ANNUAL REPORT 2025

7Billion

SMB FINANCE PLC

Our Mission

Our mission is to be an excellent provider of innovative financial products and services aimed at creating and enhancing the wealth of our society.



Our Corporate Objectives



To provide an excellent service to our customers.

To enhance shareholders' wealth by means of stable and attractive returns.

To develop highly satisfied and motivated employees at all levels who will make an effective and efficient contribution towards the economic development of Sri Lanka.

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ABOUT THIS REPORT

THE COMPANY PROFILE

SMB Finance PLC is a public limited liability company established in 1992 and listed on the Colombo Stock Exchange. The Company operates only in Sri Lanka with the Head Office located in Colombo. The Company is primarily engaged in providing finance leases, mortgage loans, personal loans, gold loans and obtaining fixed and savings deposits. Corporate information is given on the inner back cover of this report.

ANNUAL REPORT

The Annual Report comprises reports covering the Company's operations for the financial year ended December 31, 2025. Wherever relevant, the preceding year's performance and indicators have been reflected for comparative analysis.

REPORTING FRAMEWORK

The annual financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Financial and non-financial information presented, where applicable, confirm the requirements of the Companies Act No. 7 of 2007, the Finance Leasing Act No. 56 of 2000 as amended by Finance Leasing (Amendment) Act No 24 of 2005 and subsequent amendments thereon, the Finance Business Act No. 42 of 2011, the Listing Rules of Colombo Stock Exchange, the Directions issued by the Central Bank of Sri Lanka and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

EXTERNAL ASSURANCE AND TEST OF COMPLIANCE

The financial statements were audited by M/s. KPMG, Chartered Accountants and their Report is given on pages from 153 to 156 of this report.

PRESENTATION

Printed copies of this report will be posted to only those who request the same in writing. This report will be made available on the official website of the Company www.smblk.com in PDF format.

CONTACT

Questions and inquiries on this Annual Report 2025 and the information presented therein are to be directed to:

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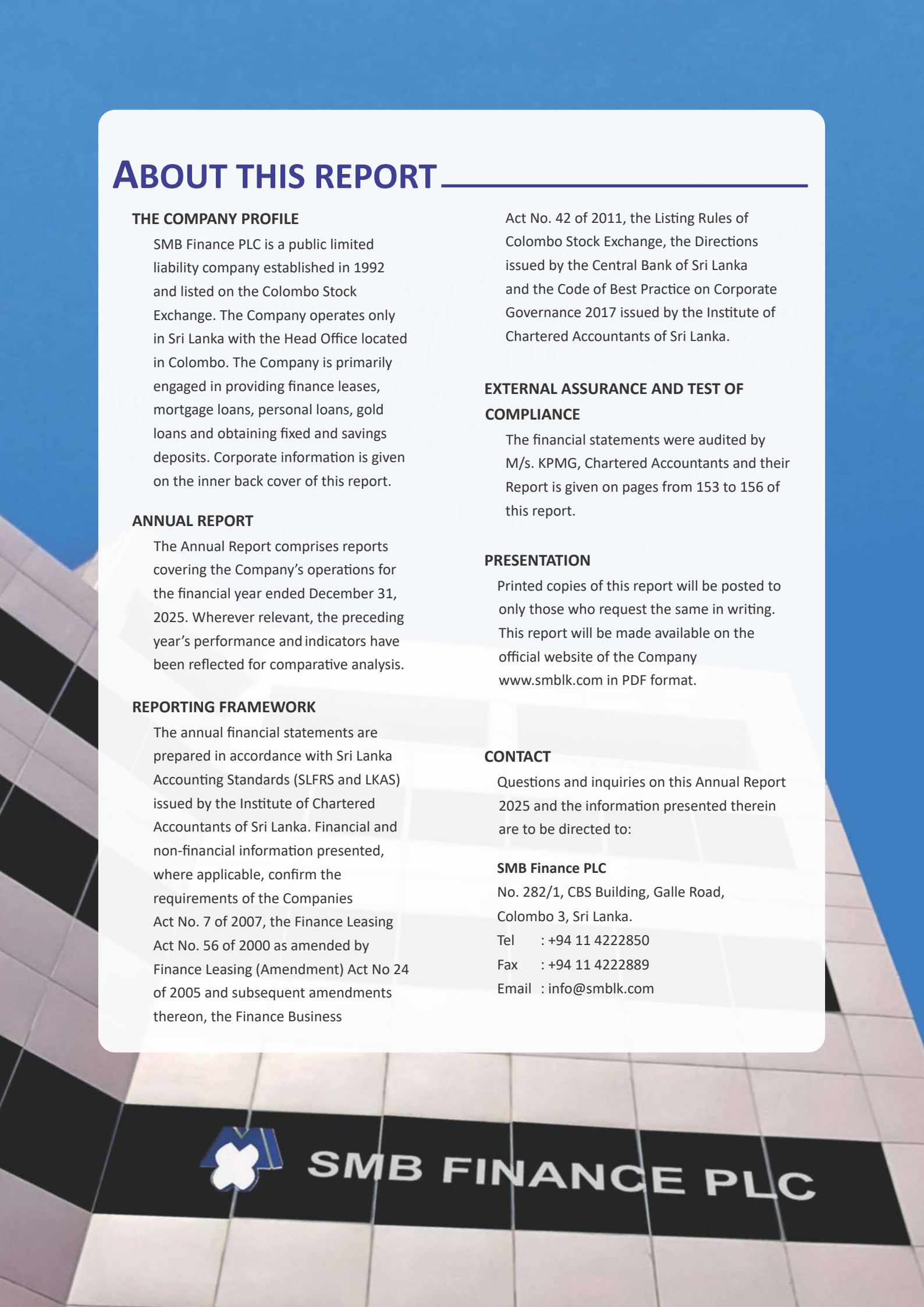


KEY HIGHLIGHTS OF THE YEAR

TOTAL ASSETS 14.9%



2025 - Rs. 7,011 Mn

2024 - Rs. 6,103 Mn



Net operating income 19.4%

2025 - **Rs. 670 Mn**

2024 - Rs. 561 Mn

Profit after tax 6.0%

2025 - **Rs. 160 Mn**

2024 - Rs. 151 Mn





Investment properties 40.8%

2025 - **Rs. 997 Mn**

2024 - Rs. 708 Mn

Loans and advances 29.7%

2025 - **Rs. 2,312 Mn**

2024 - Rs. 1,783 Mn





Shareholders' funds 4.6%

2025 - **Rs. 3,806 Mn**

2024 - Rs. 3,638 Mn

Deposits due to customers 60.5%

2025 - **Rs. 268 Mn**

2024 - Rs. 167Mn





Retained earnings 33.9%

2025 - **Rs. 604 Mn**

2024 - Rs. 451 Mn

Statutory reserves 14.5%

2025 - **Rs. 63 Mn**

2024 - Rs. 55 Mn





Net assets per share 8.1%

2025 - **Rs. 0.40 Mn**

2024 - Rs. 0.37 Mn

Operating profit before taxes on financial services 10.0%

2025 - **Rs. 286 Mn**

2024 - Rs. 260 Mn



CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, I am delighted to present the Annual Report of SMB Finance PLC for the financial year 2025. A major highlight of this period is a significant corporate milestone: our total assets exceeded Rs. 7 billion, achieved just three years after receiving our finance business license. Since we began finance business operations in early 2023, our progress has been driven by resilience, disciplined execution, and strategic focus. During this time, we have significantly strengthened our risk management, creating a solid foundation for sustainable growth, financial stability, and business transformation in a challenging economic landscape.

During 2025, the Sri Lankan economy demonstrated notable resilience and continued its path toward sustainable recovery, building on previous stabilization measures and ongoing structural reforms. Real GDP expanded by an estimated 5%, marking a second consecutive year of economic growth driven by robust industrial output, revived tourism, and stronger service sector performance. The Central Bank of Sri Lanka (CBSL) maintained a forward-looking, accommodative monetary policy stance, allowing market interest rates to adjust downward and facilitating a gradual revival in private sector credit growth. While headline inflation turned mildly positive in the second half of the year following a prolonged deflationary period, price stability and anchored inflation expectations remained intact. Despite lingering headwinds from global geopolitical uncertainties and domestic weather disruptions, the macroeconomic environment provided a far more predictable and supportive backdrop for business transformation and financial sector growth.

Looking ahead to 2026, Sri Lanka's economic outlook points to a period of consolidation as the economy shifted from a post-crisis rebound toward its structural potential. Real GDP growth is projected to moderate to between 3.1% and 4.0%, reflecting the lingering effects of historical structural constraints alongside emerging global headwind. According to the CBSL, economic activity in early 2026 continues on a steady trajectory,

anchored by strong domestic credit expansion and critical post-cyclone reconstruction spending. However, a tightening of the domestic monetary stance—highlighted by a 100 bps policy rate increase to 8.75%—has been introduced to curb rising inflationary pressures from domestic energy adjustments and global petroleum spikes linked to Middle East geopolitical tensions. While near-term global volatility and recent rupee depreciation require heightened caution, the preservation of significant gross official reserves provides financial institutions with a highly resilient backdrop to navigate these headwinds.

To sustain our rapid asset growth and safely navigate a changing macroeconomic environment, SMB Finance strategically redesigned its product portfolio and risk management architecture. We shifted our financial product suite away from volatile, high-risk segments toward secure, asset-backed lending structures and tailored working capital solutions. This commercial pivot was reinforced by a complete overhaul of our risk management framework. By integrating advanced credit-scoring analytics, portfolio monitoring, and introducing rigorous early-warning systems, we successfully minimized credit volatility. This dual strategy of product diversification and fortified risk governance has not only protected our asset quality but has also established a resilient foundation to support our next phase of sustainable expansion. Our total assets grew by seventeen percent year-on-year achieving a seven billion total assets for the first time in the history of the Company.

The Board prioritizes its statutory, fiduciary, and regulatory duties, viewing strong corporate governance as essential to our business. We cultivate a respectful workplace and strictly enforce our employee Code of Conduct. I'm please to affirm that our Code of Conduct has been fully upheld with no violations recorded in the year 2025. Throughout the last year, all Board Sub-Committees met regularly to evaluate operations and recommend strategic action. The Board is evaluating strategic initiatives to deliver financial returns to our shareholders in 2026, and we expect strong investor support for these actions. Looking ahead, we remain committed to transforming into a medium-sized finance company over the next two years. Our immediate 2026 priority is expanding our balance sheet toward the Rs. 10 billion mark to drive this growth, while strictly maintaining our risk management, compliance, and governance frameworks.

On behalf of the Board of Directors, I would like to extend our deepest gratitude to our outgoing Chief Executive Officer, Mr. Supul Wijesinghe for his exceptional leadership and dedicated service to SMB Finance PLC. His strategic vision and steady guidance were instrumental during a transformative period of the Company, culminating in our landmark milestone of surpassing Rs. 7 billion in total assets. Through his disciplined execution, he not only drove our commercial success but also leaves behind a heavily fortified risk management framework and a resilient organizational culture. We thank him sincerely for his profound contributions and wish him the very best in all his future endeavors.

I would also like to extend our deepest gratitude to Mr. Shardha Sosa who served as a Board Member before retiring on March 9, 2026. His immeasurable contribution over the past nine years has helped the Company to achieve its present success and the steady support that he has provided to the Board and management over the years is commendable.

The Board will continue to provide leadership to the Company's transformation to a formidable force in the finance industry. Our governance framework which fosters a strong alignment between the Board and the management will be a critical success factor in coping with rapidly evolving business complexities. The Board strives to enhance shareholder value and provide an acceptable return for their investments whilst retaining sufficient resources for business growth. I wish to express my gratitude to my colleagues on the Board for their consistent

support, keen participation, invaluable counsel, and insightful guidance extended at all times and their valued expertise shared to drive the Company forward.

As part of our commitment to sustainable corporate growth, we expect to actively expand our physical footprint through strategically selected new branch locations in 2026. This expansion project is built on the foundation of catering to the escalating demand for robust financial infrastructure. Through this expanded network, we look forward to driving local wealth creation, supporting entrepreneurial ventures, and delivering unmatched convenience to our valued stakeholders.

In alignment with our commitment to responsible growth, our forward-looking strategy centers on accelerating sustainable financing activities across all key sectors. We are actively expanding our portfolio to prioritize renewable energy projects, and eco-friendly infrastructure initiatives that drive measurable environmental impact. By embedding strict Environmental, Social, and Governance (ESG) criteria into our risk assessment frameworks, we ensure that our capital deployment not only generates robust financial returns but also actively supports the transition to a low-carbon, resilient economy.

I wish to place on record, my appreciation to the Central Bank of Sri Lanka as the industry regulator for their continuous support and advice to direct the Company to a more sustainable future that is built on a foundation of strong ethics and good governance. I also wish to extend my sincere gratitude to the shareholders and all other stakeholders for the steadfast support and confidence placed in us.

As we grow into one of Sri Lanka's premier financial institutions, we highly value your continued trust and partnership.



Ravi Wijeratne
Chairman

Colombo
May 29, 2026

CHIEF EXECUTIVE OFFICER'S MESSAGE



Defined by resilience, recalibration, and revival, 2025 marked a watershed year for our nation's economy. Successfully stabilizing macroeconomic basics has brightened the short-term outlook and firmly set the country on a sustainable path to recovery. We successfully advanced our 2025 strategic priorities, against this overarching backdrop of domestic renewal, seizing emerging opportunities to strengthen our market position and business results.

In 2025, we implemented a holistic strategy targeting people, processes, and products. This aligned strategy helped protect the business from economic challenges and maintain operational excellence. As a key strategic initiative during the year, we completely redefined our lending products to offer customers greater flexibility and faster access to capital. This enabled us to meet diverse customer needs ranging from business expanding, consolidate debt, or finance a personal milestone. Our streamlined solutions featured highly competitive rates, transparent terms, and a fully integrated application process tailored to each customer's financial goals.

We have achieved steady momentum in our deposit canvassing efforts, delivering a highly commendable performance through targeted outreach and proactive client engagement. By effectively capitalizing on market opportunities and aligning our financial solutions with customer needs, we successfully secured a substantial and stable volume of new inflows. This consistent progress not only strengthened our liquidity position but also reflected the deepening trust our clients placed in our company. Moving forward, we will leverage this solid foundation to accelerate our growth trajectory and maximize our deposit portfolio.

Looking back at 2025, we are incredibly proud of the significant progress our company achieved across all areas. The Company surpassed its previous annual profit record this year by recording a profit before tax of Rs. 285 million in the year 2025 which marks a 10% year-on-year growth when compared with 2024. This milestone achievement in the financial services sector underscores the power of our strategic focus and the success of our growth initiatives. The Company has demonstrated sustained financial resilience, delivering consistent year-over-year profit growth for five consecutive years. This unbroken upward trajectory reflects our robust business model, disciplined cost management, and ability to capture new market opportunities. By continuously expanding our bottom line, we have solid grounds to maximize value for our shareholders.

The Company achieved exceptional growth in its balance sheet this year, driven by a sharp rise in high-quality assets and a strengthened capital position. Within just three years of commencing finance business operations, the Company successfully

surpassed Rs. 7 billion total assets in 2025 marking a 17% year on year growth in our asset base.

This robust expansion reflects our disciplined financial management and successful capital allocation strategies. Our increased asset base not only underscores our market resilience but also provides a powerful foundation to fund future corporate growth. Looking ahead, the Company is strongly positioned to deliver another year of robust financial performance. Our solid operational foundation, combined with strategic growth initiatives, ensures we are well-prepared to maintain our momentum and drive sustainable value in the year 2026. Demonstrating our enhanced performance this year, the Company recorded its highest-ever quarterly profit in the quarter one of 2026. To support our long-term growth objectives, the Company plans to strategically expand its branch network this year. This calculated expansion will focus on high-potential markets, allowing us to capture new customer segments, increase local market share, and optimize our physical footprint for maximum return on investment.

Further to the Company's disclosure made previously to the Colombo Stock Exchange on May 7, 2026, I will be stepping down from my role as the Executive Director / Chief Executive Officer on June 3, 2026.

As I look back on my time as the CEO, I am incredibly proud of what we have built together. Leading this company has been the honour of my career. Together, we scaled our balance sheet from Rs. 1.7 billion in 2021 to an unprecedented height of Rs. 7 billion by the end of 2025. We have achieved five consecutive years of rising profits which resulted in the Company's retained profits growing from Rs. 12 million at the beginning of 2021 to Rs. 603 million at the end of 2025.

This success belongs to my team, whose dedication made every milestone possible and their admirable attitude, unwavering commitment and loyalty remains the Company's greatest strength. I'm stepping down knowing that the business is financially stronger and better positioned for the future than ever before.

I would like to convey my sincere appreciation to our Chairman Mr. Ravi Wijeratne and the Board of Directors for their invaluable advice and constant support. My heartfelt thanks to my loyal corporate management team members for their positive attitude, creativity, boundless energy, continuous counsel and advice which have enriched the decisions taken by me to drive the strategies for growth and business excellence. I am grateful to my loyal employees for their commitment and dedication and to their families for the support extended to make our journey a success. I would also like to extend my heartfelt gratitude to our customers for their loyal patronage and shareholders for their unwavering support. I wish to respectfully thank the regulatory authorities including the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Sri Lanka Accounting and Auditing Standards Monitoring Board for their continuous support, counsel and cooperation.

I have no doubt that SMB Finance PLC will continue to thrive, and I wish the Company, the Board of Directors and every single one of you the absolute best in all your future endeavors. Thank you for an unforgettable journey.



Supul Wijesinghe
B.Sc. (Bus. Admin.), LL.B. (UK), MAF, LL.M.(UK), CGMA, FCMA (UK), FCCA(UK), FCA
Executive Director / Chief Executive Officer

Colombo
May 29, 2026

SMB FINANCE PLC

MANAGEMENT DISCUSSION & ANALYSIS

Economic Outlook & Business Environment

Global Economy in Flux, Prospects Remain Dim[1]

The rules of the global economy are in flux. The global economy is undergoing significant change as new policy measures reshape growth prospects and increase uncertainty. Following the introduction of higher tariffs by United States earlier in the year 2025, some subsequent deals and resets have tempered some extremes, but overall stability remains acute. At the same time, reductions in international aid, tighter immigration policies in several advanced economies and more expansionary fiscal approaches in major countries are adding to global imbalances and raising concerns over sustainability of public finances and possible cross-border spillovers. These developments point to a more fragmented and protectionist global environment, with dim medium-term growth prospects and a growing need to recalibration of macroeconomic policy approaches.

Global Growth

According to International Monetary Fund (IMF), October 2025 World Economic Outlook, global growth was projected to decelerate from 3.3 percent in 2024 to 3.2 percent in 2025 and to 3.1 percent in 2026. On an end-of-year basis global growth was projected to fall more sharply from 3.6% in 2024 to 2.6% in 2025. Growth in emerging and developing economies were projected to moderate to just above 4.0 percent. Overall, the outlook is characterized by “steady but slow” growth amid persistent downside risks from protectionism, geopolitical tensions, fiscal constraints, and financial market vulnerabilities, making the global recovery fragile rather than robust.

Inflation and Monetary Policy

Economic activity in the first half of 2025 remained relatively strong, with inflation staying subdued in many Asian economies while remaining stable in the United States. Global inflation is projected to ease further to 4.2 percent in 2025 and 3.7 percent in 2026, although inflationary trends differ significantly across countries.

Policy Mix: Loose Fiscal and Divergent Monetary

Against the backdrop of slowing global growth and divergent domestic inflation trends, policy space remains constrained while economic vulnerabilities stay elevated. Loose fiscal policy in many advanced and developing economies, combined with elevated debt levels and rising borrowing costs, is increasing fiscal vulnerabilities and refinancing risks. Globally, monetary policy is shifting from aggressive tightening toward a more neutral or easing stance, while increasingly divergent policy responses across countries may heighten interest rate and exchange rate volatility as differing inflation outlooks and central banks react differently to domestic economic developments.

Macrofinancial Conditions and Financial Market

The global economy demonstrated tenuous resilience amidst a sharp increase in global uncertainty particularly during second quarter of 2025. Global uncertainty surged well above pre-pandemic levels, heightening concerns over downside risks to macro financial stability. Escalating protectionist measures, particularly the United State's tariff revisions announced in early April 2025 alongside persistent trade tensions, amplified trade related uncertainty, exacerbating downside risks within the global context. Meanwhile, recurring geopolitical tensions further heightened concerns over financial and trade fragmentation. These elevated uncertainties collectively pose risks of supply chain disruptions and constrained financial flows, which could dampen global economic activity.

Global growth is projected to moderate during 2025 amidst economic and geopolitical headwinds. Global commodity prices, inflation and monetary policy global commodity prices, which fell thus far during 2025, were expected to further decline during the year, due to weaker economic activity and improved supply conditions across major commodity groups.

1. International Monetary Fund (2025 Oct), World Economic Outlook: Global Economy in Flux, Prospects Remain Dim

Local Environment[2]
Economic Outlook

In 2025, Sri Lankan economy continued to strengthen the recovery momentum achieved in previous years, supported by macroeconomic stabilisation and ongoing reforms, despite global uncertainty and domestic disruptions from adverse weather and natural disasters. Real gross domestic product growth is estimated at around 5%, marking a second consecutive year of expansion, alongside improving labour market conditions. Inflation turned positive from August after a prolonged deflationary period, driven by higher food prices and easing declines in energy costs, while domestic demand remained resilient. Lower interest rates and accommodative monetary policy boosted private sector credit growth, and the relaxation of vehicle import restrictions further supported import activity and credit demand.

Fiscal performance remained robust in 2025, with a third consecutive primary surplus driven by fiscal consolidation measures, while improved macroeconomic conditions strengthened financial sector stability and resilience.

The profitability of both bank and non-bank financial institutions improved in 2025, supported by strong credit growth and better asset quality. At the same time, banks and finance companies maintained liquidity and capital buffers well above regulatory minimum requirements, reflecting the increased resilience of the financial sector.

In 2025, the Central Bank focused on maintaining price and financial system stability through accommodative, data-driven monetary policy, while supporting credit growth, building foreign reserves, and easing external restrictions such as vehicle import controls. Financial system resilience was strengthened through regulatory and supervisory reforms, macroprudential measures, crisis preparedness frameworks, and ongoing efforts to modernise payments, cybersecurity, and Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) standards.
Despite progress in stabilisation and reform, heightened global uncertainties, geopolitical tensions, and climate risks continue to pose challenges, making sustained policy discipline and structural reforms essential for maintaining macroeconomic stability and supporting inclusive growth.

Financial Institutions

Within the domestic economy, total credit growth among regulated entities, including banks and finance companies, accelerated following a prolonged period of subdued performance. In the first half of 2025, financial institutions in Sri Lanka showed improved resilience, supported by stronger macroeconomic conditions, accommodative monetary policy, and progress in fiscal consolidation and debt restructuring. Private sector credit expanded notably, improving liquidity, profitability, and capital adequacy across the banking sector, although credit risk vulnerabilities persisted, requiring continued vigilance and risk management.

In banking sector, the Banking Soundness Index reflected improved performance in the banking sector during the period under review, supported by strong private sector credit growth, enhanced profitability, and strengthened capital adequacy in first half of 2025. Asset quality showed gradual improvement with a decline in the Stage 3 Loans ratio although elevated levels of non-performing loans were noted. Furthermore, Stage 3 impairment coverage strengthened indicating proactive efforts. Despite moderate easing in rupee liquidity due to credit expansion, the sector maintained resilience, while operational risks related to information technology and cybersecurity continued to pose challenges amid rapid digitalisation.

The finance companies sector recorded strong growth in the first half of 2025, supported by favourable macroeconomic conditions and rising credit demand. Credit expansion accelerated sharply by end of second quarter, driven by lower interest rates and the removal of vehicle import restrictions, which boosted vehicle-backed lending, while exposure to gold-backed facilities also increased amid rising global gold prices. Asset quality improved, reflected in a decline in gross Stage 3 loans and a lower Stage 3 ratio, supported by strong portfolio growth. Liquidity remained robust, with liquid assets consistently above regulatory requirements, while profitability increased significantly due to higher interest income from the expanding loan book. Capital adequacy remained broadly stable, though it declined slightly due to higher risk-weighted assets from rapid credit growth. Overall, while sector performance strengthened, continued vigilance is needed to manage risks from fast credit expansion and collateral concentration.

2. Central Bank of Sri Lanka (2025), Financial Stability Review 2025, Summary Report.

Policies for Financial Stability

- Macroprudential Policy Reforms

The Central Bank strengthened its macroprudential policy framework to support financial system stability. Key measures included enhancing the criteria for designating Domestic Systemically Important Banks (D-SIBs), designating five D-SIBs to improve resilience against shocks, and revising Loan to Value ratio caps on motor vehicle financing to reinforce prudential credit standards.

- Other Financial Sector Policies

In addition to macroprudential reforms, the Central Bank introduced several policies to strengthen governance, risk management, and financial system resilience. These included issuing new corporate governance directions for licensed banks, strengthening the regulatory and resolution framework for finance companies, improving consumer protection, digital payment security and enhancing Sri Lanka's AML/CFT regime in line with international standards.

The Central Bank also promoted financial inclusion, literacy, and sustainable finance through targeted national strategies and capacity-building programmes. As the economy recovers and private sector credit expands, the Central Bank continues to closely monitor emerging risks related to credit growth, motor vehicle imports, and global market developments, while remaining prepared to implement timely prudential measures to safeguard financial stability.

The Central Bank expanded its market conduct supervision function to strengthen financial consumer protection and intensified efforts to combat prohibited pyramid schemes. It also enhanced Sri Lanka's AML/CFT regime by improving information sharing, enhanced due diligence and reconstituting the AML/CFT task force and implementing legal amendments to align with international standards and to address risks, promoted financial inclusion and literacy through national strategies and targeted programmes, and introduced Sustainable Finance Roadmap 2.0 to support the financial system's sustainability and resilience. As the economy recovers from an unprecedented crisis, the Central Bank expects increased private sector credit growth and continues to closely monitor potential risks arising from heightened lending activity and renewed risk-taking. It also remains vigilant regarding risks arising from rising motor vehicle imports and increasing global prices of safe-haven assets such as gold, amid geopolitical tensions, which may affect loans and advances secured against such assets. At the same time, the Central Bank continues to monitor evolving macroeconomic conditions and implement appropriate prudential measures to safeguard financial system stability.

Sri Lankan Economy

Cyclone Ditwah: In November 2025, Cyclone Ditwah struck Sri Lanka, causing severe flooding and landslides that affected around 2 million people and resulted in over 600 deaths, marking one of the country's most significant recent climate-related disasters. The event highlighted the substantial economic and social costs of extreme weather, including disruptions to livelihoods, infrastructure damage, and strain on public finances. It also underscored the urgent need to strengthen climate resilience through improved disaster preparedness, resilient infrastructure investment and robust risk-financing mechanisms.

Inflation: In 2025, Sri Lanka experienced a shift in inflation dynamics, starting the year in deflation before returning to positive territory from mid-year onward, driven mainly by non-food price increases. In 2026, inflation is expected to gradually rise toward the Central Bank's 5% target by the third quarter.

Gross Domestic Product (GDP): In 2025, Sri Lanka's GDP grew by 5.0% during January–September, driven by strong performance in industry and services, particularly construction and financial services supported by robust credit growth. The Central Bank of Sri Lanka projected full-year growth of around 4.5%, reflecting continued post-crisis recovery despite global headwinds, though momentum was slightly affected in the final quarter due to Cyclone Ditwah. For 2026, the economy is expected to grow in the range of 4–5%, supported by increased government capital expenditure on post-cyclone reconstruction and ongoing recovery efforts.

Interest Rates: In 2025, the Central Bank maintained an easing monetary policy stance with a small policy rate cut and generally stable interest rates, although government bond yields rose late in the year due to fiscal pressures from Cyclone Ditwah. In 2026, interest rates are expected to remain stable as monetary policy stays cautious and data-driven.

Debt Restructuring and International Monetary Fund (IMF) Program: The successful execution of the third and fourth reviews under the IMF's Extended Fund Facility (EFF) played a pivotal role in shaping the economic landscape, while also reinforcing institutional confidence. In 2025, the continuation of the debt restructuring process remained a critical component of economic stabilization efforts, enabling the government to improve debt sustainability and restore investor confidence. Simultaneously, the IMF-supported (EFF) program played a central role in advancing fiscal reforms, strengthening external sector stability, and supporting the country's broader economic recovery agenda.

Key Conditions and Challenges[3]

Sri Lanka's economy began recovering in 2024, with growth rising to around 5% after the 2022 crisis, supported by improved macroeconomic stability, including stabilising inflation, higher foreign reserves, and declining but still high public debt. The recovery was driven by key policy reforms such as cost-reflective energy pricing, a market-determined exchange rate, and the end of monetary financing. However, social conditions have continued to deteriorate, with higher poverty, worsening malnutrition and stunting, and an incomplete labour market recovery. Despite economic improvement, the country still faces deep structural challenges, including a relatively inward-looking economy, a weak investment climate, inefficient factor markets and low productivity.

Recent Developments

In late 2025, Sri Lanka experienced Cyclone Ditwah, which resulted in 646 fatalities and caused physical damages approximately amounting to 1.8 percent of GDP. Despite this severe shock, the economy expanded by 5 percent in 2025 (year-on-year), supported by a broad-based industrial recovery and steady growth in financial and tourism-related services.

Inflation, which had remained subdued for much of the year, turned positive in August 2025 and gradually increased to 1.6 percent by February 2026 (year-on-year). In this low-inflation environment, monetary policy remained accommodative, with the Central Bank reducing the policy rate by 25 basis points to 7.75 percent in May 2025. Supported by ample liquidity, lending rates declined and private sector credit grew strongly, contributing to a sharp expansion of 26.3 percent year-on-year by January 2026.

Stronger credit growth, rising wages, and benign inflation supported the recovery in private consumption. The external sector recorded a current account surplus of US$1.7 billion in 2025, driven by robust tourism earnings and remittances, although the merchandise trade deficit widened as import growth—particularly of motor vehicles and consumer goods—outpaced exports amid global uncertainties.

A slower reserve accumulation was resulted in due to high import demand, slower central bank purchases of foreign exchange and elevated debt service payments. The rupee depreciated by 6 percent against the US dollar while official usable reserves rose to US$5.4 billion (equivalent to three months of import cover) by end-2025.

On the fiscal side, fiscal buffers strengthened further, supported by higher revenue from vehicle imports, increased consumption and under-execution of budgeted capital expenditure, resulting in an estimated primary surplus of 5.4 percent of GDP in 2025—well above the budget target of 2.3 percent. External debt restructuring, including that of Sri Lankan Airlines, is nearing completion as of March 2026.

However, the recovery in household welfare remains uneven and slow. Around 32.8 percent of households experienced moderate or severe food insecurity in 2025, while real wages and labour force participation rate—particularly in urban areas—remain below pre-crisis levels. Regional disparities persist with the Northern, Eastern, and central hill country regions, which were also severely affected by the cyclone, continuing to experience higher poverty and food insecurity, underscoring the economy's spatial inequities.

Outlook

In 2026, Sri Lanka's economic growth is projected to moderate to 3.6%, driven mainly by investment and post-cyclone reconstruction activity, while poverty is expected to decline further to 20.1%, though at a slower pace due to external pressures. Geopolitical tensions, particularly in the Middle East, are expected to weigh on the outlook through weaker global demand, supply chain disruptions, and higher commodity prices, which could push inflation above

3. The World Bank (2026), Macro Poverty Outlook: Sri Lanka.

target and contribute to a small current account deficit. Despite higher reconstruction spending, a primary fiscal surplus is expected to be maintained, supported by strong tax revenues and controlled expenditure, although its sustainability remains sensitive to global conditions. Overall risks are tilted to the downside, with prolonged external shocks potentially affecting exports, investment and poverty reduction.

Policy priorities include maintaining flexible monetary and exchange rate policies to manage external volatility, while continuing structural reforms that play a critical role in strengthening long-term economic growth prospects and resilience.

Sector Outlook 2026 and Beyond[4]

As the Sri Lankan Non-Bank Financial Institution (NBFI) sector moves into 2026, the industry focus has shifted from crisis management toward building long-term structural resilience. Supported by an expected GDP growth of 4–5%, the sector is positioned for renewed credit expansion, although challenges such as climate-related disruptions and global economic volatility continue to pose risks. In response, the Central Bank is strengthening macroprudential oversight, while the Sustainable Finance Roadmap 2.0 is encouraging Licensed Finance Companies to adopt green financing practices and integrate climate risk considerations into their operations.

At the same time, the sector is expected to play a critical role in advancing financial inclusion and digital transformation. Through the implementation of Phase II of the National Financial Inclusion Strategy (NFIS), NBFIs are expected to expand access to finance for underserved groups, including women-led SMEs and rural businesses, by leveraging digital platforms and AI-driven risk assessment tools.

The continued implementation of the Master Plan for Consolidation is anticipated to create a more resilient, efficient, and streamlined financial sector by the end of 2026. Moving forward, the sector's priorities will remain centered on preserving price stability and maintaining strong asset quality standards. For the Licensed Finance Company sector, 2026 presents a significant opportunity to build upon the progress achieved during the post-crisis recovery period and contribute meaningfully to Sri Lanka's path toward sustainable and inclusive economic development.

4. Central Bank of Sri Lanka (2026), Policy Agenda for 2026 and Beyond

Our Plan

The Company's strategy continues to focus on creating sustainable long-term value for all stakeholders while prudently managing short, medium and long-term challenges within an increasingly dynamic and competitive financial services environment and seizing the opportunities. Following the strengthening of the Company's finance business operations after obtaining the finance business license in December 2022, SMB Finance PLC has continued to strategically position itself to capitalize on emerging business opportunities within Sri Lanka's licensed finance company sector while adapting to evolving market, regulatory, and economic conditions.

Considering the audited financial performance for the year ended December 31, 2025, the gradual recovery of the Sri Lankan economy, improving macroeconomic stability, evolving customer expectations, and the regulatory direction and prudential requirements introduced by the Central Bank of Sri Lanka, the Company plans to pursue a carefully balanced and sustainable growth strategy focused on strengthening profitability, improving asset quality, enhancing liquidity buffers, maintaining strong capital adequacy, and supporting long-term financial sustainability. The Company recognizes that the financial services sector continues to operate under a challenging and highly regulated environment characterized by pressure on non-performing loans, increased competition for deposits and funding, evolving compliance expectations, changing interest rate movements, technological transformation, and the need for stronger governance, risk management, and operational resilience.

As part of its strategic direction, the Company intends to gradually expand and strengthen its business operations through carefully selected branch expansion initiatives, enhanced business development activities, customer-focused product offerings, and improved market penetration strategies while prudently managing capital adequacy, liquidity, funding costs, and operational efficiency.

Greater emphasis will be placed on strengthening deposit mobilization, broadening the customer base, increasing recurring operational income, improving customer confidence, enhancing service accessibility, and strengthening the Company's market presence to support sustainable long-term business growth. The Company also plans to explore additional funding avenues and strategic business opportunities, including institutional funding arrangements, debenture or alternative funding opportunities, and strategic partnerships that support balance sheet growth, liquidity management, and long-term financial stability.

Management remains committed to enhancing operational efficiency through process improvements, productivity enhancement initiatives, cost optimization strategies, disciplined expense management, and the strengthening of customer service standards across all business functions. Continuous monitoring of financial and operational performance indicators will remain a key management priority to ensure timely corrective actions, efficient resource allocation, improved accountability, and effective achievement of the Company's strategic objectives and performance targets.

In line with evolving regulatory expectations and industry best practices, the Company will continue to strengthen its integrated risk management framework, corporate governance practices, internal control environment, compliance monitoring mechanisms, cybersecurity measures, and information security processes to support sustainable business operations and maintain regulatory compliance. Particular focus will be placed on complying with evolving prudential requirements, governance expectations, capital and liquidity standards, anti-money laundering and compliance obligations, digital risk management frameworks, and other regulatory directions issued by the Central Bank of Sri Lanka and relevant regulatory authorities.

The Company also intends to further strengthen its credit appraisal, recovery, and portfolio monitoring processes to minimize non-performing loans and improve overall asset quality. Enhanced focus will be placed on early identification of credit risks, proactive recovery monitoring, strengthened collection strategies, responsible lending practices, portfolio diversification, and effective customer engagement while continuing to support customers experiencing genuine financial difficulties. Management believes that strengthening asset quality, improving collection efficiency, and

maintaining prudent risk management practices remain essential to sustaining profitability, preserving capital, and improving long-term market confidence.

Digital transformation and technological advancement will continue to remain important strategic priorities during 2026 and beyond. The Company plans to continue investing in system enhancements, process automation, digital customer engagement platforms, data analytics capabilities, and technology-driven operational improvements to enhance customer convenience, strengthen operational controls, improve efficiency, support data-driven decision-making, and deliver a more responsive and customer-centric service experience. Management also recognizes the increasing importance of digital innovation, operational resilience, and information security in maintaining competitiveness and supporting sustainable business growth within the financial services industry.

Greater emphasis will also be placed on strengthening the Company's brand visibility, customer awareness, and market positioning through carefully planned marketing, business promotion, and customer engagement initiatives. The Company intends to enhance customer outreach through digital marketing campaigns, branch-level promotional activities, improved communication channels, customer relationship management initiatives, and community-based engagement programs to support business growth, strengthen public confidence, and improve awareness of the Company's products and services across its operational areas.

The Company remains committed to developing and retaining a skilled, motivated, and performance-driven workforce by fostering a positive working environment that encourages teamwork, accountability, continuous learning, employee engagement, professionalism, and operational excellence. Training, leadership development, and professional capacity-building initiatives will continue to support employee development, strengthen organizational capabilities, and improve overall operational effectiveness.
In addition, the Company recognizes the growing importance of sustainability, responsible finance, environmental and social considerations, and ethical business practices within the financial services industry. Accordingly, the Company plans to gradually integrate sustainable and responsible business practices into its operations while supporting long-term stakeholder value creation, responsible lending practices, financial inclusion, and sustainable economic development. A strong performance-driven culture supported by sound governance, prudent financial management, disciplined operational practices, effective risk management, regulatory compliance, innovation, and customer-focused service excellence will continue to underpin the Company's strategic direction as SMB Finance PLC progresses toward building a stronger, more resilient, sustainable, and future-ready financial institution capable of delivering long-term value to all stakeholders while adapting to evolving market and economic conditions.

Financial Capital and Review

Financial Capital

Financial capital refers to the funds and financial resources available to a company to support its operations, growth and strategic objectives. It primarily comprises of shareholders' funds, retained earnings, borrowings, debt financing and other funding sources that enable the business to invest in assets, expand operations and meet its financial obligations.

A strong financial capital base is pivotal for maintaining stability, absorbing risks, and ensuring long-term sustainability. It reflects the Company's ability to generate and retain profits while efficiently managing its capital structure. Effective deployment of financial capital supports value creation, enhances shareholder returns and strengthens the Company's capacity to pursue growth opportunities in a dynamic operating environment. By proactively managing the risk-return dynamics, the Company executed its underlying strategy with a clear focus on sustainable value creation.

Financial Review

This Financial Review provides a comprehensive analysis of the Company's financial performance for the year ended December 31, 2025, highlighting the key drivers of growth, profitability, capital strength and overall financial resilience.

2025 Performance

SMB Finance PLC reported strong profitability for the financial year ended December 31, 2025, reflecting efficient operations, effective cost management and growth in total assets. The results for the year demonstrate the Company's ability to navigate challenges, capitalize on emerging opportunities and deliver sustained value to its stakeholders, thereby positioning the Company for continued growth and success in the future.

The Company recorded a profit of Rs. 159.9 Mn during the year under review, compared to a profit of Rs. 151.0 Mn recorded in the financial year 2024, reflecting the successful execution of initiatives aimed at revitalizing the business paradigm and fulfilling the Company's growth aspirations as a Finance Company. Net operating income increased significantly from Rs. 561.2 Mn in 2024 to Rs. 669.8 Mn in 2025, representing a strong year-on-year growth of 19%. Meanwhile, total assets of the Company grew by 15% to Rs. 7,010.6 Mn as at December 31, 2025, compared to Rs. 6,102.7 Mn recorded in 2024, demonstrating the continued expansion of the Company's operations and asset base.

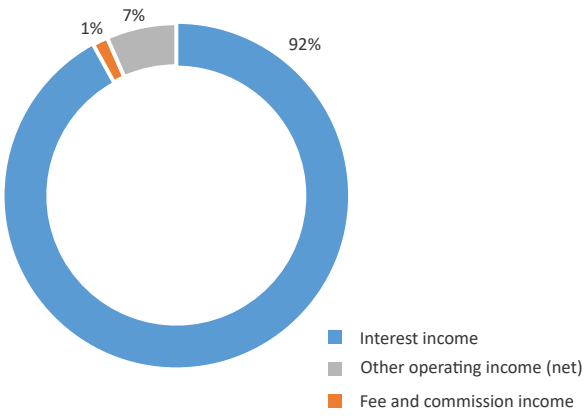
Operating profit before taxes also increased to Rs. 286.0 Mn during the year ended December 31, 2025, compared to Rs. 259.5 Mn recorded in 2024, representing a year-on-year growth of 10%. This improvement reflects the Company's continued operational effectiveness and resilience, supported by business expansion, prudent management practices and a strong focus on achieving its strategic business objectives throughout the year. Our visionary leadership remained focused on the effective implementation of the strategic plan, which was continuously monitored and aligned with the dynamic changes in the operating environment. These achievements were made possible through the dedication and commitment of the management team and staff members, while leveraging both internal and external strengths.

Income Analysis

Interest income increased by 22% during the year under review, recording Rs. 625.6 Mn in 2025 compared to Rs. 513.0 Mn in 2024. Total income also increased by 26% during the year, amounting to Rs. 680.2 Mn in 2025, compared to Rs. 538.0 Mn in 2024.

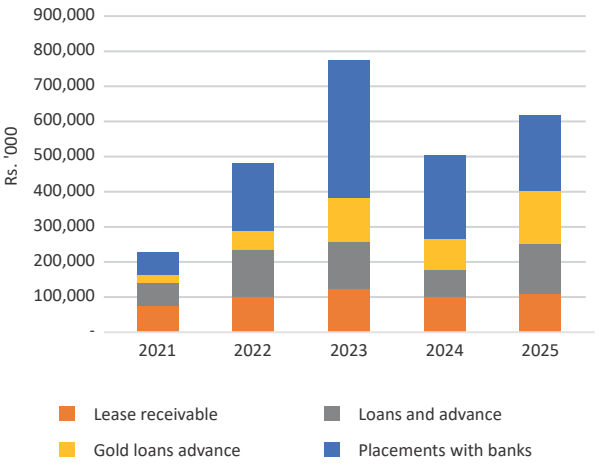
Income Components

An extensive proportion of the total income comprises of the interest income. The income proposition recorded for 2025 is 92% from interest income, 7% from net other operating income and 1% from fee and commission income. It has been observed that the fee and commission income and net other operating income has grown during the year significantly by 44% and 147% respectively.



