465,068**	–	–	**515,465,068**
Deposits with licensed financial institutions	**5,121,558,512**	–	–	**5,121,558,512**
Repurchase agreements	**666,610,501**	–	–	**666,610,501**
Financial assets held at fair value thought profit or loss	**556,025,320**	–	–	**556,025,320**
Financial assets at amortised cost – Finance leases and hire purchases	**11,986,149,091**	**6,127,077,414**	**1,582,162,740**	**19,695,389,245**
Financial assets at amortised cost – Other loans and receivables	**3,634,410,619**	**323,494,514**	**575,006,578**	**4,558,593,534**
Financial assets measured at fair value through comprehensive income	**360,242,379**	–	–	**360,242,379**
Financial assets at amortised cost – other financial instruments	**1,674,913,303**	–	–	**1,674,913,303**
Other financial assets	**10,163,258**	–	–	**10,163,258**
Total financial assets	**24,525,538,051**	**6,383,671,848**	**2,249,751,221**	**33,158,961,120**

As at 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Cash and cash equivalents	664,573,516	–	–	664,573,516
Deposits with licensed financial institutions	6,797,594,653	–	–	6,797,594,653
Repurchase agreements	1,557,904,480	–	–	1,557,904,480
Financial assets held at fair value thought profit or loss	355,645,146	–	–	355,645,146
Financial assets at amortised cost – Finance leases and hire purchases	14,464,842,808	6,446,910,933	1,868,864,710	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	1,933,341,727	848,184,513	539,996,874	3,321,523,114
Financial assets measured at fair value through comprehensive income	14,762,768	–	–	14,762,768
Financial assets at amortised cost – other financial instruments	1,035,774,578	–	–	1,035,774,578
Other financial assets	9,940,052	–	–	9,940,052
Total financial assets	26,834,379,728	7,295,095,446	2,408,861,584	36,538,336,758

52.2.2 Credit exposure movement (Stage transitions)

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts of finance leases, hire purchases, other loans and receivables.

Company

For the year ended 31 March 2023	12-month ECL LKR	Lifetime ECL-Not credit impaired LKR	Lifetime ECL-credit impaired LKR	Total LKR
Balance at the beginning of the year	**16,683,427,299**	**7,910,836,706**	**4,209,348,300**	**28,803,612,305**
New disbursement	**14,566,404,169**	**1,704,967,422**	**221,448,527**	**16,492,820,118**
Transfer to Stage 1	**1,704,978,260**	**(1,543,337,512)**	**(161,640,748)**	**–**
Transfer to Stage 2	**(3,937,110,800)**	**4,454,656,412**	**(517,545,612)**	**–**
Transfer to Stage 3	**(384,430,255)**	**(1,097,043,684)**	**1,481,473,939**	**–**
Derecognised or repaid and other net changes	**(12,647,822,587)**	**(4,203,527,204)**	**(1,172,817,229)**	**(18,024,167,020)**
Write-offs	**–**	**–**	**(71,274,725)**	**(71,274,725)**
Net movement during the year	**(697,981,213)**	**(684,284,566)**	**(220,355,848)**	**(1,602,621,627)**
Balance at the end of the year	**15,985,446,086**	**7,226,552,140**	**3,988,992,452**	**27,200,990,678**

For the year ended 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Balance at the beginning of the year	16,081,850,088	9,054,037,205	4,506,888,197	29,642,775,490
New disbursement	15,635,835,355	3,417,488,851	403,682,368	19,457,006,574
Transfer to Stage 1	1,651,016,564	(1,532,194,381)	(118,822,183)	–
Transfer to Stage 2	(3,053,070,089)	3,394,839,028	(341,768,939)	–
Transfer to Stage 3	(407,409,822)	(1,371,401,001)	1,778,810,823	–
Derecognised or repaid and other net changes	(13,197,300,165)	(5,051,535,645)	(1,947,970,790)	(20,196,806,600)
Write-offs	(27,494,632)	(397,351)	(71,471,176)	(99,363,159)
Net movement during the year	601,577,211	(1,143,200,499)	(297,539,897)	(839,163,185)
Balance at the end of the year	16,683,427,299	7,910,836,706	4,209,348,300	28,803,612,305

Group

For the year ended 31 March 2023	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Balance at the beginning of the year	**16,683,672,299**	**7,910,836,706**	**4,209,348,300**	**28,803,857,305**
New disbursement	**14,566,404,169**	**1,704,967,422**	**221,448,527**	**16,492,820,118**
Transfer to Stage 1	**1,704,978,260**	**(1,543,337,512)**	**(161,640,748)**	**–**
Transfer to Stage 2	**(3,937,110,800)**	**4,454,656,412**	**(517,545,612)**	**–**
Transfer to Stage 3	**(384,430,255)**	**(1,097,043,684)**	**1,481,473,939**	**–**
Derecognised or repaid and other net changes	**(12,647,766,587)**	**(4,203,527,204)**	**(1,172,817,229)**	**(18,024,111,020)**
Write-offs	**–**	**–**	**(71,274,725)**	**(71,274,725)**
Net movement during the year	**(697,925,213)**	**(684,284,566)**	**(220,355,848)**	**(1,602,565,627)**
Balance at the end of the year	**15,985,747,086**	**7,226,552,140**	**3,988,992,452**	**27,201,291,678**

For the year ended 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Balance at the beginning of the year	16,082,125,088	9,054,037,205	4,506,888,197	29,643,050,490
New disbursement	15,635,835,355	3,417,488,851	403,682,368	19,457,006,574
Transfer to Stage 1	1,651,016,564	(1,532,194,381)	(118,822,183)	–
Transfer to Stage 2	(3,053,070,089)	3,394,839,028	(341,768,939)	–
Transfer to Stage 3	(407,409,822)	(1,371,401,001)	1,778,810,823	–
Derecognised or repaid and other net changes	(13,197,330,165)	(5,051,535,645)	(1,947,970,790)	(20,196,836,600)
Write-offs	(27,494,632)	(397,351)	(71,471,176)	(99,363,159)
Net movement during the year	601,547,211	(1,143,200,499)	(297,539,897)	(839,193,185)
Balance at the end of the year	16,683,672,299	7,910,836,706	4,209,348,300	28,803,857,305

52.2.3 Loss allowance (Stage transition)

The following tables show reconciliations from the opening to closing balance of the provision for impairment of finance leases, hire purchases, other loans and receivables.

Company

For the year ended 31 March 2023	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Balance at the beginning of the year	**285,487,764**	**615,741,260**	**1,800,486,716**	**2,701,715,740**
Changes due to finance leases, hire purchases, other loans and receivables recognised in the opening balance:				
Transfer to Stage 1	**150,302,008**	**(109,178,570)**	**(41,123,438)**	**–**
Transfer to Stage 2	**(81,862,888)**	**212,046,404**	**(130,183,516)**	**–**
Transfer to Stage 3	**(10,589,713)**	**(107,735,680)**	**118,325,393**	**–**
Interest accrued on impaired other loans and advances	**–**	**–**	**6,819,871**	**6,819,871**
Write-offs	**–**	**–**	**(71,038,095)**	**(71,038,095)**
Net remeasurement of loss allowance	**(3,831,618)**	**165,106,798**	**148,536,203**	**309,811,383**
Net movement during the year	**54,017,789**	**160,238,952**	**31,336,418**	**245,593,159**
Balance at the end of the year	**339,505,553**	**775,980,212**	**1,831,823,134**	**2,947,308,899**

Group

For the year ended 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – credit impaired LKR	Total LKR
Balance at the beginning of the year	171,402,893	449,825,730	1,457,555,582	2,078,784,205
Changes due to finance leases, hire purchases, other loans and receivables recognised in the opening balance:				
Transfer to Stage 1	97,435,260	(71,476,643)	(25,958,617)	–
Transfer to Stage 2	(35,870,144)	111,191,956	(75,321,812)	–
Transfer to Stage 3	(10,049,268)	(90,201,656)	100,250,924	–
Interest accrued on impaired other loans and advances	–	–	77,336,620	77,336,620
Write-offs	–	–	(38,263,517)	(38,263,517)
Net remeasurement of loss allowance	62,569,023	216,401,873	304,887,536	583,858,432
Net movement during the year	114,084,871	165,915,530	342,931,134	622,931,535
Balance at the end of the year	285,487,764	615,741,260	1,800,486,716	2,701,715,740

52.2.4 Maximum exposure to credit risk – Based on dates past due

Table below shows the maximum exposure to credit risk based on the days past due of each financial asset.

Company

As at 31 March 2023	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR	Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
Financial assets measured at amortised cost							
0 days	492,517,823	5,114,912,793	8,979,472,263	2,771,559,562	2,385,687,062	–	–
0–30 days	–	–	3,308,958,231	925,456,030	–	–	–
31–60 days	–	–	2,608,129,116	124,065,740	–	–	–
61–90 days	–	–	3,743,393,241	180,723,370	–	–	–
91–120 days	–	–	512,498,055	57,742,618	–	–	–
Above 120 days	–	–	2,661,266,325	1,327,726,127	–	–	–
Gross outstanding	492,517,823	5,114,912,793	21,813,717,231	5,387,273,447	2,385,687,062	–	–
Allowance for impairment	(88,330)	(1,531,815)	(2,118,327,986)	(828,980,913)	–	–	–
Net outstanding	492,429,493	5,113,380,978	19,695,389,245	4,558,292,534	2,385,687,062	–	–
Financial assets measured at FVTPL and FVOCI							
0 days	–	–	–	–	–	485,751,196	360,242,379
Gross outstanding	–	–	–	–	–	485,751,196	360,242,379
Allowance for impairment	–	–	–	–	–	–	–
Net outstanding	–	–	–	–	–	485,751,196	360,242,379
Maximum exposure	492,429,493	5,113,380,978	19,695,389,245	4,558,292,534	2,385,687,062	485,751,196	360,242,379

As at 31 March 2022	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR	Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
Financial assets measured at amortised cost							
0 days	627,271,907	6,798,854,270	11,085,929,718	1,693,346,952	2,647,619,110	–	–
0–30 days	–	–	3,634,598,148	269,552,481	–	–	–
31–60 days	–	–	2,923,740,480	226,183,619	–	–	–
61–90 days	–	–	3,687,526,163	487,493,907	–	–	–
91–120 days	–	–	320,188,034	265,704,503	–	–	–
Above 120 days	–	–	2,864,762,210	1,344,586,090	–	–	–
Gross outstanding	627,271,907	6,798,854,270	24,516,744,753	4,286,867,552	2,647,619,110	–	–
Allowance for impairment	(58,883)	(9,511,767)	(1,736,126,302)	(965,589,438)	–	–	–
Net outstanding	627,213,024	6,789,342,503	22,780,618,451	3,321,278,114	2,647,619,110	–	–
Financial assets measured at FVTPL and FVOCI							
0 days	–	–	–	–	–	287,661,234	14,762,768
Gross outstanding	–	–	–	–	–	287,661,234	14,762,768
Allowance for impairment	–	–	–	–	–	–	–
Net outstanding	–	–	–	–	–	287,661,234	14,762,768
Maximum exposure	627,213,024	6,789,342,503	22,780,618,451	3,321,278,114	2,647,619,110	287,661,234	14,762,768

Group

As at 31 March 2023	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR	Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
Financial assets measured at amortised cost							
0 days	515,553,398	5,123,090,327	8,979,472,263	2,771,860,562	2,351,687,062	–	–
0–30 days	–	–	3,308,958,231	925,456,030	–	–	–
31–60 days	–	–	2,608,129,116	124,065,740	–	–	–
61–90 days	–	–	3,743,393,241	180,723,370	–	–	–
91–120 days	–	–	512,498,055	57,742,618	–	–	–
Above 120 days	–	–	2,661,266,325	1,327,726,127	–	–	–
Gross outstanding	515,553,398	5,123,090,327	21,813,717,231	5,387,574,447	2,351,687,062	–	–
Allowance for impairment	(88,330)	(1,531,815)	(2,118,327,986)	(828,980,913)	–	–	–
Net outstanding	515,465,068	5,121,558,512	19,695,389,245	4,558,593,534	2,351,687,062	–	–
Financial assets measured at FVTPL and FVOCI							
0 days	–	–	–	–	–	556,025,320	360,242,379
Gross outstanding	–	–	–	–	–	556,025,320	360,242,379
Allowance for impairment							
Net outstanding	–	–	–	–	–	556,025,320	360,242,379
Maximum exposure	515,465,068	5,121,558,512	19,695,389,245	4,558,593,534	2,351,687,062	556,025,320	360,242,379

As at 31 March 2022	Cash and cash equivalents LKR	Deposits with licensed financial institutions LKR	Finance leases and hire purchases LKR	Other loans and receivables LKR	Investment in other securities and other assets LKR	Financial assets measured at FVTPL LKR	Financial assets measured at FVOCI LKR
Financial assets measured at amortised cost							
0 days	664,632,399	6,807,106,420	11,085,929,718	1,693,591,952	2,603,619,110	–	–
0–30 days	–	–	3,634,598,148	269,552,481	–	–	–
31–60 days	–	–	2,923,740,480	226,183,619	–	–	–
61–90 days	–	–	3,687,526,163	487,493,907	–	–	–
91–120 days	–	–	320,188,034	265,704,503	–	–	–
Above 120 days	–	–	2,864,762,210	1,344,586,090	–	–	–
Gross outstanding	664,632,399	6,807,106,420	24,516,744,753	4,287,112,552	2,603,619,110	–	–
Allowance for impairment	(58,883)	(9,511,767)	(1,736,126,302)	(965,589,438)	–	–	–
Net outstanding	664,573,516	6,797,594,653	22,780,618,451	3,321,523,114	2,603,619,110	–	–
Financial assets measured at FVTPL and FVOCI							
0 days	–	–	–	–	–	355,645,146	14,762,768
Gross outstanding	–	–	–	–	–	355,645,146	14,762,768
Allowance for impairment	–	–	–	–	–	–	–
Net outstanding	–	–	–	–	–	355,645,146	14,762,768
Maximum exposure	664,573,516	6,797,594,653	22,780,618,451	3,321,523,114	2,603,619,110	355,645,146	14,762,768

52.2.5 Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of credit impaired (Stage 3) Finance leases, hire purchases, other loans and receivables as detailed below:

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Balance at the beginning of the year	**4,209,348,300**	4,506,888,197	**4,209,348,300**	4,506,888,197
Newly classified as impaired finance leases, hire purchases, other loans and receivables during the year	**1,702,922,466**	2,182,493,191	**1,702,922,466**	2,182,493,191
Reclassified as non credit impaired finance leases, hire purchases, other loans and receivables during the year	**(679,186,360)**	(460,591,122)	**(679,186,360)**	(460,591,122)
Net payment, write-off, and recoveries and other movements during the year	**(1,244,091,954)**	(2,019,441,966)	**(1,244,091,954)**	(2,019,441,966)
Balance at the end of the year	**3,988,992,452**	4,209,348,300	**3,988,992,452**	4,209,348,300

52.2.6 Modified financial assets

Finance lease, hire purchases, loans and other receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the finance leases, hire purchases, other loans and receivables with renegotiated terms:

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
Gross carrying amount	**23,727,690**	20,215,459	**23,727,690**	20,215,459
Total gross finance leases, hire purchases, other loans and receivables	**27,200,990,678**	28,803,612,305	**27,201,291,678**	28,803,857,305
Percentage of renegotiated loans (%)	**0.09%**	0.07%	**0.09%**	0.07%

52.2.7 Sensitivity of impairment provision on finance leases, hire purchases, other loans and receivables

The Company has estimated the impairment provision on finance leases, hire purchases, other loans and receivables as at 31 March 2023, subject to various assumptions and judgements. The changes to such assumptions and judgements may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The below table demonstrates the sensitivity of the impairment provision of the Company as at 31 March 2023 to a reasonably possible change in PDs, LGDs and forward looking information.

	Sensitivity effect on Statement of Financial Position Increase/(decrease) in impairment provision				Sensitivity effect on Statement of Profit or Loss
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	LKR
PD 1% increase across all age buckets	3,686,541	3,257,108	197,822	7,141,471	(7,141,471)
PD 1% decrease across all age buckets	(3,838,371)	(3,851,796)	(365,042)	(8,055,209)	8,055,2909
LGD 1% increase	3,301,106	7,746,157	10,159,972	21,207,235	(21,207,235)
LGD 1% decrease	(3,301,106)	(7,746,157)	(10,159,972)	(21,207,235)	21,207,235

Probability weighted economic scenarios

	Sensitivity effect on Statement of Financial Position Increase/(decrease) in impairment provision				Sensitivity effect on Statement of Profit or Loss
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	LKR
Base case scenario – Base rate 100%	(38,668,509)	(41,098,886)	(3,278,089)	(83,045,484)	83,045,484
Best case scenario – Best rate 100%	(100,615,136)	(95,853,604)	(19,064,115)	(215,532,855)	215,532,855
Worst case scenario – Worst rate 100%	17,733,177	15,457,697	859,068	34,049,942	(34,049,942)

The probability weighted of Economic Scenarios for the base case, best case, and worst case is 10%, 10%, and 80% respectively.

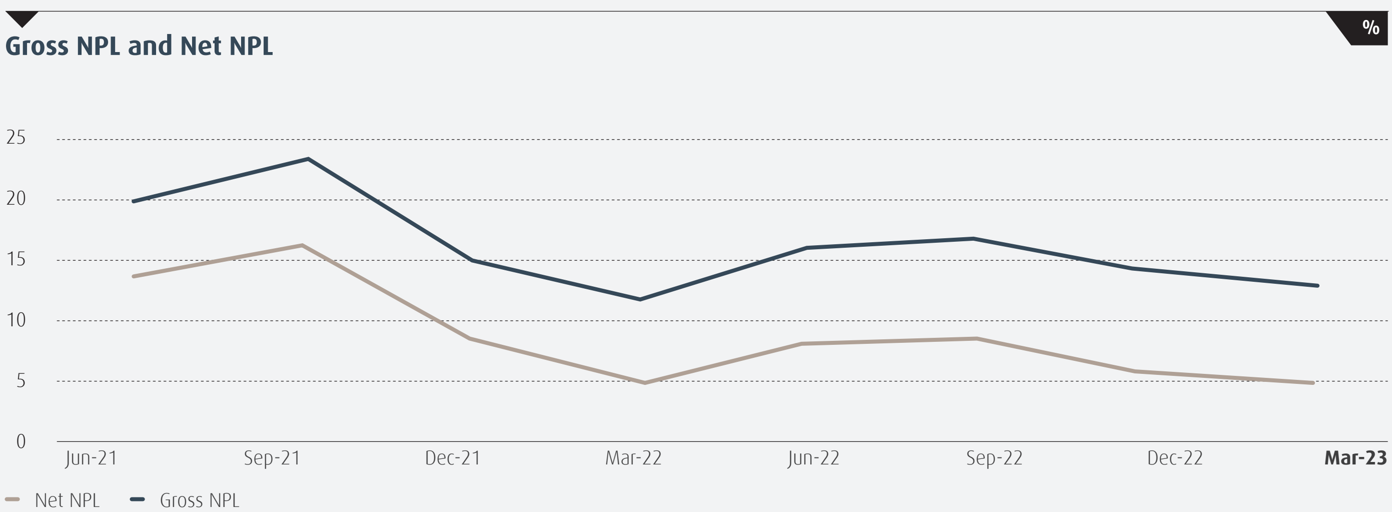
52.2.8 Non-performing asset ratio

Non-performing assets percentage movement which depicts the quality of the loan portfolio of the Company during the financial year.

As per the Finance Business Act Direction No. 1 of 2020 (Classification and Measurement of Credit Facilities), LFCs are required to classify credit facilities as NPLs based on period and/or potential risk, effective from 1 April 2022. Accordingly, for the year ended 31 March 2023, the Company classified loans and advances with principal and/or interest past due for more than 120 days from the due date (as opposed to six months in arrears up to 31 March 2022), as NPL and NPL's of prior period re-estimated accordingly.

The gross non-performing assets ratio includes loans and advances receivable net of interest in suspense which are in arrears for more than 120 past due days as the numerator and total advances net of interest in suspense as the denominator. To arrive at the Net Non-performing assets ratio specific provisions are deducted from the numerator of the above formula.

Gross NPL and Net NPL



52.2.9 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

As at 31 March	Percentage of exposure that is subject to collateral requirements 2023 %	2022 %	Type of collateral held
Finance leases and hire purchases	**100**	100	Vehicles, property and equipment
Commercial loans	**100**	100	Vehicles, property and equipment
Personal loans	**100**	100	Personal provided fund
Pawning advances	**100**	100	Pawning articles
Loans against fixed deposits	**100**	100	Lien deposits

52.2.10 Loan To Value (LTV)

The following tables stratify credit exposures from finance leases, hire purchases, other loans and receivables to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments to the value of the collateral. The value of collateral for loans is based on the market values at origination of the contract.

	Company		Group	
As at 31 March	**2023 LKR**	2022 LKR	**2023 LKR**	2022 LKR
LTV ratio				
Finance leases and hire purchases				
Less than 50%	**2,704,270,612**	2,534,076,987	**2,704,270,612**	2,534,076,987
50% – 80%	**18,760,060,051**	21,418,271,968	**18,760,060,051**	21,418,271,968
81% – 100%	**349,386,568**	564,395,798	**349,386,568**	564,395,798
Total finance leases and hire purchases	**21,813,717,231**	24,516,744,753	**21,813,717,231**	24,516,744,753
Other loans and receivables				
Less than 50%	**574,179,224**	368,794,930	**574,480,224**	369,039,930
50% – 80%	**1,955,738,940**	1,355,697,472	**1,955,738,940**	1,355,697,472
81% – 100%	**2,857,355,283**	2,562,375,150	**2,857,355,283**	2,562,375,150
Total other loans and receivables	**5,387,273,447**	4,286,867,552	**5,387,574,447**	4,287,112,552
Credit impaired – Finance leases and hire purchases				
Less than 50%	**79,876,151**	140,227,622	**79,876,151**	140,227,622
50% – 80%	**2,414,161,381**	2,495,972,047	**2,414,161,381**	2,495,972,047
81% – 100%	**167,228,793**	228,562,541	**167,228,793**	228,562,541
Total credit impaired Finance leases and hire purchases	**2,661,266,325**	2,864,762,210	**2,661,266,325**	2,864,762,210

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Credit impaired – Other loans and receivables				
Less than 50%	**82,608,898**	78,046,118	**82,608,898**	78,046,118
50% – 80%	**268,021,112**	116,638,200	**268,021,112**	116,638,200
81% – 100%	**977,096,117**	1,149,901,772	**977,096,117**	1,149,901,772
Total credit impaired other loans and receivables	**1,327,726,127**	1,344,586,090	**1,327,726,127**	1,344,586,090

52.2.11 Concentration of credit risk

(A) Industry-wise distribution

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31 March 2023.

Company

Sector wise breakdown	Cash and cash equivalent and short-term deposit LKR	Financial assets held at FVTPL LKR	Financial assets at amortised cost – Loans and advances* LKR	Financial assets measured at FVOCI LKR	Financial assets at amortised cost – Other financial instruments LKR	Total financial assets LKR
Agriculture	–	–	1,047,626,324	–	–	1,047,626,324
Manufacturing	–	39,960,812	5,417,188,025	345,000,000	–	5,802,148,837
Construction	–	–	909,175,277	–	–	909,175,277
Financial Services	6,272,420,972	310,487,252	547,289,302	–	7,541,970	7,137,739,496
Trading	–	943,250	12,803,454,977	–	–	12,804,398,227
Retail	–	8,638,385	181,888	–	–	8,820,273
Government	–	–	–	–	1,667,371,333	1,667,371,333
Hotels	–	6,483,266	245,800,719	14,951,793	–	267,235,778
Services	–	119,238,231	3,282,965,267	290,586	44,163,258	3,446,657,342
Total	6,272,420,972	485,751,196	24,253,681,779	360,242,379	1,719,076,561	33,091,172,887

**Loans and advances refers to finance leases, hire purchases, other loans and advances.*

Group

Sector wise breakdown	Cash and cash equivalent and short-term Deposit LKR	Financial assets held at FVTPL LKR	Financial assets at amortised Cost – Loans and advances* LKR	Financial assets measured at FVOCI LKR	Financial assets at amortised cost – Other financial instruments LKR	Total financial assets LKR
Agriculture	–	–	1,047,626,324	–	–	1,047,626,324
Manufacturing	–	39,960,812	5,417,188,025	345,000,000	–	5,802,148,837
Construction	–	–	909,175,277	–	–	909,175,277
Financial Services	6,303,634,081	380,761,376	547,289,302	–	7,541,970	7,239,226,729
Trading	–	943,250	12,803,454,977	–	–	12,804,398,227
Retail	–	8,638,385	181,888	–	–	8,820,273
Government	–	–	–	–	1,667,371,333	1,667,371,333
Hotels	–	6,483,266	245,800,719	14,951,793	–	267,235,778
Services	–	119,238,231	3,283,266,267	290,586	10,163,258	3,412,958,342
Total	**6,303,634,081**	**556,025,320**	**24,253,982,779**	**360,242,379**	**1,685,076,561**	**33,158,961,120**