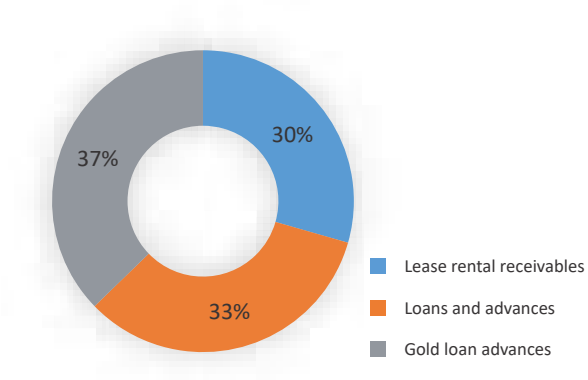
Interest Income Growth

As shown in the graph below, interest income steadily grew from 2021 to 2023, driven by an increase in disbursements. However, a sharp decline in the top line was recorded in 2024, due to the reduction of interest rates. Interest income demonstrated strong growth in 2025, increasing by 22% to Rs. 625.6 Mn compared to Rs. 513.0 Mn in 2024, reflecting a notable improvement in core earning assets. The expansion was primarily driven by significant increases in interest income from loans and advances, which rose by 74% and gold loan advances, which grew by 68%, indicating higher lending volumes and improved yields in these segments. Interest income from lease receivables also recorded a steady 18% increase, further supporting overall interest income growth. However, these improvements were partially offset by a 10% decline in income from placements with banks and a 21% reduction in interest income from investment made in government securities, suggesting a shift away from lower-yielding or more liquid assets. Overall, the performance highlights a successful reallocation toward higher-yielding lending portfolios, strengthening the Company's interest income base in 2025.



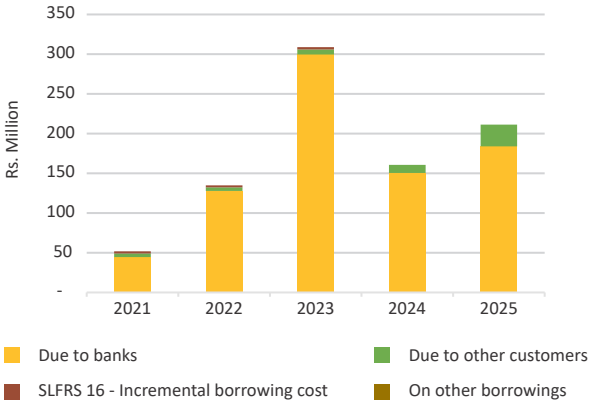
Product-wise Loan & Receivable Interest Income

As shown by the below graph, highest contributor to the interest income is interest income generated from gold loans which is 37% and next highest contributor is interest income generated from loans and advances which is 33%. Interest income generated from lease facilities is 30%.



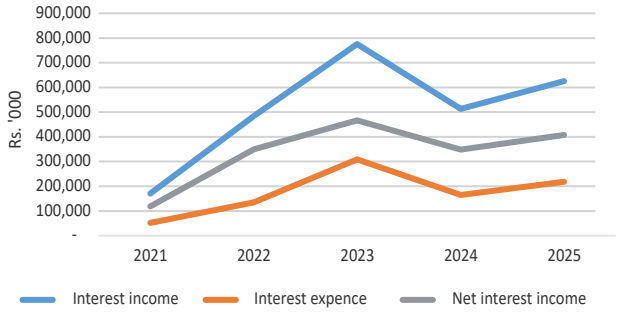
Interest Expense Components

Total interest expense increased significantly by 32% to Rs. 217.9 Mn in 2025, compared to Rs. 164.6 Mn in 2024, mainly driven by the higher interest expenses due to banks, higher SLFRS 16 incremental borrowing cost and higher deposit mobilization during the year. The composition of interest expense in 2025 was largely dominated by interest expenses due to banks, which accounted for 84% of the total, while interest expenses due to other customers contributed 13% and SLFRS 16 incremental borrowing costs represented 3%. During the year, fixed deposits held with commercial banks in Sri Lanka were utilized as collateral to obtain cash margin loans and overdraft facilities, enabling the Company to expand its lending operations and capitalize on higher margin opportunities.



Net Interest Income

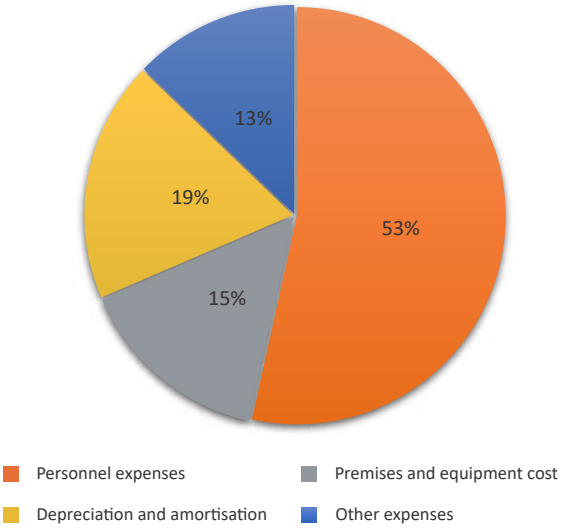
Net interest income represents the difference between interest earned and interest incurred during the period. Net interest income is denominated by the interest income earned on lending products and investment made in placements with the banks, financial investments, government securities and money market and the interest expenses incurred on the sources of funding from banks and due to customers and interest on lease liabilities.
Net interest income grew by 17% to Rs. 407.7 Mn in 2025 from Rs. 348.4 Mn in 2024, due to 22% growth in interest income and 32% increase in interest expenses.
Proactive repricing of interest-sensitive assets and liabilities, together with growth in high-yield lending, supported higher net interest income compared to the previous year and was the primary catalyst for the Company's overall growth in net interest margin, despite a sharper rise in interest expenses driven by increased deposits, the utilization of cash-backed bank overdraft facilities and lease liabilities associated with new branches opened in 2024.



Cost Breakdown

During the year ended December 31, 2025, the Company's operating expenses increased by 27% to Rs. 383.8 Mn, compared to Rs. 301.7 Mn recorded in 2024. Personnel expenses and other operating expenses increased year-on-year by 30% and 24% respectively, mainly due to the expansion of the branch network, including four new branches opened in 2024, of which three were opened towards the end of the year.

Despite this increase, the Company continued to manage its operating costs at a reasonable and controlled level, thereby minimizing the impact on profitability and preserving overall financial performance during the year. The operating expense breakdown for 2025 is presented below;



Profitability Trend

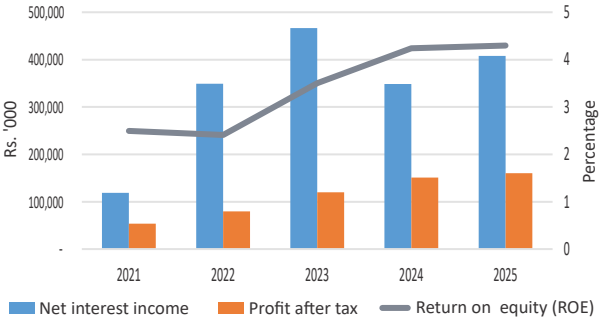
A graph illustrating profit before tax and profit after tax over the last five years is presented below. The highest levels of both profit before tax and profit after tax were recorded in 2025, reflecting the Company's strongest performance during the period under review.

Profit before tax stood at Rs. 286.0 Mn in 2025, representing a 10% year-on-year increase. Profit after tax amounted to Rs. 159.9 Mn, reflecting a 6% increase compared to the previous financial year.

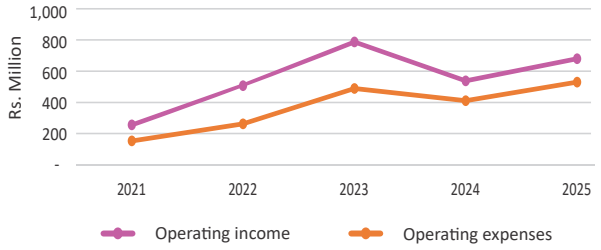


Return on Equity

The Company posted return on equity of 4%, recording a profit of Rs. 159.9 Mn during the year. As depicted in the graph below, the Company has been able to deliver stable returns through profit after tax and improved return on equity over the past years.



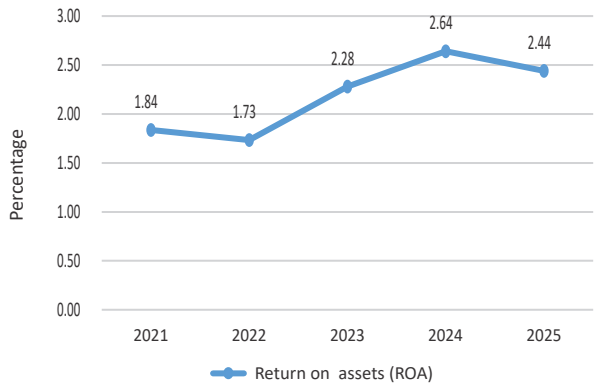
In 2025, the Company successfully maintained a spread between operating income and operating expenses, despite the prevailed market conditions. This reflects effective cost management and strategic allocation of resources, enabling the Company to preserve profitability under different market conditions.



Return on Assets

The Company recorded a net profit of Rs. 159.9 Mn for the year, resulting in a Return on Assets (ROA) of 2.44%, compared to 2.64% in the previous year 2024, where the Company reported a profit of Rs. 151.0 Mn.

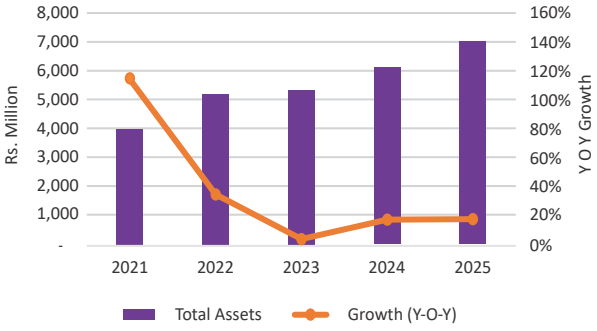
The moderation in ROA reflects changes in overall asset utilization during the period, influenced by evolving interest rate conditions, increased operating costs and increased asset base. Despite this, the current year's performance demonstrates the Company's continued ability to generate returns from its asset base, while maintaining stable profitability and operational resilience.



Asset Growth

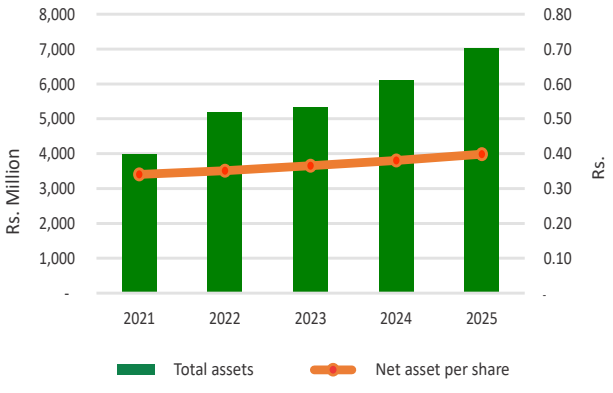
Total assets of the Company stood at Rs. 7,010.6 Mn in 2025 with 15% increase compared to the corresponding year 2024 of Rs. 6,102.7 Mn. The growth in the asset base was primarily driven by an increase in loans and advances to customers, higher placements with banks, growth in financial investments and an expansion in investment property holdings.

Funds raised through deposit mobilization and borrowings from financial institutions were effectively deployed to support the Company's lending operations and to further expand its lease, mortgage and gold loan portfolios. This strategic deployment of funds was complemented by ongoing customer acquisition initiatives and continued efforts to extend the Company's reach, supporting sustained asset growth and business expansion.



Net Assets per Share

As at December 31, 2025, the net assets per share recorded an increase from Rs. 0.38 to Rs. 0.40 as a result of an increased net asset position.



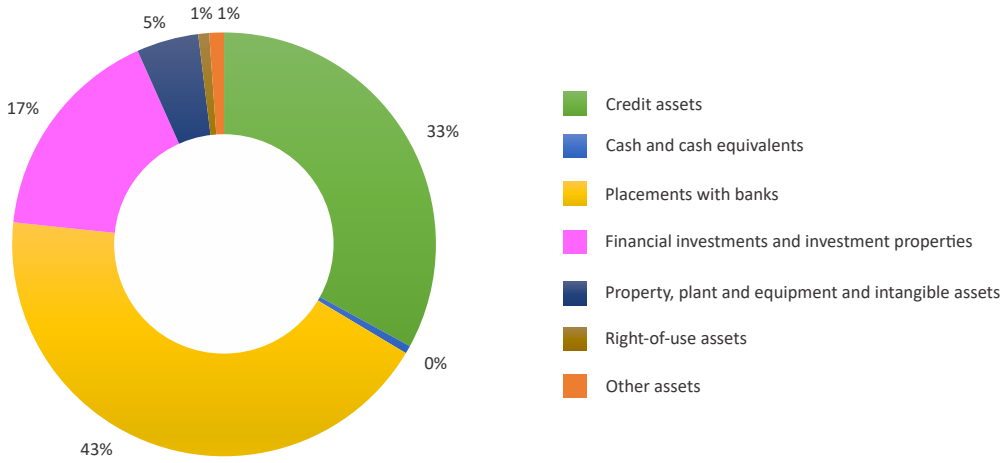
Asset Composition

The Company's asset composition included credit assets, cash and cash equivalents, placements with banks, financial investments, investment properties, property, plant and equipment, intangible assets, right-of-use assets and other assets. The Company's balance sheet remained adequately liquid to continue and develop its business operations from 2024 to 2025.

As of December 31, 2025, the Company's total asset base stood at Rs. 7,010.6 Mn, reflecting a 15% increase from Rs. 6,102.7 Mn recorded in 2024.

Placements with banks amounted to Rs. 3,020.4 Mn representing 43% of the total asset base compared to Rs. 2,924.5 Mn in 2024, which accounted for 48% of the asset base.

The net lending portfolio stood at Rs. 2,311.7 Mn as of December 31, 2025, representing 33% of the total asset base. This compares with Rs. 1,782.5 Mn recorded in 2024, which accounted for 29% of total assets, reflecting a year-on-year growth of 30%. The increase reflects the Company's continued focus on its portfolio growth.



Capital

Through a rights issue, the Company raised Rs. 2,143.6 Mn in 2021 and its total equity by the end of 2024 was Rs. 3,637.7 Mn which further grew to Rs. 3,806.2 Mn by the end of 2025.

The Company's present capital structure surpasses the minimum capital requirement of Rs. 2,500.0 Mn required to operate as a Finance Company.

The table below illustrates how the Company maintained its capital adequacy ratios well above the minimum requirements.

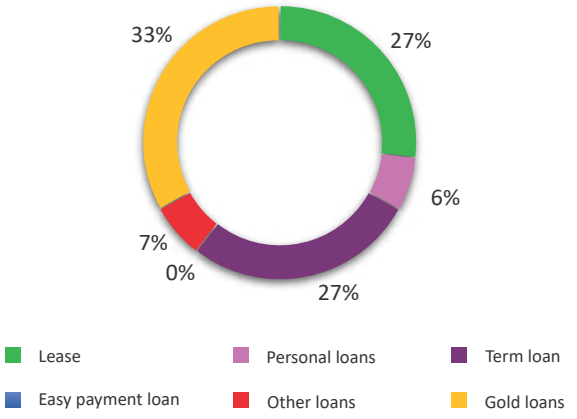
As at December 31,	2025		2024	
Indicator	Minimum requirement %	Company %	Minimum requirement %	Company %
Tier 1 capital ratio (%)	8.50	81.50	8.50	89.38
Total capital ratio (%)	12.50	80.40	12.50	88.02

Lending Portfolio

The total gross portfolio in 2025 is Rs. 2,761.9 Mn, which includes gold loan portfolio of Rs. 914.9 Mn (33%), leasing portfolio of Rs. 740.3 Mn (27%), term loan portfolio of Rs. 756.7 Mn (27%), other loan portfolio of Rs. 176.9 Mn (6%) and personal loan portfolio of Rs. 173.2 Mn (6%). The year-on-year gross portfolio increased by 12%.

Total net lending portfolio increased year-on-year by 30% to Rs. 2,311.7 Mn, net of expected credit loss provisions, as at December 31, 2025, compared to Rs. 1,782.5 Mn as at December 31, 2024.

As at the end of 2025, gold loans emerged as the Company's largest gross lending segment, increasing from the third-largest product category in 2024, which accounted for 21% of the gross portfolio, to the leading segment in 2025 with a 33% share of the gross lending portfolio. The Company placed increased emphasis on expanding its asset-backed lending and gold loan advances in order to maintain high credit quality. Enhanced resources were deployed to strengthen the gold loan portfolio, supported by the expansion of the branch network in 2024.



Shareholders' Funds

The total shareholders' funds at the end of the year under review amounted to Rs. 3,806.2 Mn. The Company remains firmly committed to generating long-term value for its shareholders and stakeholders. The growth achieved over the past few years reflects the confidence shareholders have placed in the Company's commitment to operational excellence. This success underscores our continued focus on delivering consistent performance while maintaining the financial strength and stability necessary to support sustainable future growth.

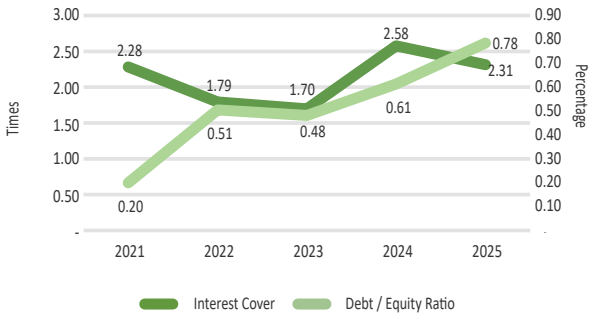
Deposits from Customers

Customer deposits have become a sought-after source of funding for both banks and NBFIs, providing a stable and cost-effective means to support lending and investment activities. The Company actively manages associated risks through prudent asset-liability management and constant monitoring of market trends and interest rate movements. Additionally, efforts to enhance customer relationships and trust have contributed to steady deposit growth during the year under review, strengthening the Company's funding base and enabling greater financial flexibility in a competitive market environment.

In this context, customer deposits, comprising savings and time deposits, increased to Rs. 268.4 Mn as at December 31, 2025, reflecting a strong growth of 61% compared to Rs. 166.8 Mn recorded in 2024. This growth was primarily driven by the enduring trust and confidence placed in the Company by its customers, further underscoring the Company's strong market presence and growing customer loyalty.

Gearing

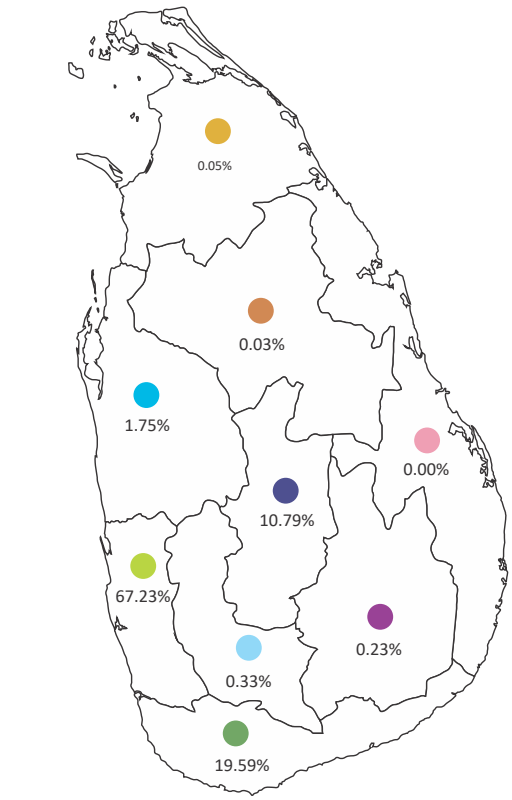
The increase in debt is primarily due to obtaining cash-backed overdraft facilities from banks. Consequently, the debt-to- equity ratio rose to 0.78 in 2025 from 0.61 in 2024. Profit before taxes and interest for 2025 stood at Rs. 503.9 Mn, representing a 19% increase compared to 2024. However, the interest coverage ratio recorded at 2.31 times in 2025 compared to 2.58 times in 2024.



The Geographical Analysis of Customers

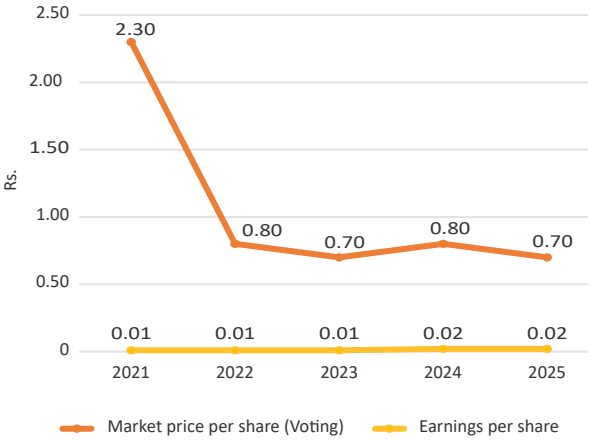
A significant portion of the Company's customer base as at December 31, 2025 is concentrated in the Western Province, accounting for 67%, followed by the Southern Province at 20% and the Central Province at 11%. It is encouraging to note that, despite being a relatively small player in the industry, the Company has continued to expand its customer base and strengthen its presence across the rest of the island, reflecting growing market acceptance and customer confidence.

This is a testament to the effectiveness and dedication of our management and branch operations team who have successfully expanded the Company's reach across the country through the opening of four new branches in 2024 to serve the nation. As at December 31, 2025, the Company operated a total of nine branches, including the Head Office, further strengthening its accessibility and presence island wide.



Market Price Analysis

Reflecting the Company's improved and stable performance, earnings per share remained at Rs. 0.02 in 2025 compared to 2024. Although the closing market price per share moderated to Rs. 0.70 in 2025 from Rs. 0.80 in 2024, the share continued to maintain stability amidst prevailing market conditions, demonstrating continued investor confidence.



Looking Forward

SMB Finance PLC remains committed to sustaining its growth path and strengthening its position as an emerging Licensed Finance Company in Sri Lanka, while aligning its strategies with market developments, regulatory requirements, customer needs and long-term sustainability objectives.

With a strengthened capital base, improving liquidity position, and clear strategic roadmap, the Company aims to achieve a total asset base of Rs. 10 billion by expanding its asset base, improving profitability, and delivering sustainable stakeholder value through prudent lending, deposit mobilization, effective recovery actions, disciplined risk management, strong governance, and continuous performance monitoring.

A key strategic priority for 2026 will be the expansion of the Company's branch network from nine branches to sixteen branches by opening seven new branches in different districts. This expansion is expected to improve customer accessibility, strengthen regional market presence, support financial inclusion, increase brand awareness, and drive deposit mobilization and lending growth.

The Company will continue to focus on its core business segments, including gold loans, leasing, mortgage-backed lending, personal loans, savings, and fixed deposits, while offering customer-centric financial solutions aligned with evolving market needs. Greater emphasis will be placed on attracting fixed deposit customers through competitive deposit products, improved customer service, targeted marketing campaigns, branch-level promotions, digital communication, financial literacy programs, and community engagement initiatives. The Company will also continue strengthening relationships with retail customers, senior citizens, salaried employees, high-net-worth individuals, and SMEs by offering trusted and secure financial solutions.

To support future business growth, SMB Finance PLC will continue to strengthen its funding base through deposit mobilization, prudent treasury and financial management. The Company will also maintain strong liquidity buffers and strict compliance with CBSL guidelines and other regulatory requirements to support lending growth and protect depositor confidence.

Maintaining asset quality will remain a key priority. Continued emphasis will be placed on prudent credit evaluation, collateral-backed lending, proactive recovery strategies, close monitoring of non-performing loans, and strengthening of risk management, compliance, internal controls, and regulatory reporting frameworks.

Digital transformation and operational efficiency will remain key focus areas, with continued improvements in digital customer engagement, system capabilities, customer communication, faster service delivery, online payment integration, process automation, and IT infrastructure to enhance customer convenience, operational resilience, and data-driven decision-making.

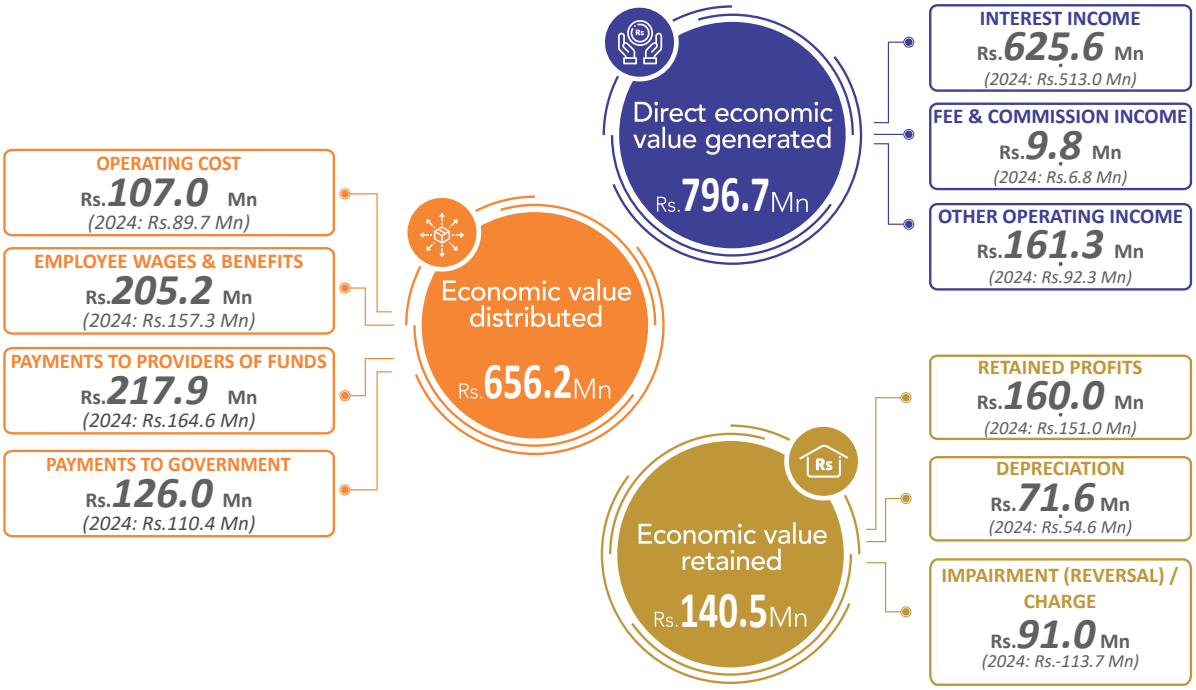
Human capital development will remain central to the Company's progress. SMB Finance PLC will continue investing in employee training, leadership development, and capability enhancement to build a skilled, ethical, disciplined, and customer-focused workforce, while branch expansion is expected to create further career development opportunities.

The Company remains committed to responsible business practices, sustainable financing, financial inclusion, and regional economic development through its expanding branch network and customer-focused solutions.
Looking ahead, SMB Finance PLC will focus on strategic execution, KPI-driven performance monitoring, disciplined resource allocation, operational excellence, strong governance, technology-driven solutions, and customer-centric product development.

Through sustainable profitability, balance sheet growth, improved efficiency, and prudent capital management, the Company remains focused on enhancing shareholder wealth while creating long-term value for all stakeholders.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Direct economic value generated and distributed (DEVG & D) presents information on the creation and distribution of economic value by the Company. This provides a basic indication of how the Company has created wealth for its stakeholders.



	2025		2024	
	Rs.	%	Rs.	%
Direct economic value generated	**796,708,105**	**100%**	**612,119,947**	**100%**
Interest income	625,632,230	79%	513,030,192	84%
Fee & commission income	9,780,523	1%	6,805,088	1%
Other operating income	161,295,352	20%	92,284,667	15%
Economic value distributed	**656,192,736**	**82%**	**522,046,546**	**85%**
Operating costs	107,025,544	13%	89,726,251	15%
Employee wages and benefits	205,215,459	25%	157,316,338	25%
Payments to providers of funds				
- Dividends to shareholders	-	-	-	-
- Interest payments for borrowings	217,903,059	27%	164,598,531	27%
Payments to government				
- Taxes on financial services	72,474,163	10%	61,632,960	10%
- Income tax	53,574,511	8%	48,772,466	8%
Economic value retained	**140,515,369**	**18%**	**90,073,402**	**15%**
Retained profit for the year	159,929,703	20%	150,970,651	25%
Depreciation	71,590,324	9%	54,635,400	9%
Impairment (reversal) / charge	(91,004,658)	-11%	(113,668,178)	-19%
Share of (profit) / loss of the associate company	-	0%	(1,864,471)	0%

HUMAN CAPITAL MANAGEMENT

Our Vision

Human Capital consists of the skills, experiences, values and work ethics of employees. The Company believes in creating a passionate and a committed workforce through trust, unity, customer focus and engagement. Building talent and bringing the best out of everyone through professional development and personal support is the core in SMBF HR philosophy.

HR Policy Framework

HR policy framework has been refined in keeping pace with the changing needs of the organization and evolving work environment.

The refined HR strategy focuses on:

- Implementing an objective recruitment process to ensure that high caliber staff are recruited
- Implementing a talent management framework and succession planning
- Implementing a KPI based performance management system.

A comprehensive HR policy framework is in place to ensure that employees remain satisfied at work whilst being part of a high performing team. The framework covers numerous aspects of HR including recruitment, remuneration, training and development, performance management and grievance handling among others.

SMBF upholds the highest standards of discipline, professionalism, ethics and compliance. The Company's code of conduct outlines highest standards of corporate behavior, business ethics and integrity.

Clear expectations and principles have been set in guiding professional excellence and make each employee aware of their obligations towards creating a professional work environment. Each employee is aware of their obligations and rights under the code of conduct.

Building human and intellectual capital is intrinsically linked to employee retention and attraction. SMBF has created a great place to work where employees are inspired and motivated to perform at their optimum level. A conducive environment that inspires high levels of performance and motivates employees to realize their potential has been created. The management encourages bottom up strategic planning, business development and cost engineering processes.

Frequent interaction between the management and staff ensures that staff is kept engaged and motivated. Branch visits by the senior management team infuse a sense of belonging and pride. Regular meetings are held between middle and top management to discuss issues and strategies. Corporate management meetings are held at least once a week and branch managers and branch staff visit the head office at least once a month for performance reviews.

SMBF does not discriminate on the grounds of race, religion, gender, age and any other socio economic factor in the recruitment, training and promotion of its employees. The Company maintains an open and supportive working culture that encourages teamwork.

The health and well-being of employees is valuable for the Company, and it has put in place numerous measures to see that employees maintain a fine work-life balance to achieve personal and professional satisfaction.

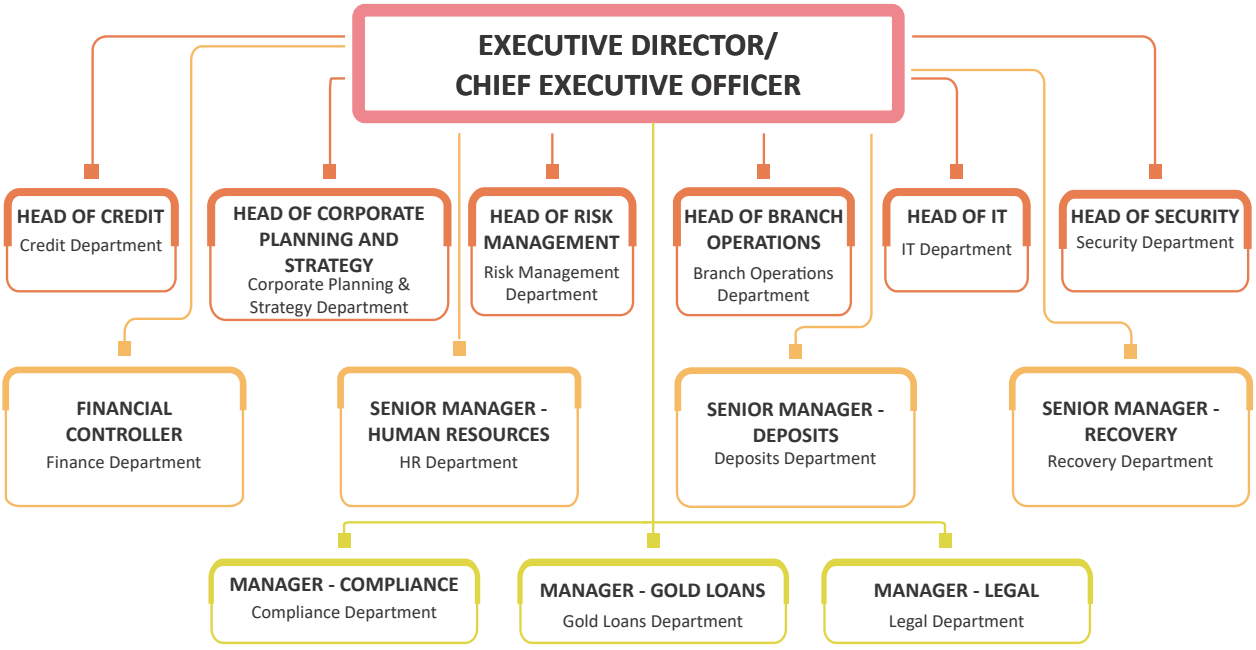
All employees are expected to display integrity at all times and to act ethically in whatever they do. The HR policies uphold equality in the workplace, giving everyone the opportunity to work in a respectful working environment. Company has adhered to labour laws and regulations and complied with all its statutory obligations.

Our Team

A strong-team comprising a diverse mix of individuals is the primary value creators for the Company. As an equal opportunity employer, our team represents both genders, all major ethnic groups in the country and generations X, Y and Z who work together in a conducive environment with dignity and mutual respect. Employees are typically engaged on full time employment with a few on contracts where the need is likely be for a specific time.

High Level Organization Structure with Departmental / Responsibilities

SMBF has rationalized and refined the organization structure with departments and staff grades to provide clarity on the roles and responsibilities of each department/employee and also to ensure a formal hierarchy to facilitate strategy execution.



Employee Grades

Employee grades have been incorporated to the organization structure so that all employees are privy career progression discussions with the human resources department. This will ensure that each employee has a clear career path in the organization and can work towards their internal career goals knowing the qualification, experience and competencies required to go to the next grade in his/her department.



Staff by Department

Our team comprises 70% permanent employees and 29% contract employees and 1% of interns. This high percentage of permanent employees encourage them to take ownership of their deliverables within the organization.

Administration	2	3%
Compliance	2	3%
Credit	3	4%
Executive Office	4	5%
Finance	8	10%
Human Resources	2	3%
IT	4	5%
Legal	5	6%
Gold Loans	22	29%
Recovery	5	7%
Branch Operations	11	14%
Corporate Planning & Strategy	2	3%
Risk Management	1	1%
Deposit	2	3%
Security	1	1%
Secretarial	2	3%

Employee Demographics

Gender Representation


53%

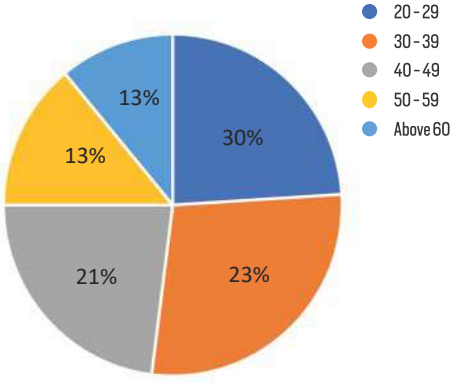

47%

SMBF is an equal opportunity employer and this has enabled the Company to maintain a fair balance of employees in age, gender and a balance mix of skills and experience, who contribute in creating a sustainable work environment. At present, gender-wise composition is on the path of achieving a sound balance in gender diversity with females accounting for 47% and males accounting 53% of employees.

This statistic will further improve in the coming years as the Company promotes diversity and communicates the importance of inclusivity among the staff.

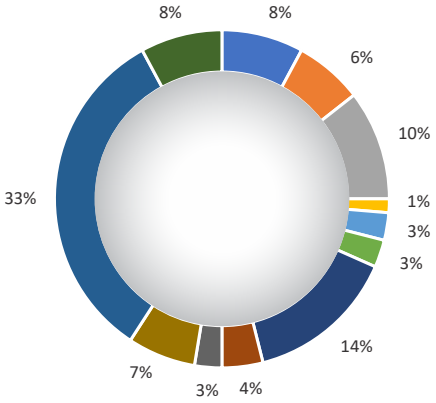
Age of Employees

In terms of workforce age, SMBF is fortunate to have a well-balanced team comprising of 70% experienced employees who are over 30 years of age and a youth group that comprises of 30% of employees below the age of 30 years. Overall, SMBF has a relatively younger workforce with 53% of our total employees being below 40 years of age.
The Company recruited a significant number of graduates in the recent past to boost the talent pool of the Company and the management believes in nurturing and training the educated youth of Sri Lanka to take on the leadership positions in the organization in the future.



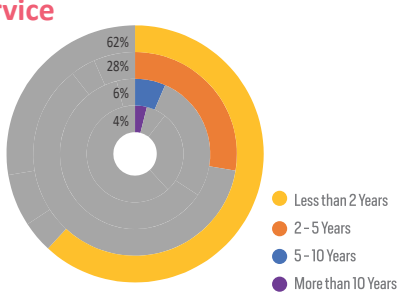
Staff Qualifications

The qualification levels workforce of SMBF is given in the below chart. The Profiles of Corporate Management are given on pages from 52 to 56 of this report.



Post Graduate Degree (MBA) + Bachelor's Degree + Professional Qualification	8%
Post Graduate Degree (MBA) + Bachelor's Degree	6%
Post Graduate Degree (MBA) + Professional Qualification	11%
Post Graduate Degree (MBA) + Diploma	1%
Post Graduate Degree (MBA)	3%
Bachelor's Degree + Professional Qualification	3%
Bachelor's Degree	14%
Professional Qualification + Diploma	4%
Professional Qualification	3%
GCE A/L + Diploma	6%
GCE A/L	33%
GCE 0/L	8%

Length of Service



SMBF also has a good mix between experienced long-term employees and newcomers who bring in fresh ideas.

Recruitment

One of the primary objectives of SMBF's HR framework is to cultivate a strong productive workforce that will contribute towards organizational success. The recruitment process plays a pivotal role in this aspect.

The HR Department has implemented a competitive and a transparent recruitment process with the objective of attracting highly qualified and competent staff with hallmarks in integrity, honesty, ethics, discipline and compliance.

The recruitments are done on the basis of merit and canvassing for applicants is strictly not allowed nor when a position in the Company is vacant or when a new position is created, an advertisement is published in a suitable media, following which, applications are rapidly processed, and a short list of candidates is prepared by the HR Department by assessing their level of experience and qualifications for the post at hand. As a recruitment strategy, candidates who reside within close proximity of the workplace are given preference if they possess the required qualifications, capabilities and experience.

Close proximity from home to workplace gives the employee the opportunity to feel motivated, to devote their maximum effort when doing their day-to-day work at the workplace and to have more time with their families due to less time spent on travel. The first interview is conducted by the entertained.

Human Resources Department and HR interview process is driven by one principal goal "To weed out any potentially unsafe hires". This is to ensure that the Company eliminate anyone and everyone who might even remotely end up costing the Company more money, cause legal issues, not

be a good cultural fit, or in any other way cause the Company some type of embarrassment and/or inconvenience if recruited.

For the final interview the candidate will face a larger panel that consists of the Head of the HR Department, Head of the recruiting Department and where required the CEO.

Reference letters are sent to the referees and if necessary, verification of employment is conducted with the candidate's previous employer. Once the selection is finalized, the HR Department will issue the letter of appointment and subsequently request copies of relevant certificates from the chosen candidate.

Following recruitment, all staff are updated with important details of the newly recruited employee by sending a New Staff on Board announcement.

Following the successful completion of this process, the candidate will be ready to join the Company.

Training and Development

Training and development is a key priority for the Company to enhance knowledge, competencies, skills, attitudes and performance of the staff. Training gap and requirements are identified by the annual training need assessment done for the staff members. Training new recruits and existing employees is of paramount importance to the SMBF and the Company has a knowledge and learning culture which has inculcated a thirst for technical and business knowledge among employees. The objective is to ensure that employees stay informed about the developments in their respective profession, the industry and the local and global economy.

Within the year, employees have participated in training programs and seminars conducted that covered technical and industry specific subjects and regulatory changes. We provide in-house training programs at the Head Office for staff members, based on relevant programs. In addition, new recruits follow the standard induction training program. The objective of the program is to familiarize new entrants with the Company's operational processes, systems, practices, culture and values. Thereafter, the new entrants undergo a hands-on training phase, learning and improving their skills on-the job. All staff are encouraged to continuously acquire knowledge, competencies and develop skills under the guidance of experienced mentors who serves as the foundation for talent development.

SMB Finance PLC is an approved training partner for CA Sri Lanka for Business, Corporate and Strategic levels.

Development activities played an integral role in constantly uplifting technical knowhow of the workforce, equipping them with the skill sets, providing knowledge and experience to face the challenges and sophistication of an evolving industry. Training and development will uplift the skills of the employees, who will be able to extend a superlative service to the customers, and gain the required competitive advantage. Training and development also serves as an employee retention strategy.

Performance Appraisal

Key Performance Indicators (KPIs) are incorporated into performance targets to monitor the performance of employees.

SMBF conducts formal annual performance appraisals across all departments to monitor staff performance against predefined KPIs to reward top performers. These performance measurements enable the Company to decide on bonuses, salary increments and additional training requirements. It also provides insight to the management on consistently performing high achievers, to decide on future career advancements. It further allows the management to take appropriate steps regarding employees with performance below expectation.

Each staff member understands that they are accountable for achieving their individual goals which in turn contributes towards the achievement of corporate objectives and the bottom line of the Company. A 'process driven' rather than a 'people driven' culture offers employees a clear sense of the targets to be achieved and the necessary tools in achieving the financial and operational accomplishments that the Company achieves year by year.

With constant evaluation and regular feedback, the management continuously looks at ways to improve and grow the talent pool which would benefit the Company in the future.

Perquisites & Benefits

The remuneration policy of the Company is to ensure appropriate compensation levels are made available to all employees in the organization in order to attract and retain high-caliber staff, with the right mix of experience, skills

and knowledge to deliver on the strategy of the Company and reward them on par with industry standards. In addition to an attractive remuneration, staff are eligible for the following benefits.

Employees Provident Fund (EPF)

All employees are registered under the Employees' Provident Fund for which the collective contribution will be as follows:

Company Contribution – 12% on the basic salary.

Employee Contribution – 8% on the basic salary.

Employees' Trust Fund (ETF)

The Company makes a contribution of 3% on the basic salary.

Gratuity

Employees are entitled to half a month's gross salary for each completed year of service when leaving the Company, provided the employee has worked continuously for five years and over up to the time of resignation.

Bonus

The employee may be paid an annual bonus depending on the profits made by the Company and the employee's performance. The payment of bonuses is solely decided by the Management.

Medical benefits

An attractive hospitalization / surgical expenses cover, outpatient benefit (OPD) along with other medical benefits are offered to employees and their families based on the amounts specified in the Company's staff health insurance policy.

Life Cover

Employees also have a life cover insurance paid by the Company in case of an employee's death. Which also includes permanent disability cover, partial disability cover, critical illnesses and funeral benefits.

Mobile SIM

All employees are provided a mobile connection with a monthly allowance for each category.

Maternity leave

The Company is also sensitive to the needs of its female employees, especially when they need time to care for their newborns. As stipulated by labour regulations, female employees are granted paid leave for 84 working days for which Saturday is accounted as half a day.

Paternity Leave

Male employees are eligible for five working days for paternity leave.

Culture & Respectful Working Environment

SMBF's corporate culture is one that respects individuality and empowers high performance and positive work ethics. SMBF fosters equality and mutual respect among our team members while encouraging open communication and novel ideas. At SMBF, the work that the culture revolves around creates a positive and harmonious balance between work and personal life. The Board and the Management require all employees to act diligently, executing their duties at all times with integrity while continuing to adhere to organizational rules and regulations. During the financial year under review, there were no reported incidences of discrimination among staff members.

SMBF adheres to the required safety standards and continued to provide staff efficient workflow structures that include individual workstations that are equipped with necessary PC systems and other corporate equipment. In terms of employee health and safety, necessary precautionary measures are taken to protect employees from physical hazards such as fire. SMBF being a service oriented organization that deals primarily in financial transactions, the type of tasks carried out by our employees do not directly pose safety risks or disease related health hazards. There were no injuries to the staff while on duty in 2025.

The Company's security requirements have been outsourced to a reputed security company that provides security personnel to handle security at Head Office premises. All SMBF branches are equipped with CCTV to monitor physical activities for the safety of all employees.

Employee Grievance

SMBF adopts a people-centric culture across all departments which facilitates interactions between all employees. The "open door" corporate culture facilitates the free flow of information and importantly allows staff grievances to be picked up early and to be resolved then and there by the senior management.

Employee grievances are generally picked up directly by the respective Head of Department and resolved jointly with the assistance of the HR Department.

An approved framework is in place for addressing employee grievances which ensure equitable treatment and anonymity. The HR Department is equipped with persons of the relevant expertise and experience to deal with employee grievances of significance. Grievances that cannot be resolved or any unresolved concerns are brought formerly to the attention of the HR Department and it is firstly routed upward to the respective HOD, if still unresolved it will be escalated to the Head of the HR Department and the Chief Executive Officer to take appropriate action to address such grievances.

At the time of joining, all employees are bound to sign and accept the letter of appointment acknowledging the terms and conditions of his/her employment. A formal job description is issued to all staff upon joining, specifying the job role and responsibilities, thus eliminating any future misunderstandings. To eliminate possible grievances arising due to misunderstandings of internal rules and regulations, a copy of the Procedure Manual has been issued to all staff which specifies standard practices and rules for employees to follow including requirements on employee code of conduct.

Management Information on Human Resources

SMBF utilizes a Human Resource Information System (HRIS) to generate a constant stream of invaluable employee information, to better manage the workforce and to take appropriate decisions. HRIS provides a full-fledged online leave approval system. The attendance of all staff is monitored electronically using a thumbprint attendance system and managed in an organised time sheets on HRIS. Each employee is provided with an e-Portal to check, manage and regularise their leave and attendance.

KEY HIGHLIGHTS OF EVENTS IN 2025





Esala Dansala - 2025





CSR Initiative - Light for Learning - 2025





Christmas Carols - 2025

RISK MANAGEMENT

Integrated Risk Management

Introduction

"Risk" the uncertainty in the business environment has a continuous and rigorous impact on the business objectives of the Company. The Risk Management Strategy of the Company shows how effective the Company is in managing the impact on its objectives caused by this uncertainty in the Business Environment.

The effectiveness of the Risk Management Strategy depends on the strength of the following activities.

- Identification of risk
- Measurement and evaluation of risk
- Analysis of risk treatment methods
- Selection and implementation of risk treatment methods
- Monitoring performance

Integrated Risk Management

Integrated Risk Management (IRM)is a holistic and structured approach adopted by the company to identify, assess, monitor and manage risks across all business activities in a coordinated manner. Rather than risks in isolation, IRM ensures that credit, Market, operational, solvency, legal and compliance risks are evaluated collectively, recognizing their interdependencies and potential cumulative impact on the company's financial stability and strategic objectives. The company maintains a robust risk governance framework supported by clear policies, defined risk appetite, and regular reporting to senior management and the Board of directors. Through continuous risk monitoring, internal controls, and periodic stress assessments, the company strives to enhance resilience, support informed decision-making, and ensure sustainable growth while safeguarding stakeholder interests.

The primary responsibility for Integrated Risk Management lies with the Board of Directors. As delegated by the Board of Directors, the Integrated Risk Management Committee (IRMC) reviews and assesses the adequacy and effectiveness of the risk management policies and procedures of the Company.

The IRMC consists of two Independent Non - Executive Directors with one serving as the Committee Chairman.



The Company's Risk Management Structure

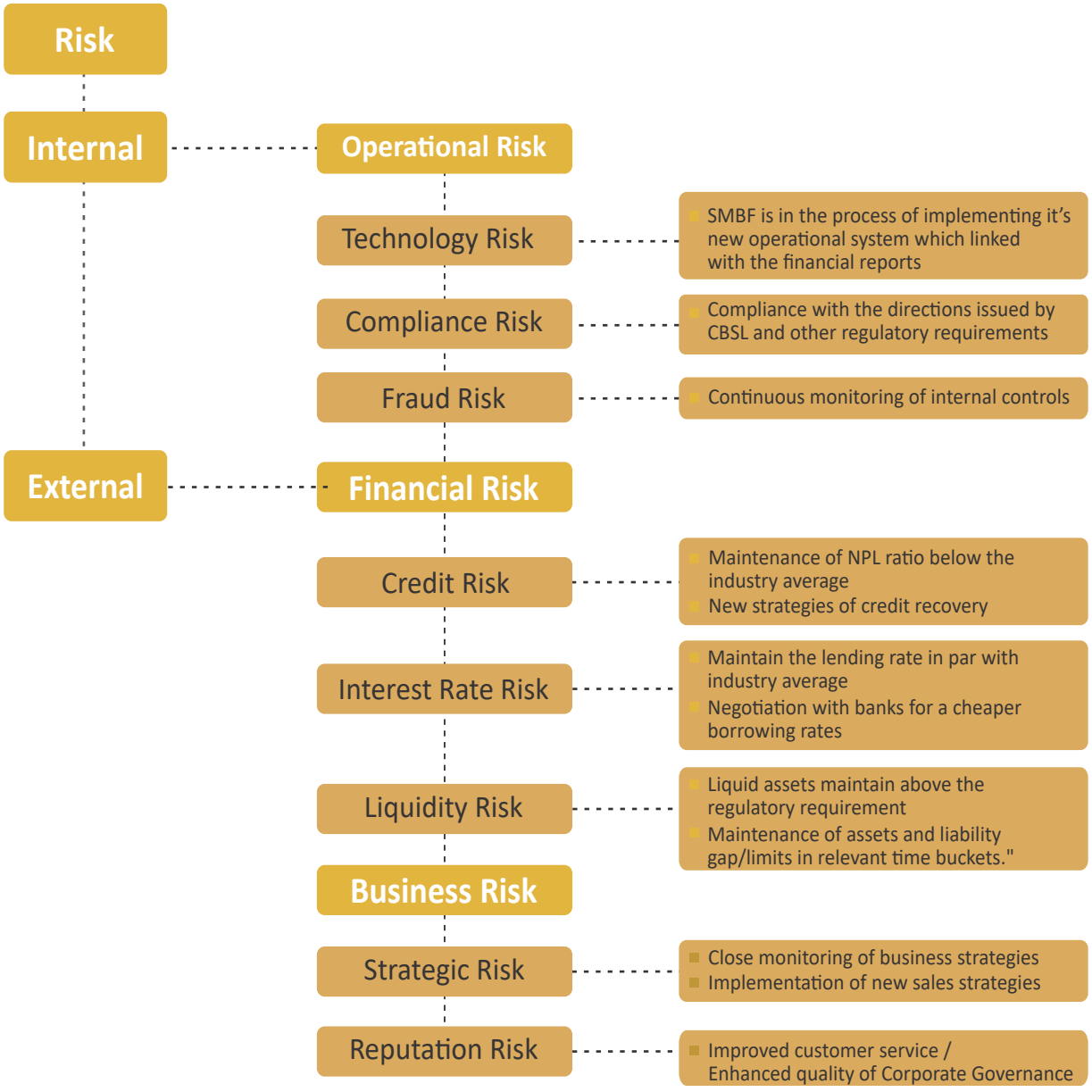


CEO, Head of Risk Management, Manager - Compliance and the department heads may participate as invitees. The identification, measurement and evaluation of risk routes through the IRMC.

Risk surveillance within the company is strengthened through the use of structured risk dash boards, systematic Key Risk Indicator (KRI) monitoring and departmental level risk register monitoring, which provide timely and forward-looking insights into the evolving risk profile. These dashboards consolidate critical metrics across all risk categories, enabling trend analysis, threshold monitoring, and early identification of emerging risks. KRIs are bench marked against approved tolerance levels and historical performance to highlight deviations and trigger appropriate management action. A comprehensive quarterly risk report, incorporating dashboard analytics and KRI comparisons, is submitted to the Integrated Risk Management Committee (IRMC) for review and oversight. This process facilitates informed decision -making. reinforces accountability across business units, and ensures that risk exposures remain aligned with the company's defined risk appetite and strategic objectives.

SMB Finance PLC's Risk Landscape

Approach in 2025 for Risk Management



Asset and Liability Management Committee (ALCO)

The ALCO functions as an independent committee. The main objective of the Committee is to evaluate the liquidity position, sources of funding and the market risk of the Company and to suggest for any remedial action and policy changes wherever needed.

The ALCO is chaired by the CEO and consist of Department heads including Finance, Risk Management, Credit, Deposits, Compliance, Legal, Branch Operations and Corporate Planning and Strategy.

The main tasks of the Committee are as follows,

- Analyze the liquidity position of the Company
- Seek and evaluate the sources of funding and the interest rates
- Analyze the lending portfolio and the interest rates
- Review the maturity analysis statement
- Analyze the competitors' position
- Updating on the rules and regulations and the amendments thereto

Based on its assessments, the ALCO recommends to the Integrated Risk Management Committee (IRMC) on any the action it deems necessary to limit or mitigate and manage the liquidity risks of the Company.

Audit Committee and the Internal Auditor

The Audit Committee and the Internal Auditors play a combined role in the risk management. Internal auditors carry out independent reviews of compliance with risk policies and procedures to ensure the effectiveness of risk management procedures. In addition, the internal auditors evaluate the Internal controls of the Company. Any deviations with the laid down procedure is reported to the Audit Committee. The recommended actions for deviations and non-compliances are monitored and followed up by the Internal Auditors.

SHAREHOLDERS AND INVESTORS INFORMATION

Twenty Five Largest Ordinary (Voting) Shareholders as at December 31, 2025

Ordinary voting shares	2025		Comparative holdings of the top 25 shareholders in 2024	
	No. of Shares	%	No. of Shares	%
1 Mr. H. R. S. Wijeratne	4,169,342,304	64.44	4,169,342,304	64.44
2 Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	626,055,720	9.68	626,055,720	9.68
3 Seylan Bank PLC / Anuja Chamila Jayasinghe	44,482,437	0.69	37,482,437	0.58
4 Sampath Bank PLC / Andaradeniya Estate Private Limited	40,713,219	0.63	40,713,219	0.63
5 Miss. H. J. K. U. Wijerame	34,002,688	0.53	N/Q	N/Q
6 Assetline Finance Limited/P. H. Susil Ranatunga	32,500,000	0.50	N/Q	N/Q
7 Mr. D. G. M. D. Chandradasa & Mrs. D. G. S. Chandradasa	30,534,784	0.47	35,920,439	0.56
8 Mr. D. S. R. Daranakumbura	29,350,000	0.45	N/Q	N/Q
9 Hatton National Bank PLC / Anuja Chamila Jayasinghe	28,473,690	0.44	27,473,690	0.42
10 Commercial Bank of Ceylon PLC / W. Jinadasa	28,181,936	0.44	28,181,936	0.44
11 Hatton National Bank PLC/Weththinge Jinadasa	25,790,020	0.40	N/Q	N/Q
12 Mr. R. Gautam	25,200,000	0.39	25,220,000	0.39
13 Seylan Bank PLC / Andaradeniya Estate (Pvt) Ltd	24,085,677	0.37	24,085,677	0.37
14 Mr. H. K. Pushpakumara	22,427,308	0.35	26,950,716	0.42
15 MR. S. S. De Silva	22,362,565	0.35	14,859,634	0.23
16 Seylan Bank PLC / K. L. G. Udayananda	22,250,000	0.34	16,500,00	0.26
17 Hatton National Bank PLC / Ruwan Prassana Sugathadasa	21,547,625	0.33	21,547,625	0.33
18 Dialog Finance PLC / S. A. De Silva and D. R. De Silva	21,087,435	0.33	18,037,435	0.28
19 Mr. B. W. R. Srikantha	15,000,000	0.23	N/Q	N/Q
20 Seylan Bank PLC / A.C. Senanka	14,612,434	0.23	30,322,894	0.47
21 Dr. S. M. T. B. Samarakoon	13,200,000	0.20	N/Q	N/Q
22 Sinharaja Hills Plantation (Pvt) Ltd.	13,000,000	0.20	N/Q	N/Q
23 Mr. P. Poongunaseelan	12,759,625	0.20	N/Q	N/Q
24 Mr. J. J. Ravindran	12,751,914	0.20	N/Q	N/Q
25 Hatton National Bank PLC / Ravindra Erle Rambukwelle	12,000,000	0.19	16,825,000	0.26
Total shares held by the top 25 shareholders - 2025	**5,341,711,381**	**82.56**	-	-
Balance shares held by other ordinary voting shareholders as at December 31, 2025	**1,128,663,667**	**17.44**	-	-
Total ordinary voting shares	**6,470,375,048**	**100.00**	-	-

N/Q- Not qualify for Top 25 Shareholders in 2024

Twenty Five Largest Ordinary (Non Voting) Shareholders as at December 31, 2025

Ordinary non -voting shares		2025		Comparative holdings of the top 25 shareholders in 2024	
		No. of Shares	%	No. of Shares	%
1	Mr. S. P. N. Kodituwakku	330,687,248	10.73	330,687,248	10.73
2	Hatton National Bank PLC / Weththinge Jinadasa	269,236,355	8.74	N/Q	N/Q
3	Mr. R. Gautam	164,808,700	5.35	164,050,000	5.32
4	Sampath Bank PLC / Dr. Mayuramana Dewolage	110,463,620	3.59	85,106,025	2.76
5	Sampath Bank PLC / Andaradeniya Estate Private Limited	79,127,826	2.57	79,127,826	2.57
6	Seylan Bank PLC / Jayantha Dewage	77,186,982	2.51	77,187,082	2.51
7	Mr. S. P. Sedara	52,415,216	1.70	42,916,677	1.39
8	Mr. K. R. Karunaratne	52,368,108	1.70	52,368,108	1.70
9	Seylan Bank PLC / Karagoda Loku Gamage Udayananda	50,000,000	1.62	50,000,000	1.62
10	Dialog Finance PLC / S. D. Divakarage	41,228,496	1.34	41,228,496	1.34
11	Mr. M. A. M. Azlam	36,570,064	1.19	56,570,846	1.84
12	Mr. N. Muhunthan	36,200,000	1.18	34,000,000	1.10
13	Mr. J. J. Ravindran	34,440,000	1.12	34,440,000	1.12
14	Assetline Finance Limited / B.M.A.M.K. Basnayaka	29,019,600	0.94	29,019,600	0.94
15	Mr. D. S. D. De Lanerolle	25,000,000	0.81	N/Q	N/Q
16	Mr. S. Ramanathan	23,280,950	0.76	24,503,344	0.80
17	Mr. K. M. S. M. Razik, Mr. K. M. S. M. Rajabudeen & Mr. K. M. S. M. R. Mohommad	22,101,000	0.72	22,100,000	0.72
18	Mr. M. W. P. W. Jayawardena	20,400,000	0.66	20,400,000	0.66
19	Dialog Finance PLC / C. M. P. P. T. A. Perera	19,000,000	0.62	19,000,000	0.62
20	MR. W. J. D. Benedict	18,000,000	0.58	18,000,000	0.58
21	Hatton National Bank PLC / Ruwan Prassana Sugathadasa	17,969,806	0.58	20,466,806	0.66
22	Mrs. H. P. G. W. Sandarenu	17,873,302	0.58	N/Q	N/Q
23	Mr. P. Poongunaseelan	17,820,762	0.58	N/Q	N/Q
24	Mr. G. N. R. De Silva	17,180,489	0.56	N/Q	N/Q
25	Dialog Finance PLC / S. D. M. Hemajith & R. A. N. Udani	17,000,000	0.55	N/Q	N/Q
Total shares held by the top 25 shareholders - 2025		**1,579,378,524**	**51.25**	-	-
Balance shares held by other ordinary voting shareholders as at December 31, 2025		**1,502,225,188**	**48.75**	-	-
Total ordinary non voting shares		**3,081,603,712**	**100.00**	-	-

N/Q- Not qualify for Top 25 Shareholders in 2024

Directors' Shareholding as at December 31, 2025

Name	Position	Type of share	2025		2024	
			No. of Shares	% of Holdings	No. of Shares	% of Holdings
Mr. H. R. S. Wijeratne	Chairman - NED	Voting	4,169,342,304	64.44	4,169,342,304	64.44
		Non Voting	-	-	-	-
Mr. A. T. S. Sosa*	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. L. Abeysinghe	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. W. M. Dayasinghe	NINED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Justice D. P. S. Jayawardena**	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. S. C. Wijesinghe	NIED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. R. S. Wijeratne***	NINED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Dr. A. G. Illangakoon****	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-

Chief Executive Officer's Shareholding as at December 31, 2025

Name	Position	Type of share	2025		2024	
			No. of Shares	% of Holdings	No. of Shares	% of Holdings
Mr. S. C. Wijesinghe	CEO - NIED	Voting	-	-	-	-
		Non Voting	-	-	-	-

INED - Independent Non-Executive Director
NIED - Non-Independent Executive Director
NINED - Non-Independent Non Executive Director

* Mr. A. T. S. Sosa has retired from his position as a Director and Senior Director from the Board with effect from March 12, 2026.

** Mr. D. P. S. Jayawardena resigned from the Board with effect from January 31, 2026.

*** Mr. R. S. Wijeratne was appointed to the Board as a Non-Independent Non-Executive Director with effect from January 31, 2025.

**** Dr. A. G. Illangakoon was appointed to the Board as an Independent Non-Executive Director with effect from October 24, 2025. He was appointed as the Senior Director with effect from March 24, 2026.

SHARE INFORMATION

	2025	2024
Book Value		
Net assets per share (Rs.)	0.40	0.38
Share Prices		
Ordinary Shares-Voting		
Highest (Rs.)	1.30	0.90
Lowest (Rs.)	0.50	0.50
Close Price (Rs.)	0.70	0.80
Last Traded (Rs.)	0.80	0.80
Ordinary Shares-Non Voting		
Highest (Rs.)	0.50	0.40
Lowest (Rs.)	0.20	0.20
Close Price (Rs.)	0.40	0.30
Last Traded (Rs.)	0.40	0.30
Earnings		
Ordinary Shares		
Basic earnings per share (Rs.)	0.02	0.02
Price earning ratio (Times)	33.55	31.93
Dividend per share	-	-
Dividend pay out ratio	-	-
Frequency of Shares Traded		
Number of Shares Traded		
Voting	1,845,931,758	832,134,671
Non Voting	1,146,267,560	363,303,840
Number of Transactions		
Voting	21,955	9,095
Non Voting	11,863	4,254
Total Number of Shareholders		
Voting	12,792	11,387
Non Voting	7,250	6,547
Total Number of Public Shareholders		
Voting	12,789	11,384
Non Voting	7,250	6,547
Percentage of Public holding		
Voting	35.56%	35.56%
Non Voting	100.00%	100.00%
Float Adjusted Market Capitalization		
SMB Finance PLC Value (Rs. Mn)	1,610	1,841
Solvency and Debt Capital		
Debt to equity ratio (Times)	0.78	0.61
Tier 1 capital ratio (%)	81.05	89.38
Total capital ratio (%)	80.40	88.02
Interest cover (Times)	2.31	2.58
Current ratio (Times)	1.19	2.46

Minimum Public Holding Requirement

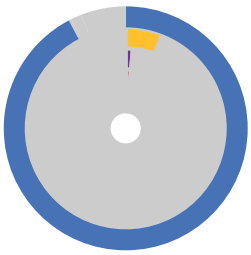
The Company is in compliance with option 5 of Section 7.13.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange pertaining to minimum public holding.

DISTRIBUTION OF SHAREHOLDERS

Ordinary Voting Shareholding as at December 31, 2025

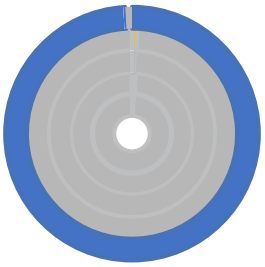
Range of Shareholdings	Resident			Non Resident			Total		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
1 to 1,000	5,521	3,313,373	0.05	9	4,755	0.00	5,530	3,318,128	0.05
1,001 to 10,000	3,815	17,370,739	0.27	5	33,590	0.00	3,820	17,404,329	0.27
10,001 to 100,000	2,183	83,010,715	1.28	11	466,609	0.01	2,194	83,477,324	1.29
100,001 to 1,000,000	976	346,117,401	5.35	4	2,023,000	0.03	980	348,140,401	5.38
1,000,001 & above	265	5,365,551,929	82.92	3	652,482,937	10.08	268	6,018,034,866	93.01
Total	**12,760**	**5,815,364,157**	**89.88**	**32**	**655,010,891**	**10.12**	**12,792**	**6,470,375,048**	**100.00**

ORDINARY VOTING-RESIDENT



0.05% 1 to 1000 shares
0.27% 1001 to 10,000 shares
1.28% 10001 to 100,000 shares
5.35% 100,001 to 1,000,000 shares
82.92% 1,000,001and above

ORDINARY VOTING-NON RESIDENT

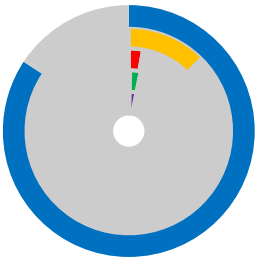


0.00% 1 to 1000 shares
0.00% 1001 to 10,000 shares
0.01% 10001 to 100,000 shares
0.03% 100,001 to 1,000,000 shares
10.08% 1,000,001and above

Ordinary Non Voting Shareholding as at December 31, 2025

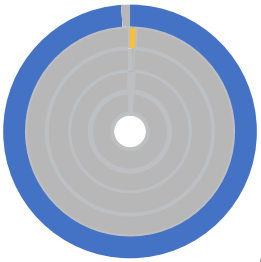
Range of Shareholdings	Resident			Non Resident			Total		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
1 to 1,000	1,995	731,420	0.02	3	275	0.00	1,998	731,695	0.02
1,001 to 10,000	2,036	10,711,856	0.35	5	29,000	0.00	2,041	10,740,856	0.35
10,001 to 100,000	1,902	80,570,727	2.61	3	76,500	0.00	1,905	80,647,227	2.62
100,001 to 1,000,000	972	363,591,708	11.80	4	1,513,010	0.05	976	365,104,718	11.85
1,000,001 & above	322	2,442,960,516	79.28	8	181,418,700	5.89	330	2,624,379,216	85.16
Total	**7,227**	**2,898,566,227**	**94.06**	**23**	**183,037,485**	**5.94**	**7,250**	**3,081,603,712**	**100.00**

ORDINARY NON VOTING-RESIDENT



0.02% 1 to 1000 shares
0.35% 1001 to 10,000 shares
2.61% 10001 to 100,000 shares
11.80% 100,001 to 1,000,000 shares
79.28% 1,000,001and above

ORDINARY NON VOTING - NON-RESIDENT



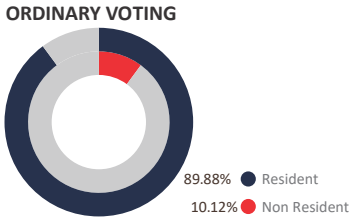
0.00% 1 to 1000 shares
0.00% 1001 to 10,000 shares
0.00% 10001 to 100,000 shares
0.05% 100,001 to 1,000,000 shares
5.89% 1,000,001and above

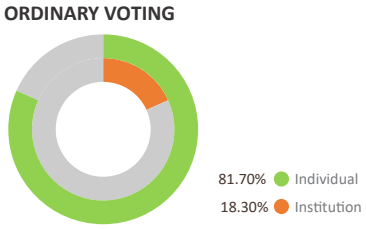
COMPOSITION OF SHAREHOLDERS

Ordinary Voting Shares

	December 31, 2025			December 31, 2024		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
Resident	12,760	5,815,364,157	89.88	11,355	5,815,398,257	89.88
Non-Resident	32	655,010,891	10.12	32	654,976,791	10.12
Total	**12,792**	**6,470,375,048**	**100.00**	**11,387**	**6,470,375,048**	**100.00**
Individual	12,503	5,286,520,630	81.70	11,099	5,082,341,129	78.55
Institution	289	1,183,854,418	18.30	288	1,388,033,919	21.45
Total	**12,792**	**6,470,375,048**	**100.00**	**11,387**	**6,470,375,048**	**100.00**

The percentage of Ordinary Voting Shares held by the public was 35.56% of the issued share capital as at December 31, 2025.

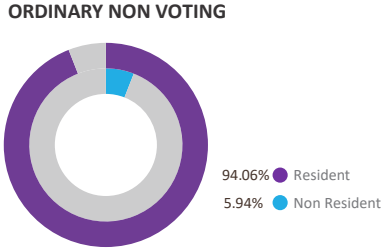


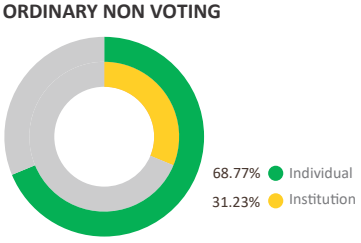


Ordinary Non-Voting Shares

	December 31, 2025			December 31, 2024		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
Resident	7,227	2,898,566,227	94.06	6,524	2,900,213,313	94.11
Non-Resident	23	183,037,485	5.94	23	181,390,399	5.89
Total	**7,250**	**3,081,603,712**	**100.00**	**6,547**	**3,081,603,712**	**100.00**
Individual	7,074	2,119,116,643	68.77	6,358	2,360,443,644	76.55
Institution	176	962,487,069	31.23	189	721,160,068	23.45
Total	**7,250**	**3,081,603,712**	**100.00**	**6,547**	**3,081,603,712**	**100.00**

The percentage of Ordinary Non Voting Shares held by the public was 100.00% of the issued share capital as at December 31, 2025.





SMB FINANCE PLC

CORPORATE STEWARDSHIP

BOARD OF DIRECTORS



Mr. Ravi Wijeratne

Chairman / Non-Executive Director

Mr. Ravi Wijeratne is the Chairman / Managing Director of Rank Holdings and Rank Group of Companies with interests that vary from property, logistics, hydropower and wind energy, solid waste management and entertainment. Rank Container Terminals (Pvt) Ltd is one of the largest dry ports in Sri Lanka and handles 80% of the imported cargo volume that is imported through the Port of Colombo.

Rank Entertainment Holding (Pvt) Ltd is one of the two licensed gaming companies operating in Sri Lanka and has been in operation for the past 30 years.

Mr. Wijeratne is an Accountant and has obtained his qualification from the London School of Accountancy & Management in the United Kingdom.



Mr. Shardha Sosa

Independent Non-Executive Senior Director

Mr. Shardha Sosa is an Associate Member of the Chartered Institute of Management Accountants – UK, a Fellow member of Certified Management Accountants of Sri Lanka and a Member of the British Computer Society with over 28 years of experience.

Starting his career in 1990 as a Management Trainee, he has experience in the grades of Accountant, Chief Accountant and Financial Controller from 1998 to 2015 at MJF Holdings (Dilmah Tea). At present, he is the Director- Finance at Forbes & Walker (Pvt) Ltd. Having led multifunctional teams and implemented many ERP systems have in-depth knowledge of Planning and Budgeting, Having the experience in costing, pricing, treasury operations, risk management procedures, ERP planning, taxation, and investment analysis, he has been a key figure in the development and expansion of Dilmah Tea. Mr. Sosa was appointed as the Senior Director to the Board of SMB Finance PLC in February 2025. Mr. Sosa retired from the Board on March 9, 2026 after completing 9 years as a board member.



Mr. Lolitha Abeysinghe

Independent Non-Executive Director

Mr Lolitha Abeysinghe is the Executive Director of EML Consultants PLC, the only listed consultancy company in Sri Lanka and the Managing Director of Chelinaa Capital Corporation group. He has a Master's Degree in Business Administration and a Diploma in Marketing. He is also a Fellow Member at the Toronto Centre, Canada, in Securities Regulations. Mr. Abeysinghe is also a former Commissioner of the Securities and Exchange Commission of Sri Lanka. He has held many board positions in prominent private and public-sector organisations in the past, including Kings Hospital as a founder-shareholder director and the National Apprentice and Industrial Training Authority, Sri Lanka, as a director. He is also involved in cross-border commerce advisory, cross-border transaction structuring, and business modelling for offshore operations.

BOARD OF DIRECTORS



Mr. Supul Wijesinghe
Executive Director /
Chief Executive Officer

Mr. Supul Wijesinghe holds a Bachelor of Science (BSc) Degree in Business Administration from the University of Sri Jayewardenepura, Bachelor of Laws (LLB) Degree from the Buckinghamshire New University, Master in Accounting and Finance Degree from the University of Kelaniya, Master of Laws (LLM) Degree from the Buckinghamshire New University and is currently reading for his PhD. He is a Fellow Member of the Chartered Institute of Management Accountants – United Kingdom, a Fellow Member of the Association of Chartered Certified Accountants – United Kingdom, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Chartered Global Management Accountant (CGMA) of the American Institute of Certified Public Accountants.

In his extraordinary and multifaceted career, Mr Wijesinghe has held many national and international positions including Audit and Assurance Manager in PricewaterhouseCoopers (PwC), Financial Management Specialist in The World Bank, Country Finance Head in 3M, an American multinational conglomerate known for its extensive innovation in various product lines, prior to joining SMB Finance PLC in March 2017 as the Chief Financial Officer and the Head of Strategy. He was promoted to the position of Chief Executive Officer in January 2020 and was appointed to the Board of Directors as the Executive Director in March 2023.

Mr. Wijesinghe counts for over 27 years of experience in audit, risk management, financial management, strategic planning, business transformation, compliance, treasury, and performance analysis. He is presently serving as an Independent Non- Executive Director of Financial Ombudsmen of Sri Lanka, as an Independent Non- Executive Director of the Private Health Services Regulatory Council of Sri Lanka and as an Independent Non-Executive Senior Director of National Savings Bank. He has also held many Board positions in private and public sector organisations in the past including SMB Money Brokers Ltd as an Independent Non-Executive Director and the National Medicines Regulatory Authority as an Independent Non-Executive Director.

A researcher in the field of corporate governance, Mr Wijesinghe has done several research articles with the most recent being Critical Analysis of Agency Law of UK. As a corporate trainer in strategic management and emotional intelligence, Mr Wijesinghe has conducted many training programs in Sri Lanka and Maldives. He has also been a supervising member and mentor for professional accounting students of ICASL, ACCA, CIMA and CMA thereby contributing to the growth of the accountancy profession in Sri Lanka.

BOARD OF DIRECTORS



Mr. Wijekoon Dayasinghe

Non Independent Non-Executive Director

Mr. Wijekoon Dayasinghe holds a Bachelor of Commerce (B.Com) Degree from the University of Colombo. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Association of Accounting Technicians of Sri Lanka. He holds a Diploma in Information System Security, Control and Audit jointly conducted by the Institute of Chartered Accounts of Sri Lanka and Institute of Chartered Accountants of India and also Diploma in Treasury Investment and Risk Management conducted by the Institute of the Bankers of Sri Lanka / College of Banking and Finance.

He is a banker having more than 18 years experience in the banking sector in Sri Lanka. Mr. Dayasinghe has served as General Manager / Chief Executive Officer of the State Mortgage and Investing Bank (SMIB) in Sri Lanka for more than 10 years. He counts for over 39 years of experience in financial management, banking, audit, risk management, strategic planning, marketing, recovery, treasury management and branch operations.

Since November 2023, Mr. Dayasinghe is employed as Group Chief Financial Officer in the Rank Group of Companies. He was appointed to the Board as a Non-Independent Non-Executive Director in April 2024.



Justice Dhammika Priyantha Samarakoon Jayawardena

Independent Non-Executive Director

Justice Dhammika Priyantha Samarakoon Jayawardena P.C. is an Attorney-at Law by profession and holds a Master's Degree in Law (LLM) from the University of Aberdeen in United Kingdom. In 2012, he was appointed as a Presidents Counsel. Justice. Jayawardena started his career as a State Counsel in the Attorney General's Department in 1991 and was appointed as a Supreme Court Judge in 2014, a position he held till March 2024. He has also served as a Commission Member of the Securities and Exchange Commission of Sri Lanka from 2009 to 2012, a Director of the National Savings Bank from 2012 to 2013 and as a Member of the Incorporated Legal Counsel of Education from 2021 to 2024. He was appointed to the Board as an Independent Non-Executive Director in December 2024. He resigned from the Board with effect from January 31, 2026.



Mr. Shahen Wijeratne

Non - Independent Non-Executive Director

Mr. Shahen Wijeratne is a Civil Engineer by profession having a Degree in Civil Engineering from University of Leeds in the United Kingdom. He is the Managing Director of Senura Civil Engineering (Pvt) Ltd and an Executive Director of Rank Container Terminals (Pvt) Ltd.

Mr. Shahen Wijeratne is the son of Mr. Ravi Wijeratne who is the Chairman of the SMB Finance PLC. He has 8 years experience in managing various construction projects including highways and condominium property projects. He was appointed to the Board as a Non-Independent Non-Executive Director in January 2025.

BOARD OF DIRECTORS



Dr. Gishan Illangakoon

Independent Non-Executive Director

Dr. Gishan Illangakoon is a multifaceted banking and finance professional with over 32 years of progressive experience across retail, MSME, corporate banking, project finance, trade, risk management, and sustainable finance. He has held senior leadership positions in both international and local financial institutions, including Hatton National Bank (Sri Lanka), Barclays Bank (UAE), United Arab Bank (UAE), and MCB Bank (Pakistan–Sri Lanka Operations).

He also served as Chief Executive Officer of Pan Oceanic Bank, Solomon Islands, where he successfully led strategic initiatives in business development, credit risk governance, sustainability integration, and institutional capacity building, and strengthening financial resilience. As the former Vice President of the Association of Banking Sector Risk Professionals (Bankers' CRO Forum – Sri Lanka), he contributed significantly to enhancing risk management frameworks and governance standardswithin the banking sector, and collaborated closely with regulators on consultation papers and policy recommendations to advance prudential supervision.

Dr. Illangakoon holds a PhD in Management from the Management and Science University (MSU), Malaysia, and an MBA from the University of Wales, United Kingdom. He is a Fellow of the Institute of Bankers (FIB) and a Fellow of the Chartered Professional Managers (FCPM), holds a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka, and is a Member of the Chartered Institute of Marketing (UK) as well as the Association of Professional Bankers (Sri Lanka). A passionate researcher, writer, and trainer, Dr. Illangakoon has published numerous technical papers, research articles, and thought pieces in international journals, universities, and national publications.

He is a regular contributor to daily national papers, covering topics such as socioeconomic development, risk management, sustainable finance, and climate change, and has submitted several policy proposals to government bodies focused on economic development and financial sector reforms. He is also the creator of the "ABCDE Framework – Basics for Success", an original concept for personal and professional development built on Attitude, Behaviour, Commitment, Discipline, and Execution, promoting a values-driven approach to leadership and sustainable success. Dr. Illangakoon's strategic foresight, regulatory insight, and cross-regional leadership experience make him a value-adding independent voice in advancing strong governance, risk culture, and sustainability-driven growth within corporate and financial institutions. Dr. Illangakoon was appointed to the Board as an Independent Non-Executive Director in October, 2025. He was appointed as the Senior Director with effect from March 24, 2026.

BOARD OF DIRECTORS



Ms. Sureshnee Kumarasena

Independent Non-Executive Director

Ms. Sureshnee Kumarasena is a finance professional whose career spans over a decade across auditing, corporate finance, and equity research. An Associate Member of CIMA she has honed her expertise in financial modelling, valuations, industry research, and investment analysis. She is currently employed at Acuity Knowledge Partners where she is a Financial Analyst. Her earlier leadership role at OSL Global saw her spearheading corporate finance initiatives, foreign direct investment projects, and strategic restructuring across diverse industries, from hospitality and pharmaceuticals to agriculture and power. With a strong foundation built at PwC and MAS Fabrics, Ms. Kumarasena combines technical mastery with strategic vision, consistently driving value creation and business growth.

Her academic pursuit of a Master's in Financial Mathematics further reflects her commitment to deepening her analytical edge, positioning her as a dynamic force in the world of finance and investment. She was appointed to the Board as an Independent Non-Executive Director in March, 2026.



Ms. Samanthika Athuldoraarachchi

Non-Independent Non-Executive Director

Ms. Samanthika Athuldoraarachchi is a highly accomplished and results-driven Attorney-at-Law with over 15 years of extensive experience in legal practice, corporate governance, and company secretarial services. She has developed a well-rounded expertise across a broad spectrum of legal disciplines, including commercial and corporate law, regulatory compliance, intellectual property, conveyancing, and litigation. Her professional career reflects a strong track record of providing strategic legal advice to senior management, ensuring organizational compliance with statutory and regulatory requirements, and effectively mitigating legal and operational risks.

She has successfully represented corporate clients in the Commercial High Court, District Courts, and Magistrate's Courts, handling complex legal matters with professionalism and precision. Ms. Athuldoraarachchi has significant experience in drafting, reviewing, and negotiating a wide range of legal documents, including contracts, corporate agreements, and policy frameworks. In addition to her corporate roles, she has maintained an active independent legal practice, appearing in civil, family, land, and financial recovery matters, while also serving as a Company Secretary and Trademark Agent for a diverse client base. Her earlier experience in the public sector further strengthened her expertise in human resource administration, labour relations, and public procurement procedures. She was appointed to the Board as a Non -Independent Non-Executive Director in March, 2026.

BOARD OF DIRECTORS



Mr. Ruchit Kandage

Independent Non-Executive Director

Mr. Ruchit Kandage is a finance, capital structure, and governance professional with over two decades of international experience across Asia, the GCC, and the United States. His career spans senior roles in corporate finance, public-sector advisory, development-partner programs, and large-scale project financing. He has led capital structure optimization, treasury governance, liquidity oversight, restructuring initiatives, and project finance transactions across the energy, infrastructure, and financial services sectors. Mr. Kandage has specialized training in project finance and public-private partnerships, including executive education at the Harvard Kennedy School and the CP3P Foundation certification.

His expertise includes financial modelling, risk management, capital markets preparation, and governance frameworks aligned with regulatory expectations. He holds an MBA from London Business School and Chicago Booth, and a Bachelor of Business Administration (Honours) from the University of Colombo. He brings strong governance discipline, regulatory alignment, and a commitment to transparent and responsible board stewardship. He was appointed to the Board as an Independent Non-Executive Director in April, 2026.

COMPANY SECRETARY



Ms. Ruwangani Jayasundera

Company Secretary

Ms. Ruwangani Jayasundera is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) in the United Kingdom and has obtained a Master's Degree in Business Administration (MBA) from the University of Colombo in 1985.

Ms. Jayasundera started her career in 1978 at Ernst & Young Chartered Accountants as an Audit Trainee and joined Star Garments Ltd in 1980 as an Assistant Accountant. From 1981 to 1983 she worked as the Chief Accountant of Industrial Components Ltd and went on to join Computer Systems Consultants Ltd as a Systems Analyst in 1984. From 1986 to 1990 she worked as the Deputy Executive Director at Sri Lanka Business Development Centre. In 1990, Ms. Jayasundera joined the DFCC Bank as a Senior Project Officer and after an illustrious banking career at the DFCC, Ms. Jayasundera retired from the DFCC Bank in 2013 as the Vice President – Credit.

In 2013, Ms. Jayasundera joined P W Corporate Secretarial (Pvt) Ltd as a Company Secretary and provided company secretarial services to the Company until January 2025. Thereafter, she joined the SMB Finance PLC as the Company Secretary in February 2025.

CORPORATE MANAGEMENT TEAM

Mr. Supul Wijesinghe

Executive Director / Chief Executive Officer



Mr. Supul Wijesinghe holds a Bachelor of Science (BSc) Degree in Business Administration from the University of Sri Jayewardenepura, Bachelor of Laws (LLB) Degree from the Buckinghamshire New University, Master in Accounting and Finance Degree from the University of Kelaniya, Master of Laws (LLM) Degree from the Buckinghamshire New University and is currently reading for his PhD. He is a Fellow Member of the Chartered Institute of Management Accountants – United Kingdom, a Fellow Member of the Association of Chartered Certified Accountants – United Kingdom, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Chartered Global Management Accountant (CGMA) of the American Institute of Certified Public Accountants.

In his extraordinary and multifaceted career, Mr. Supul has held many national and international positions including Audit and Assurance Manager in PricewaterhouseCoopers (PwC), Financial Management Specialist in The World Bank, Country Finance Head in 3M, an American multinational conglomerate known for its extensive innovation in various product lines, prior to joining SMB Finance PLC in March 2017 as the Chief Financial Officer and the Head of Strategy. He was promoted to the position of Chief Executive Officer in January 2020 and was appointed to the Board of Directors as the Executive Director in March 2023.

Mr. Supul counts for over 27 years of experience in audit, risk management, financial management, strategic planning, business transformation, compliance, treasury, and performance analysis. He is presently serving as an Independent Non- Executive Director of Financial Ombudsmen of Sri Lanka, as an Independent Non- Executive Director of the Private Health Services Regulatory Council of Sri Lanka and as an Independent Non-Executive Senior Director of National Savings Bank. He has also held many Board positions in private and public sector organisations in the past including SMB Money Brokers Ltd as an Independent Non-Executive Director and the National Medicines Regulatory Authority as an Independent Non-Executive Director.

Mr. Nigel Wijesinghe

Head of Credit



Mr. Nigel Wijesinghe has a Master of Business Administration (MBA) from the Federal University of Wales in the United Kingdom. He has also completed OMEGA Credit Skills in the USA and Credit Evaluation at Asia Pacific Credit Association, Manila. Mr. Nigel started his career as an Executive at Hatton National Bank and was subsequently promoted to positions of Assistant Manager, Manager, Senior Manager and HNB Deputy Regional Head for Colombo.

Thereafter, he went on to join the National Bank of Umm Al Qaiwain in UAE as Manager - Credit & Risk. Then he moved to Pan Oceanic Bank in Solomon Islands as the Chief Operating Officer a position which he held until joining SMB Finance PLC in 2018. He counts over 40 years of banking experience in operations, internal audit, risk management, credit evaluation, collection and credit management.

Mr. Upul Wijesinghe

Head of Branch Operations



Mr. Upul Wijesinghe holds a Diploma in Hire Purchase & Lease Financing and has completed a Certificate Course in Marketing & Financial Services conducted by the Institute of Bankers of Sri Lanka. Mr. Upul commenced his career at SMB Finance PLC in 1998 as a Sales Officer and has held several positions within the organization. In 2011, he was appointed as Head of Sales and presently serves as the Head of Branch Operations. He possesses over 27 years of experience in banking, leasing, hire purchase, and credit management.

CORPORATE MANAGEMENT TEAM

Mr. Thilak Wijegoonwardene

Head of Security



Mr. Thilak Wijegoonwardene holds a Bachelor of Arts Degree from the University of Vidyodaya. Mr. Thilak joined the Sri Lanka Police in 1972 as a Sub Inspector and served in numerous capacities within the Police Department, rising through the ranks to retire as a Deputy Inspector General (DIG) of Police. During his distinguished career spanning 40 years, he held several senior appointments including Assistant Superintendent of Police, Superintendent of Police, and Senior Superintendent of Police. He also gained extensive experience in the Criminal Record Division, including the Finger Print Bureau of the Criminal Investigation Department (CID).

Following his retirement from the Police Department, he was appointed Chairman of the Marine Environment Protection Authority (MEPA), a position he held until 2015. Prior to joining SMB Finance PLC, he served as a Security Consultant at Bimputh Finance PLC for four years.