* *Loans and advances refers to finance leases, hire purchases, other loans and advances.*

(B) Geographical distribution

Group reviews its geographical diversification on regular basis and sets long-term target in achieving a geographical well-diversified credit portfolio. Groups strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

Province	Loans and advances as at 31 March 2023		Loans and advances as at 31 March 2022	
	Company	**Group**	Company	Group
Central	2,165,282,502	2,165,282,502	2,601,529,880	2,601,529,880
Eastern	1,937,242,385	1,937,242,385	1,635,989,558	1,635,989,558
North Central	1,188,709,105	1,188,709,105	1,435,186,208	1,435,186,208
North Western	2,155,624,767	2,155,624,767	2,350,566,819	2,350,566,819
Northern	1,251,043,655	1,251,043,655	1,140,693,217	1,140,693,217
Sabaragamuwa	2,429,157,668	2,429,157,668	2,585,278,142	2,585,278,142
Southern	1,714,875,646	1,714,875,646	1,907,754,200	1,907,754,200
Uva	1,296,190,578	1,296,190,578	1,479,250,325	1,479,250,325
Western	10,115,555,474	10,115,856,474	10,965,648,216	10,965,893,216
Total	**24,253,681,779**	**24,253,982,779**	26,101,896,565	26,102,141,565

(C) Product concentration

As at 31 March	Company				Group			
	2023 LKR	**%**	2022 LKR	%	**2023 LKR**	%	2022 LKR	%
Finance leases and hire purchases	**19,695,389,245**	81.3	22,780,618,451	87.3	**19,695,389,245**	81.3	22,780,618,451	87.3
Commercial loans	**762,066,931**	3.1	1,338,339,341	5.1	**762,066,931**	3.1	1,338,339,341	5.1
Personal loans	**128,667,374**	0.5	183,601,123	0.7	**128,667,374**	0.5	183,601,123	0.7
Pawning advances	**2,596,820,076**	10.8	1,381,352,984	5.3	**2,596,820,076**	10.8	1,381,352,984	5.3
Loans against fixed deposits	**251,194,708**	1.0	111,811,954	0.4	**251,194,708**	1.0	111,811,954	0.4
Insurance receivables	**229,920,033**	0.9	102,054,725	0.4	**229,920,033**	0.9	102,054,725	0.4
Staff debtors	**35,229,277**	0.1	21,583,246	0.1	**35,530,277**	0.1	21,828,246	0.1
Short-term corporate loans	**553,233,961**	2.3	175,517,377	0.7	**553,233,961**	2.3	175,517,377	0.7
Other advances	**1,160,174**	0.0	7,017,364	0.0	**1,160,174**	0.0	7,017,364	0.0
Total	**24,253,681,779**		26,101,896,565		**24,253,982,779**		26,102,141,565	

52.2.12 Credit ratings

Cash and cash equivalents

The Group held cash and equivalents in the form of demand deposits with commercial bank, placement with banking and financial institution and securities purchased under release agreements. Hence, the Group is exposed to the risk of such counter-parties failing to meet their contractual obligations.

Group minimise the credit risk by monitoring the credit worthiness of the underlying counterparties periodically.

With the current situation, declining foreign reserves, significant government loan dues, downgrading of the sovereign rating of Sri Lanka have adversely affected by the economy of the country, therefore, impairment of foreign deposits is recognised. Refer to Note 21.1.

A credit rating analysis of banking/financial institutional counter parties with whom the balances were held at the end of the reporting period is presented below. This includes balances held as a balances with licensed commercial banks, investment in fixed deposits, government and other securities.

As at 31 March	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR	Group 2022 LKR
Credit rating				
Risk fee	**2,333,981,834**	2,593,679,058	**2,333,981,834**	2,593,679,057
AAA	**–**	7,492,714	**–**	15,744,864
AA+	**–**	–	**–**	–
AA	**–**	–	**–**	–
AA-	**1,392,193,587**	7,066,824,926	**1,414,818,688**	7,103,776,238
A+	**54,867**	4,022,833	**54,867**	4,022,833
A	**4,070,035,439**	1,595,628	**4,078,262,991**	1,958,882
A-	**6,579,105**	–	**6,899,732**	–
BBB-	**29,612**	87,224	**29,612**	87,224
CC	**57,362**	–	**57,362**	–
Unrated	**–**	–	**–**	–
Total	**7,802,931,806**	9,673,702,383	**7,834,105,086**	9,719,269,098

52.3 Market risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Out of these markets risks, the more frequent and most likely is the risk of adverse fluctuation of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

52.3.1 Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

	Company			Group		
		Market risk measure			Market risk measure	
As at 31 March 2023	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR
Assets subject to market risk						
Cash and cash equivalents	492,429,493	–	492,429,493	515,465,068	–	515,465,068
Deposits with licensed financial institutions	5,113,380,978	–	5,113,380,978	5,121,558,512	–	5,121,558,512
Repurchase agreements	666,610,501	–	666,610,501	666,610,501	–	666,610,501
Financial assets held at fair value thought profit or loss	485,751,196	485,751,196	–	556,025,320	556,025,320	–
Financial assets at amortised cost – Finance leases and hire purchases	19,695,389,245	–	19,695,389,245	19,695,389,245	–	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	4,558,292,534	–	4,558,292,534	4,558,593,534	–	4,558,593,534
Financial assets measured at fair value through comprehensive income	360,242,379	–	360,242,379	360,242,379	–	360,242,379
Financial assets at amortised cost – Other financial instruments	1,674,913,303	–	1,674,913,303	1,674,913,303	–	1,674,913,303
Other financial assets	44,163,258	–	44,163,258	10,163,258	–	10,163,258
Total	33,091,172,887	485,751,196	32,605,421,691	33,158,961,120	556,025,320	32,602,935,800
Liabilities subject to market risk						
Deposits from Customers	6,866,156,797	–	6,866,156,797	6,866,404,668	–	6,866,404,668
Bank overdrafts	138,206,759	–	138,206,759	138,454,630	–	138,454,630
Due to banks and other borrowed funds	17,722,759,083	–	17,722,759,083	17,635,867,706	–	17,635,867,706
Debt instruments issued	1,768,800,757	–	1,768,800,757	1,768,800,757	–	1,768,800,757
Lease liabilities	354,424,986	–	354,424,986	362,960,317	–	362,960,317
Amounts due to related company	282,122,456	–	282,122,456	–	–	–
Other financial liabilities	206,075,224	–	206,075,224	206,075,224	–	206,075,224
Total	27,338,546,062	–	27,338,546,062	26,978,563,302	–	26,978,563,302

As at 31 March 2022	Company			Group		
		Market risk measure			Market risk measure	
	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR	Carrying amount LKR	Trading portfolios LKR	Non-trading portfolios LKR
Assets subject to market risk						
Cash and cash equivalents	627,213,024	–	627,213,024	664,573,516	–	664,573,516
Deposits with licensed financial institutions	6,789,342,503	–	6,789,342,503	6,797,594,653	–	6,797,594,653
Repurchase agreements	1,557,904,480	–	1,557,904,480	1,557,904,480	–	1,557,904,480
Financial assets held at fair value thought profit or loss	287,661,234	287,661,234	–	355,645,146	355,645,146	–
Financial assets at amortised cost – Finance leases and hire purchases	22,780,618,451	–	22,780,618,451	22,780,618,451	–	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	3,321,278,114	–	3,321,278,114	3,321,523,114	–	3,321,523,114
Financial assets measured at fair value through comprehensive income	14,762,768	–	14,762,768	14,762,768	–	14,762,768
Financial assets at amortised cost – Other financial instruments	1,035,774,578	–	1,035,774,578	1,035,774,578	–	1,035,774,578
Other financial assets	53,940,052	–	53,940,052	9,940,052	–	9,940,052
Total	36,468,495,204	287,661,234	36,180,833,970	36,538,336,758	355,645,146	36,182,691,612
Liabilities subject to market risk						
Deposits from Customers	10,823,983,380	–	10,823,983,380	10,782,338,451	–	10,782,338,451
Bank overdrafts	207,593,583	–	207,593,583	207,593,583	–	207,593,583
Due to banks and other borrowed funds	16,931,397,546	–	16,931,397,546	16,931,397,546	–	16,931,397,546
Debt instruments issued	1,768,547,190	–	1,768,547,190	1,768,547,190	–	1,768,547,190
Lease liabilities	357,216,955	–	357,216,955	372,152,014	–	372,152,014
Amounts due to related company	282,122,456	–	282,122,456	–	–	–
Other financial liabilities	321,734,938	–	321,734,938	321,734,938	–	321,734,938
Total	30,692,596,048	–	30,692,596,048	30,383,763,722	–	30,383,763,722

52.3.2 Interest rate risk

Interest rate risk arises from probable changes in interest rates and its effect on future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Company policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

With interest rates rising from August 2021 onwards, the management of the Company is closely monitoring the interest rate and its effect on the interest rate sensitive asset and liabilities. In order to ensure interest rate margins and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

52.3.3 Financial assets and financial liabilities exposed to interest rate risk

The table below analyse the Company's interest rate risk exposure on financial assets and financial liabilities. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

Company

As at 31 March 2023	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More Than 3 years LKR	Non Sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	346,406,879	–	–	–	146,022,614	492,429,493
Deposits with licensed financial institutions	1,856,359,680	1,438,767,918	1,818,253,380	–	–	5,113,380,978
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	–	2,341,523,804
Finance leases, hire purchases, other loans and receivables	6,058,799,590	8,382,475,631	8,573,931,185	1,238,475,373	–	24,253,681,779
Financial assets held at FVTPL	–	–	–	–	485,751,196	485,751,196
Financial assets measured at FVOCI	–	–	–	–	360,242,379	360,242,379
Other financial assets	–	–	–	–	44,163,258	44,163,258
Total Financial assets	**10,595,547,983**	**9,821,825,519**	**10,392,184,565**	**1,245,435,373**	**1,036,179,447**	**33,091,172,887**
Financial liabilities						
Deposits from customers	3,828,643,868	3,911,997,258	2,268,839,167	253,773,782	–	10,263,254,075
Bank overdrafts	138,206,759	–	–	–	–	138,206,759
Due to banks and other borrowed funds	3,347,396,100	5,848,012,451	5,057,350,254	72,903,000	–	14,325,661,805
Debt instruments issued	–	18,800,757	1,750,000,000	–	–	1,768,800,757
Lease liabilities	26,539,616	72,702,251	147,753,383	107,429,736	–	354,424,986
Amounts due to related company	–	–	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	–	–	206,075,224	206,075,224
Total Financial liabilities	**7,340,786,343**	**9,851,512,717**	**9,223,942,804**	**434,106,518**	**488,197,680**	**27,338,546,062**
Total Interest sensitivity gap	**3,254,761,640**	**(29,687,198)**	**1,168,241,761**	**811,328,855**	**547,981,767**	**5,752,626,825**
Cumulative gap	**3,254,761,640**	**3,325,074,442**	**4,393,316,203**	**5,204,645,058**	**5,752,626,825**	

As at 31 March 2022	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	494,361,232	–	–	–	132,851,792	627,213,024
Deposits with licensed financial institutions	923,708,493	1,561,212,055	4,304,421,955	–	–	6,789,342,503
Investment in government and other securities	2,593,679,058	–	–	–	–	2,593,679,058
Finance leases, hire purchases, other loans and receivables	3,891,960,426	10,186,774,034	9,821,828,640	2,201,333,465	–	26,101,896,565
Financial assets held at FVTPL	–	–	–	–	287,661,234	287,661,234
Financial assets measured at FVOCI	–	–	–	–	14,762,768	14,762,768
Other financial assets	–	–	–	–	53,940,052	53,940,052
Total Financial assets	7,903,709,209	11,747,986,089	14,126,250,595	2,201,333,465	489,215,846	36,468,495,204
Financial liabilities						
Deposits from customers	3,896,431,931	4,519,893,417	1,613,322,286	794,335,746	–	10,823,983,380
Bank overdrafts	207,593,583	–	–	–	–	207,593,583
Due to banks and other borrowed funds	5,051,073,456	6,972,001,797	3,519,812,970	1,388,509,323	–	16,931,397,546
Debt instruments issued	18,547,190	–	1,750,000,000	–	–	1,768,547,190
Lease liabilities	24,738,451	66,767,315	137,504,133	128,207,056	–	357,216,955
Amounts due to related company	–	–	–	–	282,122,456	282,122,456
Other financial liabilities	–	–	–	–	321,734,938	321,734,938
Total financial liabilities	9,198,384,611	11,558,662,529	7,020,639,389	2,311,052,125	603,857,394	30,692,596,048
Total interest sensitivity gap	(1,294,675,402)	189,323,560	7,105,611,206	(109,718,660)	(114,641,548)	5,775,899,156
Cumulative gap	(1,294,675,402)	(1,105,351,842)	6,000,259,364	5,890,540,704	5,775,899,156	–