Mr. Lalith Fernando

Head of Risk Management



Mr. Laith Fernando holds a Bachelor of Science Degree in Statistics from the University of Peradeniya and a Master of Science Degree in Management from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Bankers of Sri Lanka and was the first Sri Lankan to obtain the prestigious Financial Risk Manager (FRM) certification awarded by the Global Association of Risk Professionals (GARP), USA, in 2012. Mr. Lalith has had an illustrious career spanning nearly three decades at the Bank of Ceylon, where he held several executive and corporate management positions.

Prior to his retirement in 2015, he served as Deputy General Manager and Chief Risk Officer of the Bank. In 2016, he joined Pan Asia Bank as Chief Risk Officer. Before joining SMB Finance PLC in 2023, he worked as a Consultant in Banking and Financial Risk Management and also served as a resource person for several academic and professional institutions in Sri Lanka. Mr. Lalith possesses over 30 years of experience in financial risk management, investment and portfolio management, as well as the development of credit risk rating and risk-based pricing models.

Ms. Menaka Silva

Head of Corporate Planning & Strategy



Ms. Menaka Silva obtained her Bachelor of Science Degree (BSc) in Statistics and Computer Science and Master of Business Administration (MBA) from the University of Kelaniya. She is a Member of the Association of Chartered Certified Accountants (ACCA) in the United Kingdom and Fellow Member of the Institute of Certified Management Accountants (FCMA) of Sri Lanka and a Fellow Member of the Institute of Chartered Professional Managers (FCPM).

Ms. Menaka started her career in 2002 as a Management Trainee at Interco Services Ltd and was promoted to Accounts Executive in 2003. In 2004, Ms. Menaka moved to The Bobbin (Pvt) Ltd as an Accounts Executive, and in 2006 she joined Apparel Technologies (Pvt) Ltd as an Assistant Accountant and since, then she has held various positions in her career obtaining over 24 years of experience in the fields of accounting and finance. Prior to joining SMB Finance PLC in April 2022, she worked as the Chief Accountant at Apparel Technologies (Pvt) Ltd.

CORPORATE MANAGEMENT TEAM

Mr. Thurairajah Thavaeaswaran

Head of IT



Mr. Thurairajah Thavaeaswaran, holds a Professional Graduate Diploma in British Computer Society (BCS) and the member of The Chartered Institute for IT. He has exposure in DevOps Engineer Master Program, Amazon Web Services (AWS) certified solution architect, Microsoft Certified Systems Engineer (MCSE), and Cisco Certified Network Associate (CCNA). Mr. Thurairajah started his career as an Engineer at Micom International College in 2000, and later worked as an IT Technician at Apollo Hospitals Colombo in 2006. Thereafter, in 2007, he joined Nisan Computer Developers and Designers as a Network Engineer. Prior to joining SMB Finance PLC, Mr. Thurairajah worked as Head of IT at Cliftex Industries (Pvt) Ltd. Since joining SMB Finance PLC in November 2023 as the Head of IT, Mr. Thurairajah has adopted a pragmatic approach in transforming the organisation's technological advancement. Mr. Thurairajah has over 25 years of experience in the IT industry.

Ms. Sachini Wijesinghe

Financial Controller



Ms. Sachini Wijesinghe obtained her Bachelor of Science Degree (BSc) Specialized in Accounting from the University of Sri Jayewardenepura with First Class Honours. She has completed the MBA in March 2025 with a Merit Pass from the University of Sri Jayewardenepura. She is a Member of the Institute of Chartered Accountants of Sri Lanka, a Member of the Chartered Institute of Management Accountants (CIMA) in the United Kingdom and a Member of the Association of Chartered Certified Accountants (ACCA) in the United Kingdom. Ms. Sachini started her career at KPMG, one of the Top 4 International Audit Firms and then joined 3M, a Fortune 500 Company as an Assistant Accountant. In 2017, she joined SMB Finance PLC as Assistant Accountant and became the First Chartered Accountant produced by SMB Finance PLC under the Company's training partnership with the Institute of Chartered Accountants of Sri Lanka. While being employed at SMB Finance PLC, she represented the Institute of Chartered Accountants of Sri Lanka at the International Conference for CA Students which was held in India. In July 2019, Ms. Sachini joined Dialog Finance PLC as Assistant Manager - Financial Accounting & Reporting and went on to join Richard Pieris & Company PLC as Manager – Financial Analysis. Ms. Sachini re-joined SMB Finance PLC in February 2021 as the Manager - Financial Analysis attached to the Credit Department. She was assigned to head the Treasury Department as the Manager – Treasury with the commencement of operations in the Treasury Department in April 2022. Ms. Sachini spearheaded the finance business licensing process for SMB collaborating with the Board of Directors and Senior Management to successfully complete the task. In October 2023, she was promoted to the position of Senior Manager – Corporate Planning & Strategy. At present, she heads the Finance Department as the Financial Controller.

Mr. Rangana Tharaka

Senior Manager – Deposits



Mr. Rangana Tharaka obtained his Bachelor of Science Degree (BSc) in Physical Science from the University of Colombo and holds a Master of Business Administration (MBA) specialized in Finance from the University of Sri Jayewardenepura. Mr. Rangana started his career in 2006 as a Banking Trainee at Commercial Bank of Ceylon PLC and was promoted to the grade of Junior Executive in June 2008. After 9 years of service at Commercial Bank of Ceylon PLC, he joined to Cargills Bank as an Executive Officer in 2016. In 2017, he joined to DFCC Bank PLC as an Assistant Relationship Manager where he handled a credit portfolio of LKR 1.5 Bn. In 2021, he joined Nations Trust Bank PLC as a Deputy Relationship Manager prior to joining SMB Finance PLC in May 2022 as a Manager – Credit.

He was promoted to the position of Senior Manager – Deposits in 2023. Mr. Rangana counts more than 19 years of overall experience in banking and finance industry and possesses a thorough knowledge in credit and operation functions in the industry.

CORPORATE MANAGEMENT TEAM

Mr. Chamindika Wickramasinghe

Senior Manager – Recovery



Mr. Chamindika holds a Bachelor of Arts Degree in Defense Studies from Kotelawala Defense University, Sri Lanka. He has also partly completed the Licentiate Examination of the Institute of Chartered Accountants of Sri Lanka. Chamindika started his career in 1997 as a Cadet Officer in the Sri Lanka Army and served for 12 years and retired. as a Lieutenant of the Sri Lanka Light Infantry Regiment In 2008, he joined C. W. Mackie PLC as an Assistant Manager – Administration and then joined Co-operative Insurance Company Limited as Manager of Administration and Logistics in 2011. Then Mr. Chamindika joined Delmege Forsyth & Co. Ltd in 2018 as Manager – Facilities Management and moved on to Leesons Hospital (Pvt) Ltd as an Operations Manager in 2019. Prior to joining SMB Finance PLC in, 2023 he worked as Senior Manager – Administration at Summer Season Ltd of Vallibel Holdings.

Hitheshika Weththasinghe

Senior Manager - Human Resources



Ms. Hitheshika Weththasinghe holds a Bachelor's Degree in Social Sciences from the Open University of Sri Lanka and a Master's Degree in Human Resource Management from the University of Kelaniya. She is also an Associate Member of the Chartered Institute of Personnel Management (CIPM) of Sri Lanka and an Associate Member of the Institute of Chartered Professional Managers (ACPM) of Sri Lanka. Ms. Hitheshika commenced her career in 2006 as a Coordinator at Blue Moon Jewelry and joined DPJ Holdings in 2008 as Executive Secretary to the General Manager.

In 2012, she joined Yoraka Engineering as Executive Secretary to the Managing Director and subsequently joined Sathsindhu Forwarding & Security Ltd in 2013 as an HR Executive.In 2015, she joined Bimputh Finance PLC as Assistant Manager – Human Resources and was promoted to Head of Human Resources in 2018. In 2021, she joined Apexed (Pvt) Ltd as Head of Human Resources & Administration, prior to joining SMB Finance PLC. Ms. Hitheshika possesses over 19 years of experience in human resources management, administration, and secretarial functions. Her expertise includes corporate restructuring, building high-performing teams, streamlining HR operations, performance management, and fostering a positive workplace culture.

Ms. Randulani Godage

Manager – Compliance



Ms. Randulani Godage is a Member of the Association of Accounting Technicians (AAT) of Sri Lanka and an Associate Member of the Institute of Chartered Professional Managers (ACPM) of Sri Lanka. She holds a Master of Business Administration (MBA) degree from the University of Suffolk in the United Kingdom. Ms. Randulani commenced her professional journey in 1998 at Alliance Finance Company PLC, where she gained experience in finance and administration. In 2002 she joined the Yashoda Group of Companies and went on to join Advantage Technologies (Pvt) Ltd in the year 2003.

In 2005, Ms. Randulani joined Seylan Merchant Leasing PLC as the Executive Secretary to the Executive Director. Following the Company's change in ownership in 2009, she was transferred to Seylan Merchant Bank PLC, continuing in the same position. She continued to serve as the Executive Secretary to the Chief Executive Officer of SMB Leasing PLC until 2022. With the requirement to have a dedicated Compliance Officer during the Company's transition to a license finance company, Ms. Randulani was appointed as the Manager – Compliance of SMB Finance PLC in October 2022. She possesses over 27 years of experience in accounting, finance, administration and compliance.

CORPORATE MANAGEMENT TEAM

Isuru Jayasuriya

Manager - Legal



Mr. Isuru Jayasuriya is an Attorney-at-Law of the Supreme Court of Sri Lanka, a Licensed Notary Public, Commissioner of Oaths and Registered Company Secretary. He was called to the Bar in 2013. He has completed the Advanced National Diploma in Human Resource Management at National Institute of Business Management with a Merit Pass.

Mr. Isuru Jayasuriya is an accomplished and results-driven Counsel with over 13 years of post-qualifying experience specializing in civil litigation, real estate conveyancing, and commercial contract drafting. He started his career as a Legal Officer at Road Development Authority and thereafter joined Allianz Insurance as an Assistant Manager – Legal. Prior to joining SMB Finance PLC, he worked at Ben Holdings as the Head of the Legal Department. Mr. Jayasuriya has a proven track record of successfully advocating for clients in court while simultaneously managing high-volume property transactions. He is well versed in banking and finance regulations, compliance frameworks, and mitigating institutional vulnerability while advising the Company's executive leadership on high value financial transactions.

Mr. Roshan Buultjens

Manager – Gold Loans



Mr. Roshan Buultjens holds a Diploma in Gemology from the Association of Gemology in Sri Lanka and a Master of Business Administration (MBA) from the University of Pacific, Nicaragua.

Mr. Roshan commenced his career in 1995 at Swarna Mahal Jewellers (Pvt) Ltd and later joined Ceylinco Diamond Trading in 2006.

In 2010, he joined The Standard Credit Finance Ltd as an Assistant Manager. Prior to joining SMB Leasing PLC in 2017, he served as an Assistant Manager at Multi Finance PLC. He possesses over 26 years of extensive experience in pawning and gold loan operations.

Executive Management



Sejani Abeygunawardena
Attorney-at-Law, LLM
Manager - Legal



Niluka Perera
MAAT, AIB, CBA, CMA (ANZ), MBS
Finance Manager



Prabash Ariyasinghe
AIB, MBS
Manager - Deposits



Kasuri Perera
HNDA, LLB (UK) (Hons), MBA (UK)
Manager - Human Resources



Poornima Karunarathna
BSc. (UK) (Hons), LLB (UK) (Hons)
Manager - Branch Operations



Sulakshi Kumarasinghe
BSc. (UK) (Hons), MBA (UK)
Manager - Credit



Dickson Gunathilake
MBA (NI)
Manager - IT



Tharaka Abeysinghe
BBM (Hons), MBA
Assistant Branch Manager
Matale Branch



Hasini Jayasekara
LLB (Hons), Attorney-at-Law
Legal Officer

EXECUTIVE MANAGEMENT



Anusha Devarulrajah
BA (UK), AIB
Branch Manager
Wellawatta Branch



Manoj De Silva
Branch Manager
Ambalangoda Branch



Pradeep Nalagamage
Branch In-Charge
Bandaragama Branch



Paskaran Kandiah
Assistant Manager - Gold Loans
Matale Branch



Sajeewa Parakrama
Assistant Manager - Gold Loans
City Office Branch



Ishara Fernando
Assistant Manager - Gold Loans
Negombo Branch



Kokila Hansamali
BSc (Hons), MPF
Assistant Manger - Gold Loans
Bandaragama Branch



Prasanna Herath
Branch In-Charge
Negombo Branch



M. A. Chandana
Assistant Manager - Gold Loans
Ambalangoda Branch

Executive Management



Sellappan Nadarajah
Assistant Manager - Gold Loans
Kotahena Branch



Sampath Nanayakakkara
BBM (Hons)
Branch In-Charge
Deniyaya Branch



Sivaratnam Krishnath
MBA (UK)
Assistant Branch Manager
Kotahena Branch

Company Secretariat



Nimmi Sanjeewani
LLB (Hons), LLM, Attorney–at–Law
Assistant Company Secretary

CORPORATE GOVERNANCE AND COMPLIANCE

According to the requirements stated in Section 16.1 of the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka, Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, the Board of Directors issues this corporate governance report setting out the compliance with the provisions of the CBSL's Corporate Governance Direction, Code of Best Practice on Corporate Governance and Section 9 of the Listing Rules which requires a statement to be published in the annual report of the Company confirming that the Company is in compliance with these rules.

Corporate Governance is the process by which companies are directed and controlled by the Board of Directors in the best interest of the shareholders ensuring greater transparency, accuracy and timely financial reporting. SMB Finance PLC is committed to uphold the highest standards of corporate governance and ethical conduct in all its business activities. The Board of Directors are responsible for creating and delivering sustainable stakeholder value through the management of SMB Finance PLC's business.

The disclosures will include measures adopted to protect the interest of stakeholders, the responsibility for the system of internal controls implemented by the management, the Company's commitment to ethical standards of business conduct and information of particular interest to employees, community and customers.

Statement of Compliance

SMB Finance PLC has placed a greater focus on compliance with the regulations of regulatory bodies such as the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The Board ensures that the Company complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and is in line with the same unless disclosed to the contrary.

According to the provisions of the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, the external auditor's certification of the compliance with the Corporate Governance Directions have been issued on May 29, 2026.

Governance Principles and Activities

The Board of Directors

Composition

The Board comprises seven Non-Executive Directors and one Executive Director. Out of the five Non-Executive Directors Four are Independent Directors and the other three Directors are Non-Independent Directors.
The Chairman also acts as a Non-Executive Director. All directors encompass a wide range of skills, talents and experience required to add value to enhance the business.

Composition of the Board as at December 31, 2025

Non Executive



Independent	4
Non-Independent	3

Executive



Non-Independent	1

Gender Representation



Male	8
Female	*Nil*

Board Composition by Age as at December 31, 2025



41-50 Years	2
51-60 Years	3
61-70 Years	3

Board Composition by Length of Tenure as at December 31, 2025



0-5 Years	4
Above 5 Years	4

Professional Experience



Accounting and finance	5
Financing	1
Corporate law	1
HR and administration	8
Engineering	1

Responsibilities of the Board

The ultimate responsibility of all operations of the Company and being accountable to the stakeholders lies with the Board of Directors. Matters reserved for the Board and the Board appointed Sub Committees and those delegated to the management are clearly defined.

The Board is involved and ensures,

- Formulating the corporate strategy and strategic direction of the Company
- Monitoring the effectiveness of the Company's risk management strategy
- Compliance with regulatory and legal standards
- Reviewing the integrity of the Company's accounting and financial statements
- Approval of financial statements for publication
- Approval of budget and corporate plan
- Safeguard interest of shareholders and other stakeholders

Meetings

Meetings are held every month to review and evaluate the performance of the Company. In addition, special meetings are convened when necessary.

Directors' Attendance at Board and Board Sub - Committee Meetings

Name of the Director	Status	Main Board	Audit Committee	Integrated Risk Management Committee (IRMC)	Human Resources & Remuneration Committee	Related Party Transaction Review Committee	Nomination & Governance Committee
Total Number of Meetings		15	15	3	2	4	2
Mr. H. R. S. Wijeratne	NINED	11/15	N/A	N/A	N/A	N/A	2/2
Mr. A. T. S. Sosa (Retired w.e.f. March 09, 2026)	INED	13/15	15/15	2/3	2/2	4/4	N/A
Mr. L. Abeysinghe	INED	13/15	11/15	N/A	1/2	4/4	2/2
Mr. S. C. Wijesinghe	NIED	14/15	N/A	N/A	N/A	N/A	N/A
Mr. W. M. Dayasinghe	NINED	13/15	15/15	N/A	1/2	N/A	N/A
Justice D. P. S. Jayawardena (Resigned w.e.f. January 31, 2026)	INED	13/15	N/A	3/3	1/2	4/4	2/2
Mr. R. S. Wijeratne (Appointed w.e.f. January 31, 2025)	NINED	11/15	N/A	3/3	1/2	N/A	N/A
Dr. A. G. Illangakoon (Appointed w.e.f. October 24, 2025)	INED	2/15	N/A	N/A	N/A	N/A	N/A

N/A - Not a Member of the Committee
NINED - Non-Independent Non-Executive Director
INED - Independent Non-Executive Director
NIED - Non-Independent Executive Director

Governance Framework

Our governance framework is secured on

(i) competent leadership,

(ii) effective internal controls,

(iii) a strong risk culture and

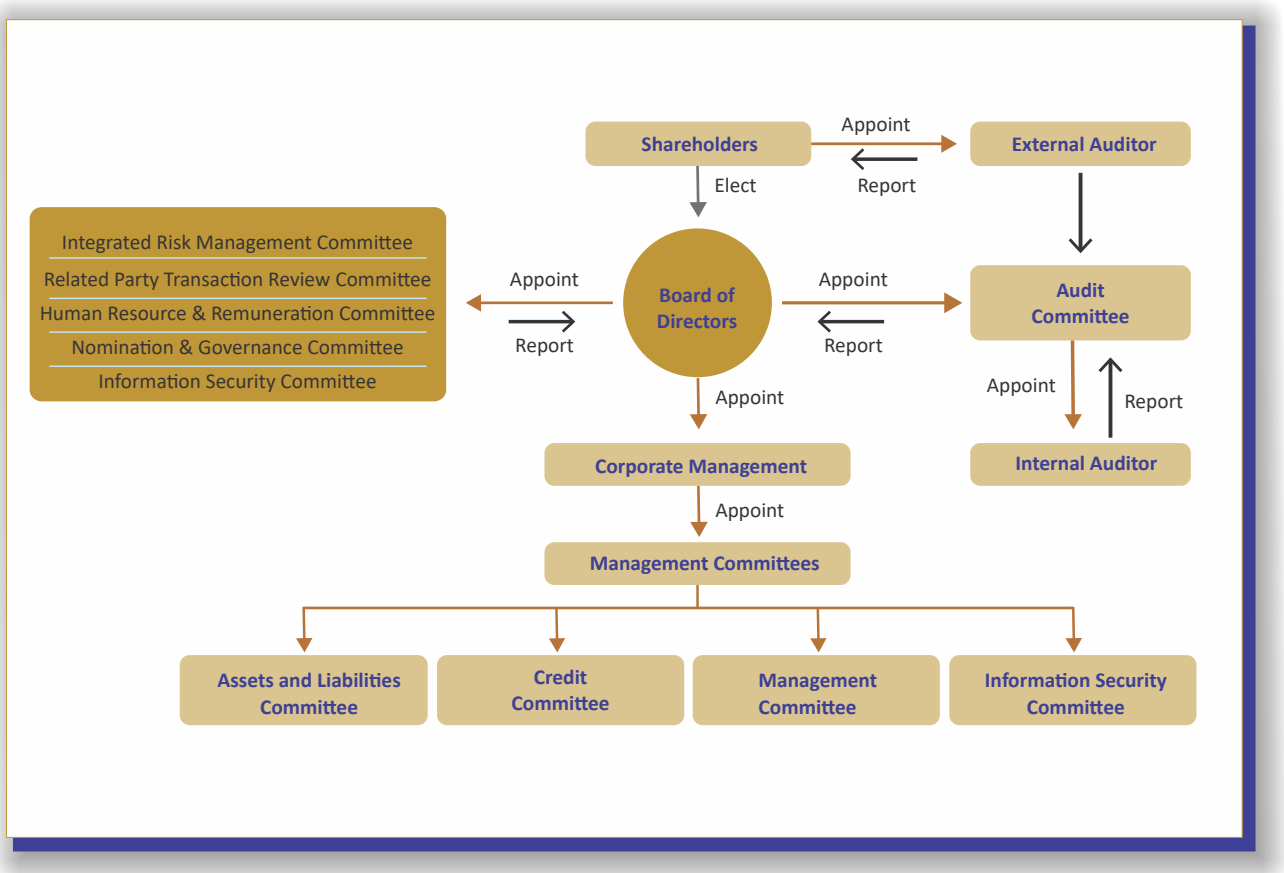
(iv) accountability to shareholders.

We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board.
Our Board plays a key role in setting governance standards to meet our stakeholders' expectations. Our leadership model ensures an appropriate balance of power, accountability and independence in decision making.



Governance Structure

The relationship among the Board of Directors, Board Sub Committees, Corporate Management, Shareholders and other Stakeholders are embedded in the Company's governance structure that is illustrated below.



Appointments to the Board

The Company has appointed a Nomination and Governance Committee for making recommendations on new appointments to the Board and consider and recommend the re-appointment of current Directors to the Board. New directors, including the Chairman are appointed by the Board with reference to the Articles of Association. Details of new appointments are disclosed to the shareholders. Regulatory authorities are also informed as required.

Re-election

The Articles of Association provides for one third (1/3rd) of the Directors to retire by rotation each year, with the exception of the Chairman.

Training of New and Existing Directors

The Board acknowledges the need for continuous development and expansion of knowledge and skills of new and existing Directors. Accordingly, presentations are made to the Board from time to time regarding their duties and responsibilities and changes in industry related matters.

Evaluation of the Board

The Board adopted a scheme of self - assessment undertaken by the Directors annually. Assessments are focused on the Board's contribution to the developments, monitoring and implementation of the strategy, risk management, quality of relationship with the management, employees and shareholders and ensuring proper functioning of the Board Sub-Committees.

Communication with Shareholders

As a policy, the Company makes efforts to communicate with shareholders in an equal manner in all situations and provide information to the stakeholders on a timely manner.

Any major issue/concern raised by a shareholder will be taken up at the monthly Board meeting so that all the members of the Board is aware of the issue/concern and appropriate measures will be taken to resolve the issue.

Means of Communication

The Board of the Company is committed to providing a balanced report of results and progress to the shareholders and respond to questions and issues raised in a timely and consistent manner. This is achieved by the following means of communication.

Financial Statements

The Company reports financial results on a quarterly basis and publishes interim and annual results in accordance with the applicable laws and regulations within the statutory deadlines. This facilitates appropriate decision-making for both existing and potential shareholders.

Website

Our corporate website, www.smblk.com provides an additional channel for communication with shareholders and other stakeholders.

Policies

The Company has established the following policies in conformity with CSE Listing Rule No. 9.2.1 and the existence of these policies are published in the Company's website.

- Policy on the matters relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance, Nominations and Re-election
- Policy on Remuneration
- Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
- Policy on Risk management and Internal controls
- Policy on Relations with Shareholders and Investors
- Policy on Environmental, Social and Governance Sustainability
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Corporate Disclosures
- Policy on Whistleblowing
- Policy on Anti-Bribery and Corruption

Shareholder Meetings

The Company considers the Annual General Meeting (AGM) and other general meetings to be the formal opportunity for dialogue and communication between the Company and its shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues at shareholder meetings.

Corporate Disclosures

Corporate disclosures and other official news releases are communicated from time to time to the Colombo Stock Exchange for dissemination to the public.

Inquiries by Shareholders

Shareholders can raise inquiries and concerns with the Board by contacting the Company Secretary, through the following channel:

Name	: Ms. Ruwangani Jayasundera
Address	: No. 282/1, CBS Building, Galle Road, Colombo 03
Email	: ruwanganij@smblk.com
Telephone	: 011- 4222804

Submission of Statutory Returns, Reports and Payments

The Company's submission of statutory returns, annual accounts and statutory payments are tabled as follows:

Description	Frequency of Submission	Status of Compliance
Central Bank of Sri Lanka		
Submission of weekly returns	Weekly	Compliant
Submission of monthly returns	Monthly	Compliant
Submission of quarterly returns	Quarterly	Compliant
Submission of annual returns	Annually	Compliant
FIU transaction reporting	Within 30 days from the date of transaction	Compliant
EPF payment and return	Monthly	Compliant
ETF payment and return	Monthly	Compliant
Department of Inland Revenue		
Value added tax on financial services (VAT on FS) - Payment	Monthly	Compliant
Value added tax on financial services (VAT on FS) - Return	Bi-Annually / Annually	Compliant
Social Security Contribution Levy (SSCL) - Payment	Monthly	Compliant
Social Security Contribution Levy (SSCL) - Return	Quarterly / Annually	Compliant
Stamp duty – Payment	Quarterly	Compliant
Stamp duty - Return	Quarterly	Compliant
Income tax - Payment	Quarterly	Compliant
Income tax - Return	Quarterly / Annually	Compliant
PAYE tax - Payment	Monthly	Compliant
PAYE tax - Return	Annually	Compliant
Withholding tax – Payment	Monthly	Compliant
Withholding tax – Return	Quarterly / Annually	Compliant
Capital gain tax	As required	Compliant
National Insurance Trust Fund		
Crop insurance levy - Payment	Quarterly	Compliant
Crop insurance levy - Return	Quarterly	Compliant
Colombo Stock Exchange		
Submission of interim reports	Quarterly	Compliant
Submission of annual reports	Before five (05) months from the close of the financial year	Compliant
Registrar General of Companies		
Annual accounts	Annually	Compliant
Annual return	Annually	Compliant
Change of Directors and Company Secretary (Form 20)	As required	Compliant
Sri Lanka Accounting & Auditing Standards Monitoring Board		
Annual accounts	Annually	Compliant

Compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021

The Company's compliance with the requirements of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka effective from July 01, 2022 subject to specific transitional provisions.

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
1. Board's Overall Responsibilities			
1.1	The Board shall have overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements		Compliant
1.2 Business Strategy and Governance Framework			
1.2 a)	Approving and overseeing the implementation of the Company's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment		Compliant
1.2 b)	Approving and implementing Company's governance framework commensurate with the Company's size, complexity, business strategy and regulatory requirements		Compliant
1.2 c)	Assessing the effectiveness of its governance framework periodically		Compliant
1.2 d)	Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities		Compliant
1.3 Corporate Culture and Values			
1.3 a)	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent and professional behavior		Compliant
1.3 b)	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest		Compliant
1.3 c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies		Compliant
1.3 d)	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects in public and regulators		Compliant
1.4 Risk Appetite, Risk Management and Internal Controls			
1.4 a)	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework		Compliant
1.4 b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate, and manage risks prudently		Compliant
1.4 c)	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
1.4 d)	Approving and overseeing business continuity and disaster recovery plan for the Company to ensure stability, financial strength and preserve critical operations and services under unforeseen circumstances		Compliant
1.5 Board Commitment and Competency			
1.5 a)	All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the company		Compliant
1.5 b)	All members of the Board shall possess necessary qualifications, adequate skills, knowledge and experience		Compliant
1.5 c)	The Board shall regularly review and agree the training and development needs of all the members		Compliant
1.5 d)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments		Compliant
1.5 e)	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the company		Compliant
1.6 Oversight to Senior Management			
1.6 a)	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management		Compliant
1.6 b)	Defining the areas of authority and key responsibilities for the senior management		Compliant
1.6 c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the Company's strategic objectives		Compliant
1.6 d)	Ensuring there is an appropriate oversight of the affairs of company by senior management		Compliant
1.6 e)	Ensuring the company has an appropriate succession plan for senior management		Compliant
1.6 f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives		Compliant
1.7 Adherence to the Existing Legal Framework			
1.7 a)	Ensuring that the company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders		Compliant
1.7 b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards		Compliant
1.7 c)	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
2. Governance Framework			
2.1	Board shall develop and implement a governance framework in line with the direction		Compliant
3. Composition of the Board			
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company		Compliant
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13)		Compliant
3.3	The total period of service of a director other than a director who holds the position of CEO/Executive Director shall not exceed nine years, subject to direction 3.4		Compliant
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds mora than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however the number of non-executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board		Compliant
3.5 Executive Directors			
3.5 a)	Only an employee of a company shall be nominated, elected and appointed, as an executive director of the Company, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board		Compliant
3.5 b)	A shareholder who directly or indirectly holds more than 10% of the voting rights of the Company, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the Company and may reappoint as a non executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non executive director subject to provisions contained in direction 4.2 and 4.3		Compliant
3.5 c)	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the Company		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
3.5 d)	All executive directors shall have a functional reporting line in the organization structure of the Company		Compliant
3.5 e)	The executive directors are required to report to the Board through the CEO		Compliant
3.5 f)	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity		Compliant
3.6 Non-Executive Directors			
3.6 a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct		Compliant
3.5 b)	A non-executive director cannot be appointed or function as the CEO/executive director of the Company		Compliant
3.7 Independent Directors			
3.7 a)	The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher		Compliant
3.7 b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience		Compliant
3.7 c)	A non-executive director shall not be considered independent if such: i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC		Compliant
	ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position		Compliant
	iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director		Compliant
	iv. Director has been an advisor or consultant or principal consultant/ advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director		Compliant
	v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	vi. Director represents a shareholder, debtor or represents a shareholder, debtor, or such other similar stakeholder of the FC		Compliant
	vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the stated capital in a company or business organization, in which any of the other directors of the FC is employed or a director		Compliant
	viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC		Compliant
3.7 d)	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence		Compliant
3.7 e)	An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation		Compliant
3.8 Alternate Directors			
3.8 a)	Representation through an alternate director is allowed only; i. With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii. If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad		Compliant
3.8 b)	The existing directors of the Company cannot be appointed as an alternate director to another existing director of the Company		Compliant
3.8 c)	A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board		Compliant
3.8 d)	An alternate director cannot be appointed to represent an executive director		Compliant
3.8 e)	In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
3.9 Cooling off Periods			
3.9 a)	There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the Company, who was previously employed as a CEO or director, of another company. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a company which needs restructuring, shall be made with prior approval of the Monetary Board		Compliant
3.9 b)	A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction		Compliant
3.10. Common Directorships			
	Director or a senior management of a company shall not be nominated, elected or appointed as a director of another finance company except where such company is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned company subject to conditions stipulated in Direction		Compliant
3.5(f)	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the company		Compliant
4. Assessment of Fitness and Propriety Criteria			
4.1	No person shall be nominated, elected or appointed as a director of the Company or continue as a director of such company unless that person is a fit and proper person to hold office as a director of such company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended		Compliant
4.2	A person over the age of 70 years shall not serve as a director of a FC		Compliant
4.3	A director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the provisions of the direction		Compliant
5. Appointment and resignation of directors and senior management			
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction		Compliant
6. The Chairperson and the CEO			
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
6.2	The chairperson shall be an independent director, subject to 6.3 below		Compliant
6.3	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non - executive directors including senior director shall assess the chairperson's performance at least annually		Compliant
6.4 Responsibilities of the Chairperson			
6.4 a)	Provide leadership to the Board		Compliant
6.4 b)	Maintain and ensure a balance of power between executive and non-executive directors		Compliant
6.4 c)	Secure effective participation of both executive and non - executive directors		Compliant
6.4 d)	Ensure the Board works effectively and discharges its responsibilities		Compliant
6.4 e)	Ensure all key issues are discussed by the Board in a timely manner		Compliant
6.4 f)	Implement decisions/directions of the regulator		Compliant
6.4 g)	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary		Compliant
6.4 h)	Not engage in activities involving direct supervision of senior management or any other day to day operational activities		Compliant
6.4 I)	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board		Compliant
6.4 j)	Annual assessment on the performance and the contribution during the past 12 months of the Board and the CEO		Compliant
6.5 Responsibilities of the CEO			
6.5 a)	Implementing business and risk strategies in order to achieve the FC's strategic objectives		Compliant
6.5 b)	Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions		Compliant
6.5 c)	Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior		Compliant
6.5 d)	Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator		Compliant
6.5 e)	Strengthening the regulatory and supervisory compliance framework		Compliant
6.5 f)	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
6.5 g)	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10		Compliant
7. Meeting of the Board			
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible		Compliant
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings		Compliant
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given		Compliant
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions		Compliant
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors		Compliant
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year	A Meeting was held on 04.03.2026	Non Compliant
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting		Compliant
7.8	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors		Compliant
7.9	**Scheduled Board Meetings and Ad-hoc Board Meetings** For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable		Compliant
8. Company Secretary			
8.1 a)	The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
8.1 b)	The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary become an employee of FC and shall not become an employee of any other institution		Compliant
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures, laws, directions, rules and regulations are followed		Compliant
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function		Compliant
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years		Compliant
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC		Compliant
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the information stipulated in the Directions		Compliant
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director		Compliant
9. Delegation of Functions by the Board			
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC		Compliant
9.2	In the absence of any of the sub-committees mentioned in the direction, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself		Compliant
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions		Compliant
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions		Compliant
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10. Board Sub Committees			
	FCs are divided into two categories based on the asset base as per the latest audited statement of financial position **i. Asset base more than Rs. 20 billion** ➤ Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee ➤ Board Audit Committee and Board Integrated Risk Management Committee to be held at least once in two months ➤ Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee shall meet at least annually **ii. Asset base less than Rs. 20 billion** ➤ Shall establish at least the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC) and Related Party Transactions Review Committee ➤ Board Audit Committee and Board Integrated Risk Management Committee to be held at least quarterly ➤ Other Committees shall meet at least annually	Asset base less than Rs. 20 billion. Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee has been established. Only 3 BIRMC meetings were held during the year.	Partially Compliant
10.1 b)	Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties		Compliant
10.1 c)	The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC		Compliant
10.1 d)	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee		Compliant
10.1 e)	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee		Compliant
10.1 f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10.2 Board Audit Committee (BAC)			
10.2 a)	The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit		Compliant
10.2 b)	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC		Compliant
10.2 C)	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA)	The Company Secretary acts as the Secretary of the BAC	Compliant
10.2 d) External Audit Function			
10.2 d) i)	The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor		Compliant
10.2 d) ii)	Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively		Compliant
10.2 d) iii)	Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC		Compliant
10.2 d)iv)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices		Compliant
10.2 d) v)	Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity		Compliant
10.2 d) vi)	The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10.2 d) vii)	The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements		Compliant
10.2 d) viii)	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary		Compliant
10.2 d) ix)	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board		Compliant
10.2 e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls		Compliant
10.2 f)	The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC		Compliant
10.2 g) Internal Audit Function			
10.2 g) i)	The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes		Compliant
10.2 g) ii)	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively		
10.2 g) iii)	The BAC shall take the steps described in the direction with regard to the internal audit function of the FC		Compliant
10.2 h)	The BAC shall review the statutory examination reports of the CBSL and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Time bound action plan is submitted for the approval of the Board on a quarterly basis	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10.2 i) Meetings of the Committee			
10.2 i) i)	The BAC shall meet as specified in the direction, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities		Compliant
10.2 i) ii)	Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview		Compliant
10.2 I) iii)	BAC shall meet twice a year with the external auditors without any other directors/senior management/employees being present		Compliant
10.3 Board Integrated Risk Management Committee (BIRMC)			
10.3 a)	The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee		Compliant
10.3 b)	The secretary to the committee may preferably be the CRO	The Company Secretary functions as the Secretary to the Committee	Compliant
10.3 c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board		Compliant
10.3 d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC		Compliant
10.3 e)	The BIRMC shall review the Company's risk policies including RAS, at least annually		Compliant
10.3 f)	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10.3 g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans	The business continuity and disaster recovery plans were approved by the Board	Compliant
10.3 h)	BIRMC shall annually assess the performance of the compliance officer and the CRO		Compliant
10.3 i)	**Compliance Function**		
10.3 i) i)	BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations		Compliant
10.3 i) ii)	For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer	Asset base below Rs. 20 billion	Not Applicable
10.3 i) iii)	For FCs with asset base of less than Rs. 20 bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest		Compliant
10.3 i) iv)	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the requirements as provided in the direction		Compliant
10.3 j)	**Risk Management Function**		
10.3 j) i)	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC		Compliant
10.3 j) ii)	For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically	Asset base below Rs. 20 billion. However, a Head of Risk has been appointed	Compliant
10.3 j) iii)	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders		Compliant
10.3 j) iv)	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers relevant aspects of the Direction		Compliant
10.3 j) v)	The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
10.3 j) vi)	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis		Compliant
10.3 j) vii)	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions		Compliant
10.4 Nomination Committee			
10.4 a)	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee		Compliant
10.4 b)	Secretary to the nomination committee may preferably be the company secretary		Compliant
10.4 c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer		Compliant
10.4 d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction		Compliant
10.4 e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities		Compliant
10.4 f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole		Compliant
10.4 g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management		Compliant
10.4 h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent		Compliant
10.4 i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	and contribution made by the director concerned towards the discharge of the Board's overall responsibilities		
10.4 j)	The committee shall consider and recommend from time to time, the requirements of additional / new expertise and the succession arrangements for retiring directors and senior management		Compliant
10.4 k)	A member of the nomination committee shall not participate in decision making relating to own appointment / reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor		Compliant
10.5 Human Resources & Remuneration Committee			
10.5 a)	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors		Compliant
10.5 b)	The secretary to the human resource and remuneration committee may preferably be the company secretary		Compliant
10.5 c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors		Compliant
10.5 d)	There shall be a formal and transparent procedure in developing the remuneration policy		Compliant
10.5 e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made		Compliant
10.5 f)	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest		Compliant
10.5 g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives		Compliant
10.5 h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed		Compliant
11. Internal Controls			
11.1	FCs shall adopt well-established internal control systems, which include the, organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies		Compliant
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives		Compliant
12. Related Party Transactions			
12.1	Board shall establish policies and procedures for related party transactions		Compliant
12.1 a)	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors		Compliant
12.1 b)	All related party transactions shall be prior reviewed and recommended by the RPTRC		Compliant
12.1 c)	The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable iii. Providing financial or non-financial services to the FC or obtaining those services from the FC iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party	These transactions are included in the Related Party Transactions Policy	Compliant
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the categories of persons mentioned in the direction who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises		Compliant
12.3	The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
13. Group Governance			
13.1	**Responsibilities of a Finance Company as a Holding Company**		
13.1 a)	The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them		Not Applicable
13.1 b)	The Board of the FC shall: i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements		Not Applicable
13.1 c)	The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls		Not Applicable
13.1 d)	The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company - specific risks are adequately addressed		Not Applicable
13.1 e)	The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations		Not Applicable
13.2	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities		Not Applicable

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
14. Corporate Culture			
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers		Compliant
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity		Compliant
14.3	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically		Compliant
15. Conflicts of Interest			
15.1 a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director has substantial interest, as interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting		Compliant
15.1 b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall include the relevant matters required by the Direction		Compliant
16. Disclosures			
16.1	The Board shall ensure that the annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards and such statements are published in the newspapers in Sinhala, Tamil and English The Board shall ensure that at least the disclosures mentioned in the direction are made in the Annual Report of the Company		Compliant Compliant
16.1.i	**Financial Statements** In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include; ➤ A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures ➤ A statement of responsibility of the Board in preparation and presentation of financial statements	Disclosed from page 157 to 229 of the annual report Disclosed on page 150 of the annual report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
16.1.ii	**Chairperson, CEO and Board related disclosures** ➤ Name, qualification, and a brief profile ➤ Whether executive, non-executive and/or independent director ➤ Details of the director who is serving as the senior director, if any ➤ The nature of expertise in relevant functional areas ➤ Relatives and/or any business transaction relationships with other directors of the company ➤ Names of other companies in which the Director/CEO concerned serves as a director and whether in an executive or nonexecutive capacity ➤ Number/percentage of board meetings of the Company attended during the year ➤ Names of Board Committees in which the director serves as the Chairperson or a member	Details of the Directors are given in the profiles of the Board of Directors from pages 46 to 51 including the Senior Independent Director. Names of other companies in which the directors serve are reported from pages 124 to 125. Declaration of any relationship with board members is reported from pages 131 to 132. Attendance at Board Meetings and Sub-Committee meetings including Committee Compositions are given on page 61.	Compliant
16.1.iii	**Appraisal of Board Performance** ➤ An overview of how the performance evaluations of the Board and its committees have been conducted	A process is in place to conduct annual self-assessments by each director and the records are maintained by the Company Secretary	Compliant
16.1.iv	**Remuneration** ➤ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ➤ The aggregate values of remuneration paid by the Company to its directors and senior management.	A statement on the remuneration policy is disclosed in page 138 of the Annual Report Refer page 215 of the Annual Report	Compliant
16.1.v	**Related Party Transactions** ➤ The nature of any relationship [including financial, business, family, or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board ➤ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital	Disclosed on page 215 of the Annual Report Disclosed on page 215 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	➤ The aggregate values of the transactions of the Company with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the company	Disclosed from pages 215 to 216 of the Annual Report	
16.1.vi	**Board appointed committees** ➤ The details of the chairperson and members of the board committees and attendance at such meetings	Disclosed on page 61 of the Annual Report	Compliant
16.1.vii	**Group Structure** ➤ The group structure of the Company within which it operates ➤ The group governance framework		Not Applicable
16.1.viii	**Director's report** A report, which shall contain the following declarations by the Board: ➤ The Company has not engaged in any activity, which contravenes laws and regulations ➤ The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested ➤ The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors ➤ The business is a going concern with supporting assumptions; and ➤ The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness	Reported from page 126 to 133 of the Annual Report	Compliant
16.1.ix	**Statement on Internal Control** ➤ A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements ➤ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published ➤ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances ➤ A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or noncompliance with the Act, and rules and directions	Reported from page 146 to 148 of the annual report	Compliant
16.1.x	**Corporate Governance report** ➤ Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction	Disclosed by this report from pages 60 to 124.	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
16.1.xi	**Code of Conduct** ➤ The Company's code of business conduct and ethics for directors, senior management and employees ➤ The Chairperson shall certify that the company has no violations of any of the provisions of this code	Disclosed on page 129 of the annual report	Compliant
16.1.xii	**Management Report** ➤ Industry structure and developments ➤ Opportunities and threats ➤ Risks and concerns ➤ Sustainable finance activities carried out by the Company ➤ Prospects for the future	Disclosed from page 10 to 16 of the annual report	Compliant
16.1.xiii	**Communication with Shareholders** ➤ The policy and methodology for communication with shareholders ➤ The contact person for such communication	Disclosed from page 63 to 64 of the annual report	Compliant

Company's adherence with the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka

Section	Rule	Implementation & Compliance	Status of Compliance
SECTION 1 : THE COMPANY			
A. Directors			
A.1 The Board Every public company should be headed by an effective Board, which should direct, lead and control the Company			
A.1.1	The Board to meet regularly at least once in every quarter of a financial year in order to effectively execute the board's responsibilities	The Board meets on a monthly basis. Special meetings are convened whenever necessary. 15 Board meetings were held in 2025.	Compliant
A.1.2	The Board's role and responsibilities	Board of Directors provide entrepreneurial leadership to the Company and is collectively responsible for the formulation, implementation and monitoring of the business strategy of the Company, monitoring the effectiveness of the Company's risk management strategies, internal controls and compliance with ethical and legal standards.	Compliant
A.1.3	Compliance with laws and access to independent professional advice	The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. A process is in place for the Board to obtain independent professional advice at the expense of the Company.	Compliant
1.4	All Directors to have access to the advice and services of the Company Secretary The Company should obtain appropriate insurance cover as recommended by the nominations committee for the board, directors and key management personnel	All Directors have access to the Company Secretary who advises the Board and ensures that board procedures are followed and applicable rules and regulations are complied with. The Company is in the process of obtaining an insurance cover for the Directors which will be completed by June 2026.	Partially Compliant
A.1.5	Independent judgment of the Board of Directors on strategy, performance, resource allocation, risk management, compliance and standards of business conduct	All directors exercise independent judgment in all decisions made by the Board	Compliant
A.1.6	Every Director should dedicate adequate time and effort to the matters of the Board and the Company to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged	Every Director has dedicated adequate time and effort to the meetings of the Board and Sub committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. All Board papers are shared with the Board members at least three days prior to the meeting.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
A.1.7	One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so	No such situation has been occurred during the period. Articles of the Company does not provide for three Directors to present a resolution.	Compliant
A.1.8	Training of Directors when first appointed to the Board and subsequently as necessary Board to regularly review and agree on the training and development needs of the Directors	The Board is provided with an induction with regard to the affairs, rules and regulations of the Company. Subsequent training is provided on a training calendar as per the requirement of the Board Members.	Compliant
A.2 Chairman and the Chief Executive Officer (CEO) The two key tasks at the top of the Company are, conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision			
A.2.1	Decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report	The Roles of Chairman and CEO have not been combined.	Not Applicable
A.3 Chairman's Role The Chairman should preserve order and facilitate the effective discharge of Board functions			
A.3.1	The Chairman's role in conducting Board proceedings	The Chairman has conducted all Board meetings in compliance with the provisions of this rule and ensures that the Board works effectively and discharges its responsibilities and ensures that all key issues are discussed by the Board in a timely manner.	Compliant
A.4 Financial Acumen			
A.4	The Board to ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	The Board includes members with sufficient financial acumen and knowledge including Chartered Accountants who can provide the Board with necessary guidance in conducting its business. Refer the Directors' profiles on pages from 46 to 51 of the Annual Report.	Compliant
A.5 Board Balance Board to have a balance of Executive and Non-Executive Directors as such that no individual or small group of individuals can dominate the Board's decision-taking			
A.5.1	The Board to include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher	The Board at the end of the financial year 2025 comprised of seven (7) Non-Executive Directors and one (1) Executive Director.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
A.5.2	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three Non-Executive Directors should be 'independent'. In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'	Four (4) out of the seven (7) Non-Executive Directors are deemed as Independent Directors at the end of 2025.	Compliant
A.5.3	Evaluation of independence of Non-Executive Directors	All Directors have met the criteria determining the independence of a director.	Compliant
A.5.4	Annual submission of signed declaration of Independence by the Non- Executive Directors	Non-Executive Directors have submitted declarations on their independence in the required form.	Compliant
A.5.5	Board to make a determination of the independence and non- independence of each Non-Executive Director annually	Based on the declarations submitted by each director who held office in 2025, the Board has determined that four Independent Non-Executive Directors were in the Company as at end 2025.	Compliant
A.5.6	Alternate Directors to meet the criteria for independence and executive / non-executive status of the appointer	No alternate director was appointed to represent any director of the Company.	Not applicable
A.5.7	Appointment of "Senior Independent Director" (SID) and disclosing in the Annual Report	Since the Chairman is not an Independent Director a Senior Independent Director has been appointed. Refer the profiles of the Board of Directors including the Senior Independent Director from page 46 to 51 of the Annual Report.	Compliant
	The senior Independent Director to meet at least twice each year with the non-executive directors and at least once a year with the executive directors	The Senior Independent Director met the Non-Executive Directors for 2025 in January 2026.	Non Compliant
A.5.8	Confidential discussion with other Directors by the Senior Independent Director	The Senior Independent Director has made himself available for confidential discussions with other Directors.	Compliant
A.5.9	The Chairman's meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year	The Chairman met the Non-Executive Directors for 2025 in March 2026.	Partially Compliant
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	All concerns raised by directors and the proceedings at meetings are recorded by the Company Secretary.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
A.6 Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties			
A.6.1	Management to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings	The management provides the Board with monthly information and all matters related to the meeting of the Board and its Sub-committees. In addition, the members of corporate management make representations to the Board of Directors on important issues relating to the financial performance, strategy, risk, system and procedures. The Chairman ensures that all Directors are briefed on issues arising at Board meetings.	Compliant
A.6.2	The agenda and papers required for a Board Meeting to be provided to Directors at least seven (7) days before the meeting, and the minutes of the meeting to be ordinarily be provided to Directors at least two weeks after the meeting date	The agenda and papers required for the Board Meeting is sent to the Directors 3 days before the Board meeting as per the CBSL's Corporate Governance Direction No. 5 of 2021.	Compliant
A.7. Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board			
A.7.1	Establishing of a Nominations Committee	The Nomination and Governance Committee makes recommendations to the Board on all new appointments to the Board. Refer page 139 to 141 of the Annual Report for the details of the Nominations and Governance Committee.	Compliant
A.7.2	Assessment of Board composition by the Nominations Committee	The combined knowledge and experience of the present composition of the Board matches with the strategic demands of the Company. when new Board appointments are considered and when incumbent Directors come up for re-election the Nominations Committee determines whether the proposed Board appointees are fit and proper.	Compliant
A.7.3	Disclosure requirements when appointing new Directors to the Board	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. Regulatory authorities are also informed as required.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
A.8 Re-election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years			
A.8.1	Non-Executive Directors to be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a director, and their re-appointment should not be automatic	In terms of the Articles of Association, all Directors are subject to retirement by rotation. At every AGM, the longest standing Director will retire and retiring Director shall be eligible for re-election.	Compliant
A.8.2	All Directors including the Chairman of the Board to be subject to election by shareholders at the first opportunity after their appointment, and to re-elect thereafter at intervals of no more than three years	In terms of the Articles of Association of the Company, all Directors will be re-elected by the shareholders at the first AGM that is held soon after their initial appointment.	Compliant
A.8.3	**RESIGNATION** In the event of a resignation of a director prior to completion of his appointed term, the director to provide a written communication to the board of his reasons for resignation	Directors submits resignation to the board mentioning the reasons for resignation. Subsequently prior approval of the Director – DSNBFI is obtained for the resignation.	Compliant
A.9 Appraisal of Board Performance Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged			
A.9.1	Process for annually reviewing the performance of the board and its committees	A process is in place to conduct annual performance evaluations of the board and its committees and the records are maintained by the Company Secretary.	Compliant
A.9.2	Annual self-evaluation by the Board members and of its committees	Annual self-evaluation of the BOD and the performance of the Board appointed sub committees have been conducted for the financial period 2025.	Compliant
A.9.3	Process to review the participation, contribution and engagement of each director at the time of re-election	The Board has a process in place to review each Director's participation, contribution, and engagement at the time of re-election.	Compliant
A.9.4	The Board should state how such performance evaluations have been conducted, in the Annual Report	Refer Evaluation of the Board under Governance Principles and Activities in page 63.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
A.10 Disclosure of Information in respect of Directors			
Shareholders should be kept advised of relevant details in respect of Directors			
A.10.1	Disclosure in The Annual Report on information in relation to each Director of the Company	Refer page from 46 to 51 of the Annual Report	Compliant
A.11 Appraisal of Chief Executive Officer (CEO)			
The Board should be required, at least annually, to assess the performance of the CEO			
A.11.1	Setting of Financial and non-financial targets for CEO at the commencement of each fiscal year	The Board in consultation with the CEO determines both short term and long-term targets for the Company that should be met by the CEO.	Compliant
A.11.2	Evaluation of performance of the CEO by the Board at the end of each fiscal year	Appraisal of the performance of the CEO is carried out by the Chairman annually.	Compliant
B. Directors' Remuneration			
B. 1 Remuneration Procedure			
Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration			
B.1.1	Setting up of Remuneration Committee	A Remuneration Committee has been set by the Board. The Company has established a formal policy on Executive Director remuneration and for fixing the remuneration packages of individual Directors.	Compliant
B.1.2	Composition of the Remuneration Committee	The Human Resources and Remuneration Committee consists of three Non-Executive Directors where two Directors are independent. The Chairman of the Committee is an Independent Non-Executive Director appointed by the Board.	Compliant
B.1.3	Disclosure on Chairman and members of the Remuneration Committee in the Annual Report	Refer the Human Resources and Remuneration Committee report from page 137 to 138.	Compliant
B.1.4	Remuneration of Non-Executive Directors and members of the Remuneration Committee	The Board decides on the remuneration of Non-Executive Directors, including members of the Remuneration Committee.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
B.1.5	Remuneration Committee consulting Chairman / CEO on remuneration of other Executive Directors and access to professional advice	CEO is the only Executive Director. The Directors are empowered to seek appropriate professional advice within and outside the Company as and when it is deemed necessary.	Compliant
B. 2 The Level and Makeup of Remuneration Levels of remuneration of both Executive and Non- Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance			
B.2.1 - B.2.2	Remuneration package of Executive Directors	A remuneration package has been designed to attract, retain and motivate the Executive Director and to promote the long-term success of the company.	Compliant
B.2.3	Positioning the levels of remuneration of the Company, relative to other companies	The Remuneration Committee has taken into consideration the market information when positioning levels of remuneration of the Company.	Compliant
B.2.4	Remuneration Committee to be sensitive to remuneration and employment conditions in the Company or of the Group	Remuneration Committee acts sensitively when determining the remuneration packages. However, the Company does not belong to a group of companies.	Compliant
B.2.5	Performance-related elements of remuneration of Executive Directors	There are no performance related elements in remuneration. Refer the Remuneration Committee Report from page 137 to 138 for details of the remuneration policy of the Company.	Compliant
B.2.6	Executive share option schemes	No executive share option schemes are offered.	Not Applicable
B.2.7	Performance-related remuneration	There is no performance related remuneration.	Not Applicable
B.2.8	Compensation commitments	Any compensation-related obligations, where applicable, are managed in accordance with the contractual terms, internal policies, and relevant legal and regulatory requirements.	Compliant
B.2.9	Compensation commitments in early terminations	No compensation commitments related to early terminations have arisen during the reporting period. The Company ensures that all employment contracts clearly define termination terms and any applicable compensation in accordance with labour laws and internal policies.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
B.2.10	Levels of remuneration for Non-Executive Directors	Non-Executive Directors receives a fixed monthly remuneration and a fee for attending meetings of the Board and Board Sub-committees.	Compliant
B. 3 Disclosure of Remuneration			
The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole			
B.3.1	Disclosures in the Annual report (a) Members of the Remuneration Committee (b) Statement of remuneration policy (c) Aggregate remuneration paid to Executive and Non-Executive Directors	Refer the Remuneration Committee Report on page 137 for members of the Remuneration Committee and details of the remuneration policy of the Company. Details of Directors Remuneration is given on page 216 of the Annual Report.	Compliant
C. Relations with Shareholders			
C1. Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings			
Boards should use the AGM to communicate with shareholders and should encourage their participation			
C1.1	Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting	The annual report including the notice of AGM is published in the website of the Colombo Stock Exchange and the Company not less than fifteen working days before the AGM .	Compliant
C1.2	Proposing a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts	Separate resolutions are passed on all substantial matters at the AGM including a separate resolution relating to the adoption of the report and accounts.	Compliant
C1.3	Ensuring that all valid proxy appointments received for general meetings are properly recorded and counted	The Company has recorded all proxy votes for each resolution prior to the general meeting. All proxy votes casted at meetings are recorded by the Company Secretaries.	Compliant
C1.4	Chairman of the Board arranging the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees where such appointment has been made, to be available to answer questions at the AGM if so, requested by the Chairman	The Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director are available at the AGM and have answered questions from the shareholders as requested by the Chairman of the Board.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
C1.5	Circulating along with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings	The Notice of Meeting and Proxy Form with instructions are supplemented to shareholders to vote at the AGM.	Compliant
C2. Communication with Shareholders			
The Board should implement effective communication with shareholders			
C.2.1	Channel to reach all shareholders of the Company to disseminate timely information	The Company maintains an updated website that is used to disseminate financial and other information to shareholders. The website also has contact details of the Company where shareholders can provide their feedback online or via email or telephone.	Compliant
C.2.2	Disclosing the policy and methodology for communication with shareholders	Refer pages from 63 to 64 of the Corporate Governance Report for the Company policy on communications with shareholders. The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided.	Compliant
C.2.3	Disclosing how the above policy and methodology is implemented	Shareholders may at any time request to receive the Annual Report from the Company in printed form without any charge.	Compliant
C.2.4	Disclosing the contact person for such communication	The contact details could be accessed from the Company's website. Shareholders may, at any time, direct questions and request for publicly available information from the Company Secretary.	Compliant
C.2.5	Disclosing the process to make all Directors aware of major issues and concerns of shareholders	Process is available in the Shareholder Communication Policy in the Company's website. The Company Secretary shall maintain records of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable.	Compliant
C.2.6	Contact person in relation to shareholders' matters	The Company Secretary can be contacted for any queries by the shareholders. Shareholders are encouraged to provide frequent feedback to the Board through the Company Secretary.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
C.2.7	Formulating and disclosing the process for responding to shareholder matters	Refer pages from 63 to 64 of the Corporate Governance Report for the Company policy on communications with shareholders.	Compliant
C.3 Major and Material Transactions			
Directors should disclose to shareholders all proposed material transactions which would materially alter/vary the net asset base of the Company			
C.3.1	Disclosure of major and material transactions	During the year 2025, the Company did not engage in or commit any 'Major Transactions' which materially affected the Company's net asset base.	Compliant
C.3.2	Comply with the disclosure requirements and shareholder approval by special resolution as required by SEC	The company did not engage in or commit any major and material related party transaction during the year which needs shareholder approval.	Compliant
D. Accountability and Audit			
D.1 Financial & Business Reporting (The Annual Report)			
The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects			
D.1.1	The Board to present an annual report including financial statements that is true and fair	The Board has presented an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations for the year 2025 Refer page 126 to 133 of the Annual Report.	Compliant
D.1.2	The Board to present balanced and understandable interim and other price-sensitive public reports and reports to regulators	The Board has presented a balanced and understandable assessment of the Company's financial position, performance and prospects for the year ended December 31, 2025 and at the end of each quarter of the financial year Refer Directors' Responsibility Statement on page 150 of the Annual Report.	Compliant
D.1.3	The Board to obtain a declaration from the CEO and CFO in their opinion about the financial records, financial position and performance of the company	The Board obtained declarations from the CEO and the Financial Controller that the Company's interim and annual financial statements are prepared inconformity with applicable accounting standards, relevant laws and regulations and gives true and fair views of the financial position and performance, risk management and effectiveness of the internal controls.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
D.1.4	The Directors' Report containing declarations by the Directors	Refer Directors' Responsibility Statement on page 150 of the Annual Report.	
D.1.5	Report containing a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors	Refer Director's Responsibility Statement to Financial Reporting on page 150. Directors' Responsibility Statement on Internal Control Over Financial Reporting on page 146 and Auditor's Report from page 147 to 148 of the annual report.	Compliant
D.1.6	Management discussion and analysis	Refer the management discussion and analysis from page 10 to 16 in the Annual Report.	Compliant
D.1.7	Directors to periodically report to the shareholders in the event the company falling below 50% of the value of the company`s shareholder funds	No such situation arose during the year under review.	Compliant
D.1.8	The Board to adequately and accurately disclose the related party transactions in the Annual Report	Refer related party disclosures on page 215.	Compliant
D.2 Risk Management and Internal Control			
The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets			
D.2.1	Monitoring of risk management and internal controls by the Board and report in the annual report	The Board has ensured the adequacy and the integrity of the Company's internal control system to safeguard shareholders' investments and the Company assets. Refer Directors' Responsibility Statement on Internal Control Over Financial Reporting on page 146.	Compliant
D.2.2	Disclosure of Directors confirmation that they have carried out a robust assessment of the principal risks that could be faced by and measures of mitigation in the annual report	Refer Directors' Responsibility Statement on Internal Control Over Financial Reporting on page 146.	Compliant
D.2.3	Companies should have an internal audit function	The Company's internal audit function is outsourced to M/s Deloitte, Chartered Accountants.	Compliant
D.2.4	The Board to require the Audit Committee to ensure carrying out reviews of the risk management process and effectiveness of risk management and internal controls	The Audit Committee reviews the internal controls and procedures of the Company. The BRMC reviews processes relating to the risk management framework of the Company.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
D.2.5	Responsibilities of Directors in maintaining a sound system of internal control and statement of internal control	The Directors' responsibility for maintaining a sound system of internal control is given in the Directors' responsibility statement on internal control over financial reporting on page 146 of the Annual Report.	Compliant
D.3 Audit Committee			
The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors			
D.3.1	Composition of the Audit Committee	The Audit Committee comprises three non-executive directors out of which two are independent.	Compliant
D.3.2	Terms of reference of the Audit Committee	Refer the Audit Committee Report on page 134 for details of duties and responsibilities of the Committee.	Compliant
D.3.3	Disclosure on describing the work of the committee in discharging the responsibilities	Refer the Audit Committee Report from pages 134 to 136.	Compliant
D.4 Related Party Transaction Review Committee (RPTRC)			
The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in the normal course of business			
D.4.1	A related party and related party transactions will be as defined in LKAS 24	Related party and related party transactions are identified as per LKAS 24.	Compliant
D.4.2	Composition of the RPTRC	The RPTRC comprises of three independent non-executive directors.	Compliant
D.4.3	Terms of reference of the RPTRC	A Board approved terms of reference with the authority and duties of the RPTRC available.	Compliant
D.5 Code of Business Conduct & Ethics			
Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees. The company must disclose waivers of the Code for Directors, if any			
D.5.1	Code of Business Conduct & Ethics for Directors and Key Management Personnel	The Company has adopted a Code of Business Conduct and Ethics for Directors, Key Management Personnel and staff. All Directors and Key Management personnel declaration on the compliance to the code can be referred in Code of Conduct and Ethics under the Annual Report of The Board of Directors on the Affairs of the Company on page 129 of the Annual Report.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
D.5.2	Process to ensure material and price sensitive information is promptly identified and reported in accordance with the relevant regulations	All material and price sensitive information is promptly identified and reported by the Company.	Compliant
D.5.3	Establishing a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting	The policy is included in the Internal Code of Business Conduct & Ethics.	Compliant
D.5.4	Chairman's affirmation in the Company's Annual Report that a code of conduct and ethics has been introduced and disclosing that the code is not violated	Refer the Chairman's Message from page 4 to 6 of the Annual Report.	Compliant
D.6 Corporate Governance Disclosures			
Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance			
D.6.1	Disclosure in the annual report the extent to which the Company has complied with the principles and provisions of this Code	Refer Corporate Governance Report from pages 60 to 125 in the Annual Report.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
SECTION 2: SHAREHOLDERS			
E. Institutional Investors			
E.1 Shareholder Voting			
Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice			
E.1.1	Regular and structured dialogue to be maintained with shareholders by the Company and the Chairman to communicate shareholders views to the Board	The Annual General Meeting is used as a forum to have a structured and objective dialogue with shareholders. Institutional shareholders make use of their votes to ensure their voting intentions are translated into practice. A dedicated hotline is also available for shareholder communication.	Compliant
E.2 Evaluation of Governance Disclosures			
E.2	Institutional investors to be encouraged to give due weight to all relevant factors in the Board structure and composition	Institutional investors are encouraged to give weight to governance arrangements.	Compliant
F. Other Investors			
F.1 Investing / Divesting Decision			
F.1	Individual shareholders investing directly in shares of companies to be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	Individual shareholders investing directly in the Company are encouraged seeking independent advice in investing or divesting decisions. The Annual Report contains sufficient information for potential investors to carry out their own analysis and quarterly financial statements contains information on the progress of the Company to take decisions.	Compliant
F.2 Shareholder Voting			
F.2	Individual shareholders to be encouraged to participate in General Meetings of companies and exercise their voting rights	Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.	Compliant
G. INTERNET OF THINGS AND CYBERSECURITY			
G.1	The Board to Identify the process of connecting to the organization's network and related cyber risks	The Board has established a formal process to identify and assess connectivity and related cybersecurity risks. These risks are regularly reviewed through structured reporting and oversight mechanisms to ensure alignment with regulatory requirements and the Company's risk management framework.	Compliant

Section	Rule	Implementation & Compliance	Status of Compliance
G.2	Appoint a CISO and allocate budget to introduce and implement a cybersecurity risk management policy	Cybersecurity policies are in place. The Company has recruited a CISO in 2026.	Partially Compliant
G.3	Board to allocate adequate time on the board meeting agenda for discussions about cyber- risk management	Board has appointed an IT Steering Committee that overlooks the cybersecurity matters as well.	Compliant
G.4	The Board to ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance		Compliant
G.5	The Board should disclose in the annual report, the process to identify and manage cybersecurity risks	Refer the Annual Report of the Board of Directors on the affaires of the Company on page 130 of the Annual Report.	Compliant
H ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)			
H.1 ESG Reporting			
H.1	Include sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported in the annual report	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant
H.1.1	Annual Report Disclosures	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant
H.1.2 Environmental Factors			
H.1.2.1	Environmental Factors	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant
H.1.3	Social Factors	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant
H.1.4	Governance	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant
H.1.5	Board's Role on ESG Factors	Refer Environmental, Social and Governance Sections in the Annual Report of the Board of Directors on page 132 of the Annual Report.	Compliant

The Company's Compliance with the requirements of Section 9 of the Listing Rules of the Colombo Stock Exchange which was effective from October 01, 2023 subject to specific transitional provisions are presented below.

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.1 APPLICABILITY OF CORPORATE GOVERNANCE RULES			
9.1.3	The listed entity shall publish a statement confirming the extent of compliance with the Corporate Governance Rules in the annual report of the entity	This disclosure fulfils the requirement	Compliant
9.2 POLICIES			
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors (b) Policy on Board Committees (c) Policy on Corporate Governance, Nominations and Re-election (d) Policy on Remuneration (e) Policy on Internal Code of Business Conduct and Ethics for all Directors and Employees including policies on Trading in the Entity's Listed Securities (f) Policy on Risk Management and Internal Controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistleblowing (l) Policy on Anti-Bribery and Corruption		Compliant
9.2.2	Any waivers from compliance with the Internal Code of Business Conduct and Ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report	There are no waivers from compliance to the Internal Code of Business Conduct	Compliant
9.2.3	**Listed Entities shall disclose in its Annual Report:** (i) the list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above	Refer page 33 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy		Compliant
9.3 BOARD COMMITTEES			
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	Company has established the said board sub committees	Compliant
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above - Board Committees as set out in the Rules.	Refer sections 9.11, 9.12, 9.13, and 9.14 below for details on compliance	Compliant
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above	Chairperson of the Board is not the Chairman of any of the Board sub committees	Compliant
9.4	**ADHERENCE TO PRINCIPLES OF DEMOCRACY IN THE ADOPTION OF MEETING PROCEDURES AND THE CONDUCT OF ALL GENERAL MEETINGS WITH SHAREHOLDERS**		
9.4.1	Listed Entities shall maintain records of all resolutions and the information mentioned in this rule upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC		Compliant
9.4.2 Communication and relations with shareholders and investors			
9.4.2 (a)	A Listed Entity shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity	Refer page 63 of the Annual Report	Compliant
9.4.2 (b)	Listed Entity shall disclose the contact person for such communication	Refer page 62 to 64 of the Annual Report	Compliant
9.4.2 (c)	The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity	Included in the policy and uploaded in the Company's website. Refer page 63 to 64 of the Annual Report	Compliant
9.4.2 (d)	Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.5 POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS			
9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors with specific requirements prescribed from (a) to (j)		Compliant
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non - compliance and the proposed remedial action		Compliant
9.6 CHAIRPERSON AND CEO			
9.6.1	The Chairperson of every Listed Entity shall be a Non - Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual	The Chairman is a Non-Executive Director and does not hold the position of CEO	Compliant
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules)		Not Applicable
9.6.3 The Requirement for a SID			
(a)	A Listed Entity shall appoint an Independent Director as the SID if the Chairperson and CEO are the same person or the Chairperson and CEO are Close Family Members or Related Parties. Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement		Not Applicable
(b)	The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members		Not Applicable
(c)	The SID shall chair a meeting of the Non - Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate		Not Applicable
(d)	The SID will be entitled to a casting vote at the meetings specified in (b) and (c) above		Not Applicable
(e)	The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID		Not Applicable
9.6.4	Where a Listed Entity has appointed a SID as required in terms of Rule 9.6.1 above, such Entity shall set out the rationale for such appointment in the Annual Report of the Entity	The Chairman is a Non-Executive Director and does not hold the position of CEO	Not Applicable

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.7 FITNESS OF DIRECTORS AND CEOs			
9.7.1	Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in the 'Fit and Proper Assessment Criteria' in Rule 9.7.3	The Directors and CEO are fit and proper as per Rule 9.7.3	Compliant
9.7.2	Listed Entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made	The persons recommended by the Nominations and Governance Committee as Directors are fit and proper as per Rule 9.7.3	Compliant
9.7.3	Fit and Proper Assessment Criteria: a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness		Compliant
9.7.4	The Listed Entity shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation		Compliant
9.7.5	**Disclosures in the Annual Report of Listed Entity** a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s	Refer page 128 of the Annual Report	Compliant
9.8 BOARD COMPOSITION			
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors	There are 8 directors in the Board as at December 2025	Compliant
9.8.2	a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	There are 4 independent directors in the Board	Compliant
9.8.3	Criteria for determining independence of a Director as mentioned in the rule from 9.8.3 (i) to 9.8.3 (ix)		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.8.5	(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein		Compliant
	(b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report	Refer page 127 of the Annual Report	Compliant
	(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof		Not Applicable
9.9 ALTERNATE DIRECTORS			
	If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with requirements (a) to (e) of this rule and shall also be incorporated into the Articles of Association of the Entity	No Alternate Directors have been appointed	Not Applicable
9.10 DISCLOSURE RELATING TO DIRECTORS			
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 abov	Refer page 127 of the Annual Report	Compliant
9.10.2	Listed Entities shall, upon the appointment of a new Director to the Board, make an immediate Market Announcement setting out i. a brief resume of such Director; ii. his/her capacity of directorship; and, iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.		Compliant
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the i. Board of Directors ii. Board Committees referred to in Rule 9.3 above The announcement shall, at a minimum, contain at minimum, the details of changes including the appointments, resignations and the capacity of directorship with the effective date thereof		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.10.4	Listed Entities shall also disclose the following in relation to the Directors in the Annual Report: (a) name, qualifications and brief profile; (b) the nature of his/her expertise in relevant functional areas; (c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity; (d) whether Executive, Non-Executive and/or independent Director; e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies; (f) number of Board meetings of the Listed Entity attended during the year; (g) names of Board Committees in which the Director serves as Chairperson or a member; (h) details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and, (i) the terms of reference and powers of the SID (where applicable)	Refer profiles of the Board of Directors on pages from 46 to 51 in the Annual Report Refer Annex i of this report Refer Corporate Governance & Compliance report from pages 60 to 125 in the Annual Report Refer from pages 127 to128 in the Annual Report	Compliant
9.11 NOMINATIONS AND GOVERNANCE COMMITTEE			
9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules		Compliant
9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee	Included in the governance framework of the Company	Compliant
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.11.4	**Composition**		
	(1) The members of the Nominations and Governance Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity (b) not comprise of Executive Directors of the Listed Entity		Compliant
	(2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors		Compliant
	(3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity	Refer page 139 to 141 of the Annual Report	Compliant
9.11.5	**Functions of the Nominations and Governance Committee from (i) to (x) in this rule**		
(i)	Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment		Compliant
(ii)	Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account; ➤ the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and, ➤ the number of directorships held by the Director in other listed and unlisted companies and other principal commitment		Compliant
(iii)	Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity		Compliant
(iv)	Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements		Compliant
(v)	Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged		Compliant
(vi)	Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
(vii)	Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities		Compliant
(viii)	Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices		Compliant
(ix)	Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice		Compliant
(x)	Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same	A report on the entity's compliance with provisions of the Listing Rules and other applicable laws are submitted to the meeting of the Board.	Non Compliant
9.11.6 Disclosures in Annual Report			
	The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson. The report shall include the following; (a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members); (b) the date of appointment to the Committee; (c) whether a documented policy and processes are in place when nominating Directors; (d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years; (e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance; (f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors; (g) The following information regarding directors who are re-elected or being proposed for re-election during the year: ➢ Board Committees served on (as a member or Chairperson), ➢ Date of first appointment as a Director, ➢ Date of last re-appointment as a Director, ➢ Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities; and,	Refer page 139 to 141 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	➢ Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity (h) Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Entity as specified in Rule 9.11.5 above (i) Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity; (j) Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement; (k) Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement (l) A statement that the Directors of the Listed Entity meet the criteria for determining independence (m) A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Listed Entity's fail to comply with any provisions of such Rules, a statement explaining the reason for such noncompliance and the proposed remedial action taken for the rectification of such noncompliance		
9.12 REMUNERATION COMMITTEE			
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules		Compliant
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration		Compliant
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired		Compliant
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.12.6 Composition	(1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity (b) not comprise of Executive Directors of the Listed Entity		Compliant
	(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary		Not Applicable
	(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors		Compliant
9.12.7 Functions	(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations		Compliant
	(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO		Compliant
9.12.8 Disclosure in Annual Report	(a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company); (b) A statement regarding the remuneration policy; and, (c) The aggregate remuneration of the Executive and Non-Executive Directors	Refer page 137 to 138 of the Annual Report	Compliant
9.13 AUDIT COMMITTEE			
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules	Separate committees to perform audit and risk functions has been maintained	Compliant
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.13.3 Composition	(1) The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors (b) not comprise of Executive Directors of the Listed Entity		Compliant
	(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors		Compliant
	(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market		Compliant
	(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary		Not Applicable
	(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors		Compliant
	(6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation		Compliant
	(7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee		Compliant
9.13.4 (1) Functions of the Audit Committee	(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements		Compliant
	(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	(a) changes in or implementation of major accounting policy changes; (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; (c) compliance with accounting standards and other legal requirements; (d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity; (e) any letter of resignation from the external auditors of the Listed Entity; and, (f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment		
	(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.		Compliant
	(iv) Obtain and review assurance received from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems		Compliant
	(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons		Compliant
	(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards		Compliant
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans		Compliant
	(viii) Review the risk policies adopted by the Entity on an annual basis		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements		Compliant
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors		Compliant
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken		Compliant
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor		Not Applicable
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these requirements, the Audit Committee shall promptly report such matter to the Exchange		Not Applicable
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above	The Company has appointed two committees	Compliant
9.13.5	**Disclosures in Annual Report** (1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates	Refer page 134 to 136 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	(2) The Audit Committee Report shall contain the following disclosures (a) names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company); (b) The status of risk management and internal control of the Listed Company and as a Group (where applicable); (c) A statement that it has received assurance from the CEO and the CFO of the Company's operations and finances; (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements: (e) whether the Listed Company has a formal Audit Charter; (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function; (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Company; (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and (i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.	Refer pages from 134 to 136 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.14 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE			
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules		Compliant
9.14.2 Composition			Compliant
	(1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee		
	(2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary		Not applicable
9.14.3	**Functions**		Compliant
	(1) Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein		
	(2) The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions		
	(3) When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality		
	(4) The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations		
9.14.4 General Requirements			
	(1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors		Compliant
	(2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person		
	(3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction		Compliant
	(4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) be present while the matter is being considered at the meeting; and, (b) vote on the matter		Compliant
9.14.5	**Review of Related Party Transactions by the Related Party Transactions Review Committee**		
	(1) Subject to the exemptions given in terms of Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions		Compliant
	(2) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction		Compliant
	(3) The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management to facilitate the review of a Related Party Transaction. Such information shall include where applicable: (i) the Related Party's relationship to the Listed Entity and interest in the transaction; (ii) the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction; (iii) the benefits of the proposed Related Party Transaction to the Listed Entity; (iv) the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Party Transaction is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally		Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	4) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall take into account the following, among other factors it deems appropriate: (i) the facts and circumstances made available to it as set out above, (ii) the views of the Chairperson of the Board of Directors and the Chairperson of the Nominations and Governance and/or Audit Committee of the impact of the proposed Related Party Transaction on a director's independence (if the related party is a director, a close family member of a director or an entity in which a director is a partner, shareholder or executive officer); and (iii) whether the Related Party Transaction requires immediate market disclosure, as set out in these Rules		Compliant
	(5) No Director shall participate in any discussion of a proposed Related Party Transaction in which he or she is a Related Party, except that the Director, at the request of the Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the Committee, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction		Compliant
	6) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate		Compliant
9.14.6 Shareholder Approval			
	(1) Listed Entities shall obtain shareholder approval by way of a Special Resolution for the Related Party Transactions set out below (A) If a non-recurrent transaction; i. Any Related Party Transaction of a value equal to, or more than:	No such Recurrent Related Party Transactions were entered into by the company	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	a. one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company; or b. one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year ii. If the Company acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company or its associates (B) If a recurrent transaction; Any recurrent Related Party Transaction of a value equal to, or more than: i. one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Company as per the latest Audited Financial Statements of the Company; or ii. one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year, and; iii. the transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favorable to the Related Party than those generally available to the public		
	(2) In relation to Rules 9.14.6 (1) (A) (i) (b) and 9.14.6 (1)(B) (ii) above, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation	No Related Party Transactions that require shareholder approval were entered into by the Company	Compliant
	(3) If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction	No Related Party Transactions that require shareholder approval were entered into by the Company	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
9.14.7 Disclosures			
	(1) Immediate Disclosures A Listed Entity shall make an immediate Market Announcement to the Exchange, a. of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Company as per the latest Audited Financial Statements; or b. of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Company as per the latest Audited Financial Statements. Listed entities shall disclose subsequent non-recurrent transactions which exceed 5% of the equity of the entity, entered into with the same Related Party during the financial year The Market Announcement to the Exchange shall include the requirements set out in rules (i) through (vii).	The Company did not enter into any Related Party Transaction that requires an immediate Market Announcement during the period	Compliant
9.14.8 Disclosures in the Annual Report			
	(1) In the case of Non-recurrent Related Party Transactions: if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets of the Listed Entity, whichever is lower, as per the latest Audited Financial Statements in the given format.	The Company does not have any non-recurrent related party transactions	Not Applicable
	(2) In the case of Recurrent Related Party Transactions: if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the given format	Refer page number 215 of the Annual Report	Compliant
	(3) The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: ➢ The names of the Directors comprising the Committee;	Refer page 142 to 143 of the Annual Report	Compliant

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors; The policies and procedures adopted by the Committee for reviewing the Related Party Transactions		
	(4) An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Entity has not entered into any Related Party Transaction/s a negative statement to that effect	Refer page 131 of the Annual Report	Compliant
9.14.9 Acquisition and Disposal of Assets From/To Related Parties			
	(1) Except for transactions set out in Rule 9.14.10, Listed Entities shall ensure that neither the Listed Entity nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Company as per the latest Audited Financial Statements (2) If a transaction requires shareholder approval as set out in Rule 9.14.9(1) above, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction (3) Rule 9.14.9(1) does not apply to: ` i. a transaction between the Listed Company and a wholly owned subsidiary ii. a transaction between wholly owned subsidiaries of the Listed Company iii. a takeover offer made by the Listed Company in accordance with Takeovers and Mergers Code 1995 (as amended) iv. any transaction entered into by the Listed Company with a Bank as principal, on arm's length terms and in the ordinary course of its banking business (4) The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same		Not Applicable

Section	Governance Requirement	Implementation & Compliance	Status of Compliance
	group of the Listed Company or who has a Significant Interest in or Financial Connection with the Listed Company or the relevant Related Party shall not be eligible to give such advice (5) The competent independent advice obtained in terms of Rule 9.14.9 (4) above should be circulated with the notice of meeting to obtain the shareholder approval as set out in Rule 9.14.9 (1) above (6) The competent independent advice required in terms of Rule 9.14.9 (4) shall include the requirements listed in the rules (a) through (f)		
9.16 ADDITIONAL DISCLOSURES			
	The following declarations by the Board of Directors to be included in the Annual Report as set out below: (i) They have declared all material interests in contracts involving in the Company and whether they have refrained from voting on matters in which they were materially interested; (ii) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so; (iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions (iv) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations	Refer Annual Report of the Board of Directors on the Affairs of the Company from page 126 to 133 of the Annual Report	Compliant

Annexure i

Disclosure on the Details of the Directors as per Section 9.10.4 of the Listing Rules of the Colombo Stock Exchange

Mr. H. R. S. Wijeratne – Non-Executive Chairman

#	Name of Company	Status	Position
1	Rank Terminals Hambantota (Private) Limited	Un-listed	Executive Director
2	Rank Entertainment Holdings (Private) Limited	Un-listed	Director/Alternative Director
3	Rank Container Terminals (Private) Limited	Un-listed	Director/Alternative Director
4	Rank Resorts (Private) Limited	Un-listed	Director
5	Rank Property Developers (Private) Limited	Un-listed	Executive Director
6	Rank Holdings (Private) Limited	Un-listed	Director
7	Rank Constructions and Engineers (Private) Limited	Un-listed	Executive Director
8	Star Destinations (Private) Limited	Un-listed	Executive Director
9	Stardust Colombo (Private) Limited	Un-listed	Executive Director
10	Marina Colombo Resorts (Private) Limited	Un-listed	Executive Director
11	Asia Property Management Services (Private) Limited	Un-listed	Executive Director
12	Domani Group Limited	Un-listed	Director
13	R S Sports (Private) Limited	Un-listed	Director
14	Synergy Pharmaceuticals Corporation (Private) Limited	Un-listed	Director
15	Asia Hydro Power Generation (Private) Limited	Un-listed	Director
16	Rank Agrow Industries (Private) Limited	Un-listed	Director
17	Acacia Genus Investments Limited	Un-listed	Director
18	R S W Trading Limited	Un-listed	Director
19	Synergy Pharmaceuticals Facilities Company (Private) Limited	Un-listed	Director

Mr. A. T. S. Sosa – Independent Non-Executive Director

#	Name of Company	Status	Position
1	Forbes & Walker (Private) Limited (Forbes & Walker Share Trust - 600,000 employee shares)	Un-listed	Finance Director
2	Forbes & Walker Tea Brokers (Private) Limited	Un-listed	Finance Director
3	Forbes & Walker Commodity Brokers (Private) Limited	Un-listed	Finance Director
4	Forbes & Walker Warehousing (Private) Limited	Un-listed	Finance Director
5	Forbes & Walker Fine Foods (Private) Limited	Un-listed	Finance Director
6	Forbes & Walker Farms (Private) Limited	Un-listed	Finance Director
7	Forbes & Walker Research (Private) Limited	Un-listed	Finance Director
8	Aitken Spence Plantation Managements PLC	Listed	Alternate Director to Mr. Dilhan Fernando (Non Executive Director)
9	APWDS Outsourcing (PVT) Limited	Un-listed	Director
10	Lanka Fruit & Vegetable Producers Processors & Exporters Association	Un-listed	Member of the Board and Treasurer
11	Silver Green Agro Products (India) (Private) Limited	Un-listed	Director
12	Forbes & Walker Limited A/C No.1	Un-listed	Committee Member
13	Forbes & Walker Limited A/C No.2 - ESOPF	Un-listed	Committee Member
14	Forbes & Walker Limited A/C No.4 - ESOPF	Un-listed	Committee Member
15	Reitzel Walker (Pvt) Ltd	Un-listed	Executive Director

Mr. L. Abeysinghe – Independent Non-Executive Director

#	Name of Company	Status	Position
1	Chelinaa Capital Corporation and the group of companies	Un-listed	Managing Director
2	Vingrows Business Solutions (Private) Limited	Un-listed	Executive Director
3	Chelina Capital Corporation (Private) Limited	Un-listed	Executive Director
4	Chelina Reality Corporation (Private) Limited	Un-listed	Executive Director
5	Wind Park (Private) Limited	Un-listed	Executive Director
6	Value Plus Global (Private) Limited	Un-listed	Executive Director
7	Vintara Property (Private) Limited	Un-listed	Executive Director
8	Taarah Gem (Private) Limited	Un-listed	Executive Director
9	Shreejayakey Strategies (Private) Limited	Un-listed	Executive Director
10	Divata International (Private) Limited	Un-listed	Executive Director
11	EML Consultants PLC	Un-listed	Executive Director

Mr. S. C. Wijesinghe – Executive Director

#	Name of Company	Status	Position
1	Financial Ombudsman of Sri Lanka	Un-listed	Independent Non-Executive Director
2	Private Health Service Regulatory Council	Un-listed	Independent Non-Executive Director
3	National Savings Bank	Un-listed	Independent Non-Executive Director

Mr. Ravi Shahen Wijeratne – Non-Independent Non-Executive Director

#	Name of Company	Status	Position
1	Senura Civil Engineering	Un-listed	Managing Director
2	Rank Container Terminals (Private) Limited	Un-listed	Executive Director

Mr. W. M. Dayasinghe – Non-Independent Non-Executive Director

#	Name of Company	Status	Position
1	Rank Group	Un-listed	Group Chief Financial Officer

Dr. A. G. Illangakoon – Independent Non-Executive Director

#	Name of Company	Status	Position
1	Peoples Bank	Un-listed	Non-Executive Director

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

The Directors of SMB Finance PLC have pleasure in submitting their report together with the audited financial statements of the Company, for the year ended December 31, 2025, and the independent auditors' report thereon. The financial statements were accepted and approved by the Board of Directors on March 30, 2026.

The following information is provided in conformity with the requirements of the Companies Act No.07 of 2007, Finance Companies Corporate Governance Direction No.05 of 2021 with transitional provisions, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL).

Review of Performance for the year ended December 31, 2025

The operations of the Company for the year ended December 31, 2025 are reviewed in the Chairman's Message, the Chief Executive Officer's Message and in the Management Discussion and Analysis Report.

Principal Activities and the Structure

SMB Finance PLC (PQ 91) is a public limited liability Company that was established in Sri Lanka on September 3, 1992 with its Head Office located at No 282/1, CBS Building, Galle Road, Colombo 03 and has been listed on the main board of the Colombo Stock Exchange since 1993.

The Company is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 with effect from December 1, 2022 and Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000. During the year, the principal activity of the Company was to carry out the business of finance leasing, term loans mortgage loans, gold loans, saving deposits and fixed deposits. The major shareholder of the Company is Mr. H. R. S. Wijeratne who has a direct holding of 64.44% as at December 31, 2025.

The Directors do hereby declare that to the best of the knowledge of the Board of Directors, the Company has not engaged in any activity which contravenes laws and regulations in 2025.

Principal Activities of the Associate

Kenanga Investment Corporation Ltd is engaged in investment banking related activities and providing advisory services.

SMB Finance PLC, at its meeting held on January 17, 2025, decided to sell its holding of 4,900,000 shares in Kenanga Investment Corporation Ltd to Corporate Capital Market Limited for a consideration of Rs. 41,699,000. The Company obtained approval from the Central Bank of Sri Lanka (CBSL) for the sale of shares at a price of Rs. 8.51 per share on March 11, 2025. The shareholding in Kenanga Investment Corporation Ltd was disposed to Corporate Capital Market Limited on March 25, 2025.

Financial Statements

The financial statements of the Company is given on pages from 157 to 229 of the Annual report.