Group

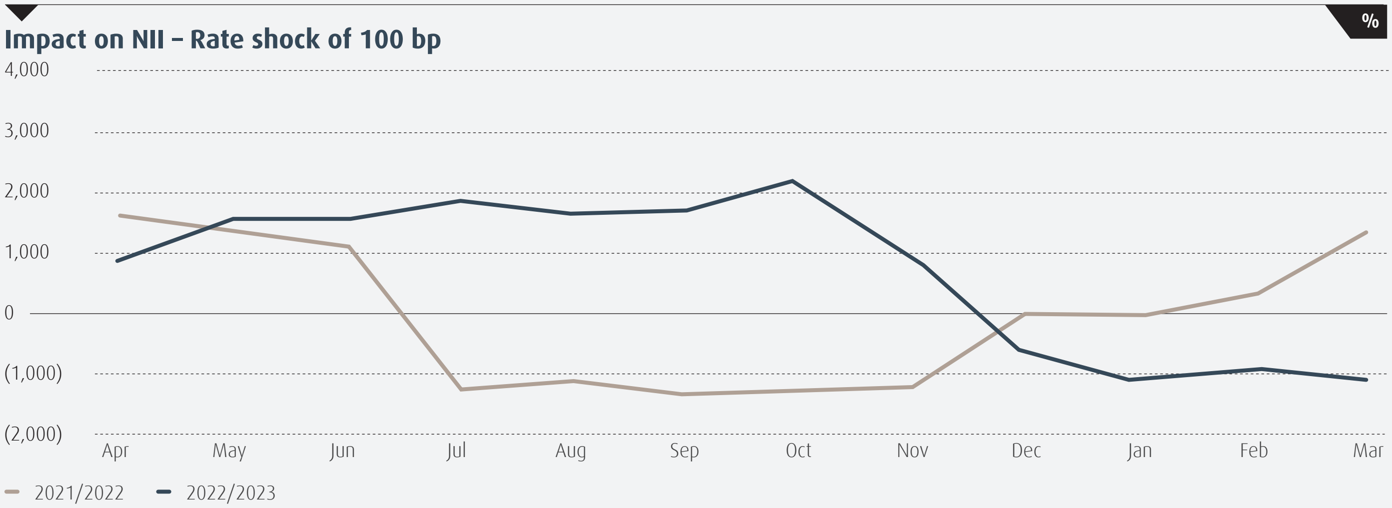
As at 31 March 2023	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More Than 3 years LKR	Non Sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	369,402,625	–	–	–	146,062,443	515,465,068
Deposits with licensed financial institutions	1,864,537,214	1,438,767,918	1,818,253,380	–	–	5,121,558,512
Investment in government and other securities	2,333,981,834	581,970	–	6,960,000	–	2,341,523,804
Finance leases, hire purchases, other loans and receivables	6,059,100,590	8,382,475,631	8,573,931,185	1,238,475,373	–	24,253,982,779
Financial assets held at FVTPL	–	–	–	–	556,025,320	556,025,320
Financial assets measured at FVOCI	–	–	–	–	360,242,379	360,242,379
Other financial assets	–	–	–	–	10,163,258	10,163,258
Total financial assets	10,627,022,263	9,821,825,519	10,392,184,565	1,245,435,373	1,072,493,400	33,158,961,120
Financial liabilities						
Deposits from customers	3,772,389,087	3,881,608,533	2,268,839,167	253,773,782	–	10,176,610,569
Bank overdrafts	138,454,630	–	–	–	–	138,454,630
Due to banks and other borrowed funds	3,347,396,100	5,848,012,451	5,057,350,254	72,903,000	–	14,325,661,805
Debt instruments issued	–	18,800,757	1,750,000,000	–	–	1,768,800,757
Lease liabilities	28,583,457	79,193,741	147,753,383	107,429,736	–	362,960,317
Other financial liabilities	–	–	–	–	206,075,224	206,075,224
Total financial liabilities	7,286,823,274	9,827,615,482	9,223,942,804	434,106,518	206,075,224	26,978,563,302
Total interest sensitivity gap	3,340,198,989	(5,789,963)	1,168,241,761	811,328,855	866,418,176	6,180,397,818
Cumulative gap	3,340,198,989	3,334,409,026	4,502,650,787	5,313,979,642	6,180,397,818	–

As at 31 March 2022	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	531,675,798	–	–	–	132,897,718	664,573,516
Deposits with licensed financial institutions	931,960,643	1,561,212,055	4,304,421,955	–	–	6,797,594,653
Investment in government and other securities	2,593,679,058	–	–	–	–	2,593,679,058
Finance leases, hire purchases, other loans and receivables	3,892,205,426	10,186,774,034	9,821,828,640	2,201,333,465	–	26,102,141,565
Financial assets held at FVTPL	–	–	–	–	355,645,146	355,645,146
Financial assets measured at FVOCI	–	–	–	–	14,762,768	14,762,768
Other financial assets	–	–	–	–	9,940,052	9,940,052
Total financial assets	7,949,520,925	11,747,986,089	14,126,250,595	2,201,333,465	513,245,684	36,538,336,758
Financial liabilities						
Deposits from customers	3,881,065,653	4,493,614,767	1,613,322,285	794,335,746	–	10,782,338,451
Bank overdrafts	207,593,583	–	–	–	–	207,593,583
Due to banks and other borrowed funds	5,051,073,456	6,972,001,797	3,519,812,970	1,388,509,323	–	16,931,397,546
Debt instruments issued	18,547,190	–	1,750,000,000	–	–	1,768,547,190
Lease liabilities	26,270,908	71,634,586	146,039,464	128,207,056	–	372,152,014
Other financial liabilities	–	–	–	–	321,734,938	321,734,938
Total financial liabilities	9,184,550,790	11,537,251,150	7,029,174,719	2,311,052,125	321,734,938	30,383,763,722
Total interest sensitivity gap	(1,235,029,865)	210,734,939	7,097,075,876	(109,718,660)	191,510,746	6,154,573,036
Cumulative gap	(1,235,029,865)	(1,024,294,926)	6,072,780,950	5,963,062,290	6,154,573,036	

52.3.4 Interest rate sensitivity

The graph below depicts the sensitivity analysis carried out on the Statement of Financial Position as at 31 March 2023 on the changes of interest rate across the market in a hypothetical situation. The Company is exposed to sudden interest rate fluctuations due to the availability of short-term and floating rate funding. The exposure will partly diminish by the short-term, rate sensitive investments. The time horizon of the study is restricted to a 12 months period. The Company undertakes varying degrees of such rate shocks and evaluate them to ensure that the risk exposures are within the risk appetite of the Company as compared to the anticipated market rate movements.

Impact on NII – Rate shock of 100 bp



Sensitivity to projected Net Interest Income	100 bp parallel increase/decrease*	
	2023 LKR	2022 LKR
As At 31 March	**+/- 949**	+/- 1,961
Average for the period	**+/- 1,225**	+/- 337
Maximum for the period	**3,051**	2,328
Minimum for the period	**-958**	-1,216

*– *Parallel increase in rates would have a positive impact on earning whereas parallel decrease have a negative effect.*

In arriving at the above result the Company considered only rate sensitive asset and liabilities.

52.3.5 Interest rate benchmark reform Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7 and SLFRS 16)

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The Company has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives. The main risks to which the Company has been exposed as a result of IBOR reform are operational. There are some foreign currency denominated loans obtained from foreign borrowers and thus financial risk is predominantly limited to interest rate risk. Company Risk Committee identify operational and regulatory risks arising from IBOR reform. As at 31 March 2023, the IBOR reform in respect of currencies to which the Company has exposure is in the process of reforming. The table below sets out the IBOR rates that the Company had exposure to, the new benchmark rates to which these exposures have or are being transitioned.

Currency	Benchmark before reform	Benchmark after reform	Status
USD	USD LIBOR	SOFR	In progress

The Company's exposure to interest rate benchmarks subject to IBOR reform is limited to USD LIBOR rates and foreign currency denominated loans are exposed to this as at 31 March 2023.

52.3.6 Currency risk

Currency risk is that the value of a financial instrument that could fluctuate due to changes in foreign exchange rates and arises from financial instruments dominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The Company monitors this on a daily basis however the Company is not exposed to significant currency risk.

Exchange rate risk

The Company's exposure to foreign currency risk is as follows;

As at 31 March 2023	LKR	Spot-rate	USD
Cash and cash equivalents	664	327.29	2
Deposits with licensed financial institutions	5,114,912,793	327.29	15,628,281
Borrowings	4,787,776,573	327.29	14,628,737

The Company has fully hedged the foreign currency exposures by placing dollar deposits with banks to coincide with the loan repayment as they fall due.

Foreign currency sensitivity

An estimation of the impact of the currency risk with respect of financial instrument with a 5% change in US Dollar exchange rate is given below. In calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31 March 2023.

As at 31 March 2023	Effect on Profit or Loss LKR	Effect on Equity LKR
USD depreciated against LKR by 5%	16,357,084	16,357,084
USD appreciated against LKR by 5%	(16,357,084)	(16,357,084)

52.3.7 Equity price risk

Equity price risk is that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income.

The table below summarises the impact due to a change of 10% on equity prices

As at 31 March	2023			2022		
	Financial assets at FVTPL LKR	**Financial assets at FVOCI LKR**	**Total LKR**	Financial assets at FVTPL LKR	Financial assets at FVOCI LKR	Total LKR
Market value of equity securities	**197,400,984**	**360,242,379**	**557,643,363**	53,068,592	14,762,768	67,831,360

As at 31 March	2023			2022		
	Impact on Statement of Profit or Loss LKR	**Impact on Statement of OCI LKR**	**Total LKR**	Impact on Statement of Profit or Loss LKR	Impact on Statement of OCI LKR	Total LKR
Stress Level						
10% increase on equity prices	**19,740,098**	**36,024,238**	**55,764,336**	5,306,859	1,476,277	6,783,136
10% decrease on equity prices	**(19,740,098)**	**(36,024,238)**	**(55,764,336)**	(5,306,859)	(1,476,277)	(6,783,136)

52.4 Liquidity risk and fund management

Liquidity risk is the risk of inadequate resources to meet financial obligations in time and in full, at an acceptable cost. As witnessed in some licensed finance companies in the past, liquidity risk can pose serious threats to the existence of finance companies. The Company understands the importance of a robust liquidity risk management policy and constantly monitors the liquidity position of the Company.

Further, liquidity risk arises because of the possibility that the Company might be unable to meet its financial obligations when they fall due under both normal and stress circumstances. To limit the risk, the Management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Therefore, the Company is not exposed to significant concentration risk, with regard to liquidity.

The Management regularly monitors the liquidity position of the Company and the Company has secured an adequate buffer of liquid assets and has undrawn credit lines which is in satisfactory levels to withstand the prevailing economic conditions.

52.4.1 Statutory liquid assets ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 4 of 2013, Company has maintained minimum liquid assets, not less than 10% of the outstanding value of time deposits and face value of certificates of deposits; and 15% of the outstanding value of savings deposits received by the Company at a given day; and 10% of total outstanding borrowings excluding borrowings which are included in the capital funds of the finance company and borrowings which are secured by mortgage of any assets of the Company.

	2023 %	2022 %
As at 31 March	**21.40**	23.21
Average for the period	**21.02**	15.82
Maximum for the period	**26.19**	23.21
Minimum for the period	**15.00**	10.36

Minimum liquidity requirement

As at 31 March	2023 LKR	2022 LKR
Required minimum amount of liquid assets	**1,437,815,250**	1,520,586,750
Total liquid assets	**3,010,568,000**	3,443,467,585
Excess liquidity	**1,572,752,750**	1,922,880,835

Further in accordance with the Finance Companies (Liquid Assets) Direction No. 4 of 2013 every Finance Company has to maintain assets in the form of approved government securities equivalent to 7.5% of average month end total deposit liabilities and borrowings of the twelve months of the proceeding financial year.

As at 31 March 2023, the Company maintained government securities to average deposit liabilities and borrowings ratio of 15.81% (2022 – 18.19%)

52.4.2 Total liquid assets

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2023 LKR	2022 LKR
Cash and cash equivalents	**146,022,614**	132,851,792
Balances with banks and other financial institutions	**530,563,552**	716,936,735
Investment in Repurchase agreements	**666,610,501**	1,557,904,480
Investment in Treasury bills	**1,667,371,333**	1,035,774,578
Total liquid assets	**3,010,568,000**	3,443,467,585

52.4.3 Financial assets available to support future funding

The table below sets out the availability of the Company's financial assets to support future funding

As at 31 March 2023	Encumbered		Unencumbered		Total
	Pledged as a collateral LKR	Other LKR	Available as collateral LKR	Other LKR	LKR
Cash and cash equivalents	–	–	–	492,429,493	492,429,493
Deposits with licensed financial institutions	4,929,224,305	–	184,156,673	–	5,113,380,978
Repurchase agreements	–	–	–	666,610,501	666,610,501
Financial assets held at FVTPL	–	–	–	485,751,196	485,751,196
Financial assets at amortised cost – Finance leases and hire purchases	4,659,579,388	–	15,035,809,857	–	19,695,389,245
Financial assets at amortised cost – Other loans and receivables	–	–	3,487,831,980	1,070,460,554	4,558,292,534
Financial assets measured at FVOCI	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – Other financial instruments	–	–	–	1,674,913,303	1,674,913,303
Other financial assets	–	–	–	44,163,258	44,163,258
Non financial assets	–	–	1,100,527,672	1,465,538,206	2,566,065,878
Total assets	**9,588,803,693**	**–**	**19,808,326,182**	**6,260,180,890**	**35,657,238,765**

As at 31 March 2022	Encumbered		Unencumbered		Total
	Pledged as a collateral LKR	Other LKR	Available as collateral LKR	Other LKR	LKR
Cash and cash equivalents	–	–	–	627,213,024	627,213,024
Deposits with licensed financial institutions	6,789,342,503	–	–	–	6,789,342,503
Repurchase agreements	–	–	–	1,557,904,480	1,557,904,480
Financial assets held at FVTPL	–	–	–	287,661,234	287,661,234
Financial assets at amortised cost – Finance leases and hire purchases	7,831,809,707	–	14,948,808,744	–	22,780,618,451
Financial assets at amortised cost – Other loans and receivables	–	–	2,903,293,448	417,984,666	3,321,278,114
Financial assets measured at FVOCI	–	–	–	14,762,768	14,762,768
Financial assets at amortised cost – Other financial instruments	–	–	–	1,035,774,578	1,035,774,578
Other financial assets	–	–	–	53,940,052	53,940,052
Non financial assets	–	–	1,334,764,142	1,194,147,593	2,528,911,735
Total assets	14,621,152,210	–	19,186,866,334	5,189,388,395	38,997,406,939

52.4.4 Financial assets and financial liabilities by remaining contractual maturities

The following tables illustrate the maturity gap analysis of financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2023.

Company

As at 31 March 2023	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 03 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	492,429,493	492,429,493	–	–	–	492,429,493
Deposits with licensed financial institutions	5,113,380,978	2,473,701,655	947,292,674	1,977,859,399	–	5,398,853,728
Repurchase agreements	666,610,501	666,879,779	–	–	–	666,879,779
Financial assets held at FVTPL	485,751,196	485,751,196	–	–	–	485,751,196
Finance leases, hire purchases, other loans and receivables	24,253,681,779	6,575,781,902	9,383,915,039	4,731,773,349	9,816,641,774	30,508,112,064
Financial assets measured at FVOCI	360,242,379	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – other financial instruments	1,674,913,303	1,736,000,000	581,970	–	9,162,030	1,745,744,000
Other financial assets	44,163,258	44,163,258	–	–	–	44,163,258
Total financial assets	33,091,172,887	12,474,707,283	10,331,789,683	6,709,632,748	10,186,046,183	39,702,175,897

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial liabilities						
Deposits from customers	10,263,254,075	4,103,244,390	4,541,081,227	3,172,300,300	476,899,573	12,293,525,490
Bank overdrafts	138,206,759	138,206,759	–	–	–	138,206,759
Due to banks and other borrowed funds	14,325,661,805	2,532,955,241	5,918,141,505	7,986,139,234	79,311,126	16,516,547,106
Debt instruments issued	1,768,800,757	18,800,757	–	2,070,103,951	–	2,088,904,708
Lease liabilities	354,424,986	32,140,720	88,260,905	184,900,485	151,515,882	456,817,992
Amounts due to related company	282,122,456	282,122,456	–	–	–	282,122,456
Other financial liabilities	206,075,224	206,075,224	–	–	–	206,075,224
Total financial liabilities	27,338,546,062	7,313,545,547	10,547,483,637	13,413,443,970	707,726,581	31,982,199,735

Group

As at 31 March 2023	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	515,465,068	515,465,068	–	–	–	515,465,068
Deposits with licensed financial institutions	5,121,558,512	2,482,050,068	947,292,674	1,977,859,399	–	5,407,202,141
Repurchase agreements	666,610,501	666,879,779	–	–	–	666,879,779
Financial assets held at FVTPL	556,025,320	556,025,320	–	–	–	556,025,320
Finance leases, hire purchases, other loans and receivables	24,253,982,779	6,576,082,902	9,383,915,039	4,731,773,349	9,816,641,774	30,508,413,064
Financial assets measured at FVOCI	360,242,379	–	–	–	360,242,379	360,242,379
Financial assets at amortised cost – other financial instruments	1,674,913,303	1,736,000,000	581,970	–	9,162,030	1,745,744,000
Other financial liabilities	10,163,258	10,163,258	–	–	–	10,163,258
Total financial assets	33,158,961,120	12,542,666,395	10,331,789,683	6,709,632,748	10,186,046,183	39,770,135,009

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial liabilities						
Deposits from customers	10,176,610,569	4,035,926,536	4,482,294,220	3,172,300,300	476,899,573	12,167,420,629
Bank overdrafts	138,454,630	138,454,630	–	–	–	138,454,630
Due to banks and other borrowed funds	14,325,661,805	2,532,955,241	5,918,141,505	7,986,139,234	79,311,126	16,516,547,106
Debt instruments issued	1,768,800,757	18,800,757	–	2,070,103,951	–	2,088,904,708
Lease liabilities	362,960,317	34,408,720	95,064,905	184,900,485	151,515,882	465,889,992
Other financial liabilities	206,075,224	206,075,224	–	–	–	206,075,224
Total financial liabilities	26,978,563,302	6,966,621,108	10,495,500,630	13,413,443,970	707,726,581	31,583,292,289

The following tables illustrate the maturity gap analysis of Company's and Group's financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2022.

Company

As at 31 March 2022	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	627,213,024	627,213,024	–	–	–	627,213,024
Deposits with licensed financial institutions	6,789,342,503	838,631,160	1,627,488,868	4,817,342,636	–	7,283,462,664
Repurchase agreements	1,557,904,480	1,558,526,594	–	–	–	1,558,526,594
Financial assets held at FVTPL	287,661,234	287,661,234	–	–	–	287,661,234
Finance leases, hire purchases, other loans and receivables	26,101,896,565	4,311,177,884	10,967,626,975	6,580,626,708	9,973,022,674	31,832,454,241
Financial assets measured at FVOCI	14,762,768	–	–	–	14,762,768	14,762,768
Financial assets at amortised cost – other financial instruments	1,035,774,578	1,036,000,000	581,970	–	6,960,000	1,043,541,970
Other financial assets	53,940,052	53,940,052	–	–	–	53,940,052
Total financial assets	36,468,495,204	8,713,149,948	12,595,697,813	11,397,969,344	9,994,745,442	42,701,562,574

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial liabilities						
Deposits from customers	10,823,983,380	4,073,429,015	4,994,924,881	1,940,963,937	1,233,547,303	12,242,865,137
Bank overdrafts	207,593,583	207,593,583	–	–	–	207,593,583
Due to banks and other borrowed funds	16,931,397,546	2,631,052,816	3,986,394,816	10,538,908,153	2,691,458,249	19,847,814,034
Debt instruments issued	1,768,547,190	–	112,964,897	2,201,242,295	–	2,314,207,192
Other financial liabilities	357,216,955	29,797,466	81,968,577	174,255,039	176,562,733	462,583,814
Amounts due to related company	282,122,456	282,122,456	–	–	–	282,122,456
Other financial liabilities	321,734,938	321,734,938	–	–	–	321,734,938
Total financial liabilities	30,692,596,048	7,545,730,274	9,176,253,171	14,855,369,423	4,101,568,285	35,678,921,154

Group

As at 31 March 2022	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	664,573,516	664,573,516	–	–	–	664,573,516
Deposits with licensed financial institutions	6,797,594,653	846,978,431	1,627,488,868	4,817,342,636	–	7,291,809,935
Repurchase agreements	1,557,904,480	1,558,526,594	–	–	–	1,558,526,594
Financial assets held at FVTPL	355,645,146	355,645,146	–	–	–	355,645,146
Finance leases, hire purchases, other loans and receivables	26,102,141,565	4,311,177,883	10,967,871,975	6,580,626,708	9,973,022,674	31,832,699,240
Financial assets measured at FVOCI	14,762,768	–	–	–	14,762,768	14,762,768
Financial assets at amortised cost – other financial instruments	1,035,774,578	1,036,000,000	–	–	–	1,036,000,000
Other financial assets	9,940,052	9,940,052	–	–	–	9,940,052
Total financial assets	36,538,336,758	8,782,841,622	12,595,360,844	11,397,969,343	9,987,785,442	42,763,957,251

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 03 years LKR	Total nominal value LKR
Financial liabilities						
Deposits from Customers	10,782,338,451	4,073,429,015	4,952,330,632	1,940,963,937	1,233,547,303	12,200,270,887
Bank overdrafts	207,593,583	207,593,583	–	–	–	207,593,583
Due to banks and other borrowed funds	16,931,397,546	2,631,052,816	3,986,394,816	10,538,908,153	2,691,458,249	19,847,814,034
Debt instruments issued	1,768,547,190	–	112,964,897	2,201,242,295	–	2,314,207,192
Lease liabilities	372,152,014	31,741,466	87,800,577	183,327,039	176,562,733	479,431,814
Other financial liabilities	321,734,938	321,734,938	–	–	–	321,734,938
Total financial liabilities	30,383,763,722	7,265,551,818	9,139,490,922	14,864,441,423	4,101,568,285	35,371,052,448

52.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. Senkadagala Finance PLC manages operational risk in a variety of ways. These include maintaining a comprehensive system of internal controls including disaster recovery plans and business continuity plans, using technology to automate processes and reduce manual errors, monitoring and analysing risk, events and trends, employing experienced staff, monitoring business activities by compliance and audit professionals, requiring education and training of employees, and emphasising the importance of management oversight.

The Company has in place a process of continuous internal audit utilising the services of Messrs. Ernst and Young, Advisory Services.

With the introduction of the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 3 of 2018 of the Central Bank of Sri Lanka, the Company has maintained a capital charge for operational risk. Accordingly on 31 March 2023 the Company provided of LKR 3,907,712,450/- (2022 – LKR 4,523,912,610/-) as risk weighted assets to accommodate for operational risk.

52.6 Regulatory risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day to day regulatory risk primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures, and monitoring for compliance. The Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to senior management and the Board.

In this latter process, the Compliance Officer is supported and assisted by the Company's internal auditors, Messrs. Ernst and Young Advisory Services, who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

52.7 Reputation risk

Reputation risk is the risk to earnings, capital or brand arising from negative publicity or employee opinion. A company's reputation is a valuable business asset in its own right, essential to optimising shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

52.8 Capital management and capital adequacy

In order to be resilient in volatile economic conditions it's important to maintain an adequate capital base. The Central Bank of Sri Lanka has laid down directions to promote the strengthening of the capital base of NBFIs.

In accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, the Company transferred LKR 25 Mn. of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater that 25% of total deposit liabilities, only LKR 25 Mn. which is greater than the required 5% of profits for the year was transferred.