Auditors

The financial statements for the year ended December 31, 2025 have been audited by Messrs. KPMG, Chartered Accountants who have been re-appointed at the AGM held on June 30, 2025. The fees paid to the auditors are disclosed in Note 13 on page 188 of the Annual Report. The audit fees and fees paid for other services provided by the auditors are separately disclosed in the aforementioned note. As far as the Directors are aware, the auditors do not have any relationship with the Company other than the services disclosed in the aforementioned note. The auditors have provided a declaration confirming their independence.

Auditor's Report

The auditor's report on the Company's financial statements are given on the pages from 153 to 156 of the Annual Report as required by section 168 (1) (c) of the Companies Act No. 07 of 2007.

Board of Directors

The Board of Directors shall not hold directorships or any other equivalent positions (Including alternate directorships) in more than 20 companies/ societies/ bodies to ensure they can dedicate sufficient time and pay attention to their duties at SMB Finance PLC.
The Company hereby confirm that it is in compliance with the policy on matters relating to the Board of Directors.

The following persons held office as directors of the Company as at December 31, 2025.

Mr. H. R. S. Wijeratne (Chairman)

Mr. A. T. S. Sosa****

Mr. S. C. Wijesinghe

Mr. L. Abeysinghe

Mr. W. M. Dayasinghe

Justice D. P. S. Jayawardena*

Mr. R.S. Wijeratne**

Dr. A. G. Illangakoon***

*Mr. D. P. S. Jayawardena resigned from the Board with effect from January 31, 2026.

**Mr. R. S. Wijeratne was appointed to the Board as a Non-Independent Non-Executive Director with effect from January 31, 2025.

***Dr. A. G. Illangakoon was appointed to the Board as an Independent Non-Executive Director with effect from October 24, 2025. He was appointed as the Senior Director with effect from March 24, 2026.

****Mr. A. T. S. Sosa has retired from his position as a Director and Senior Director from the Board with effect from March 9, 2026.

Ms. S. P. Kumarasena was appointed to the Board as an Independent Non-Executive Director with effect from March 5, 2026.

Ms. S. D. Athuldoraarachchi was appointed to the Board as a Non-Independent Non-Executive Director with effect from March 27, 2026.

Mr. R. S. Kandage was appointed to the Board as an Independent Non-Executive Director with effect from April 6, 2026.

Retirement of Directors

Mr. W. M. Dayasinghe will come up for re-election at the forthcoming AGM under provision of Article No. 87 of the Articles of Association and upon re-election will continue to serve as a director of the Company. Ms. S. P. Kumarasena, Ms. S. D. Athuldoraarachchi, Dr. A. G. Illangakoon and Mr. R.S. Kandage will come up for re-appointment under provision of Article 94 of the Articles of Association and upon re-appointment will continue to serve as a director of the Company.

Independent Directors

During the year, the following Directors were acting as Independent Non-Executive Directors of the Company.

Mr. A. T. S. Sosa (Retired)

Mr. L. Abeysinghe

Justice D. P. S. Jayawardena (Resigned)

Dr. A. G. Illangakoon

Independent Non-Executive Directors comply with the Listing Rules of the Colombo Stock Exchange and the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Senior Independent Director (SID)

According to Section 6.3 of the Corporate Governance Direction of the Central Bank of Sri Lanka, the Company has appointed a SID to perform the additional duties set out in the Terms of Reference (TOR) to ensure a greater independent element and serve as the intermediary for other directors and shareholders as the Chairman of SMB Finance PLC is a Non-Independent Director.

Name	Date Appointed as SID	Date Resigned
Mr. A. T. S. Sosa	February 18, 2025	March 9, 2026 (Retired)
Dr. A. G. Illangakoon	March 24, 2026	Present

Terms of Reference

1. Acting as an independent counter-balance to the Chair.
2. Upholding the highest standards of integrity and probity.

3. Promoting effective relationships and open communication between executive and non-executive directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities.
4. Contributing to good relationships and functions of the board in normal times, but in periods of stress assisting in facilitation of resolution of any situation.
5. Ensuring sufficient contact with shareholders and stakeholders, to understand their issues and concerns, or if they have reason for concern which contact through the normal channels of Chair or Chief Executive Officer has failed to resolve or for which contact is inappropriate

The requirement of a SID under Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange is not applicable to the Company as the role of Chairman and Chief Executive Officer are held by two independent individuals.

Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors and CEO who confirmed that they have continuously satisfied the fit and proper assessment criteria of the Listing Rules during the financial year under review.

Directors' Shareholdings

Mr. H. R. S. Wijeratne serves as the Chairman and Non - Executive Director of the Company who holds 4,169,342,304 shares constituting 64.44% issued Ordinary voting shares of the Company as at December 31, 2025. No shares in the Company are held by other directors of the Company. The shareholdings of the Directors of the Company are shown on page 41 of the annual report.

Directors' Interest in Contracts

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company, except those specified in Note 40 on page 216 of the annual report, which has been disclosed and declared at meetings of Directors.

As a practice and in accordance with Corporate Governance principles, the Directors have refrained from voting on matters in which they were materially interested.

Interests Register

The Directors' Interests register is maintained by the Company Secretary in terms of the Companies Act, which is deemed to form part and parcel of this annual report and is available for inspection upon request. No entries to the interests register were made during the 2025 financial year.

Directors' Fees and Remuneration

Directors' fees and remuneration paid for the financial year ended December 31, 2025 are given in Note 40.2.1 of the audited financial statements.

Board Sub-Committees

The Board, while assuming the overall responsibility and accountability for the management of SMB Finance PLC, has also appointed the following Board Sub-Committees in 2025 to ensure more effective control over the affairs of the Company, conforming to the Listing Rules of the Colombo Stock Exchange, Directions issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

- Audit Committee
- Integrated Risk Management Committee
- Related Party Transaction Review Committee
- Information Security Committee
- Human Resources & Remuneration Committee
- Nomination & Governance Committee
- Legal Sub Committee

Audit Committee Report is given on pages from 134 to 136 of the annual report. The Human Resources & Remuneration Committee Report is given on pages from 137 to 138 of the annual report. The Integrated Risk Management Committee Report is given on page 144 of the annual report. Nominations & Governance Committee Report is given on pages from 139 to 141 of the annual report. Related Party Transactions Review Committee Report is given on pages from 142 to 143 of the annual report. Report of the Information Security Committee is given on page 145 of this annual report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect the true and fair view of the state of its affairs. The Directors are of the view that the enclosed audited financial statements have been prepared in conformity with the requirements of the Companies Act No 7 of 2007 and revised Sri Lanka Accounting Standards (SLFRS and LKAS) issued under Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and does not intend either to liquidate or to cease operations. Therefore, the financial statements of the Company continue to be prepared on a going concern basis.

Corporate Governance

The Board of Directors has acknowledged the responsibility to maintain effective corporate governance structures and processes and to be in compliance with all relevant rules, regulations and best practices. The Company is listed on the Colombo Stock Exchange and complies with the Listing Rules on Corporate Governance of the Colombo Stock Exchange and with the Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka under Finance Business Act No. 42 of 2011.

The corporate governance statement on pages from 60 to 125 explains the practices within the Company in this respect.

In addition, the Company is also in compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Board of Directors have made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to the Listing Rules and applicable capital market provisions. The Company adheres to prudential requirements, regulations, laws, and internal controls.

Compliance with Rules & Regulations

The Company has complied with the regulations and the Directions issued by the Central Bank of Sri Lanka (CBSL) and tax and other regulations applicable to the Company and has submitted all the returns and the details to the relevant parties by the due dates. In addition, the Company complies with the Financial Transaction Reporting Act No. 06 of 2006 by submitting a monthly report to the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL). Compliance Reports have been submitted to the Board on a monthly basis confirming the same.

There was no material non-compliance with applicable law, rules, regulations affecting the Company and any fine, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has its operations.

Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid and provided for. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Directors' Responsibility to Financial Reporting on page 150.

Code of Conduct and Ethics

The Board has approved a Human Resources Policy and Procedure Manual which includes a Code of Conduct for all its employees and has mandated that it should be followed without any exception.

The Company has also adopted a Code of Conduct and Ethics for Directors. The Directors and the Key Management Personnel have declared their compliance with the relevant Code of Conduct and Ethics.

Equitable Treatment of Stakeholders and Their Interest

The Company has taken all steps to ensure equitable treatment to all stakeholders. The Directors assure that the Company has taken necessary precautions to safeguard the interest of its stakeholders.

Internal Controls and Risk Management

The Board of Directors considers that strong internal controls are integrated to the sound management of the Company and is committed for maintaining strict financial, operational and risk management controls over all activities of the Company.

The Board Audit Committee, on behalf of the Board reviewed the internal controls covering financial, operational, compliance controls, risk management, obtained reasonable assurance of their effectiveness and successful adherence reported to the Board on its findings. Refer Directors' Responsibility Statement internal control over on Financial Reporting, Page 146 for further information on the internal control framework of the Company.

Cyber Security Risks

The Board of SMB Finance PLC oversees the identification and management of cyber security risks through established information system security policies, internal controls and continuous monitoring mechanisms. Regular risk assessments, employee awareness programs and technology safeguards are implemented to protect data, ensure business continuity and strengthen resilience against evolving cyber threats.

Change in Accounting Policies

There were no changes to the accounting policies for the financial year 2025. Significant accounting policies adopted in preparation of the 2025 financial statements are given in Note 5 of the audited financial statements.

Revenue

The revenue of the Company was Rs. 796.71 Mn (2024 - Rs. 612.12 Mn). An analysis of revenue based on segments is disclosed in Note 44 of the audited financial statements.

Financial Investments

Financial investments mainly comprise of investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS and LKAS). The amount of financial investments held by the Company as at December 31, 2025 amounted to Rs.170.53 Mn (2024 - Rs. 120.35 Mn). A detailed description of the financial investments is disclosed in Note 20 on pages from 194 to 196 of the Annual Report.

Property, Plant & Equipment

Details relating to property, plant & equipment are disclosed in Note 23 on pages from 200 to 201 of the Annual Report.

Intangible Assets

Capital expenditure on acquisition of intangible assets during the year is Rs 1.32 Mn (2024 - Rs. 9.13 Mn). The carrying value of intangible assets as at the reporting date amounted to Rs. 264.13 Mn (2024 - Rs. 268.25 Mn). Movement of the intangible assets from January 1, 2025 to December 31, 2025, additions and disposals made and amortization charge for the year is disclosed in the Note 25 of the audited financial statements. Following their initial recognition, intangible assets other than the ones with perpetual life are carried at cost less accumulated amortization and accumulated impairment losses.

Investment Properties

Investment property owned by the Company including extents, locations and valuations are stated in Note 22 on pages from 197 to 199 of the Annual report.

Reserves

The reserves consist of the statutory reserve fund, fair value reserve and retained earnings. The reserves of the Company are disclosed in the statement of changes in equity in Notes 34 to 36 on page 209 of the Annual Report.

Taxation

A detailed description of the income tax rate applicable to the Company and a reconciliation of the accounting profits with taxable profits are given in Note 15 on pages from 188 to 189 of the Annual Report.

The Company's policy is to provide for deferred taxation on all known temporary differences as of the reporting date on the liability method. The deferred tax details of the Company are disclosed in Note 26 on page 204 of the Annual Report.

Donations

No donations were made by the Company during the year 2025 (2024 - Nil).

Provisions

The Directors have taken all responsible steps to ensure adequate provisioning has been made for all known liabilities. The basis adopted for provisioning is disclosed in the accounting policy No. 3.2.7 on page 165 of the Annual Report. As at the date of the report, the Directors are not aware of any circumstances, which would render inadequate amounts provided for in the audited financial statements.

Events after the Reporting Date

No events have occurred after the reporting date which requires disclosure as confirmed in Note 39 in the audited financial statements.

Capital Commitments

There are no capital commitments as at December 31, 2025, as confirmed in Note 38.1 on page 214 of the Annual Report.

Contingent Liabilities

There are no material contingent liabilities as at December 31, 2025 as confirmed in the Note 38.2 on page 214 of the Annual Report.

Environmental Protection

The Directors have ensured that every possible step has been taken to comply with the relevant environmental laws and regulations in the country. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Stated Capital

The Stated Capital of the Company as at December 31, 2025 was Rs. 3,062,681,524 comprising 9,551,978,760 numbers of ordinary shares. There were no changes in the stated capital of the Company during the year.

Minimum Capital Requirement

The Board of Directors are aware that it is required to maintain the statutory requirement on minimum capital adequacy ratios to mitigate the liquidity risk and safeguard the depositors' funds, and the risk weighted capital ratio thus ensuing the sustainability of the Company and the industry as a whole. The Company is compliant with the capital requirements and the information on minimum Capital Requirement is given on Page 21 of the Annual Report.

Related Party Transactions with the Company

The Board wishes to duly declare that the Company has complied with Section 9 of the Listing Rules of Colombo Stock Exchange and accordingly has disclosed all the transactions with related parties in terms of the Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures. All related party transactions which encompass the transaction of Directors who were directly or indirectly interested in a contract or related party transaction with the Company during the accounting period have been duly declared as per the in Companies Act, LKAS, Listing Rules and Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

The details of the Related Party Transactions are disclosed in Note 40 on pages from 215 to 216 of the Annual Report in the audited financial statements. Apart from such disclosed transactions, the Company had no other related party transactions for the financial year ended December 31, 2025.

Material Business Relationships

The Board of Directors have confirmed that there are no material business relationships with the other Directors of the Company other than the ones disclosed below,

- Mr. R. S. Wijeratne is the son of Mr. H. R. S. Wijeratne, the Chairman and majority shareholder of SMB Finance PLC.
- Mr. W. M. Dayasinghe is the Chief Financial Officer of Rank Group in which the majority shareholder is Mr. H. R. S. Wijeratne.
- Ms. S. D. Athuldoraarachchi is the Group Legal Officer of Rank Group in which the majority shareholder is Mr. H. R. S. Wijeratne.

Rating

Lanka Rating Agency Limited has reviewed the entity rating in 2025 and rated as BB for SMB Finance PLC with a stable outlook.

Share Information

Information relating to earnings, net assets, market value per share and share trading are given on page 42 of the annual report.

Major Shareholders

Details of the top twenty-five shareholders of voting and non-voting shares of the Company and the percentages held by each of them are disclosed on pages from 39 to 40 of the annual report.

The Distribution and Analysis of the Shareholders

The details of the distribution and analysis of shareholders are given on pages from 43 to 44 of the annual report.

Human Resources Policy

It is the Company's policy to practice equal opportunity for all employees. The Company continuously invests in the training and development of staff to maintain a dedicated and highly motivated team to achieve service excellence.

A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Human Capital Management Report on pages from 26 to 32 of the annual report.

The staff strength of the Company as at December 31, 2025 was 76 (2024 - 64). The Company does not have any material issues pertaining to employees and industrial relations of the Company.

The Directors hereby confirm that there was no Employee Share Ownership Scheme (ESOS) and Employee Share Purchase Scheme (ESPS) during the financial year under review.

Sustainable Finance Activities

The Board promotes sustainable finance by including appropriate Environmental, Social and Governance (ESG) considerations in the business strategy. We believe long term success depends on balancing three important areas, being financially strong, protecting the environment, and acting responsibly in our communities. SMB Finance PLC encourages to support and develop sustainable financing using its current product base, finance leasing, term loan, mortgage loans, fixed deposits and savings deposits.

Understanding our role in promoting sustainable development, we have financed renewable energy projects.

Environmental, Social and Governance

SMB Finance PLC recognizes that Environmental, Social, and Governance (ESG) factors are closely linked to its business model, long-term strategy and sustainable value creation. The Company integrates ESG considerations into its operations, strategy and decision-making processes to enhance resilience, strengthen stakeholder trust and support responsible growth. Environmental responsibility, employee well-being, customer relationships, ethical business conduct and sound governance practices are considered essential to maintain operational efficiency and competitiveness in a rapidly evolving business environment.

The Company acknowledges that ESG-related issues can significantly impact business performance and reputation. Changes in environmental regulations, increasing stakeholder expectations, reputational risks, employee retention challenges and evolving market conditions may influence the Company's operations, financial stability and strategic direction. Failure to effectively address ESG matters could lead to different challenges including loss of stakeholder confidence and operational disruptions. Conversely, strong ESG performance can create opportunities for innovation, improved customer loyalty, enhanced employee engagement and participation in the transition towards a low-carbon and sustainable economy.

To effectively manage ESG-related risks and opportunities, SMB Finance PLC incorporates ESG considerations into its integrated risk management and governance frameworks. ESG risks and opportunities are identified, assessed, monitored and reported through internal management processes and Board oversight. Through continuous monitoring, SMB Finance PLC aims to strengthen accountability, improve sustainability outcomes and create long-term value for all stakeholders.

Annual Report

The Board of Directors approved the Company's financial statements together with the reviews which form part of the annual report on May 29, 2026. Financial statements of the Company duly signed by the Financial Controller, the Chief Executive Officer and two Directors of the Board which form and integral part of the annual report of the Board of Directors on the affairs of the Company.

The appropriate number of copies will be submitted to the Colombo Stock Exchange, Central Bank of Sri Lanka, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies within the time frame.

Annual General Meeting

The Board of Directors has decided to hold the Annual General Meeting as a hybrid meeting on June 24, 2026 at 3.00 p.m. at Renuka City Hotel, Colombo 3 in line with the Guidelines issued by the Colombo Stock Exchange for hosting hybrid AGMs. The notice of the Annual General Meeting is given on pages from 233 and 242 of the annual report.

In addition, the notice of meeting, circular to shareholders, request form for an annual report hard copy, guidelines for the registration process for the virtual AGM, registration form for the hybrid AGM and proxy forms are available on the Company's website.

The Directors do hereby declare that to the best of the knowledge of the Board of Directors the Company has not engaged in any activity which contravenes laws and regulations in 2025.

S. C. Wijesinghe
Director

A. G. Illangakoon
Director

Ruwangani Jayasundera
Company Secretary

Colombo
May 29, 2026

REPORT OF THE AUDIT COMMITTEE

Composition of the Committee

The Board Audit Committee (BAC) appointed by and responsible to the Board of Directors comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director are in line with the Audit Committee composition requirements specified in the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka and the requirements in Section 9.13.3 (1) of the Listing Rules issued by the Colombo Stock Exchange. All members of the Committee have a depth of financial expertise and business acumen and the Committee is conscious of the need to keep its knowledge up to date. More information on the experience and brief profiles of the Committee members are given on pages from 46 to 51 in the Annual Report.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Ms. S. P. Kumarasena	Independent, Non-Executive Director	Chairperson	March 9, 2026	
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Chairman	August 31, 2023	March 9, 2026
Mr. L. Abeysinghe	Independent, Non-Executive Director	Member	August 31, 2023	
Mr. W. M Dayasinghe	Non-Independent, Non-Executive Director	Member	December 6, 2024	March 9, 2026
Mr. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	March 9, 2026	

The Charter

The Audit Committee charter defines the terms of reference of the Committee and has been periodically revised by the Board of Directors to ensure that developments to the Committee's functions and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly to the Board.

The functions of the Committee are geared to assist the Board of Directors in carrying out its oversight functions in relation to the accuracy and integrity of the financial statements and compliance with legal and regulatory requirements with a view to safeguarding the interests of shareholders and other stakeholders. The Committee also oversees the effectiveness of the system of internal controls and the independence and performance of the internal and external auditors.

Meetings

The Committee met on fifteen occasions during the financial year ending December 31, 2025. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board of Directors.

Mr. A. T. S. Sosa	15/15
Mr. L. Abeysinghe	11/15
Mr. W. M. Dayasinghe	15/15

As per Section 9.13.3 (6) of the Listing Rules, the Chief Executive Officer and Head of the Finance Department attended the Committee meetings by invitation. The Company's internal auditor, Messrs. Deloitte was invited to participate in meetings where internal audit reports were discussed. The members of the management team were invited to participate in meetings as and when required.

Any individual member of the Committee had the opportunity to raise specific issues at the meetings. The undersigned was in regular contact with the Chief Executive Officer and Head of the Finance Department on matters coming under the purview of the Committee. Statement on Chief Executive Officer's and Financial Controller's assurance on operations and finance is given in the page 149. The Company Secretary acted as the Secretary to the BAC.

Activities of the Committee

Financial Reporting – The Committee assisted the Board in its oversight of the preparation of financial statements to evidence a true and fair view of the financial position and performance of the Company. The BAC has reviewed and discussed with the management, the annual and interim financial statements prior to their release. The review included the extent of compliance with the Sri Lanka Accounting Standards, provisions of the Companies Act and other legal and regulatory requirements applicable to the Company.

The Committee also reviews the effectiveness of the financial reporting systems in place to ensure the reliability of the information provided in the financial statements and the accounting policies to determine the appropriateness of accounting policies and recommend changes to accounting policies where necessary. The BAC also reviewed significant estimates and judgments made by the management in preparing financial statements.

Internal Controls – Finance Business Act (Corporate Governance) Direction requires the Committee to assess the Company's compliance with Directions issued by CBSL and the Management's internal controls over financial reporting. Section 9.13.4 (1) (vi) of Listing Rules requires the Committee to oversee the processes to ensure that the Company's internal controls and Risk Management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.

The Committee is assisted by the internal and external auditors to closely monitor the procedures designed to maintain an effective internal control mechanism to provide reasonable assurance that the above requirements are being complied with thereby ensuring that the financial reporting system can be relied upon in the preparation and presentation of financial statements.

A report by the Board on the Company's internal control mechanism confirming that the financial reporting system 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 relevant accounting principles and regulatory requirements is given in page 146. The external auditor's certification of the effectiveness of the internal control mechanism was issued on May 29, 2026.

Internal Audit – On behalf of the Committee, the internal auditor Messrs. Deloitte performs a comprehensive exercise that entails reviewing all aspects of internal controls of the Company including controls over financial reporting, operations, and regulatory risks. The Committee reviews the adequacy of the scope, annual internal audit plan, functions and resources of the internal auditors and satisfies itself that the internal auditors have the necessary authority to carry out their functions independently. The Committee provides a forum to review internal audit reports, consider the findings and recommend corrective actions to be taken by the management with a follow-up monitoring mechanism that manages significant business risks and controls.

External Audit – The BAC is primarily responsible for making recommendations to the Board on the appointment, reappointment, or removal of the external auditor in line with professional standards and regulatory requirements. The Committee also evaluates and makes recommendations to Board regarding the external audit fee.

On the recommendation of the Board, the shareholders have approved the reappointment of Messrs. KPMG (Chartered Accountants) as the external auditor of the Company for the financial year 2025. Messrs. KPMG has been the external auditor of the Company since its inception in 1992. However, the engagement audit partner is rotated every five (5) years.

As far as the BAC is aware, the external auditors do not have any relationship (other than that of auditors and associated therewith) with the Company. The Committee has also received a declaration from Messrs. KPMG, Chartered Accountants as required by the Companies Act No.7 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules issued by the Colombo Stock Exchange. The Committee reviewed the non-audit services provided by the auditors to ensure that the provisions of these services do not impair their independence to the best of the knowledge and belief of the Committee.

Oversight on Regulatory Compliance - The Committee closely scrutinizes compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements. The quarterly internal audit reports submitted by the internal auditor and the monthly reports submitted by the compliance officer were used by the Committee to monitor compliance with all such legal and statutory requirements.

Ethics and Good Governance - The Committee ensures the highest standards of good governance and ensures full compliance with the applicable rules on Corporate

Governance under the Listing Rules of the Colombo Stock Exchange. In addition, the Committee also ensures that the Company is substantially compliant with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the CBSL Directions on Corporate Governance.

Whistleblowing – The Board has approved a whistleblower policy that intends to serve as an informal channel for Corporate Risk Management. An employee, who observes or notices any improper activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Committee in compliance with the procedures laid down in the whistleblower policy and Procedure Manual. The Committee shall take swift and objective steps to conduct independent investigations into all such incidents that are reported through the whistleblowing mechanism. The Committee has the authority to investigate any matter, including calling an employee to be questioned at a meeting of the Committee and the authority to obtain external professional advice as deemed necessary by the Committee.

Conclusion

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. In addition, the Committee is satisfied that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, Codes of Ethics and standards of conduct have been followed and complied with by the Company.



S. P. Kumarasena
Chairperson

May 29, 2026

Report of the Human Resources and Remuneration Committee

Composition of the Committee

The Human Resources and Remuneration Committee appointed by the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director and meets the composition requirements stated in Section 9.12.6 of the Listing Rules issued by the Colombo Stock Exchange. The following members served on the Committee during the year 2025. More information on the experience and brief profiles of the Committee members are given on pages from 46 to 51 in the Annual Report.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Dr. A. G. Illangakoon	Independent, Non-Executive Director	Chairman	March 9, 2026	
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Chairman Member Chairman	February 27, 2025 December 6, 2024 August 31, 2023	March 9, 2026
Mr. L. Abeysinghe	Independent, Non-Executive Director	Chairman Member	December 6, 2024 August 31, 2023	February 27, 2025
Mr. W. M. Dayasinghe	Non-Independent, Non-Executive Director	Member	December 6, 2024	February 27, 2025
Justice D. P. S Jayawardena	Independent, Non-Executive Director	Member	February 27, 2025	December 1, 2025
Mr. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	February 27, 2025	
Ms. S. P. Kumarasena	Independent, Non-Executive Director	Member	March 9, 2026	

Terms of Reference

The Committee operates within Board approved terms of reference and assists the Board of Directors in developing and administering fair and transparent HR procedures and policies and in implementing the overall human resources strategy of the Company.

The Committee evaluates, assesses, and recommends the remuneration of Directors to the Board, interview external applicants for Senior Manager grade and above and determine remuneration packages for the senior Corporate Management personnel recruited, based on their qualifications, experience, competency, and comparable market statistics. The Committee also interviews internal candidates recommend for promotion to Chief Manager grade and above positions to ensure a consistent leadership competency framework is applied to judge the suitability of the candidates. The Committee consults the Board as and when required in achieving the above objectives. The Committee is authorized to seek external professional advice on matters within its purview.

Meetings

The Committee meets when required to make recommendations to the Board on matters related to its functions. The Chairman of the Committee can convene a special meeting in the event a requirement arises. The Committee met on two occasions during the financial year ending December 31, 2025. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board of Directors. The Chairman of the Committee continuously provided insights to the Board of Directors when HR related matters were discussed at Board meetings.

Mr. A. T. S. Sosa	2/2
Mr. L. Abeysinghe	1/2
Mr. W. M. Dayasinghe	1/2
Mr. R. S. Wijeratne	1/2
Justice D. P. S Jayawardena	1/2

The Chief Executive Officer and Head of the HR Department may be invited to participate in the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such meetings. The proceedings of the Committee meetings are regularly reported to the Board of Directors.

The Company Secretary acted as the Secretary to the Committee.

Activities of the Remuneration Committee

The activities of the Remuneration Committee during the year under review included the following.

- Making recommendations to the Board on the Company's organizational structure and HR policies.
- Aligning the human resources department with the corporate strategy function to facilitate a human resource transformation.
- Ensuring employees of the Company at all levels are adequately rewarded for their performance in line with the remuneration policy of the Company.
- Recommending bonuses to the Board for adoption.
- Deliberate on succession planning, human capital risks and plans to mitigate them.
- Determine a performance appraisal policy and a performance rating system for the annual performance appraisal of employees.

Remuneration Policy

The Remuneration Policy of the Company aims to attract, motivate, and retain high-caliber staff with the appropriate professional, managerial, and operational expertise, necessary to achieve the strategies and objectives of the Company and reward their performance commensurate with each employee's qualifications, level of experience and contribution, bearing in mind the business performance and shareholder returns.

Directors' Remuneration

The Board decides the remuneration of the Non-Executive Directors based on the recommendation of the Committee. All Non-Executive Directors receive a fee for attending Board meetings and Committee meetings. No performance or incentive payments are made to the Non- Executive Directors and they are not entitled to retirement benefits. The Company does not have share option plans for Directors and no Director is entitled to Company loans.

The total of Directors' remuneration paid during the year under review is set out in Note No.40.2.1 of the financial statements on page 216 of the Annual Report.



A. G. Illangakoon
Chairman

May 29, 2026

Report of the Nominations and Governance Committee

Composition of the Committee

The Nominations and Governance Committee appointed by the Board of Directors comprises of three Non-Executive Directors two of whom are independent and meets composition requirements stated in the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka and the requirements in Section 9.11.4 of the Listing Rules issued by the Colombo Stock Exchange. The following members served on the Committee during the year 2025. More information on the experience of and brief profiles of the Committee members are given on pages from 46 to 51 in the Annual Report.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Dr. A. G. Illangakoon	Independent, Non-Executive Director	Chairman	March 9, 2026	
Mr. L. Abeysinghe	Independent, Non-Executive Director	Chairman	February 27, 2025	March 9, 2026
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Chairman Member	December 6, 2024 February 6, 2026	February 27, 2025 March 9, 2026
Mr. H. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	August 31, 2023	March 9, 2026
Justice D. P. S Jayawardena	Independent, Non-Executive Director	Member	February 27, 2025	January 31, 2026
Mr. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	March 9, 2026	
Ms. S. P. Kumarasena	Independent, Non-Executive Director	Member	March 9, 2026	

Policies and Procedures

The Nominations and Governance Committee makes recommendations to the Board on all new Board and Senior Management appointments.

The Committee has effectively implemented the approved policies and procedures relating to the appointment and re-appointment of Directors to the Board, ensuring that such appointments are carried out in a transparent, structured, and objective manner.

The Committee operates within the Terms of Reference approved by the Board which includes the followings;

- Propose appointments to the Board of Directors and provide advice and recommendations to the Board and/ or the Chairman on any such appointment.
- Advise the Board on qualifications, competencies and independence of Directors and relationships which have the potential to give rise to conflict vis-a-vis the business of the Company.
- Consider if a director is able to and has been adequately carrying out his duties as a director, taking into consideration the number of listed Company Boards on which the Director is represented and other principal commitments.
- The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers necessary.

A documented Board approved Procedure for Nomination of Directors is in place, based on which the Committee recommends suitable individuals to be selected for appointment to the Board subject to the relevant regulatory approvals.

The retirement and re-election of Directors require 1/3 of the Directors eligible for retirement by rotation, to retire from office at each Annual General Meeting, and the Committee after evaluation, recommends (where appropriate) the re-election of Directors who are retiring by rotation to be placed before the shareholders, for reelection.

The Committee acknowledges Board diversity, covering academic/professional qualifications, skills, experience, age, integrity as key attributes for eligibility taking into consideration the nature of the business of the Company and the specific requirements of the non-bank financial sector, which is further elaborated in 'Corporate Governance' on page form 60 to 64 of the Annual Report.

Periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Company as specified in Section 9.11.6 of the Listing Rules. An induction programme is conducted for newly appointed Directors and an annual update is given to existing Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations.

The Directors of the Company meet the criteria for determining independence and Corporate Governance requirements stipulated under the Listing Rules of the CSE.

The Nominations Committee confirms that it has complied with the applicable Corporate Governance Rules and has discharged its duties and responsibilities in accordance with its approved Terms of Reference during the year under review.

Meetings

The Committee meets when required to make recommendations to the Board on matters related to its functions. The Chairman of the Committee can convene a special meeting in the event a requirement arises. Members of the Nominations and Governance Committee do not participate in decisions relating to their own appointment. There were two (2) meetings held during the year 2025.

Mr. H. R. S. Wijeratne	2/2
Mr. L. Abeysinghe	2/2
Justice D. P. S. Jayawardena	2/2

The Company Secretary acted as the Secretary to the Committee. The minutes of the meetings of the Committee are circulated to all members of the Board.

The Company Secretary communicates major issues reported to her to the Board of Directors in a timely manner during meetings of the Board, ensuring that Directors are kept adequately informed on matters affecting the Company.

Activities in 2025

During the year, the Committee continued to work closely with the Board of Directors on matters assigned to the Committee and reported back to the Board of Directors with its recommendations.

The following Directors were re-elected at the Annual General Meeting of the Company.

Name of the Director	Board Committees Served	Date of First Appointment as a Director	Date of Last Re-election as a Director	Directorship/Chairpersonships and other Principal Commitments, present and held over the preceding three years	Material Relationships (close family member, more than 10% shareholding)
Mr. L. Abeysinghe	**Chairperson** N&GC RPTRC **Member** AC IRMC	October 21, 2019	June 30, 2025	Executive Director of, ➤ Chelinaa Capital Corporation and the group of companies ➤ Vingrows Business Solutions (Pvt) Ltd. ➤ Chelina Capital Corporation (Pvt) Ltd. ➤ Chelina Reality Corporation (Pvt) Ltd. ➤ Wind Park (Pvt) Ltd. ➤ Value Plus Global (Pvt) Ltd. ➤ Vintara Property (Pvt) Ltd. ➤ Taarah Gem (Pvt) Ltd. ➤ Shreejayakey Strategies (Pvt) Ltd. ➤ Divata International (Pvt) Ltd.	None
Justice D.P.S. Jayawardena	**Chairman** IRMC **Member** HR&RC N&GC RPTRC	December 31, 2024	June 30, 2025	Independent Non-Executive Director of SMB Finance PLC (Resigned on 02.02.2026)	None
Mr. R. S. Wijeratne	**Chairman** N/A **Member** IRMC HR&RC AC N&GC	January 31, 2025	June 30, 2025	Executive Director of, ➤ Senura Civil Engineering ➤ Rank Container Terminals (Pvt) Ltd.	Son of Mr. H.R. S. Wijeratne, the Chairman and majority shareholder of SMB Finance PLC

(AC – Audit Committee, N&GC – Nominations and Governance Committee, HR&RC – Human Resources and Remuneration Committee, IRMC – Integrated Risk Management Committee, RPTRC – Related Party Transaction Review Committee)



A. G. Illangakoon
Chairman

May 29, 2026

Report of the Related Party Transactions Review Committee

Composition of the Committee

The Related Party Transactions Review Committee appointed by the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director and meets composition requirements stated in the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka and the requirements in Section 9.14.2 of the Listing Rules issued by the Colombo Stock Exchange. The following members served on the Committee during the year 2025. More information on the experience and brief profiles of the Committee members are given on pages from 46 to 51 in the Annual Report.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Mr. L. Abeysinghe	Independent, Non-Executive Director	Chairman	August 31, 2023	
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Member	August 31, 2023	March 9, 2026
Mr. W. M. Dayasinghe	Non-Independent, Non-Executive Director	Member Member	March 9, 2026 December 6, 2024	 February 27, 2025
Justice D. P. S. Jayawardena	Independent, Non-Executive Director	Member	February 27, 2025	January 31, 2026
Dr. A. G. Illangakoon	Independent, Non-Executive Director	Member	February 9, 2026	March 9, 2026
Ms. S. P. Kumarasena	Independent, Non-Executive Director	Member	March 9, 2026	

Terms of Reference

The purpose of the Committee is to provide independent review, approval, and oversight of Related Party Transactions of the Company. Scope of the related Party Transactions Committee includes the following,

- Advising the Board in ensuring 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
- To provide an independent review, approval and oversight of Related Party Transactions on terms set forth in greater detail in the Policy.
- Determining whether RPTs that are to be entered into by the Company require the approval of the Board or shareholders of the Company.
- Establishing guidelines in respect of Recurrent Related Party Transactions, for senior management to follow in its ongoing dealings with the relevant related party
- Ensuring that no Director of the Company shall participate in any decision-making process of a proposed Related Party Transaction for which he or she is a related party. Such Director may be requested to participate in relevant discussions by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee

Meetings

The Committee meets regularly and minutes of all meetings are properly documented and communicated to the Board of Directors. The Chairman of the Committee can convene a special meeting in the event a requirement arises. During the year 2025, the Committee met four (4) times.

The proceedings of the Committee meetings were regularly reported to the Board of Directors. Details regarding the attendance of Committee members are stated on page 61 of the Annual Report. The Chief Executive Officer and Head of the Finance Department attend the meetings by invitation. The Company Secretary acted as the Secretary to the Committee.

Mr. L. Abeysinghe	4/4
Mr. A. T. S. Sosa	4/4
Justice D. P. S. Jayawardena	4/4

Activities in 2025

During 2025, the Committee reviewed all potential Related Party Transactions in accordance with the rules pertaining to RPTs under the Listing Rules of the Colombo Stock Exchange. In the opinion of the Committee, there were no Transactions with Related Parties that were more favorable or preferential during the period under review and there were no non recurrent or recurrent Related Party Transactions that exceeded the respective thresholds as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note 40 to the Financial Statements on pages from 215 to 216 of the Annual Report.

Declaration

A declaration by the Board of Directors as an affirmative statement of compliance with the Listing Rules on related party transactions is given on page 131 of the Annual Report.



L. Abeysinghe
Chairman

May 29, 2026

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) was established to assist the Board in performing its oversight function in relation to different types of risks faced by the Company in its business operations and to ensure the adequacy and effectiveness of the Risk Management framework of the Company. The Committee meets the composition requirements stated in the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka. The Committee comprises of the following members.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Dr. A. G. Illangakoon	Independent, Non-Executive Director	Chairman	December 1, 2025	
Justice D. P. S. Jayawardena	Independent, Non-Executive Director	Chairman	February 27, 2025	December 1, 2025
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Member	August 31, 2023	March 9, 2026
Mr. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	February 27, 2025	
Mr. L. Abeysinghe	Independent, Non-Executive Director	Member	March 9, 2026	

The Committee adopted the provisions of Section 10.3 of the Finance Business Act (Corporate Governance) Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka as its terms of reference. A detailed approach to the Company's Risk Management process is given on pages from 36 to 38 of the Annual Report.

Meetings

The Committee held three (3) meetings for the year under review. The minutes of the IRMC were tabled at the Board meetings. The Company Secretary acted as the Secretary to the Committee.

Mr. A. T. S. Sosa	2/3
Justice D. P. S. Jayawardena	3/3
Mr. R. S. Wijeratne	3/3

Activities of the Integrated Risk Management Committee

The Committee is responsible for:

- Identifying, assessing, and managing broad risk categories, i.e., credit, market, liquidity, operational and strategic risks through risk indicators;
- Reviewing the adequacy and effectiveness of all management-level Committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits;
- Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies;
- Taking appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions; and
- Establishing a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls, and approved policies in all areas of business operations.

During the year, the Committee reviewed the process for identification, evaluation, and management of all significant risks throughout the Company and provided the necessary guidance in line with the risk appetite of the Company. Proceedings of meetings are tabled at a subsequent meeting of the Board.

The IRMC is satisfied that the risk exposure of the Company is being appropriately managed.



A. G. Illangakoon
Chairman

May 29, 2026

REPORT OF THE INFORMATION SECURITY COMMITTEE

Composition of the Committee

The Board Information Security Committee appointed by and responsible to the Board of Directors comprises of two Independent Non-Executive Directors and a Non-Independent Executive Director as per the Finance Business Act Technology Risk Management and Resilience Direction No. 01 of 2022 issued by the Central Bank of Sri Lanka. All members of the Committee have an in-depth of information technology knowledge and experience and is conscious of the need to keeping the knowledge up to date.

The Information Security Committee has been established to advise the Board and Management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters. The Committee offers valuable insights, timely advice, and facilitates discussions to help the Board of Directors fulfill its responsibilities regarding the Company's information technology matters effectively. The Company Secretary acted as the Secretary to the Committee.

Name of the Board Sub Committee Member	Directorship Status	Membership Status	Date of Appointment to the Committee	Date Resigned from the Committee
Mr. L. Abeysinghe	Independent, Non-Executive Director	Chairman Member	March 9, 2026 August 31, 2023	
Mr. A. T. S. Sosa	Independent, Non-Executive Director	Chairman	August 31, 2023	March 9, 2026
Mr. S. C. Wijesinghe	Non-Independent, Executive Director	Member	August 31, 2023	March 9, 2026
Mr. R. S. Wijeratne	Non-Independent, Non-Executive Director	Member	March 9, 2026	
Ms. S. P. Kumarasena	Independent, Non-Executive Director	Member	March 9, 2026	

The Company has established a management level Information Security Committee to address the issues on technology adoption, information security, cyber security, outsourcing and concentration and to support the Board Information Security Committee. The Committee is responsible for both strategic and operational aspects of information security and technology risk management.



L. Abeysinghe
Chairman

May 29, 2026

DIRECTORS' RESPONSIBILITY STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the Companies Act No.07 of 2007 and Finance Companies Corporate Governance Direction No.05 of 2021, the Board of Directors presents this report on internal controls over financial reporting. The Board of Directors has overall responsibility over SMB Finance PLC's internal controls over financial reporting and reviewing its adequacy and effectiveness.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to the business environment or regulatory guidelines. This process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls over financial reporting in place is adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control, by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls over financial reporting to mitigate and control these risks.

Internal controls over financial reporting are checked by the internal auditors of the Company for suitability of design and effectiveness on an ongoing basis. The scope, quality, and reports of internal audits are reviewed by the Board Audit Committee at its meetings, and improvements are recommended wherever necessary.

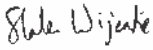
Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 2025 financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting on May 29, 2026.

By order of the Board,



R. S. Wijeratne
Non-Independent Non-Executive Director



L. Abeysinghe
Independent Non-Executive Director

Colombo
May 29, 2026

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(Chartered Accountants)
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Assurance Report on the Director's Statement on Internal Control

To the Board of Directors of SMB Finance PLC

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of SMB Finance PLC ("the Company") to provide assurance on the Director's Statement on Internal Control ("Statement") included in the annual report for the year ended 31st December 2025.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

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M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
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Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

Summary of work performed

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

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

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the License Finance Company obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on page 146 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of SMB Finance PLC.

CHARTERED ACCOUNTANTS
Colombo

May 29, 2026

Chief Executive Officer's and Financial Controller's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

We accept responsibility for the integrity and accuracy of these financial statements.

Significant accounting policies have been applied consistently. Application of significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the external auditors. Estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order to ensure that the financial statements are true and fair. To ensure this, our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report.

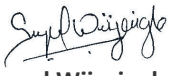
We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this Annual Report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves Management or other employees in the financial year 2025.

The financial statements were audited by Messrs. KPMG, Chartered Accountants, and the Independent Auditors. The Audit Committee of the Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company ensured compliance with the guidelines for the audit of Listed Companies where required. It is further confirmed that all statutory payments have been appropriately settled or where relevant provided for by the Company for the financial year 2025.



Sachini Wijesinghe
Financial Controller



Supul Wijesinghe
Chief Executive Officer

Colombo
May 29, 2026

DIRECTORS' RESPONSIBILITY TO FINANCIAL REPORTING

The Directors of the Company state below their responsibilities in relation to the financial statements of the Company for the financial year 2025. These differ from the Auditors' responsibilities, which are set out in their report given on pages from 153 to 156.

The Companies Act No. 7 of 2007 requires the Directors to prepare Financial Statements giving a true and fair view of the income of the financial year and the state of affairs of the Company as at the end of the financial year.

In preparing these Financial Statements, the Directors are required to select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained and to make judgments and best estimates and to ensure Sri Lanka Accounting Standards (SLFRS /LKAS) have been followed.

The Directors are required to prepare these Financial Statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors consider that in preparing the Financial Statements on pages from 157 to 229, the Company has used appropriate accounting policies, consistently applied, unless otherwise disclosed in Notes to the Financial Statements and supported by reasonable judgments and best estimates and that all accounting standards which are applicable have been followed.

The Directors also have the responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy, the Financial Position of the Company and enable them to ensure that the Financial Statements comply with the Sri Lanka Accounting Standards (SLFRS/ LKAS) and the requirements of the Companies Act No. 7 of 2007.

The Directors have further responsibility that all financial and non-financial requirements stipulated under the Companies Act No. 7 of 2007 pertaining to Directors' duties and responsibilities have been complied with.