Further in accordance with the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 03 of 2018, all the NBFIs are required to maintain, as at 31 March 2023 its total Capital at a level not less than 12.5% of its Risk Weighted Assets and the Core Capital at a level not less that 8.5% of Risk Weighted Assets. The ratios as at 31 March 2023 were 25.12% and 28.19% and as at 31 March 2022 were 22.75% and 26.89% respectively. Detailed calculations are given below,

Total risk weighted amount

Risk-weighted amount for credit risk	Amount LKR	Credit equivalent of off-balance sheet items LKR	Total LKR	Risk weighted assets LKR	RWA density %
Claims on Government of Sri Lanka, Public Sector Entities and CBSL	2,333,981,834	–	2,333,981,834	–	0
Claims on financial institutions	5,962,649,078	–	5,962,649,078	1,192,529,816	20
Claims on corporates	1,106,543,402	–	1,106,543,402	1,104,564,714	100
Retail claims	21,131,433,243	–	21,131,433,243	20,324,426,903	96
Non-performing assets (NPAs)	2,156,758,063	–	2,156,758,063	2,167,959,037	101
Notes and coins	146,022,614	–	146,022,614	–	0
Fixed assets	1,453,251,794	–	1,453,251,794	1,453,251,794	100
Other assets/exposures	544,347,680	–	544,347,680	544,347,680	100
Total risk weighted amount for credit risk	34,834,987,708	–	34,834,987,708	26,787,079,944	

Risk-weighted amount for credit risk	2023 LKR	2022 LKR	2021 LKR	Total LKR
Interest income	6,492,904,281	6,020,701,098	5,978,561,933	18,492,167,312
Interest expenses	(3,879,380,604)	(2,430,425,436)	(3,215,269,432)	(9,525,075,472)
Non-interest income	353,109,311	323,848,208	363,593,935	1,040,551,454
Realised losses/(gains) from the Sale of Securities	(53,083,911)	(87,745,348)	(46,126,377)	(186,955,636)
Extraordinary/Irregular Item of Income	(34,973,072)	(1,510,127)	(14,923,334)	(51,406,533)
Gross income	2,878,576,005	3,824,868,395	3,065,836,725	9,769,281,125
Average gross income for operational risk capital requirement				3,256,427,042
Capital Charges for Operational Risk (15% of average gross income for operational risk)				488,464,056
Risk weighted amount for operational risk (reciprocal of required total capital ratio – 12.5%)				8.00
Risk-weighted amount for operational risk under the basic indicator approach				3,907,712,450
Total risk weighted amount				30,694,792,394

Capital base

As at 31 March	2023 LKR	2022 LKR
Tier 1 Capital	**7,970,996,655**	7,641,712,818
Issued and paid up ordinary shares	**2,424,777,045**	2,424,777,045
Statutory reserve fund	**531,036,033**	506,036,033
Published retained profits	**5,015,183,577**	4,710,899,740
Adjustment to Tier I capital	**259,833,849**	99,050,576
Other intangible assets (net)	**58,328,337**	64,030,133
Deferred tax assets (net)	**109,259,525**	–
Shortfall of cumulative impairment to total provisions and interest in suspense	**–**	–
50% of investment in banking and financial subsidiary companies	**23,395,693**	23,395,693
50% of investment in other banking and financial institutions	**68,850,294**	11,624,750
Tier 1 Capital (after adjustments)	**7,711,162,807**	7,542,662,242
Tier 2 Capital	**1,034,838,499**	1,407,961,816
Instruments qualified as Tier 2 capital	**700,000,000**	1,050,000,000
General provisions/Collective impairment allowances	**334,838,499**	357,961,816
Eligible Tier 2 Capital	**1,034,838,499**	1,407,961,816
Total adjustment to eligible Tier 2 Capital	**92,245,987**	35,020,443
50% of investment in banking and financial subsidiary companies	**23,395,693**	23,395,693
50% of investment in other banking and financial institutions	**68,850,294**	11,624,750
Eligible Tier 2 Capital after adjustments	**942,592,513**	1,372,941,373
Total Capital	**8,653,755,319**	8,915,603,616
Core capital ratio (Minimum requirement 2023-8.5%, 2022-7.0%)		
Core Capital	**7,711,162,807**	7,542,662,242
Total risk weighted assets	**30,694,792,394**	33,160,857,915
	25.12%	22.75%
Total capital ratio (Minimum requirement 2023-12.5%, 2022-11.0%)		
Total Capital Base	**8,653,755,319**	8,915,603,616
Total risk weighted assets	**30,694,792,394**	33,160,857,915
	28.19%	26.89%


WE ARE UP FOR
THE CHALLENGE,
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TOMORROW

Annexes

TEN YEAR SUMMARY

	2023 LKR '000	2022 LKR '000	2021 LKR '000	2020 LKR '000	2019 LKR '000
Operating results					
Interest income	**6,492,904**	6,020,701	5,978,562	6,533,974	6,995,603
Interest expense	**3,879,381**	2,430,425	3,215,269	3,681,611	3,759,531
Net interest income	**2,613,524**	3,590,276	2,763,293	2,852,363	3,236,072
Other operating income	**353,109**	323,848	363,594	223,008	300,278
Profit before taxes on financial services	**753,779**	1,513,024	949,045	722,491	1,179,270
Profit before income taxation	**526,302**	1,185,647	707,345	528,729	929,284
Profit for the year	**445,051**	902,971	554,745	227,831	950,604
Dividends paid	**120,792**	90,076	–	68,851	228,296
Financial position					
Assets					
Cash and near cash items	**7,939,791**	10,010,235	6,987,420	3,736,574	4,631,749
Investments	**853,536**	302,424	523,974	393,621	182,498
Loans and advances	**24,253,682**	26,101,897	27,562,085	27,233,010	29,069,749
Investments in subsidiaries	**328,302**	328,302	328,302	328,302	320,000
Investment in associate	**116,740**	–	–	–	–
Property, plant and equipment	**1,511,580**	1,755,747	1,951,779	2,156,478	2,332,831
Right-of-use assets	**346,393**	361,074	409,875	388,931	–
Deferred tax assets	**109,260**	–	–	–	–
Other assets	**197,955**	137,729	139,953	157,608	246,236
Total assets	**35,657,239**	38,997,407	37,903,389	34,394,525	36,783,063
Liabilities					
Deposits from customers	**10,263,254**	10,823,983	11,546,422	11,222,611	10,008,976
Borrowings	**14,463,869**	17,138,991	16,935,935	11,689,435	17,262,978
Debentures	**1,768,801**	1,768,547	1,768,323	4,319,529	2,732,048
Deferred tax liabilities	**–**	150,572	319,294	402,371	461,314
Lease liabilities	**354,425**	357,217	377,500	344,724	–
Other liabilities	**831,355**	1,112,325	996,532	1,005,548	1,020,706
Total liabilities	**27,681,704**	31,351,635	31,944,008	28,984,218	31,486,023
Equity					
Stated capital	**2,424,777**	2,424,777	1,587,863	1,587,863	1,587,863
Statutory reserve fund	**531,036**	506,036	460,036	430,036	415,036
Other reserves	**4,538**	4,059	4,761	4,100	3,894
Retained earnings	**5,015,184**	4,710,900	3,906,721	3,388,308	3,290,248
Total equity	**7,975,535**	7,645,772	5,959,381	5,410,307	5,297,041
Total liabilities and equity	**35,657,239**	38,997,407	37,903,389	34,394,525	36,783,063

2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
6,472,115	4,825,712	3,746,374	3,584,165	3,528,336
3,410,064	2,402,305	1,701,766	1,750,532	1,868,499
3,062,051	2,423,408	2,044,607	1,833,634	1,659,838
298,215	312,424	218,173	131,220	94,950
1,607,203	1,280,293	971,116	697,029	657,054
1,357,416	1,119,133	882,550	647,444	622,417
1,004,671	860,971	613,182	539,639	534,942
213,077	185,899	166,330	107,625	214,901
5,220,436	4,923,750	3,496,397	2,796,849	2,073,101
200,486	159,733	98,637	103,701	86,912
27,801,785	23,757,588	16,908,140	13,582,928	12,675,542
320,000	320,000	320,000	320,000	20,000
–	–	–	–	–
1,803,149	1,516,891	1,194,663	1,122,864	857,732
–	–	–	–	–
–	–	–	–	–
757,962	240,865	252,107	146,677	156,390
36,103,819	30,918,827	22,269,945	18,073,018	15,869,676
9,507,134	7,230,873	6,510,033	6,541,896	5,624,399
15,376,359	13,743,732	8,691,685	4,787,693	3,423,011
4,399,896	4,992,786	3,059,849	3,579,737	4,157,346
860,681	607,702	434,104	197,116	155,732
928,263	682,117	580,914	432,731	407,405
31,072,332	27,257,209	19,276,586	15,539,171	13,767,894
1,587,863	1,008,062	1,008,062	1,008,062	747,152
365,036	310,036	265,036	230,036	195,036
7,171	4,361	3,775	–	170,629
3,071,416	2,339,158	1,716,486	1,295,749	988,966
5,031,486	3,661,618	2,993,359	2,533,847	2,101,783
36,103,819	30,918,827	22,269,945	18,073,018	15,869,676

KEY RATIOS AND INDICATORS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Performance indicators										
Return on average total assets (%)	**1.19**	2.35	1.53	0.64	2.61	3.00	3.24	3.04	3.18	3.55
Return on average shareholders' funds (%)	**5.70**	13.27	9.76	4.26	18.41	23.11	25.87	22.19	23.28	29.11
Net interest margin (%)	**7.65**	10.16	8.44	8.82	9.70	9.93	9.87	11.12	11.78	11.78
Growth of Interest Income (%)	**7.84**	0.70	(8.50)	(6.60)	8.09	34.12	28.81	4.53	1.58	23.29
Growth of profit for the year (%)	**(50.71)**	62.77	143.49	(76.03)	(5.38)	16.69	40.41	13.63	0.88	(7.53)
Growth of loans and advances (%)	**(7.08)**	(5.30)	1.21	(6.32)	4.56	17.02	40.51	24.48	7.16	9.65
New Advances Disbursed (LKR Mn.)	**15,441**	18,490	14,030	14,596	20,206	20,356	18,775	12,356	8,576	7,163
Net flow of deposits (LKR Mn.)	**(561)**	(722)	324	1,214	502	2,276	721	(32)	917	2,212
Borrowings obtained (LKR Mn.)	**3,735**	3,604	14,453	1,000	7,300	6,740	7,800	5,500	3,383	1,860
Debentures issued (LKR Mn.)	**–**	–	–	1,750	–	–	3,000	–	–	2,410
Capital expenditure incurred (LKR Mn.)	**39**	113	136	206	932	359	641	351	473	408
Investor information										
Earnings per share (LKR)	**5.16**	10.97	7.20	3.14	13.12	13.97	13.20	9.40	8.27	8.63
Dividends per share (LKR)	**0.65**	1.40	1.16	–	2.15	3.40	3.16	2.60	2.15	2.73
Net assets per share (LKR)	**92.44**	88.62	82.23	74.65	73.09	69.42	56.14	45.89	38.85	35.80
Interest cover (Times)	**1.14**	1.49	1.22	1.14	1.25	1.40	1.47	1.52	1.37	1.33
Dividends cover (Times)	**7.94**	7.48	6.16	–	6.10	4.08	4.18	3.62	3.85	3.34
Dividend payout ratio (%)	**12.60**	13.38	16.24	–	16.39	24.53	23.91	27.66	25.99	29.97
Capital and leverage										
Core capital (%)	**25.12**	22.75	16.69	15.48	14.46	16.86	14.19	15.82	16.54	14.00
Total capital (%)	**28.19**	26.89	21.66	21.54	15.49	17.65	16.08	19.90	22.97	20.93
Equity as a percentage of total assets (%)	**22.37**	19.61	15.72	15.73	14.40	13.94	11.84	13.44	14.02	13.24
Equity as a percentage of total deposits and borrowings (%)	**30.10**	25.72	19.70	19.87	17.65	17.18	14.10	16.39	17.00	15.92
Growth of total assets (%)	**(8.57)**	2.89	10.20	(6.49)	1.88	16.77	38.84	23.22	13.88	11.21
Growth of net assets (%)	**4.31**	28.30	10.15	2.14	5.28	37.41	22.32	18.13	20.56	33.53
Earnings retention ratio (%)	**72.86**	90.02	100.00	69.78	75.98	78.79	78.41	72.87	80.06	59.83
Total deposit liabilities to capital (%)	**77.71**	70.64	51.61	48.21	52.92	52.92	50.64	45.98	38.73	37.37
Debt to equity ratio (Times)	**2.04**	2.47	3.14	2.96	3.77	3.93	5.12	3.93	3.30	3.61
Liquidity										
Liquid assets as a percentage of total assets (%)	**8.44**	8.83	6.47	10.86	12.59	14.46	15.92	15.70	15.48	13.06
Liquid assets as a percentage of total deposit liability (%)	**29.33**	31.81	21.24	33.30	46.28	54.91	68.09	53.71	42.75	36.86
Operational										
Number of branches	**100**	80	59	59	59	54	49	39	39	39
Number of service centres	**–**	20	41	41	41	41	41	41	41	24
Number of pawning centres	**37**	34	32	29	26	26	18	13	11	11
Number of staff	**819**	802	807	797	794	745	690	627	601	492
Staff productivity (LKR '000)	**643**	1,478	877	663	1,170	1,822	1,622	1,408	1,077	1,265

BRANCH NETWORK

Branch	Address	Telephone	Fax
Akuressa	No. 24/20, Pradeshiya Sabha Road, Akuressa.	041-2285060	041-2285065
Aluthgama	No. 152 1/1, 1st Floor, Galle Road, Aluthgama.	034-2270573	034-2270578
Ambalangoda	No. 118B, Galle Road, Ambalangoda.	091-2254901	091-2254906
Ampara	No. 778 A, D S Senanayaka Mawatha, Ampara.	063-2224057	063-2224093
Angoda	No. 650, Avissawella Road, Mulleriyawa South, Angoda.	011-2417780	011-2417785
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura.	025-2237969	025-2237989
Aturugiriya	No. 303, Godagama Road, Aturugiriya.	011-2185888	011-2185889
Avissawella	No.19, Kudagama Road, Avissawella.	036-2222800	036-2222805
Badulla	No. 2, Riverside Road, Badulla.	055-2224401	055-2224407
Balangoda	No. 281, Colombo Road, Balagahamula, Balangoda.	045-2289533	045-2289537
Bandaragama	No. 91, Panadura Road, Bandaragama.	038-2293903	038-2293924
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela.	057-2222675	057-2222679
Batticaloa	No. 221 (Ground & First Floor), Trinco Road, Batticaloa.	065-2229200	065-2229205
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri.	021-2270951	021-2270956
Chilaw	No. 53, Kurunegala Road, Chilaw.	032-2224043	032-2224048
Colombo 03	2nd Floor, 267, Galle Road, Colombo 03.	011-2301301	011-2301937
Dambulla	No. 357, Matale Road, Dambulla.	066-2285530	066-2285535
Dehiattakandiya	No. F-74, New Town, Dehiattakandiya.	027-2050800	027-2050805
Dehiwala	No. 121, Galle Road, Dehiwala.	011-2732456	011-2732460
Deniyaya	No. 54, Main Street, Deniyaya.	041-2273891	041-2273896
Digana	No. 2004/18/7, Kandy Road, Digana.	081-2376623	081-2376643
Eheliyagoda	No. 320, Main Street, Eheliyagoda.	036-2257341	036-2257346
Elpitiya	No. 42, Ambalangoda Road, Elpitiya.	091-2290485	091-2290495
Embilipitiya	No. 325B Ratnapura Road, Pallegama, Embilipitiya.	047-2261991	047-2261996
Fort	No.48. Mudalige Mawatha, Colombo 01.	011-2446901	011-2446904
Galewela	No. 87/3A , Kurunegala Road, Galewala.	066-2288025	066-2288075
Galle	No. 66, Colombo Road, Kaluwella, Galle.	091-2248111	091-2248116
Gampaha	No. 560 A, Colombo Road, Gampaha.	033-2233555	033-2233560
Gampola	No. 42, Panabokka Mawatha, Gampola.	081-2350100	081-2351850
Giriulla	No. 101, Negombo Road, Giriulla.	037-2288700	037-2288770
Hanwella	No. 40 , Pahala Hanwella, Hanwella.	036-2252190	036-2252195
Hingurakgoda	No. 9, Airport Road, Hingurakgoda.	027-2245680	027-2245685
Homagama	No. 94/1 (First Floor) Highlevel Road, Homagama.	011-2857878	011-2857880
Horana	No. 246, Panadura Road, Horana.	034-2262770	034-2262776
Ja-Ela	No. 356, Weligampitiya, Colombo Road, Ja-Ela.	011-2247861	011-2247866
Jaffna	No. 62/3, New Stanley Road, Jaffna.	021-2219960	021-2219965

Branch	Address	Telephone	Fax
Jampettah Street	No. 124, Jampettah Street, Colombo 13.	011-2380804	011-2380809
Kadawatha	No. 316 H, Kandy Road, Kadawatha.	011-2929010	011-2929090
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela.	027-2224739	027-2224743
Kaduwela	No. 482/5/A, Colombo Road, Kaduwela.	011-2538180	011-2538186
Kahawatta	No. 187, Main Street, Kahawatta.	045-2271972	045-2271977
Kalawana	No. 1/100, Mathugama Road, Kalawana.	045-2256561	045-2256566
Kalmunai	No. 202, Baticaloa Road, Kalmunai.	067-2226860	067-2226865
Kalutara	First floor, No 443,443/1 Galle Road, Kalutara.	034-2227101	034-2227106
Kandy	No. 12, Kotugodella Veediya, Kandy.	081-2201201	081-2201207
Katugastota	No. 437B, 1st & 2nd Floor, Katugastota Road, Kandy.	081-2213860	081-2213867
Kegalle	No. 243, Colombo Road, Kegalle.	035-2221277	035-2221281
Kekirawa	No. 55, Main Road, Kekirawa.	025-2263234	025-2263239
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya.	011-2914714	011-2914887
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi.	021-2283720	021-2283725
Kirindiwela	No. 27/16/1, Nugahenawatta, Kirindiwela.	033-2247851	033-2247856
Kohuwala	No. 130 A, Dutugemunu Street, Kohuwala.	011-2890800	011-2890805
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13.	011-2441261	011-2441267
Kuliyapitiya	No. 74 1/1, Hettipola Road, Kuliyapitiya.	037-2284630	037-2284635
Kurunegala	No. 91, Kandy Road, Kurunegala.	037-2220402	037-2220405
Maharagama	No. 163, High Level Road, Maharagama.	011-2896888	011-2896052
Mahiyanganaya	No.109/1, Padiyathalawa Road, Mahiyanganaya.	055-2258280	055-2258285
Maho	No. 234 , Moragollagama Road , Maho.	037-2275320	037-2275324
Maradana	No. 92, Deans road, Colombo 10.	011-2683600	011-2683222
Matale	No. 97,97A, Kings Street, Matale.	066-2222954	066-2222960
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara.	041-2233891	041-2233896
Mathugama	No. 146, Aluthgama Road, Mathugama.	034-2295000	034-2295005
Mawanella	No. 215, New Colombo Road, Mawanella.	035-2247626	035-2247655
Mawathagama	No. 174 "Thissa Saw mill",7th Mile Post, Kurunegala Rd, Mawathagama.	037-2296443	037-2296448
Minuwangoda	No. 12, Veyangoda Road, Minuwangoda.	011-2295177	011-2295189
Mirigama	No. 71, Negombo Road, Mirigama.	033-2276868	033-2276911
Monaragala	No. 112, Wellawaya Road, Monaragala.	055-2055421	055-2055426
Moratuwa	No. 18, New Galle Road, Moratuwa.	011-2644249	011-2644254
Mount Lavinia	No. 246, 1/1, Galle Road, Ratmalana South, Mount Lavinia.	011-2715001	011-2715002
Narammala	No. 285, Uyanwatta Road, Narammala.	037-2249892	037-2249897
Negombo	No. 149, 1st Floor, Rajapaksha Broadway, Negombo.	031-2223456	031-2223462
Nelliady	No. 58/1, Point Pedro Road, Nelliady.	021-2261430	021-2261435

Branch	Address	Telephone	Fax
Nikaweratiya	No. 245/A , Puttalam Road, Nikaweratiya.	037-2260117	037-2260217
Nittambuwa	No. 538/3, 38 Kilometer Post, Malwatta, Nittambuwa.	033-2297030	033-2297035
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda.	011-2856600	011-2856650
Nuwara Eliya	No. 26, Upper Lake Road, Nuwara Eliya.	052-2224123	052-2224128
Padukka	No. 397/A, High Level Road, Galagedara, Padukka.	011-2085990	011-2085995
Panadura	No. 383/1, Galle Road, Panadura.	038-2243990	038-2243995
Pelawatte	No. 1067, Pannipitiya Road, Battaramulla.	011-2774140	011-2774145
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa.	081-2579622	081-2579623
Piliyandala	No. 91B, 93, Colombo Road, Piliyandala.	011-2615740	011-2615745
Pothuhera	No.175, Kurunegala Road, Pothuhera.	037-2237783	037-2237784
Puttalam	No. 128/B/1, Kurunegala Road, Puttalam.	032-2266783	032-2266789
Ragama	No. 46B, Kadawatha Road, Ragama.	011-2953992	011-2953993
Rambukkana	No. 63 & 67, Mawanella Road, Rambukkana.	035-2266650	035-2264655
Ratnapura	No. 394, Main Street, Ratnapura.	045-2226890	045-2226895
Seeduwa	No. 394, Negombo Road, Seeduwa.	011-2251863	011-2251869
Tangalle	No. 35, Sea Road, Tangalle.	047-2241902	047-2241907
Thambuththegama	No. 185/158, Regina Junction, Thambuththegama.	025-2275472	025-2275478
Tissamaharama	No. 60, Palliyawatta Road, Thissamaharama.	047-2239925	047-2239930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee.	026-2225115	026-2225119
Vavuniya	No. 8, 1st Cross Street, Vavuniya.	024-2226340	024-2226345
Warakapola	No. 211C, Colombo Road, Warakapola.	035-2267020	035-2267022
Wariyapola	No. 141, Kurunegala Road, Wariyapola.	037-2268880	037-2268885
Wattala	No. 264, Negombo Road, Wattala.	011-2949611	011-2949616
Wattegama	No. 79, Kandy Road, Wattegama.	081-2476331	081-2476350
Welimada	No. 17, Haputhale Road, Welimada.	057-2245684	057-2245690
Wellawatta	No. 577, Galle Road, Colombo 06.	011-2363634	011-2363680
Wellawaya	No. 72, Ella Road, Wellawaya.	055-2274194	055-2274198
Wennappuwa	No. 272/1/1, Chilaw Road, Wennappuwa.	031-2245226	031-2245271

GRI CONTENT INDEX

Statement of use	Senkadagala Finance PLC has reported the information cited in this GRI content index for the period 1 April 2022 to 31 March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organisational details	Organisational Overview (Page 4)
	2-2 Entities included in the Organisation's sustainability reporting	Our Group Partners (Page 132)
	2-3 Reporting period, frequency, and contact point	About this Report (Page 3)
	2-5 External assurance	Financial Reports – Independent Auditors' Report (Pages 118 to 123)
	2-6 Activities, value chain, and other business relationships	Business Model, Institutional Capital – Supplier Chain and procurement policy (Pages 14, 38)
	2-7 Employees	Our Story in 2022/23 – Human Capital (Page 47)
	2-9 Governance structure and composition	Governance (Page 61)
	2-10 Nomination and selection of the highest governance body	Governance – Corporate Governance (Page 66)
	2-11 Chair of the highest governance body	Governance – Corporate Governance (Page 66)
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance – Corporate Governance (Page 66)
	2-13 Delegation of responsibility for managing impacts	Governance – Risk Management, Corporate Governance (Pages 98 and 66)
	2-14 Role of the highest governance body in sustainability reporting	Governance – Corporate Governance (Page 66)
	2-15 Conflicts of interest	Governance – Corporate Governance (Page 66)
	2-16 Communication of critical concerns	Our Story 2022/23 – Human Capital (Page 47)
	2-17 Collective knowledge of the highest governance body	Governance – Board Director Profiles (Pages 62 to 65)
	2-18 Evaluation of the performance of the highest governance body	Governance – Remuneration Committee (Page 96)
	2-19 Remuneration policies	Governance – Remuneration Committee (Page 96)
	2-20 Process to determine remuneration	Governance – Remuneration Committee (Page 96)
	2-22 Statement on sustainable development strategy	Our Story in 2022/23 – Social and Environmental Capital (Page 51)
	2-23 Policy commitments	Organisational Overview (Page 4)
	2-24 Embedding policy commitments	Organisational Overview (Page 4)
	2-25 Processes to remediate negative impacts	Governance–Risk Management (Page 98)
	2-26 Mechanisms for seeking advice and raising concerns	Governance – Risk Management, Stakeholder Engagement – Employee Capital (Pages 98, 21, 47)
	2-27 Compliance with laws and regulations	Business Model – Stakeholder Engagement, Governance– Corporate Governance (Pages 13, 21, 66)
	2-29 Approach to stakeholder engagement	Business Model – Stakeholder Engagement (Page 21)
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Business Model – Materiality (Page 25)
	3-2 List of material topics	Business Model – Materiality (Page 25)
	3-3 Management of material topics	Business Model (Page 13)