The Directors have a general responsibility for taking such steps that are reasonably open to them, to safeguard the assets of the Company and to establish appropriate internal controls to prevent and detect fraud and other irregularities.

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

The Directors are of the view that they have discharged their responsibilities as set out above.

On behalf of the Board,



L. Abeysinghe
Independent Non-Executive Director

Colombo
May 29, 2026

SMB FINANCE PLC

FINANCIAL REPORTS

FINANCIAL CALENDAR

Q1 ended March 31, 2025 (unaudited)
2025 May 15

Q2 ended June 30, 2025 (unaudited)
2025 August 15

Q3 ended September 30, 2025 (unaudited)
2025 November 13

Q4 ended December 31, 2025 (unaudited)
2026 February 26

Q1 ended March 31, (unaudited)
2024 May 15

Q2 ended June 30, (unaudited)
2024 August 15

Q3 ended September 30, (unaudited)
2024 November 18

Q4 ended December 31, (unaudited)
2025 February 28

Audited Financial Statement 2025

2026 March 31

Annual Report Publication

2025 May 31 2026

2024 May 30 2025

Annual General Meeting (AGM)

2025 June 24 2026

2024 June 30 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SMB Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMB Finance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Allowance for Expected credit losses of loans and receivables to customers

Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to Customers, "Note 5.2.5.1 and 19" to the Financial Statements: Significant Accounting Judgments and Estimates, "Note 3.2.2" to the Financial Statements

Risk Description	Our Response
As disclosed in Note 19 to these financial statements, the Company has recorded financial assets at amortized cost against loans and receivables to customers amounting to Rs. 2,311,705,071/- as at 31 December 2025. High degree of complexity and judgment are involved in estimating ECL of Rs. 450,210,067/- against loans and receivables to customers as at the reporting date.	Our audit procedures included: ➤ Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain volatile macro-economic environment; ➤ Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of Management's key judgments and estimates;

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Risk Description

The Company uses the Expected Credit Loss (ECL) model to calculate the loss allowance in accordance with SLFRS 9 – Financial Instruments (SLFRS 9). These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR). There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios used and the post-model adjustments including their weighting and judgments over the use of data inputs required.

Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook on customers, increasing our audit effort thereon,

Accordingly, allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances.

Our Response

- Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios;
- Testing IT System Controls which record loan days past due, and non performing loan classification;
- Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD;
- Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checking the accuracy of the provision for impairment for such identified individually significant exposures;
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment;
- Working with our Financial Risk Management (FRM) specialists, and evaluating and challenging the key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance;
- Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

02. Valuation of Investment Property

Refer to the accounting policies in the Financial Statements: Investment Property, "Note 5.3.5 and 22".

Risk Description

As at 31 December 2025, the Company's Investment Properties carried at fair value amount to Rs. 997 Mn. Further, the fair value gain recognized in the statement of profit or loss for the year, amounted to Rs. 117 Mn.

The Company has engaged an independent external professional valuer with appropriate expertise in valuing properties, to determine the fair value of investment property in accordance with recognized industry standards.

Estimating the fair value is a complex process which involves a significant degree of judgement and estimates in respect of price per perch of the land, capitalization rates, value per square feet, fair market rental and diversity of locations and nature of the land and buildings and investment properties.

We identified this as a key audit matter because of the significant judgments and estimations in the selection of appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparable used, taking into consideration for difference such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.

Our Response

Our audit procedures included,

- Assessing the objectivity, independence, competence and qualifications of the external valuer;
- Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal valuation specialist;
- Inquiring how valuers had assessed the impact of the prevailing uncertain and volatile macro-economic environment to assess whether that it was appropriately considered in the measurement in valuing properties to determine the fair value of the investment property;
- Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

March 31, 2026

Statement of Profit or Loss and Other Comprehensive Income

Amounts in Sri Lankan Rupees

For the year ended December 31,	Note	2025	2024
Interest income	7	625,632,230	513,030,192
Interest expenses	8	(217,903,059)	(164,598,531)
Net interest income		**407,729,171**	**348,431,661**
Fee and commission income	9	9,780,523	6,805,088
Net interest, fee and commission income		**417,509,694**	**355,236,749**
Other operating income (Net)	10	44,694,094	18,114,218
Changes in fair value of investment property	22	116,601,258	74,170,450
Total operating income		**578,805,046**	**447,521,417**
Allowance for expected credit loss - Reversal	11	91,004,658	113,668,178
Net operating income		**669,809,704**	**561,189,595**
Personnel expenses	12	(205,215,459)	(157,316,338)
Other expenses	13	(178,615,868)	(144,361,651)
Operating profit before taxes on financial services		**285,978,377**	**259,511,606**
Taxes on financial services	14	(72,474,163)	(61,632,960)
Profit after taxes on financial services		**213,504,214**	**197,878,646**
Share of profit of associate company	21.2	-	1,864,471
Profit before income tax		**213,504,214**	**199,743,117**
Income tax expense	15	(53,574,511)	(48,772,466)
Profit for the year		**159,929,703**	**150,970,651**
Basic earnings per share	16	0.02	0.02
Diluted earnings per share	16.1	0.02	0.02
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on defined benefit plans	31.1	636,926	(3,967,753)
Deferred tax charge on actuarial gain	26.1	(191,078)	-
Equity investments at FVOCI – Net change in fair value	20.2	8,082,524	3,979,724
Other comprehensive income for the year (Net of taxes)		**8,528,372**	**11,971**
Total comprehensive income for the year		**168,458,075**	**150,982,622**

The notes to the financial statements from pages 161 to 229 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

Amounts in Sri Lankan Rupees

As at December 31,	Note	2025	2024
Assets			
Cash and cash equivalents	17	42,465,580	44,436,726
Placements with banks	18	3,020,384,995	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	19	2,311,705,071	1,782,535,495
Financial investments	20	170,530,307	120,351,765
Assets held for sale	21	-	41,699,000
Investment properties	22	996,750,000	708,050,000
Property, plant & equipment	23	67,744,690	59,654,628
Right-of-use assets	24.1	58,577,248	73,151,295
Intangible assets	25	264,127,391	268,246,256
Deferred tax assets	26	-	-
Other assets	27	78,317,146	80,152,769
Total assets		**7,010,602,428**	**6,102,745,126**
Liabilities			
Due to financial institutions	28	2,578,834,690	1,927,174,171
Financial liabilities at amortised cost - Deposits due to customers	29	268,393,940	166,816,577
Financial liabilities at amortised cost - Due to other customers	30	140,318,295	135,837,341
Retirement benefit obligations	31	28,310,377	21,786,312
Lease liabilities	24.2	55,018,753	63,547,836
Deferred tax liabilities	26	1,953,673	-
Other liabilities	32	131,573,636	149,841,900
Total liabilities		**3,204,403,364**	**2,465,004,137**
Equity			
Stated capital	33	3,062,681,524	3,062,681,524
Statutory reserve fund	34	63,272,414	55,275,929
Fair value reserve	35	76,607,071	68,524,547
Retained earnings	36	603,638,055	451,258,989
Total equity		**3,806,199,064**	**3,637,740,989**
Total equity and liabilities		**7,010,602,428**	**6,102,745,126**

The notes to the financial statements from pages 161 to 229 form an integral part of these financial statements.

Figures in brackets indicate deductions.

It is certified that the financial statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

Sachini Wijesinghe ACA, ACMA(UK), ACCA(UK)
Financial Controller

Supul Wijesinghe FCA, FCMA(UK), FCCA(UK)
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board by,

Shahen Wijeratne
Director

Lolitha Abeysinghe
Director

Colombo
March 30, 2026

STATEMENT OF CHANGES IN EQUITY

Amounts in Sri Lankan Rupees

	Stated Capital		Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	Total Equity
	Ordinary Voting Shares	Ordinary Non-Voting Shares				
Balance as at January 1, 2024	**2,555,958,860**	**506,722,664**	**47,727,396**	**64,544,823**	**311,804,624**	**3,486,758,367**
Profit for the year	-	-	-	-	150,970,651	150,970,651
Other comprehensive income (Net of tax)	-	-	-	3,979,724	(3,967,753)	11,971
Total comprehensive income for the year	**-**	**-**	**-**	**3,979,724**	**147,002,898**	**150,982,622**
Transfers to statutory reserve	-	-	7,548,533	-	(7,548,533)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	**-**	**-**	**7,548,533**	**-**	**(7,548,533)**	**-**
Balance as at December 31, 2024	**2,555,958,860**	**506,722,664**	**55,275,929**	**68,524,547**	**451,258,989**	**3,637,740,989**
Balance as at January 1, 2025	**2,555,958,860**	**506,722,664**	**55,275,929**	**68,524,547**	**451,258,989**	**3,637,740,989**
Profit for the year	-	-	-	-	159,929,703	159,929,703
Other comprehensive income (Net of tax)	-	-	-	8,082,524	445,848	8,528,372
Total comprehensive income for the year	**-**	**-**	**-**	**8,082,524**	**160,375,551**	**168,458,075**
Transfers to statutory reserve fund	-	-	7,996,485	-	(7,996,485)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	**-**	**-**	**7,996,485**	**-**	**(7,996,485)**	**-**
Balance as at December 31, 2025	**2,555,958,860**	**506,722,664**	**63,272,414**	**76,607,071**	**603,638,055**	**3,806,199,064**

The notes to the financial statements from pages 161 to 229 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Amounts in Sri Lankan Rupees

For the year ended December 31,	Note	2025	2024
Interest receipts		643,340,182	537,844,016
Interest payments		(209,983,413)	(201,765,612)
Fees and commission receipts		69,553,186	12,326,572
Cash payments to employees and suppliers		(299,361,475)	(229,714,507)
Profit before changes in operating assets		**203,548,481**	**122,674,011**
Loans and receivables		(504,311,811)	(211,124,028)
Other assets		(18,539,139)	(33,256,470)
Other liabilities		(20,661,465)	(19,550,100)
Cash used in operating activities		**(339,963,934)**	**(141,256,587)**
Tax paid		(106,006,359)	(65,412,836)
Gratuity paid	31.1	(93,750)	(962,500)
Net cash used in operating activities		**(446,064,043)**	**(207,631,923)**
Cash flow from investing activities			
Net investment in financial investments		7,252,370	(60,000,000)
Purchase of property, plant & equipment & intangible assets	23,25	(31,926,584)	(34,343,412)
Proceeds from disposal of Investment properties	22	4,500,000	60,372,050
Purchase of Investment properties	22	(175,848,742)	(63,059,000)
Dividend received	10	1,906,648	739,180
Proceeds from disposals of subsidiary company		-	2,000,000
Proceeds from disposals of associate company		10,000,000	-
Investment in fixed deposits		(115,074,675)	-
Net cash used in investing activities		**(299,190,983)**	**(94,291,182)**
Cash flow from financing activities			
Borrowings obtained from financial institutions	28	-	560,000,000
Repayment of borrowings from financial institutions	28	(1,222,815,500)	(608,721,500)
Net investment in time deposits and savings deposits		96,301,084	164,249,366
Net withdrawal in public borrowings		(12,000)	(20,000)
Advance payment on lease acquisition		(14,875,000)	(12,375,000)
Lease liability payments		(22,711,311)	(19,044,408)
Net cash (used in) / generated from financing activities		**(1,164,112,727)**	**80,104,916**
Net decrease in cash and cash equivalents		(1,909,367,752)	(221,818,189)
Cash and cash equivalents at the beginning of the year		(273,906,358)	(52,088,169)
Cash and cash equivalents at the end of the year		**(2,183,274,110)**	**(273,906,358)**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	17	42,465,580	44,436,726
Repo investment with banks	18	353,095,000	384,166,000
		395,560,580	**428,602,726**
Bank overdraft	28	(2,578,834,690)	(702,509,084)
Cash and cash equivalents at the end of the year		**(2,183,274,110)**	**(273,906,358)**

The notes to the financial statements from pages 161 to 229 form an integral part of these financial statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

1.1 Reporting Entity

SMB Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on September 3, 1992 and domiciled in Sri Lanka. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011.

The Company has a primary listing on the Colombo Stock Exchange since 1993. The Company was re-registered under the Companies Act No. 07 of 2007.

The registered office and the principal place of business of the Company is located at No. 282/1, CBS Building, Galle Road, Colombo 3, Sri Lanka.

1.2 Principal Activities and Nature of Operations

Company – SMB Finance PLC

The principal business activity is providing finance leases, loans and gold loans and accepting time deposits and saving deposits.

1.3 Ultimate Beneficial Owner

The Company's ultimate beneficial owner as at December 31, 2025 is Mr. H. R. S. Wijeratne.

1.4 Number of Employees

The staff strength of the Company as at December 31, 2025 is 76 (2024 - 64).

NOTE 2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (the "Accounting Standards"), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

-Sri Lanka Financial Reporting Standards ("SLFRS");
-Sri Lanka Accounting Standards ("LKAS");
-Statements of Recommended Practices (SoRPs);
-Statement of Alternate Treatment (SoATs) and
-Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 7 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for financial statements as set out in the Annual Report of the Board of Directors, Statement of Directors' Responsibility and the certification on the Statement of Financial Position.

These financial statements include the following components:

A). A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.

B). A Statement of Financial Position (SOFP) providing the information on the financial position of the Company as at the year end.

C). A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company.

Notes to the Financial Statements *(Contd.)*

D). A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.

E). Notes to the Financial Statements comprising Material Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The financial statements of the Company for the year ended December 31, 2025 were approved and authorised for issue in accordance with the resolution of the Board of Directors on March 30, 2026.

2.4 Basis of Measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following material items stated in the statement of financial position.

Item	Basis of Measurement	Note No	Page No
Quoted equity investments measured at fair value through profit or loss (FVTPL)	Fair value	20.1.1	194
Unquoted equity investments measured at fair value through other comprehensive income (FVTOCI)	Fair value	20.2.1	195
Investment Property	Fair Value	22	197-199
Defined benefit obligation	Liability is recognised at the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses	31	205-207

2.5 Going Concern Basis of Accounting

In preparing these financial statements, the management has assessed the existing and anticipated effect of country's extraordinary macroeconomic circumstances on the Company and the appropriateness of the use of the going concern basis of preparation of financial statements. The company has been evaluating the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Company, changes in working capital, management of capital expenditure, debt repayments, cash reserves and available sources of financing including unutilised facilities and in order to be able to continue business under current global economic conditions.

Furthermore, Management do not see any material uncertainties that may cast significant doubt upon the ability to continue as a going concern, and they do not intend either to liquidate or to cease operations of the Company. Therefore, the directors are satisfied that the Financial Statements continue to be prepared on going concern basis.

2.6 Functional and Presentation Currency

The financial statements is presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency. There was no change in the Company's presentation and functional currency during the year under review.

2.7 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are Companied by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis on recovery or settlement within 12 months after the reporting date (Current) and after more than 12 months from the Reporting date (Non-current) is presented in Note 43 (Current/Non-current Analysis). No adjustments have been made for inflationary factors affecting the financial statements.

2.8 Rounding

The amounts in the financial statements are presented in absolute values for the financial statements to be more understandable. However, in certain notes to the financial statements, figures have been rounded-off to the nearest Rupees thousands for better presentation as permitted by the Sri Lanka Accounting Standard LKAS 01 - Presentation of Financial Statements.

2.9 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company.

Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.10 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.

NOTE 3 USE OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the financial statements of the Company in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised prospectively. Significant areas of critical accounting judgements, assumptions and estimation uncertainty, in applying accounting policies that have most significant effects on the amounts recognised in the financial statements of the Company is as follows.

3.1 Significant Accounting Judgements

Information about accounting judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in Notes 3.1.1 to 3.1.2 below.

3.1.1 Classification of Financial Assets and Liabilities

As per SLFRS 9, the Material Accounting Policies of the Company 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 criteria given in Note 5.3.2.

3.1.2 Determination of Impairment Losses Relating to Financial Assets

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL set out in the Note 5.2.5.

Notes to the Financial Statements *(Contd.)*

3.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 3.2.1 to 3.2.7 below.

3.2.1 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recognised on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 37.3 and 37.4 respectively.

3.2.2 Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Company reviews its individually significant loans and advances 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 judgement is 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 a 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. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

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

As per SLFRS 9, the Company's Expected Credit Loss (ECL) calculations are outputs of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Company'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 Lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of an ECL model, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).

3.2.3 Impairment of Non-Financial Assets

The carrying amounts of the Company's non- financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its

Notes to the Financial Statements *(Contd.)*

estimated recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash -generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in profit or loss.

3.2.4 Useful Lifetime of the Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 5.3.7.

3.2.5 Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that future taxable profit will be available. 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. Refer Note 26.

3.2.6 Defined Benefit Obligation

The cost of the defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. This includes making assumptions about discount rates, future salary increments, retirement age. Due to the long- term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date. Refer Note 31.

3.2.7 Provisions for Liabilities, Commitments and Contingencies

The Company 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the financial statements are described in Note 3.1 to Note 3.2.

NOTE 4 CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company does not have changes in material accounting policies in the current annual reporting period.

Notes to the Financial Statements *(Contd.)*

NOTE 5 MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow.

Summary of Material Accounting Policies	Policy Note No.	Page No.	FS Note No.	Page No.
Significant Accounting Policies - General				
Financial assets and liabilities	5.1.1	*167-169*	*37*	*210-213*
Fair value measurement	5.1.2	*169-171*	*37.3*	*212*
Significant Accounting Policies - Recognition of Income and Expense				
Revenue	5.2.1	*171*	*7,9,10*	*186-187*
Net interest income	5.2.2	*171*	*8*	*186*
Fee and commission income	5.2.3	*171-172*	*9*	*186*
Other operating income	5.2.4	*172*	*10*	*187*
Expected credit losses on financial assets	5.2.5	*172-174*	*11*	*187*
Personnel expenses	5.2.6	*174*	*12*	*187*
Other expenses	5.2.7	*174*	*13*	*188*
Value added tax (VAT) on financial services	5.2.8	*174*	*14*	*188*
Social security contribution levy (SSCL) on financial services	5.2.9	*175*	*14*	*188*
Income tax	5.2.10	*175*	*15*	*188-189*
Earnings per share	5.2.11	*175*	*16*	*189*
Dividends per share	5.2.12	*176*	-	-
Significant Accounting Policies - Recognition of Assets and Liabilities				
Cash and cash equivalents	5.3.1	*176*	*17*	*190*
Loans and receivables	5.3.2	*176-178*	*19*	*191-193*
Financial investments	5.3.3	*178*	*20*	*194-196*
Assets held for sale	5.3.4	*178*	*21*	*196-197*
Investment property	5.3.5	*178-179*	*22*	*197-199*
Property, plant and equipment	5.3.6	*179*	*23*	*200-201*
Right of use assets and lease liabilities	5.3.7	*180-181*	*24*	*202-203*
Intangible assets	5.3.8	*181*	*25*	*203*
Other assets	5.3.9	*181*	*27*	*204*
Due to financial institutions	5.3.10	*181*	*28*	*205*
Deposits due to customers	5.3.11	*182*	*29*	*205*
Due to other customers	5.3.12	*182*	*30*	*205*
Retirement benefit obligations	5.3.13	*182*	*31*	*205-207*
Other liabilities	5.3.14	*182*	*32*	*207*
Statutory reserve	5.3.15	*182*	*34*	*209*
Fair value reserve	5.3.16	*182*	*35*	*209*
Significant Accounting Policies - Statement of Cash Flows				
Statement of cash flows	5.4.1	*160*	-	*160*
Significant Accounting Policies - Other				
Events that occurred after the reporting date	5.5.1	*182*	*39*	*214*
Commitments and contingencies	5.5.2 & 5.5.3	*182*	*38*	*214*
Operating segments	5.5.4	*183-184*	*44*	*228-229*
Maturity analysis	5.5.5	*184*	*42.3.3*	*218*

Notes to the Financial Statements *(Contd.)*

5.1 Material Accounting Policies - General

5.1.1 Financial Assets and Liabilities

5.1.1.1 Recognition and Initial Measurement

The Company initially recognizes loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue are added to the initial carrying amount of the asset or liability.

Day 1 Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets the Company recognises the difference between transaction price and fair value in interest income and respective expenses. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognized in the Statement of Profit or Loss when the input becomes observable or when the instrument is derecognized.

The Day 1 loss arising in the case of loans granted to employees at concessionary rates under uniform applicable schemes is deferred and amortized using effective interest rates over the remaining service period of the employees or tenure of the loan whichever is shorter. The subsequent measurement of financial assets depends on their classification.

5.1.1.2. Classification

A. Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting; Contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis. All other financial assets are classified and measured at FVTPL.

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

Business Model Assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.

Notes to the Financial Statements *(Contd.)*

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

B. Financial Liabilities

The Company classifies its financial liabilities other than loan commitments, as measured at amortised cost or FVTPL.

5.1.1.3 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

5.1.1.4 Derecognition

A. Financial Assets

The Company 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 of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the 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 (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

Notes to the Financial Statements *(Contd.)*

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Company securities various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Company transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest- only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

B. Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

5.1.1.5 Modifications of Financial Assets and Financial Liabilities

A. Financial Assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, 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 Company 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 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.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

B. Financial Liabilities

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. 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 profit or loss.

5.1.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non- performance risk.

When available, the Company 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 takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

Notes to the Financial Statements *(Contd.)*

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio- level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Valuation Models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis,

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques in which all significant inputs are directly or indirectly observable from market data

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and

Notes to the Financial Statements *(Contd.)*

model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

The Company's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the “waterfall” applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique-is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

5.2 Material Accounting Policies – Recognition of Income and Expense

5.2.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from early settlement and overdue rentals have been accounted for on a cash basis.

5.2.2 Net Interest Income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). 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 Company 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 and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a Company 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 ensuring the impairment loss.

5.2.3 Fee and Commission Income

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed.

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories;

- fee income earned from services that are provided over a certain period of time.
- fees earned for the provision of services over a period of time are accrued over that period.

Notes to the Financial Statements *(Contd.)*

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

5.2.4 Other Operating Income

5.2.4.1 Gain or losses on disposal of property, plant and equipment

Gains/losses from sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified as other income/expense.

5.2.4.2 Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Company's right to receive the dividend is established.

5.2.4.3 Income from government securities and securities purchased under resale agreements

The interest income on securities purchased under resale agreements is recognised in the income statement of profit or loss on an accrual basis over the period of the agreement.

5.2.4.4 Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognised on cash basis.

5.2.5 Expected Credit Losses on Financial Assets

The Company recognises loss allowance using Expected Credit Losses (ECL) on loans and receivables to customers and other financial assets measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.
The Company recognises loss allowances for ECL on loans and receivables other financial assets measured at amortised cost. Accordingly, this note covers expected loss allowances for;

- Loans and receivables from customers
- Placements with banks

5.2.5.1 Loans and receivables from customers

For loans and advances above a predefined threshold, the Company individually assesses for significant increase in credit risk. If a particular loan is credit 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 Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairment along with the remaining portfolio.

Segmentation of the portfolio is done based on homogeneous characteristics. However, segmentation needs to be done to the extent for which representative sample data is available to estimate PD using transition matrix. (Need to combine where sample size is not adequate)

Segmentation

- Lease – Machinery
- Lease – Other
- Loan – Other
- Loan – QC
- Gold Loan

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.

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per “definition of default and credit impaired” on Material Accounting Policy Balance Sheet Note 19 below) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Company employs statistical models

Notes to the Financial Statements *(Contd.)*

to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Company 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 EAD.
- EAD – The exposure at default represents the expected exposure in the event of a default. The Company 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. To calculate EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is equal more than 30 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is equal or more than 90 days past due.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised are credit impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit- impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

Notes to the Financial Statements *(Contd.)*

- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

Write-off

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 Company 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 Company's procedures for recovery of amounts due. The amount of write-off is described under Note 11 in the financial statements.

Other financial assets measured at amortised cost

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of “investment grade”. This policy is applicable to deposits with licensed commercial banks measured at amortised cost.

5.2.5.2 Placements with Banks

Deposits with licensed commercial banks comprise of fixed deposits with licensed commercial banks and securities purchased under agreements to re-sell.

Fixed deposits with licensed commercial banks are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using EIR.

Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR. The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company 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.

5.2.5.3 Repo investment with banks

Securities purchased under agreements to re-sell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is accrued over the life of the agreement using the EIR and recorded in other operating income.

5.2.6 Personnel Expenses

Personnel expenses include salaries and bonus, terminal benefit charges 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.

5.2.7 Other Expenses

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 under other expenses.

5.2.8 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation is the accounting profit before VAT and income tax adjusted for economic depreciation and benefits paid to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on financial services rate applied during the financial year ended December 31, 2025 was 18%.

Notes to the Financial Statements *(Contd.)*

5.2.9 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services. The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.2.10 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

Current Tax

Current tax is the expected tax payable on the taxable income for the year. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment to tax payable in respect of previous years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified below. Income tax on profit from operations for the year ended December 31, 2025 is calculated at the rate of 30% (2024 - 30%).

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

  Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

5.2.11 Earnings Per Share (EPS)

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as per the requirements of the Sri Lanka Accounting Standard LKAS 33 – "Earnings per Share".

Diluted EPS is computed by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the Financial Statements *(Contd.)*

5.2.12 Dividend Per Share

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

5.3 Material Accounting Policies – Recognition of Assets and Liabilities

5.3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and balances with banks which are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdraft that are repayable on demand form an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements.

5.3.2 Loans and Receivables

"Loans and advances to customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the 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.

The Company initially recognises loans and advances to customers on the date on which they are originated. The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

The Company 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.

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at fair value through profit or loss (FVTPL). Accordingly, loans and receivables from customers are measured at amortised cost. Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value.

There were no significant changes in the gross carrying amount of the financial assets at amortised cost – loans and receivables to other customers which contributed to significant changes in the loss allowance during the year under review.

The Company had granted debt moratorium to its lease and loan customers in compliance with the circulars issued by the Central Bank of Sri Lanka to provide relief measures to COVID - 19 affected businesses and individuals.

The Company records an allowance for expected credit losses for loans and other credit facilities to customers measured at amortised cost. 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 lifetime expected credit losses (LTECL) 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 Company records an allowance for LTECL. Refer Note 19.1 for a description on how the Company determines when a significant increase in credit risk has occurred.
- **Stage 3:** If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%.

The key assumptions, judgements and estimates adopted by the Company in addressing the requirements of SLFRS 9 is given below.

Notes to the Financial Statements *(Contd.)*

Significant increase in credit risk

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due rebutting the presumption in SLFRS 9 permitted in accordance with the provisions of SLFRS 9. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of Default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due equal more than 90 days on any material credit obligation to the Company.

In determination of default the Company largely aligns with the regulatory definition of default which is 90 days and above. In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g., breaches of covenant;
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

In assessing whether a borrower is in default, the Company reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Company considers non performing credit facilities/ customers with one or more of the following indicators and assessed accordingly in ECL computations.

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of the customer.
- when there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the customer.
- 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.
- 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 when compared to the previous year.

Expected Credit Loss (ECL)

The Company calculates ECL either on a collective or an individual basis.

For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on a combination of product characteristics.

Collateral valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as real estate, gold, repossessed

Notes to the Financial Statements *(Contd.)*

vehicles and repossessed machinery. When computing the ECL for individually significant loans, the discounted value of respective collateral is taken into consideration. The Company's policy is to carry collaterals repossessed at fair value at the repossession date and such assets will be disposed at the earliest possible opportunity.

5.3.3 Financial Investments

Financial investment consists of investments in quoted and unquoted shares and investments in promissory notes. Quoted equity securities classified as financial assets measured at FVTPL. For unquoted equity investments Company has irrevocably elect to present subsequent changes in FVOCI.

Unquoted Equity Investments at FVOCI

Upon initial recognition, the Company elected to classify irrevocably some all-unquoted equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under SLFRS 9 “Financial Instruments” and are not held for trading. Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment and comprise quoted and unquoted shares.

Investments in Promissory notes

After initial recognition, promissory notes are measured at amortised cost using the Effective Interest Rate (EIR) method.

5.3.4 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The detail of asset held for sale described under Note 21 in the financial statements.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal Company is allocated first to goodwill, then to the remaining assets and liabilities on a pro-rate basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

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

5.3.5 Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment Properties of the Company are stated at market value less provision for Impairment.

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property at each reporting period.

The fair values are based on market values, being the estimated amount for which a property could be exchanged

Notes to the Financial Statements *(Contd.)*

on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

5.3.6 Property, Plant and Equipment

Basis of Recognition

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Basis of Measurement

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 cost incurred subsequently to add to or replace a part of it. 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 at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment. The Company & Company apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are charged to the profit or loss as incurred.

Repairs & Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company & Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of profit or loss in the year the asset is derecognized.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows;

The estimated useful lives are as follows;

Class of Asset	% Per Annum	Period
Motor vehicles	20%	5 Years
Computer hardware	20%	5 Years
Office equipment	20%	5 Years
Furniture and fittings	20%	5 Years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate 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. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements *(Contd.)*

5.3.7 Right - of - use Assets and Lease Liabilities

At inception of a contract, the Company 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 Company 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 Company 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 Company has elected not to separate non- lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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.

Presentation

As per SLFRS 16 Right-of-use assets are either presented separately from other assets on the balance sheet or disclosed separately in the notes. Similarly, lease liabilities are either presented separately from other liabilities on the balance sheet or disclosed separately in the notes.

The Company has elected to present Right-of-use assets

Notes to the Financial Statements *(Contd.)*

seperately from other assets on the statement of financial position. Similarly, lease liabilities are presented seperately from other liabilities on the statement of financial position.

Depreciation expense and interest expense cannot be combined in the statement of profit or loss. In the cash flow statement, principal payments on the lease liability are presented within financing activities; interest payments are presented based on an accounting policy election in accordance with LKAS 7 "Statement of Cash Flows".

5.3.8 Intangible Assets

The intangible assets include the value of computer software developed in-house in partnership with a vendor.

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably, in accordance with Sri Lanka Accounting Standard 38 – "Intangible Assets". Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	% Per Annum	Period
Computer software	20%	5 Years

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

5.3.9 Other Assets

Other assets mainly comprise of refundable deposits, prepayments, performance bank guarantee, receivable from escrow agreement and other advances carried at historical cost.

5.3.10 Due to Financial Institutions

This represents loans and overdraft facilities from licensed commercial banks. 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 Profit or Loss.

Notes to the Financial Statements *(Contd.)*

5.3.11 Deposits Due to Customers

These represents Time Deposits and Savings Deposits. Deposits are measured at their amortised cost using the effective interest method. Interest Expense is recognized in the statement of profit or loss based on the effective interest rate method.

5.3.12 Due to Other Customers

These represents the funds borrowed in the form of debentures and promissory Notes. Interest Expense is recognized in the statement of profit or loss based on the effective interest rate method.

5.3.13 Retirement Benefit Obligations

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits". The Company continues to use an internally developed method to measure retirement benefit liability. This is stated under other liabilities in the statement of financial position.

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs. The gratuity liability is not externally funded.

5.3.14 Other Liabilities

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. Other liabilities mainly comprise accrued expenses, supplier payables, insurance payable, consent motion advance, EPF/ ETF/PAYE payables, etc.

5.3.15 Statutory Reserve

Statutory Reserve Fund has been created during the year 2006 in accordance with the Finance Leasing (Amendment) Act No 24 of 2005. Statutory reserve fund is a capital reserve which contains profits transferred as required by Department of Supervision of Non Bank Financial Institutions of Central Bank of Sri Lanka, under the Finance Companies (Capital Funds) Direction No. 01 of 2003. Accordingly, 5% of the net profit for the period is transferred to the statutory reserve fund.

5.3.16 Fair Value Reserve

"Fair value reserve" comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income. Refer Note 35.

5.4 Material Accounting Policies – Statement of Cash Flows

5.4.1 Statement of Cash Flows

The Statement of Cash Flow has been prepared by using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 – "Statement of Cash Flows", whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise of cash in hand and cash at bank. Cash and cash equivalents as referred to in the statement of cash flow are comprised of those items as explained in the Note given in the statement of cash flow.

5.5 Material Accounting Policies – Other

5.5.1 Events after the reporting period

Events after the reporting period 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 period have been considered and appropriate disclosures are made in Note 39 where necessary.

5.5.2 Capital Commitments

During 2025, the Company did not enter into any contract that will give rise to capital expenses in the future.

5.5.3 Contingent liabilities

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

Summary cases against the Company have been disclosed in the Note 41 to the financial statements. However, based on the available information and the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

Notes to the Financial Statements *(Contd.)*

5.5.4 Operating segments

The Company's segmental reporting is based on operating segments.

A segment is a distinguishable component of the Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

For management purposes, the Company is organised into business units based on their products and services.

No operating segments have been aggregated to form the reportable operating segments.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from statement of profit or loss in the financial statements.

The Company's stated capital and retained earnings are managed on a company basis and are not allocated to individual operating segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. The activities of the Company are located mainly in Sri Lanka. Consequently, the economic environment in which the Company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Notes to the Financial Statements *(Contd.)*

Operating Segment	Category of Information	Details
Leasing	Nature of product	Leasing facilities to acquire movable properties
	Classification of product	Motor cars, busses, trucks, machinery
	Revenue derived from	➤ Interest income ➤ Service fee income & commission income
Loans	Nature of product	Loan facilities to acquire movable and immovable properties and personal loans except gold loans
	Classification of product	Land, motor cars, personal loans
	Revenue derived from	➤ Interest income ➤ Service fee income
Gold Loan	Nature of product	Short-term secured lending facilities granted against the pledge of gold articles
	Classification of product	Gold loans
	Revenue derived from	➤ Interest income
Treasury	Nature of product	Investing activities
	Classification of product	Placements with banks, REPO investment
	Revenue derived from	➤ Investment income and fair value gains and losses on investments

Details of the 5.5.4. Operating Segments are given in Note 44.

5.5.5 Maturity Analysis

The Company has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period at the reporting date to the contractual maturity date. Remaining contractual period to maturity as at the date of statement of financial position of the assets, liabilities and share holders' funds are given in Note 42.3.3.

NOTE 6 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning on or after 1 January 2026 and earlier application is permitted. Other than part of the amendments described in A. below, the Company has not early adopted any other new or amended accounting standards in preparing these financial statements.

A. Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is currently in the process of assessing the application of Section B4.1 of SLFRS 9, which relate to assessing contractual cash flows, and associated disclosure requirements in SLFRS 7. The Company is in the process of assessing the impact of the rest of the amendments.

B. SLFRS 18 – Presentation and Disclosures in Financial Statements

SLFRS 18 will replace LKAS 1 *Presentation of Financial Statements* and is applicable for annual reporting periods beginning on or after 1 January 2027. The standard introduces revised presentation and disclosure requirements as outlined below:

Notes to the Financial Statements *(Contd.)*

- entities are required to classify all income and expenses into five categories within the statement of profit or loss, namely: operating, investing, financing, discontinued operations, and income tax. Additionally, entities must present a newly defined operating profit subtotal. The overall net profit of the entity remains unchanged.
- management-defined performance measures (MPMs) are required to be disclosed in a single note within the financial statements.
- the standard provides enhanced guidance on the aggregation and grouping of information presented in the financial statements.

Furthermore, entities must use the operating profit subtotal as the starting point when presenting operating cash flows under the indirect method in the statement of cash flows.

The Company is currently in the process of assessing the impact of SLFRS 18, particularly in relation to the structure of the statement of profit or loss, the presentation of cash flows, and the additional disclosures required for MPMs. The assessment also includes evaluating changes in how information is aggregated and presented, including items that are presently classified under 'other'.

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

- SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- These standards will become effective for the listed companies in the main board of Colombo Stock Exchange from January 1, 2026.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

INCOME

For the year ended December 31,	Note	2025	2024
Interest income	7	625,632,230	513,030,192
Fee and commission income	9	9,780,523	6,805,088
Other operating income (Net)	10	44,694,094	18,114,218
		680,106,847	**537,949,498**

NOTE 7 INTEREST INCOME

For the year ended December 31,	2025	2024
Interest income on lease rental receivables	118,424,788	100,557,374
Interest income on loans and advances	134,033,195	77,040,464
Interest income on gold loan advances	149,831,797	89,192,848
Interest income on placements with banks	215,434,363	238,507,912
Interest income on financial investments	1,650,918	-
Interest income on investments with government securities	6,028,574	7,661,970
Income from investment in money market	228,595	69,624
Total interest income	**625,632,230**	**513,030,192**

7.1 Interest income on lease rental receivables, loans and advances, gold loan advances and investments with government securities, where interest is accrued by applying the EIR to the gross carrying amount of the financial asset.

NOTE 8 INTEREST EXPENSES

For the year ended December 31,	2025	2024
Due to banks	183,864,289	150,496,305
Due to other customers	27,387,211	10,118,684
Interest on leased liability	6,651,559	3,983,542
Total interest expenses	**217,903,059**	**164,598,531**
Net interest income	**407,729,171**	**348,431,661**

NOTE 9 NET FEE AND COMMISSION INCOME

For the year ended December 31,	2025	2024
Fee and commission income	9,780,523	6,805,088
Net fee and commission income	**9,780,523**	**6,805,088**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 10 OTHER OPERATING INCOME

For the year ended December 31,	Note	2025	2024
Provision reversals of Ceylinco Automobiles Limited		17,600,000	-
Writ collection income		9,727,160	14,336,443
Sundry income		6,437,415	150,000
Recovery of loans and lease written off in prior years		6,468,767	278,813
Dividend income		1,906,648	739,180
Service charges		1,532,750	596,050
Disposal gain on sale of investment properties		750,000	-
Disposal profit of sale of fixed assets		221,967	-
Fair value gain on financial investment	20.4	49,387	13,732
Profit on sale of subsidiary		-	2,000,000
		44,694,094	**18,114,218**

NOTE 11 ALLOWANCE FOR EXPECTED CREDIT LOSS - (REVERSAL) / CHARGE

For the year ended December 31,	Note	2025	2024
Allowance for expected credit loss for loans and advances	19.5	(231,947,819)	(68,154,330)
Unwinding interest adjustment		(13,776,650)	(28,897,138)
Allowance for expected credit loss for placements with banks	18.1	(933,219)	(22,301)
Write-offs and disposal loss	11.1	182,884,131	4,703,084
Net gain on consent motion settlement		(27,231,101)	(21,297,493)
		(91,004,658)	**(113,668,178)**

11.1 During the year, the Company written-off certain loans and advances where recovery was deemed not probable after undertaking all feasible recovery actions.

These exposures were subject to legal enforcement procedures, including initiation of legal proceedings and collateral realization. However, based on the outcome of such actions and an assessment of the borrowers' financial position, management concluded that there was no reasonable expectation of further recovery, and accordingly, the balances were written off against the related loss allowance in line with SLFRS 9 - Financial Instruments.

NOTE 12 PERSONNEL EXPENSES

For the year ended December 31,	Note	2025	2024
Salaries and bonus		136,004,252	100,234,136
Defined contribution plan costs - EPF		14,788,865	11,338,626
Defined contribution plan costs - ETF		3,697,216	2,834,657
Defined benefit plan cost	31.1	7,254,741	5,136,106
Staff medical and insurance expense		12,491,392	9,779,548
Vehicle allowances and running expenses		19,015,768	19,763,917
Sales incentives		5,149,889	2,683,500
Travelling allowances		1,250,167	1,439,417
Others		5,563,169	4,106,431
		205,215,459	**157,316,338**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 13 OTHER EXPENSES

For the year ended December 31,	Note	2025	2024
Auditors' remuneration - Audit related services		2,493,697	2,034,813
- Non audit services		3,768,536	640,488
Depreciation and amortisation		71,590,324	54,635,400
Legal expenses		6,523,931	5,118,074
Directors' emoluments		15,465,000	5,980,000
Premises and equipment cost		57,851,649	42,153,330
Disposal loss on sale of investment properties		-	6,043,000
Impairment loss on recognition of assets held for sale	21.1	-	2,782,424
Professional fees		4,726,545	2,399,230
Subscription for CBSL		2,004,000	2,004,000
Travelling and taxi fare fee		2,108,018	2,175,261
Crop insurance levy		1,797,169	1,316,005
Advertising expenses		1,318,415	641,233
Sales promotion		1,808,748	2,712,206
Others		7,159,836	13,726,187
		178,615,868	**144,361,651**

NOTE 14 TAXES ON FINANCIAL SERVICES

For the year ended December 31,	2025	2024
Value added tax on financial services	61,099,056	52,755,308
Social security contribution levy (SSCL)	11,375,107	8,877,652
	72,474,163	**61,632,960**

NOTE 15 INCOME TAX

For the year ended December 31,	Note	2025	2024
Income tax claim on profits	15.1	40,367,668	46,017,219
Underprovision in respect of previous years		11,444,248	2,755,247
Provision for deferred tax	26	1,762,595	-
		53,574,511	**48,772,466**

15.1 Reconciliation of Accounting Profit and the Income Tax Expense

For the year ended December 31,	2025	2024
Profit before income tax	213,504,214	199,743,117
Share of profit of associate company	-	(1,864,471)
Aggregate disallowed expenses	123,651,067	103,393,345
Aggregate allowable expenses	(84,459,950)	(71,531,949)
Capital portion of lease receivable	-	573,776
Aggregate exempt / allowable income	(119,529,260)	(76,923,087)
Profit from the business	**133,166,071**	**153,390,731**
Gain from the investment realisation	1,392,819	-
Taxable profit	**134,558,890**	**153,390,731**
Tax on taxable profit @ 30%	40,367,667	46,017,219
Income tax expense	**40,367,668**	**46,017,219**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

Capital allowances for Intangible Assets

Within the framework of capital allowances, the Act adopts a different treatment for intangible assets compared to tangible assets.

15.2 Reconciliation of Effective Tax Rate

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended December 31, 2025 is given below;

For the year ended December 31,	2025	2024
Accounting profit before income tax	213,504,214	199,743,117
Income tax expense at the average statutory income tax rate @ 30%	64,051,264	59,922,935
Tax effect of disallowable expenses	37,095,320	31,018,004
Tax effect of allowable expenses	(25,337,985)	(21,459,585)
Capital portion of lease receivable	-	172,133
Tax effect of aggregate exempt / allowable income	(35,858,778)	(23,636,267)
Tax on investment realisation @ 30%	417,846	-
Income tax expense for the year	**40,367,668**	**46,017,219**
Effective tax rate	**18.91%**	**23.04%**

Income tax provision for the year ended December 31, 2025 of SMB Finance PLC has been calculated at 30% (2024 - 30%) on its taxable profit in terms of Inland Revenue Act No. 24 of 2017, and amendments thereto, including any amendments legislated by Inland Revenue (Amendment) Act No. 45 of 2022.

15.3 Treatment of Impairment Charges

As per Part I : Sec. (I) of the Gazette notification issued on October 25, 2022 under sub section (2) and (3) of Section 66 of the Inland revenue Act, No. 24 of 2017, the impairment charges of Stage 3 credit facilities classified as per Sri Lanka Accounting Standards (SLFRS 9) have been considered as an allowable deduction (after adjusting for specifications given under section 1 of schedule 1 of the said Gazette notification).

NOTE 16 EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the number of ordinary shares, as per the requirements of the Sri Lanka Accounting Standard LKAS 33 - "Earnings per Share".

For the year ended December 31,	2025	2024
Profit attributable to equity holders of the Company (Rs.)	159,929,703	150,970,651
No.of ordinary shares outstanding during the year	9,551,978,760	9,551,978,760
Basic earnings per share (Rs.)	**0.02**	**0.02**

16.1 Diluted Earnings Per Share

There were no potentially dilutive ordinary shares as at December 31, 2025 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earnings per share.