GRI standard	Disclosure	Location
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Reports (Pages 109 to 277)
	201-3 Defined benefit plan obligations and other retirement plans	Our Story 2022/23 – Human Capital (Page 47)
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Our Story 2022/23 – Human Capital (Page 47)
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Our Story 2022/23 – Institutional Capital (Page 38)
	203-2 Significant indirect economic impacts	Our Story 2022/23 – Shareholder and Investor Capital (Page 51)
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Governance (Page 61)
	205-2 Communication and training about anti-corruption policies and procedures	Our Story 2022/23 – Human Capital (Page 47)
	205-3 Confirmed incidents of corruption and actions taken	Governance – Risk Management, (Pages 98 to 107)
GRI 207: Tax 2019	207-1 Approach to tax	Financial Reports (Pages 109 to 277)
	207-2 Tax governance, control, and risk management	Financial Reports (Pages 109 to 277)
	207-3 Stakeholder engagement and management of concerns related to tax	Business Model – Stakeholder Engagement (Page 21)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	301-2 Recycled input materials used	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	301-3 Reclaimed products and their packaging materials	Our Story 2022/23 – Social and Environmental Capital (Page 51)
GRI 302: Energy 2016	302-1 Energy consumption within the Organisation	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	302-4 Reduction of energy consumption	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	302-5 Reductions in energy requirements of products and services	Our Story 2022/23 – Social and Environmental Capital (Page 51)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	303-5 Water consumption	Our Story 2022/23 – Social and Environmental Capital (Page 51)
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Our Story 2022/23 – Social and Environmental Capital (Page 51)
	306-2 Management of significant waste-related impacts	Our Story 2022/23 – Social and Environmental Capital (Page 51)
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Business Model – Stakeholder Engagement (Page 21)
	308-2 Negative environmental impacts in the supply chain and actions taken	Business Model – Stakeholder Engagement (Page 21)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Our Story 2022/23 – Human Capital (Page 47)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our Story 2022/23 – Human Capital (Page 47)
	401-3 Parental leave	Our Story 2022/23 – Human Capital (Page 47)
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Our Story 2022/23 – Human Capital (Page 47)

GRI standard	Disclosure	Location
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Our Story 2022/23 – Human Capital (Page 47)
	403-2 Hazard identification, risk assessment, and incident investigation	Our Story 2022/23 – Human Capital (Page 47)
	403-3 Occupational health services	Our Story 2022/23 – Human Capital (Page 47)
	403-4 Worker participation, consultation, and communication on occupational health and safety	Our Story 2022/23 – Human Capital (Page 47)
	403-5 Worker training on occupational health and safety	Our Story 2022/23 – Human Capital (Page 47)
	403-6 Promotion of worker health	Our Story 2022/23 – Human Capital (Page 47)
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our Story 2022/23 – Human Capital (Page 47)
	403-8 Workers covered by an occupational health and safety management system	Our Story 2022/23 – Human Capital (Page 47)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Our Story 2022/23 – Human Capital (Page 47)
	404-2 Programmes for upgrading employee skills and transition assistance programmes	Our Story 2022/23 – Human Capital (Page 47)
	404-3 Percentage of employees receiving regular performance and career development reviews	Our Story 2022/23 – Human Capital (Page 47)
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Our Story 2022/23 – Human Capital (Page 47)
	405-2 Ratio of basic salary and remuneration of women to men	Our Story 2022/23 – Human Capital (Page 47)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Our Story 2022/23 – Human Capital (Page 47)
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Does not arise
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Does Not arise
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Our Story 2022/23 – Human Capital (Page 47)
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Does not arise
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Our Story 2022/23 – Social and Environmental Capital (Page 51)
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Our Story 2022/23 – Institutional Capital (Page 38)
	414-2 Negative social impacts in the supply chain and actions taken	None
GRI 415: Public Policy 2016	415-1 Political contributions	None
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Our Story 2022/23 – Customer Capital (Page 42)
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labeling	Our Story 2022/23 – Customer Capital (Page 42)

NOTICE OF MEETING

Notice is hereby given that the Fifty-Fourth (54th) Annual General Meeting of Senkadagala Finance PLC (the "Company") will be held online via a virtual platform on 15 August 2023 at 10.00 a.m. and the business to be brought before the meeting will be as follows:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2023 and the Report of the Auditors thereon.
2. To declare a final dividend* of Sri Lankan Rupees Fifty Six Million Eighty One Thousand Eight Hundred Ninety Two and Ten Cents only (LKR 56,081,892.10), at the rate of Sri Lankan Rupees Cents Sixty Five (LKR 0.65) per share to the shareholders of the Company as recommended by the Board of Directors.
3. To propose the following resolution for the re-appointment of Mr S D Bandaranayake, who has reached the age of Seventy (70) years.

   IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr S D Bandaranayake who has reached the age of seventy (70) years and that he be re-appointed as a director of the Company.
4. To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.
5. To authorise the Board of Directors to determine donations for the year 2023/24.

By order of the Board

Sgd.
Corporate Services (Private) Limited
Secretaries
Senkadagala Finance PLC
Colombo, Sri Lanka
27 June 2023

*Declaration of dividend is subject to the Company receiving approval from the Central Bank of Sri Lanka, in advance of the Annual General Meeting.

Note:
Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose.

FORM OF PROXY

*I / We .... of

.... being a shareholder/shareholders of

Senkadagala Finance PLC do hereby appoint .... of

.... or failing him/her, Mr W M R S Dias (Chairman of the Company), or failing him, one of the Directors of the Company, as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the Fifty-Fourth (54th) Annual General Meeting of the Company to be held on Tuesday, 15 August 2023 at 10.00 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and any adjournment thereof:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2023 and the Report of the Auditors thereon.		
2.	To declare a final dividend** of LKR 0.65 (Cents Sixty Five) per share to the shareholders of the Company as recommended by the Board of Directors.		
3.	To reappoint Mr S D Bandaranayake who has reached the age of Seventy (70) years.		
4.	To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration for the year 2023/24.		
5.	To authorise the Board of Directors to determine donations for the year 2023/24.		

Signed this .... day of .... Two Thousand and Twenty-Three

....
Signature of shareholder

**Declaration of dividend is subject to the Company receiving approval from the Central Bank of Sri Lanka, in advance of the Annual General Meeting.

Note:
1. *Please delete the inappropriate words
2. Instructions as to completion are noted as below.

INSTRUCTIONS ON COMPLETION OF THE FORM OF PROXY:

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company, 2 Floor, 267, Galle Road, Colombo 03 or emailed to info@senfin.com no later than 48 hours before the time of the meeting.
2. In perfecting the form of proxy, please ensure that all details are legible.
3. Please indicate with an 'X' in the space provided, how your proxy is to vote on each resolution. If no indication is given, the proxy, at his discretion, may vote as he thinks fit.
4. In the case of a company/corporation, the letter of authorisation must be signed by placing the common seal of the company/corporation and attested in the manner prescribed by its articles of association.
5. In the case of a proxy signed by the attorney, the Power of Attorney document must be deposited at the Registered Office, 2 Floor, 267, Galle Road, Colombo 3 for registration or emailed to info@senfin.com.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given regarding the approval received from the Central Bank of Sri Lanka on 26 July 2023, in relation to the declaration of a final dividend that was proposed by the Board of Directors of the Company for the financial year 2022/23.

Accordingly, the following references to the final dividend in the Annual Report 2022/23 should now read as amended below:

Page 115 - Annual Report of the Board of Directors of Senkadagala Finance PLC

"A final dividend of LKR 0.65 per share for the financial year ended 31 March 2023 was recommended by the Board of Directors, subject to receiving approval by the Central Bank of Sri Lanka before the date of the Annual General Meeting and on receiving approval by the shareholders at the Annual General Meeting."

Should now read as:
"A final dividend of LKR 0.65 per share for the financial year ended 31 March 2023 is recommended by the Board of Directors, as approved by the Central Bank of Sri Lanka, on receiving approval by the shareholders at the Annual General Meeting."

Page 158 - Note 17.2 Dividend proposed for the year

"The final dividend declaration for the financial year 2022/23 is subject to receiving approval by the Central Bank of Sri Lanka, in line with the Guideline dated 31 January 2023, on Declaration of Dividends or Repatriation of Profits"

Should now read as:
"The final dividend declaration for the financial year 2022/23 was approved by the Central Bank of Sri Lanka, in line with the Guideline dated 31 January 2023, on Declaration of Dividends or Repatriation of Profits"

Page 236 - Note 49 Events after the reporting period

"The Board of Directors has proposed a final dividend of LKR 0.65 per share for the year ended 31 March 2023 subject to approval of the Central Bank of Sri Lanka, to be approved by the shareholders at the Annual General Meeting for the financial year ended 2022/23"

Should now read as:
"The Board of Directors has proposed a final dividend of LKR 0.65 per share for the year ended 31 March 2023 as approved by the Central Bank of Sri Lanka, to be approved by the shareholders at the Annual General Meeting for the financial year ended 2022/23"

Further the following references indicating "Declaration of dividend is subject to the Company receiving approval from the Central Bank of Sri Lanka, in advance of the Annual General Meeting" should now be disregarded and considered as deleted:

Page 57 - Shareholder and Investor Capital, Details of dividends paid/proposed to shareholders during the year

Page 289 – Notice of Meeting, item No. 2

Page enclosed – Form of Proxy, item No. 2

By order of the Board

Sgd.
Corporate Services (Private) Limited
Secretaries
Senkadagala Finance PLC
Colombo
Sri Lanka
26 July 2023

CORPORATE INFORMATION

Name of Company
Senkadagala Finance PLC

Date of Incorporation
29 December 1968

Legal Status
Listed public limited liability company incorporated on 29 December 1968. The Company was re-registered under the Companies Act No. 07 of 2007.

Listed on the Colombo Stock Exchange with effect from 22 March 2011.

Approved and registered under the Finance Business Act No. 42 of 2011.

Approved and registered under the Finance Leasing Act No. 56 of 2000.

Company Registration Number
PB 238 PQ

Taxpayer Identification Number (TIN)
104028349

Registered Office
2nd Floor, 267, Galle Road,
Colombo 03,
Sri Lanka
Phone: +94 11 230 1301
Fax: +94 11 230 1937
SWIFT code: SENFLKLX
Email: info@senfin.com
Website: www.senfin.com

Stock Exchange Listing
86,279,834 ordinary shares of the Company are listed in the Colombo Stock Exchange.

17,500,000 Subordinate, unsecured, redeemable debentures of LKR 100 each. Listed since August 2019 to August 2024 with fixed rate interest payments.

Credit Rating
Fitch Ratings (Lanka) Limited rating of BBB + (lka) on Rating Watch Negative, on 20 October 2022.

Board of Directors
Mr W M R S Dias
FCIBC (Lon), LLB Hubert H. Humphrey Fellow
Chairman

Mr L Balasuriya
BSc (Lon), MSc (Lancaster)
Managing Director/CEO

Dr A Balasuriya
BSc (Lon), PhD (Lon)
Executive Director

Ms L Fernando
BSc (Hons)
Executive Director

Mr S D Bandaranayake
BSc (University of Sri Lanka)
Executive Director/Additional CEO

Mr R Senanayake
FCA, BCom (Special) (USJ), PG Dip (B Mgt)
Independent Non-Executive Director

Mr N Vasantha Kumar
MBA, Dip (Professional Treasury Management)
Independent Non-Executive Director

Dr (Ms) R A Perera
PhD (Melb), MPA (Harvard)
Independent Non-Executive Director

Secretaries
Corporate Services (Pvt) Ltd
216, De Saram place, Colombo 10

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha, Colombo 03

Legal Consultants
Nithya Partners
Attorneys-at-Law
97/A, Galle Road, Colombo 03

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd
839/2, Peradeniya Road, Kandy

Bankers
Commercial Bank of Ceylon PLC
People's Bank
National Development Bank PLC
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC

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SENKADAGALA FINANCE PLC

2nd Floor, No. 267, Galle Road,
Colombo 3, Sri Lanka.

Phone: +94 11 230 1301
Fax: +94 11 230 1937
Email: info@senfin.com
Web: www.senfin.com

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