Therefore, diluted earnings per share is the same as basic earnings per share shown above.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 17 CASH AND CASH EQUIVALENTS

As at December 31,	Note	2025	2024
Cash in hand		26,223,883	30,734,609
Balances with banks		16,241,697	13,702,117
Cash and cash equivalents in the statement of financial position		**42,465,580**	**44,436,726**
Repo investment with banks	18	353,095,000	384,166,000
Bank overdrafts	28	(2,578,834,690)	(702,509,084)
Cash and cash equivalents in the statement of cash flow		**(2,183,274,110)**	**(273,906,358)**

NOTE 18 PLACEMENTS WITH BANKS

As at December 31,	Note	2025	2024
Fixed deposits with banks		2,667,491,263	2,541,435,679
Repo investment with banks - Overnight		353,095,000	384,166,000
Gross placements with banks		**3,020,586,263**	**2,925,601,679**
Allowance for expected credit loss provision	18.1	(201,268)	(1,134,487)
Net placements with banks		**3,020,384,995**	**2,924,467,192**

18.1 Movement in Impairment During the Year - Placements with Banks

	2025	2024
Balance as at January 1,	1,134,487	1,156,788
Reversal to the income statement	(933,219)	(22,301)
Balance as at December 31,	**201,268**	**1,134,487**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees
As at December 31,

NOTE 19 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO CUSTOMERS

19.1 Stage-wise Analysis of Loans and Receivables to Customers

As at December 31,	2025	2024
Gross loans and receivables to customers		
Stage 1	1,956,882,042	1,475,834,374
Stage 2	280,949,944	168,664,602
Stage 3	524,083,152	820,194,405
	2,761,915,138	**2,464,693,381**
Provision for impairment		
Stage 1	(82,006,708)	(128,226,295)
Stage 2	(49,122,379)	(30,371,671)
Stage 3	(319,080,980)	(523,559,920)
	(450,210,067)	**(682,157,886)**
Net loans and receivables to customers	**2,311,705,071**	**1,782,535,495**

19.1.1 Loans

As at December 31,	2025	2024
Gross loan receivables		
Stage 1	619,587,415	530,622,815
Stage 2	43,428,627	54,685,438
Stage 3	443,737,700	563,140,488
	1,106,753,742	**1,148,448,741**
Provision for impairment		
Stage 1	(44,984,201)	(83,566,498)
Stage 2	(34,828,191)	(14,246,123)
Stage 3	(255,566,594)	(304,671,131)
	(335,378,986)	**(402,483,752)**
Net loan receivables	**771,374,756**	**745,964,989**

19.1.2 Leases

As at December 31,	2025	2024
Gross lease receivables		
Stage 1	525,134,030	514,911,516
Stage 2	148,398,811	57,362,176
Stage 3	66,720,018	235,084,978
	740,252,859	**807,358,670**
Provision for impairment		
Stage 1	(21,558,950)	(44,096,638)
Stage 2	(13,316,303)	(15,610,145)
Stage 3	(63,340,018)	(216,682,383)
	(98,215,271)	**(276,389,166)**
Net lease receivables	**642,037,588**	**530,969,504**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

19.1.3 Gold loan advance receivables

As at December 31,	2025	2024
Gold loan advance receivables		
Stage 1	812,160,597	430,300,043
Stage 2	89,122,506	56,616,988
Stage 3	13,625,434	21,968,939
	914,908,537	**508,885,970**
Provision for impairment		
Stage 1	(15,463,557)	(563,159)
Stage 2	(977,885)	(515,403)
Stage 3	(174,368)	(2,206,406)
	(16,615,810)	**(3,284,968)**
Net gold loan advance receivables	**898,292,727**	**505,601,002**

19.2 Product-wise Analysis of Gross Loans and Receivables

As at December 31,	2025	2024
Lease rental receivables	740,252,859	807,358,670
Personal loans	173,160,750	95,710,168
Term loans	756,715,098	825,543,860
Easy payment loans	-	4,442,968
Other loans	176,877,894	222,751,745
Gold loan advance receivables	914,908,537	508,885,970
	2,761,915,138	**2,464,693,381**

The significant increase in gross loans and receivables from 2024 to 2025 is primarily attributable to the gold loan advances receivables. This growth in gold loan advance receivables is mainly due to higher disbursements in gold loans during the year 2025, including those generated through new branches of the Company.

19.3 Sector-wise Analysis of Gross Loans and Receivables

As at December 31,	2025	2024
Industry	176,314,102	357,829,439
Agriculture	82,360,991	181,877,284
Trade	79,123,260	177,725,844
Transport	507,171,614	335,414,132
Construction	403,183,026	455,141,100
Services	377,682,670	386,695,432
Personal	1,060,378,628	557,917,852
Others	75,700,847	12,092,298
	2,761,915,138	**2,464,693,381**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

19.4 Gross Lease Receivables

19.4.1 Gross lease receivables within one year

As at December 31,	2025	2024
Total lease receivables within one year from reporting date	483,364,656	547,059,697
Unearned lease Income	(322,860,566)	(264,603,687)
Balance as at December 31,	**160,504,090**	**282,456,010**

19.4.2 Gross lease receivables after one year and five years

As at December 31,	2025	2024
Total lease receivables after one year from reporting date	1,151,868,841	1,024,960,658
Unearned lease Income	(572,120,072)	(529,853,182)
Balance as at December 31,	**579,748,769**	**495,107,476**

19.4.3 Gross lease receivables after five years

As at December 31,	2025	2024
Total lease receivables after five years from reporting date	-	38,111,582
Unearned lease Income	-	(8,316,398)
Balance as at December 31,	**-**	**29,795,184**
Total gross lease receivables	**740,252,859**	**807,358,670**

19.5 Movement in Stage-wise Impairment Provision During the Year - Loans and Receivables to Customers

As at December 31,	2025	2024
Stage 1		
Balance as at January 1,	128,226,295	113,255,362
(Reversal) / Charge to the income statement	(46,219,587)	14,970,933
Balance as at December 31,	**82,006,708**	**128,226,295**
Stage 2		
Balance as at January 1,	30,371,671	50,712,740
Charge / (Reversal) to the income statement	18,750,708	(20,341,069)
Balance as at December 31,	**49,122,379**	**30,371,671**
Stage 3		
Balance as at January 1,	523,559,920	586,344,114
Reversal to the income statement	(204,478,940)	(62,784,194)
Balance as at December 31,	**319,080,980**	**523,559,920**
Total net impairment for the year	**(231,947,819)**	**(68,154,330)**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 20 FINANCIAL INVESTMENTS

The Company's financial investments are summarised by category as follows;

As at December 31,	Note	2025	2024
Fair value through profit or loss (FVTPL)	20.1	92,417	43,030
Fair value through other comprehensive income (FVTOCI)	20.2	145,991,259	120,308,735
Financial investment at amortised cost (AC)	20.3	24,446,631	-
Total Financial Investments		**170,530,307**	**120,351,765**

The following table compares the fair value/cost of the financial investments to their carrying values:

As at December 31,	Note	2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Fair value through profit or loss (FVTPL)	20.1	92,417	92,417	43,030	43,030
Fair value through other comprehensive income (FVTOCI)	20.2	145,991,259	145,991,259	120,308,735	120,308,735
Financial investment at amortised cost (AC)	20.3	24,446,631	24,446,631	-	-
Total financial investments		**170,530,307**	**170,530,307**	**120,351,765**	**120,351,765**

20.1 Fair Value Through Profit or Loss (FVTPL)

20.1.1 Quoted Shares held by SMB Finance PLC

As at December 31,	2025			2024		
	No.of shares	Carrying Value	Fair Value	No.of shares	Carrying Value	Fair Value
Banking, Finance & Insurance						
The Finance Co. PLC	97	-	-	97	-	-
Manufacturing						
Blue Diamond Jewelry Worldwide PLC	778,280	-	-	778,280	-	-
Metal Recyclers Colombo PLC	-	-	-	69	-	-
ACL Cables PLC	792	71,122	71,122	264	31,284	31,284
		71,122	71,122		31,284	31,284
Land & Property						
Seylan Developments PLC	-	-	-	43	-	-
Other						
John Keels Holdings PLC	100	2,170	2,170	100	226	226
Richard Pieris and Company PLC	450	19,125	19,125	450	11,520	11,520
		21,295	21,295		11,746	11,746
Total carrying amount		**92,417**	**92,417**		**43,030**	**43,030**

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of equity under SLFRS 9 – "Financial Instruments" and are not FVTPL. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Equity instruments at FVOCI are not subject to an impairment assessment. Unrealised gains and losses were recognised in Equity through OCI in the "Fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets – FVOCI were recognised in the income statement as "Other operating income" when the right to receive the payment had been established.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

20.1.2 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices.

20.2 Fair Value Through Other Comprehensive Income (FVTOCI)

20.2.1 Unquoted Shares held by SMB Finance PLC

As at December 31,	2025			2024		
	No. of Shares	Cost	Carrying Value / Fair Value	No. of Shares	Cost	Carrying Value / Fair Value
Ceylinco Sports Complex Ltd	300,000	3,000,000	-	300,000	3,000,000	-
The Standard Credit Finance Limited (Formerly known as Ceylinco Investment & Realty)	100,000	1,000,000	-	100,000	1,000,000	-
Seraka Investment Ltd *	5,655,900	48,645,300	-	5,655,900	48,645,300	-
South Asian Travels	30,000	300,000	-	30,000	300,000	-
MBSL Savings Bank Ltd (Formerly known as Ceylinco Savings Bank Ltd)	4,245	11,896,000	-	1,189,600	11,896,000	-
Ceylinco Coloured Stone (Pvt) Ltd	500,000	5,000,000	-	500,000	5,000,000	-
K Seeds Investment (Pvt) Ltd (Formerly known as Openarc Global Solutions (Pvt) Ltd)	45,000	450,000	-	45,000	450,000	-
Magpek Exports Ltd	125,000	5,000,000	-	125,000	5,000,000	-
Pugoda Textiles Mills Ltd	-	-	-	7,500	252,525	-
Nestor Properties Ltd (Formerly known as SMB Real Estate Ltd)	61,739	30,282,196	-	61,739	30,282,196	-
Nestor Stock Brokers (Private) Ltd (Formerly known as SMB Securities (Pvt) Limited)	5,000,000	50,000,000	128,381,259	5,000,000	50,000,000	120,298,735
Credit Information Bureau of Sri Lanka	100	10,000	10,000	100	10,000	10,000
Ceylinco Automobiles Ltd (20.2.1.1)	1,760,000	17,600,000	17,600,000	-	-	-
Total carrying amount			**145,991,259**			**120,308,735**

* The investment in Seraka Investment Ltd is 10% non - cumulative non - redeemable preference shares.

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent investment that the Company intends to hold for the long term for strategic purpose. No strategic investments were disposed of during the year 2025 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

20.2.1.1 Unquoted Shares held by SMB Finance PLC

As at December 31,	2025 Cost	2024 Cost
Ceylinco Automobiles Ltd.	17,600,000	-
Carrying amount	**17,600,000**	**-**

On December 18, 2025, Ceylinco Automobile Limited (CAL) issued 1,760,000 non-voting shares to SMB Finance PLC following the conversion of its invested debentures in CAL representing an investment of Rs. 17,600,000.

20.2.2 Unquoted Debentures held by SMB Finance PLC

As at December 31,	2025 Cost	2024 Cost
Ceylinco Automobiles Ltd.	-	17,600,000
Provision for impairment	-	(17,600,000)
Carrying amount	**-**	**-**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

20.3 Financial Investment at Amortised Cost (AC)

Promissory Notes held by SMB Finance PLC

As at December 31,	2025 Cost	2024 Cost
Corporate Capital Market Limited	24,446,631	-
Carrying amount	**24,446,631**	**-**

20.4 Movement of Financial Investment

	Fair Value Through Profit or Loss (FVTPL)	Fair Value Through Other Comprehensive Income (FVTOCI)	Financial investment at amortised cost (AC)
As at January 1, 2024	29,298	116,329,011	-
Fair value gain recorded in the statement of profit or loss	13,732	-	-
Fair value gain recorded in the other comprehensive income	-	3,979,724	-
As at December 31, 2024	**43,030**	**120,308,735**	**-**
As at January 1, 2025	43,030	120,308,735	-
Additions	-	17,600,000	31,699,000
Receipts during the year	-	-	(8,903,287)
Interest income	-	-	1,650,918
Fair value gain recorded in the statement of profit or loss	49,387	-	-
Fair value gain recorded in the other comprehensive income	-	8,082,524	-
As at December 31, 2025	**92,417**	**145,991,259**	**24,446,631**

20.5 Disclosure of Financial Risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 42.

20.6 Financial Investments Pledged as a Security

Financial investments are not pledged as a security as at the reporting date.

NOTE 21 ASSETS HELD FOR SALE

21.1 Associate Company

As at December 31,	Principal Activity	2025 Holding	2025 No.of Shares	2025 Carrying Value Rs.	2024 Holding	2024 No.of Shares	2024 Carrying Value Rs.
Kenanga Investment Corporation Ltd	Investment banking	-	-	-	48.99%	4,900,000	44,481,424
Provision for impairment				-			(2,782,424)
Balance as at December 31,				-			**41,699,000**

The Company sold its investment in Kenanga Investment Corporation Ltd on March 25, 2025 at a consideration of Rs. 41,699,000 to Corporate Capital Market Limited through a Share Sale and Purchase Agreement. Accordingly, the Company received Rs. 10,000,000 in cash and Rs. 31,699,000 worth of promissory notes as financial investments.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

21.2 Share of Profit of Associate Company

For the year ended December 31,	2025	2024
Share of (loss) / profit after tax	-	1,939,155
Adjustment	-	(74,684)
	-	**1,864,471**

NOTE 22 INVESTMENT PROPERTIES

	2025	2024
Balance as at January 1,	708,050,000	637,235,600
Addition during the year	175,848,742	63,059,000
Sale of investment property	(4,500,000)	(60,372,050)
Fair value gain recognised in Profit or loss	116,601,258	74,170,450
Disposal loss recognised in Profit or loss	750,000	(6,043,000)
Balance as at December 31,	**996,750,000**	**708,050,000**

There is no rental income or expenses from the above investment properties.

22.1 Property Location

Rs.'000	Extent (Perches)	2025 Cost	2025 Market Value	2024 Cost	2024 Market Value
No.10, De Alwis Avenue, Mount Lavinia	42.30	131,975	232,500	131,975	211,500
No.212, Wewa Road, Piriwena Junction, Boralesgamuwa	40.27	108,159	157,000	108,159	115,300
No.60, Old Road, Hanwella	31.15	87,359	107,500	87,359	106,300
Vindya Gardens, Giriulla Road, Badalgama	376.50	40,559	63,500	40,559	58,500
Kaduwela, Malabe	118.97	32,700	150,000	32,700	150,000
39B, Godawa, Kaburupitiya	67.60	15,500	18,300	15,500	17,000
Gurullawala, Ahangama	111.22	10,919	13,850	10,919	13,000
Reality Plaza, Colombo Road, Ja Ela	685 sq.ft	10,487	13,250	10,487	14,250
Hikgoda - Diganahena Road, Diyalape, Akuressa	62.00	7,000	8,700	7,000	7,750
Kingsgate, Thalgahawatta Road, Horahena Road, Hokandara, Malabe	8.38	6,700	8,400	6,700	7,500
Kuruduwattha Road, Angunawala, Peradeniya	12.00	3,743	4,300	3,743	4,000
Imaduwa Road, Gonnagahahena, Ahangama	21.00	1,204	3,150	1,204	2,950
Weligampitiya, Ja- Ela	15.00	20,799	35,300	-	-
Kirulapone, Nugegoda	33.20	153,982	181,000	-	-
		631,086	**996,750**	**456,305**	**708,050**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

22.2 Valuation of Investment Properties

Property Location	Extent (Perches)	Market Value (Rs.000')	Date of valuation	Name of the Valuer and Qualification
No.10, De Alwis Avenue, Mount Lavinia	42.30	232,500	December 08, 2025	D. Jayawardana - Incorporated Valuer
Kaduwela, Malabe	118.97	150,000	December 22,2025	P. B Fonseka - Incorporated Valuer
No.212, Wewa Road, Piriwena Junction, Boralesgamuwa	40.27	157,000	December 10,2025	D. Jayawardana - Incorporated Valuer
No.60, Old Road, Hanwella	31.15	107,500	December 10,2025	D. Jayawardana - Incorporated Valuer
Vindya Gardens, Giriulla Road, Badalgama	376.50	63,500	December 08,2025	D. Jayawardana - Incorporated Valuer
39B, Godawa, Kaburupitiya	67.60	18,300	December 08,2025	D. Jayawardana - Incorporated Valuer
Reality Plaza, Colombo Road, Ja Ela	685 sq.ft	13,250	December 10,2025	D. Jayawardana - Incorporated Valuer
Gurullawala, Ahangama	111.22	13,850	December 08,2025	D. Jayawardana - Incorporated Valuer
Hikgoda - Diganahena Road, Diyalape, Akuressa	62.00	8,700	December 08,2025	D. Jayawardana - Incorporated Valuer
Kingsgate, Thalgahawatta Road, Horahena Road, Hokandara, Malabe	8.38	8,400	December 08,2025	D. Jayawardana - Incorporated Valuer
Kuruduwattha Road, Angunawala, Peradeniya	12.00	4,300	December 08, 2025	D. Jayawardana - Incorporated Valuer
Imaduwa Road, Gonnagahahena, Ahangama	21.00	3,150	December 08,2025	D. Jayawardana - Incorporated Valuer
Weligampitiya, Ja- Ela	15.00	35,300	December 10,2025	D. Jayawardana - Incorporated Valuer
Kirulapone, Nugegoda	33.20	181,000	December 10,2025	D. Jayawardana - Incorporated Valuer
		996,750		

The Company carries investment properties at fair value. Market valuations of the above investment properties were carried out as stated in above disclosure No. 22.2, by Messrs. P.B Fonseka and D. Jayawardana who are independent qualified valuers not connected with the Company.

22.3 Fair Values Hierarchy of Investment properties

As at December 31,	2025				2024
Rs.000'	Level 1	Level 2	Level 3	Total	Total
Investment properties	-	-	996,750	996,750	708,050
Total	-	-	**996,750**	**996,750**	**708,050**

22.4 Acquisition of Investment Properties During the Year 2025

The Company acquired below investment properties during the year 2025.

Nature of the Property	Property
Land & Building	Weligampitiya, Ja- Ela
Land & Building	Kirulapone, Nugegoda

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

22.5 Assumptions Used for Property Valuations

Description	Valuation techniques	Significant Unobservable inputs	Sensitivity of the input
Land	Market comparable method :- This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature, cost of development and location of the property.	The land value in compare to the market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations.	The estimated fair value would increase / (decrease), if price per perch was higher / (lower).
Land and building	Market comparable method :- This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature, cost of development and location of the property.	The land and building value in compare to the market price per perch and square feet respectively. The valuer has used a range of prices for respective lands and buildings based on adjusted fair value taking into account other valuation considerations.	The estimated fair value would increase / (decrease), if price per perch was higher / (lower). The estimated fair value would increase / (decrease), if price per square feet was higher / (lower).

Valuation of Investment Properties

Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Market comparable method – This method considers the selling price of a similar property within a reasonably recent period in determining the fair value of the property being revalued. This involves the evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, and location of the property.	For lands - Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations. The market price per perch ranges between Rs. 100,000 - Rs. 5,500,000 per perch. For buildings - Market price per square feet. The valuer has used a range of prices for respective buildings based on adjusted fair value taking into account other valuation considerations.	The estimated fair value would increase / (decrease) if; » Market value per perch was higher / (lower) » Market value per square feet was higher / (lower)

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees
As at December 31,

NOTE 23 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2025

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2025 Total
Cost					
As at January 1, 2025	54,459,694	49,250,281	40,553,346	2,519,838	146,783,159
Additions during the year	4,382,042	18,530,731	7,718,751	-	30,631,524
Disposals during the year	(745,655)	(715,796)	(531,440)	-	(1,992,891)
As at December 31, 2025	**58,096,081**	**67,065,216**	**47,740,657**	**2,519,838**	**175,421,792**
Accumulated Depreciation					
As at January 1, 2025	38,059,134	21,635,339	25,859,538	1,574,520	87,128,531
Charge for the year	5,794,736	10,827,206	5,594,596	306,589	22,523,127
Disposals	(745,655)	(697,462)	(531,439)	-	(1,974,556)
As at December 31, 2025	43,108,215	31,765,083	30,922,695	1,881,109	107,677,102
Net book value as at December 31, 2025	**14,987,867**	**35,300,133**	**16,817,962**	**638,730**	**67,744,690**

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2024

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2024 Total
Cost					
As at January 1, 2024	47,460,180	36,908,139	34,678,475	2,519,838	121,566,632
Additions for the year	6,999,514	12,342,142	5,874,871	-	25,216,527
As at December 31, 2024	**54,459,694**	**49,250,281**	**40,553,346**	**2,519,838**	**146,783,159**
Accumulated Depreciation					
As at January 1, 2024	33,296,293	15,008,765	21,654,927	1,267,932	71,227,917
Charge for the year	4,762,841	6,626,574	4,204,611	306,588	15,900,614
As at December 31, 2024	38,059,134	**21,635,339**	**25,859,538**	**1,574,520**	**87,128,531**
Net book value as at December 31, 2024	**16,400,560**	**27,614,942**	**14,693,808**	**945,318**	**59,654,628**

23.1 Acquisition of Property, Plant and Equipment During the Year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.30,631,524 (2024 - Rs.25,216,527).

23.2 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year (2024 - Nil).

23.3 Fully Depreciated Property, Plant and Equipment in Used

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at December 31,	2025	2024
Computer equipment	29,664,975	30,208,479
Office equipment	10,875,863	11,312,199
Furniture and fittings	19,976,816	18,682,106
Motor vehicles	986,892	986,892
	61,504,546	**61,189,676**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

23.4 Property, Plant and Equipment Pledged as a Security

None of the property, plant and equipment have been pledged as securities as at the reporting date.

23.5 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in the value of property, plant and equipment which requires an impairment provision in the financial statements.

23.6 The Restriction of Property, Plant and Equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Company as at the reporting date.

23.7 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2024 - Nil).

23.8 Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment of the Company idle as at December 31, 2025 and December 31, 2024.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 24 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

24.1 Movement of Right-of-use Assets During the Year

	2025	2024
Right-of-use asset		
Balance as at January 1,	173,393,355	100,206,565
Additions and improvements during the year	29,057,227	73,186,790
Balance as at December 31,	**202,450,582**	**173,393,355**
Accumulated depreciation		
Balance as at January 1,	100,242,060	66,050,547
Charge during the year	43,631,274	34,191,513
Balance as at December 31,	**143,873,334**	**100,242,060**
Carrying value		
Balance as at December 31,	**58,577,248**	**73,151,295**

24.2 Movement of Lease Liabilities During the Year

	2025	2024
Lease liabilities		
Balance as at January 1,	63,547,836	21,780,454
Additions and improvements during the year	29,057,228	60,811,790
Accretion of interest during the year	6,651,559	3,983,542
Payments during the year	(44,237,870)	(23,027,950)
Balance as at December 31,	**55,018,753**	**63,547,836**

24.3 Amounts Recognised in Statement of Profit or Loss

24.3.1 Leases under SLFRS 16

For the year ended December 31,	2025	2024
Depreciation of right-of-use assets	43,631,274	34,191,513
Interest on lease liabilities	6,651,559	3,983,542
	50,282,833	**38,175,055**

24.4 Amounts Recognised in Statement of Cash Flows

For the year ended December 31,	2025	2024
Cash outflow for lease liabilities	(44,237,870)	(23,027,950)
Total cash outflow for leases	**(44,237,870)**	**(23,027,950)**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

24.5 Maturity Analysis – Contractual Undiscounted Cash Flows

For the year ended December 31,	2025	2024
Less than one year	21,051,507	17,655,370
Between one and five years	43,931,521	61,815,528
Total undiscounted cash flows	**64,983,028**	**79,470,898**

NOTE 25 INTANGIBLE ASSETS

	2025	2024
Cost		
As at January 1,	264,122,082	237,342,458
Additions for the year	-	26,779,624
As at December 31,	**264,122,082**	**264,122,082**
Accumulated Amortisation		
As at January 1,	6,959,826	2,416,555
Charge for the year	5,435,925	4,543,271
As at December 31,	**12,395,751**	**6,959,826**
Carrying Value as at December 31,	**251,726,331**	**257,162,256**
Capital Work in Progress		
As at January 1,	11,084,000	28,736,737
Incurred during the year	1,317,060	9,126,887
Capitalised during the year	-	(26,779,624)
As at December 31,	**12,401,060**	**11,084,000**
Carrying Value as at December 31,	**264,127,391**	**268,246,256**

25.1 According to LKAS 38, the Company has not amortised the finance license as it is an intangible asset with a perpetual life. If an intangible asset has a useful life but can be renewed, it is considered perpetual and is not amortised.

As at reporting date, the Company has assessed its finance license for impairment and no impairment indications have been identified.

During the year addition under capital working progress includes an advance paid to acquire new computer software program for gold loan product.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 26 DEFERRED TAX (LIABILITIES) / ASSETS

The Company has recognised deferred tax liabilities on deductible temporary differences only up to the extent that they offset taxable temporary differences.

Movement in Deferred Tax (Liabilities) / Assets	2025	2024
Balance as at January 1,	30,924,821	52,324,329
Charge for the year	(32,878,494)	(21,399,508)
Balance as at December 31,	**(1,953,673)**	**30,924,821**

26.1 Deferred Tax Liabilities Charged To

	2025	2024
Statement of profit or loss	1,762,595	-
Statement of other comprehensive income	191,078	-
	1,953,673	**-**

The above recognised deferred tax liability is attributable to the following;

	December 31, 2025		December 31, 2024	
	Temporary difference	Tax effect	Temporary difference	Tax effect
On property, plant & equipment and intangible assets	(56,394,065)	(16,918,220)	(44,221,122)	(13,266,337)
On retirement benefit obligation	28,310,377	8,493,113	21,786,312	6,535,894
Fair value gain on investment property	(116,601,258)	(34,980,378)	(74,170,450)	(22,251,135)
Disallowable amount for bad debt provision	141,731,198	42,519,360	209,291,452	62,787,436
On right-of-use assets	(58,577,248)	(17,573,174)	(73,151,294)	(21,945,388)
On lease liabilities	55,018,753	16,505,626	63,547,836	19,064,351
	(6,512,242)	**(1,953,673)**	**103,082,734**	**30,924,821**

The deferred tax has been calculated at the rate of 30% (2024 - 30%).

Deferred tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse and is calculated using tax rates that are enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would result from the way the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

NOTE 27 OTHER ASSETS

As at December 31,	Note	2025	2024
Deposits & prepayments		35,605,743	40,143,449
Receivables from Golden Key Hospitals Limited	27.1	36,841,467	36,841,467
NBT receivable		704,395	704,395
Stamp duty receivable		-	2,463,458
Bank guarantee		4,833,300	-
Other assets		332,241	-
		78,317,146	**80,152,769**

27.1 SMB Finance PLC has a secondary mortgage bond for the property ("Golden Key Hospital") against the receivable balance from Golden Key Hospitals Limited.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 28 DUE TO FINANCIAL INSTITUTIONS

As at December 31,	Note	2025	2024
Bank borrowings	28.1	-	1,224,665,087
Bank overdraft		2,578,834,690	702,509,084
		2,578,834,690	**1,927,174,171**

28.1 Reconciliation of movement of Bank Borrowings

	2025	2024
Balance as at January 1,	1,224,665,087	1,274,943,315
Addition during the year	-	560,000,000
Capital payments during the year	(1,222,815,500)	(608,721,500)
Interest (payments) / payable during the year	(1,849,587)	(1,556,728)
Balance as at December 31,	**-**	**1,224,665,087**

NOTE 29 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS

As at December 31,	2025	2024
Time deposits	236,431,228	135,144,134
Saving deposits	31,962,712	31,672,443
Balance as at December 31,	**268,393,940**	**166,816,577**

NOTE 30 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

As at December 31,	Note	2025	2024
Promissory notes		131,175,567	126,694,613
Debentures	30.1	9,142,728	9,142,728
Balance as at December 31,		**140,318,295**	**135,837,341**

30.1 There is no interest accrual for debentures as the debentures have already been matured and the debentures were issued long ago by Seylan Merchant Bank.

NOTE 31 RETIREMENT BENEFIT OBLIGATIONS

As at December 31,	Note	2025	2024
Provision for retirement benefit obligations	31.1	28,310,377	21,786,312
Balance as at December 31,		**28,310,377**	**21,786,312**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

31.1 Movement of Provision for Retirement Benefit Obligation

As at December 31,	Note	2025	2024
Balance as at January 1,		21,786,312	13,644,953
Provision for the year	31.2	7,254,741	5,136,106
Actuarial (gain) / loss during the year		(636,926)	3,967,753
Payments during the year		(93,750)	(962,500)
Balance as at December 31,		**28,310,377**	**21,786,312**

31.2 Provision for the year

For the year ended December 31,	2025	2024
Current service costs	4,988,170	3,788,005
Interest costs	2,266,571	1,348,101
	7,254,741	**5,136,106**

The following assumptions were used in valuing the retirement benefit obligations using internally developed method as required by Sri Lanka Accounting Standard LKAS 19 - "Employee Benefits".

	2025	2024
Salary increment rate	10%	10%
Discount rate	11%	11%
Retirement age	60 - 75 Years	60 - 75 Years
Staff turnover factor	12.6%	23%
Weighted Average Duration of RBO	15.81	18.46

The defined benefits obligation is calculated annually by formula method using Projected Unit Credit Method (PUC) as recommended by LKAS-19, “employee benefits”. Actuarial gains and losses in the period in which they occur have been recognised in the Other Comprehensive income (OCI). The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements. Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- “Employee Benefits”. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service. The Company is liable to pay gratuity in terms of the relevant statute.

The Characteristics of this plan including the followings:

01. This is contribution - based plan.
02. There is no any minimum funding requirements.
03. There is no any effect of the regulatory framework on the plan.

In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 11% p.a (2024-11% p.a) has been used to discount future retirement benefit liabilities considering the weighted average duration of RBO. Also, the compensation increment rate of 10% is deemed reasonable in line with the Company's anticipated future salary increases, considering the state of the market and the rate of inflation.

31.3 Sensitivity of Assumptions Used

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 total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on total comprehensive income and employment benefit obligation for the year.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

	Sensitivity Effect on	
	Total comprehensive income increase / (Decrease)	Employment Benefit Obligation increase / (decrease) in the liability
Increase in discount rate (1%)	1,518,480	(1,518,480)
Decrease in discount rate (1%)	(1,623,923)	1,623,923
Increase in salary increment rate (1%)	(1,623,923)	1,623,923
Decrease in salary increment rate (1%)	1,545,408	(1,545,408)

31.4 Maturity Analysis of Retirement Benefit Obligations

As at December 31,	2025	2024
Within the next 12 month	75,000	80,000
Between 1 - 2 years	294,324	-
Between 3 - 5 years	1,399,715	312,229
Between 6 - 10 years	7,464,774	5,430,383
Beyond 10 years	19,076,564	15,963,700
Balance as at December 31,	**28,310,377**	**21,786,312**

NOTE 32 OTHER LIABILITIES

As at December 31,	Note	2025	2024
Accrued expenses		26,049,055	20,424,268
Unearned income on legal settlement		46,019,849	68,341,523
Un-identified deposits		1,604,287	6,615,610
Sundry creditors		6,791,020	5,504,522
Consent motion advances		993,640	1,138,640
Lease termination		-	3,600,000
SSCL payable		6,014,961	3,950,750
VAT on financial services payable		22,309,774	15,085,008
Capital gain tax payable		417,846	2,478,459
Deposit Insurance liabilities		33,224	20,852
Crop insurance levy payable		922,419	744,953
Income tax payable		12,157,661	19,017,608
Stamp duty payable		3,162,681	-
Other liabilities		5,097,219	2,919,707
Balance as at December 31,		**131,573,636**	**149,841,900**

32.1 Unearned income on legal settlement includes unrealised gain recorded when creating a consent motion loan against a credit facility through a legal settlement. This unrealised gain will get realised when the customer repays.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 33 STATED CAPITAL

As at December 31,	2025	2024
Ordinary voting shares	2,555,958,860	2,555,958,860
Ordinary non voting shares	506,722,664	506,722,664
Balance as at December 31,	**3,062,681,524**	**3,062,681,524**

33.1 Reconciliation of Number of Shares

	No. of Shares	
	2025	2024
Ordinary Voting Shares		
As at January 1,	6,470,375,048	6,470,375,048
Issue of shares	-	-
As at December 31,	**6,470,375,048**	**6,470,375,048**
Ordinary Non Voting Shares		
As at January 1,	3,081,603,712	3,081,603,712
Issue of shares	-	-
As at December 31,	**3,081,603,712**	**3,081,603,712**
Total	**9,551,978,760**	**9,551,978,760**

33.2 Rights, Preferences and Restrictions of Classes of Capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

33.3 Regulatory Capital

	2025		2024	
	Actual	Required	Actual	Required
Tier 1 capital ratio (%)	81.05	8.50	89.38	8.50
Total capital ratio (%)	80.40	12.50	88.02	12.50

Tier 1 capital ratio and total capital ratio of the Company computed as per the Finance Business Act Direction No.03 of 2018 capital adequacy requirements issued by the Central Bank of Sri Lanka with effect from July 1, 2018.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 34 STATUTORY RESERVES FUND

	2025	2024
Balance as at January 1,	55,275,929	47,727,396
Transfer made during the year	7,996,485	7,548,533
Balance as at December 31,	**63,272,414**	**55,275,929**

The statutory reserve fund is maintained by Finance Companies (Capital Funds) Direction No. 1 of 2003 as per Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts.

NOTE 35 FAIR VALUE RESERVE

	2025	2024
Balance as at January 1,	68,524,547	64,544,823
Net fair value gain on remeasuring financial investments	8,082,524	3,979,724
Balance as at December 31,	**76,607,071**	**68,524,547**

This reserve includes accumulated net fair value gains / (losses) recognised on financial investments at fair value.

NOTE 36 RETAINED EARNINGS

	2025	2024
Balance as at January 1,	451,258,989	311,804,624
Profit for the year	159,929,703	150,970,651
Other comprehensive income (Net of tax)	445,848	(3,967,753)
Transfers to statutory reserve fund	(7,996,485)	(7,548,533)
Balance as at December 31,	**603,638,055**	**451,258,989**

Retained earnings represent the reserve available for distribution.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees '000

NOTE 37 CLASSIFICATION OF FINANCIAL INSTRUMENTS

37.1 Assets

As at December 31,	2025			
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Assets				
Cash and cash equivalents	-	42,466	-	42,466
Placements with banks	-	3,020,385	-	3,020,385
Financial assets at amortised cost - Loans and receivables to customers	-	2,311,705	-	2,311,705
Fair value through profit or loss (FVTPL)	92	-	-	92
Fair value through other comprehensive income (FVTOCI)	-	-	145,991	145,991
Financial investment at amortized cost	-	24,447	-	24,447
Total financial assets	**92**	**5,399,002**	**145,991**	**5,545,086**

As at December 31,	2024			
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Assets				
Cash and cash equivalents	-	44,437	-	44,437
Placements with banks	-	2,924,467	-	2,924,467
Financial assets at amortised cost-Loans and receivables to customers	-	1,782,535	-	1,782,535
Fair value through profit or loss (FVTPL)	43	-	-	43
Fair value through other comprehensive income (FVTOCI)	-	-	120,309	120,309
Total financial assets	**43**	**4,751,439**	**120,309**	**4,871,791**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees '000

37.2 Liabilities

As at December 31,	2025			
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial liabilities				
Due to financial institutions	-	2,578,835	-	2,578,835
Financial liabilities at amortised cost - Deposits due to customers	-	268,394	-	268,394
Financial liabilities at amortised cost - Due to other customers	-	140,318	-	140,318
Lease liabilities	-	55,019	-	55,019
	-	**3,042,566**	-	**3,042,566**
Non Financial Liabilities				
Retirement benefit obligations	-	28,310	-	28,310
Deferred tax liabilities	-	1,954	-	1,954
Other liabilities	-	131,573	-	131,573
	-	**161,837**	-	**161,837**
Total liabilities	-	**3,204,403**	-	**3,204,403**

As at December 31,	2024			
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial liabilities				
Due to financial institutions	-	1,927,174	-	1,927,174
Financial liabilities at amortised cost - Deposits due to customers	-	166,817	-	166,817
Financial liabilities at amortised cost - Due to other customers	-	135,837	-	135,837
Lease liabilities	-	63,548	-	63,548
	-	**2,293,376**	-	**2,293,376**
Non Financial Liabilities				
Retirement benefit obligations	-	21,786	-	21,786
Other liabilities	-	149,842	-	149,842
	-	**171,628**	-	**171,628**
Total liabilities	-	**2,465,004**	-	**2,465,004**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees '000

37.3 Determination of Fair Value

a) Methodologies and Assumptions Used to Determine Fair Value

The methodology for fair value of the financial assets and liabilities and the analysis according to fair value hierarchy is provided in this note. The basis on which fair values have been arrived for various financial assets and liabilities are explained below.

b) Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity, the carrying amounts approximate to their fair value.

c) Fixed Rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by the Central Bank of Sri Lanka and other fixed rate investments were measured using comparing market interest rates when they were initially recognised with current market rates for similar financial instruments.

d) Fixed Rate Financial Investments - Bank Deposits

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

e) Fixed Rate Financial Investments - Unquoted Debt Securities

For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

f) Other Receivable and Financial Liabilities

The carrying value has been considered as the fair value due to uncertainty of the timing cash flows.

37.4 Determination of Fair Value and Fair Values Hierarchy of Financial Investments

Please refer accounting policy Note 5.1.2 for more information regarding determination of fair value.

As at December 31,	2025				2024
	Level 1	Level 2	Level 3	Total	Total
Fair value through profit or loss (FVTPL)	92	-	-	92	43
Fair value through other comprehensive income (FVTOCI)	-	-	145,991	145,991	120,309
Financial investment at amortised cost	-	-	24,447	24,447	-
Total financial investment	**92**	**-**	**170,438**	**170,530**	**120,352**

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees '000

37.5 Financial Instruments not Measured at Fair Value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

Assets

As at December 31,	2025				2024
	Level 1	Level 2	Level 3	**Total**	Total
Cash and cash equivalents	-	-	-	42,466	44,437
Placements with banks	-	-	-	3,020,385	2,924,467
Financial assets at amortized cost - Loans and receivables to customers	-	-	-	2,311,705	1,782,535
Total asset	-	-	-	**5,374,556**	**4,751,439**

The Company has not disclosed the fair values for financial instruments such as cash and cash equivalents, placements with banks and loans and receivables to other customers, because their carrying amounts are a reasonable approximation of fair value.

37.6 Financial Liabilities

As at December 31,	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due to financial institutions	2,578,835	2,578,835	1,927,174	1,927,174
Financial liabilities at amortised cost - Deposits due to customers	268,394	268,394	166,817	166,817
Financial liabilities at amortised cost - Due to other customers	140,318	140,318	135,837	135,837
Lease liabilities	55,019	55,019	63,548	63,548
Total financial liabilities	**3,042,566**	**3,042,566**	**2,293,376**	**2,293,376**

The fair values of financial liabilities similar to carrying amounts, since those amounts are reasonable approximation of fair values. Thus, the fair value hierarchy disclosure is not applicable. The fair value hierarchy gives the lowest priority to unobservable inputs (Level 3 inputs). 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.

The observable input adjusted using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy.

37.7 Valuation Techniques and Significant Unobservable Inputs

Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, we have classified the land valuations as Level 3 as defined by SLFRS 13.

Please refer Note No.20.2.1

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Assets	Valuation technique	Significant unobservable input	Inter relationship between key unobservable input and fair value measurement
Equity Securities (Other Investments)	Net asset value method	Adjusted net assets per share Rs. 25.68	The estimated fair value would increase/ (decrease) if the net asset value per share were higher / (lower)

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

NOTE 38 COMMITMENTS AND CONTINGENCIES

38.1 Capital Commitment

There are no capital commitments as at December 31, 2025.

38.2 Contingencies

In the normal course of business ,the Company makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Except for above there are no material commitments and contingencies as at the reporting date.

NOTE 39 EVENT AFTER THE REPORTING DATE

No circumstances have been arisen since the statement of financial position date that require adjustments to, or disclosure in the financial statements.

NOTE 40 RELATED PARTY DISCLOSURES

40.1 Transactions with Related Parties

Name of the Related Party	Relationship		2025					2024				
		Nature of the Related Transaction	Net accommodation outstanding as at December 31, 2025	Total outstanding as at December 31, 2025	Aggregate value of related party transactions entered into during the year 2025	Aggregate value of related party transaction as a % of gross revenue for the year ended December 31, 2025	Net accommodation outstanding as a % of core capital	Net accommodation outstanding as at December 31, 2024	Total outstanding as at December 31, 2024	Aggregate value of related party transactions entered into during the year 2024	Aggregate value of related party transaction as a % of gross revenue for the year ended December 31, 2024	Net accommodation outstanding as a % of core capital
Transactions with Associates												
Kenanga Investment Corporation Ltd	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with other Related Companies												
Grayline Cargo Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne Chairman	Finance Lease	-	-	-	0.00%	0.00%	-	1,970,750	-	0.00%	0.00%
		Term Loan	-	-	-	0.00%	0.00%	-	2,088,343	-	0.00%	0.00%
Grayline Container Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne Chairman	Finance Lease	-	-	-	0.00%	0.00%	-	1,393,484	-	0.00%	0.00%
		Term Loan	-	-	-	0.00%	0.00%	191,497	227,997	-	0.00%	0.00%
Print Xcel (Pvt) Ltd	Mr. H. R. S. Wijeratne - Chairman (Ultimate Beneficial Owner)	Finance Leases	191,019,780	205,255,024	93,580,000	13.76%	5.02%	178,349,381	195,053,628	123,160,000	22.89%	4.90%

Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFMs)

	Details of Financial Dealing	Total outstanding as at December 31, 2025	Total outstanding as at December 31, 2024
Time Deposits	Related personnels and CFMs of Directors and KMPs	37,601,697	17,482,045

A number of these entities and personnels have been transacted with the Company during the year. The terms and conditions of the transactions with key management personnels and their related parties were no more favorable than those available, or which might reasonably expected to be available, on similar transactions to non-key management personnel of related entities or persons on an arm's length basis at commercial rates as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures".

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

40.2 Transaction with Key Management Personnel

As per the Sri Lanka Accounting Standard, (LKAS 24) – "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, and members of the Corporate Management of the Company have been classified as KMPs of the Company.

40.2.1 Remuneration to Key Management Personnel

(a) Remuneration to Board of Directors

For the year ended December 31,	2025	2024
Short - term employees benefits	15,465,000	5,980,000
Post employment benefits	-	-
Total	**15,465,000**	**5,980,000**

(b) Remuneration to Corporate Management

For the year ended December 31,	2025	2024
Short - term employees benefits	68,791,280	47,120,085
Post employment benefits	2,541,590	1,870,926
Total	**71,332,870**	**48,991,011**

NOTE 41 LITIGATION AGAINST THE COMPANY

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically requires a higher degree of judgment. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty involved. The Company has established formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to the accounts for any adverse effect, if any, which the claim may have on the Company's financial position. As at the reporting date, the Company had several unresolved legal claims pending judgment. However, the legal advisor of the Company is of the view that these cases will be resolved in favor of the Company and the process will probably take over three years. Accordingly no provision has been made in these financial statement.

NOTE 42 FINANCIAL RISK MANAGEMENT

42.1 Introduction and Overview

The Company has exposure to the following risks from financial instruments;

i. **Liquidity Risk**

ii. **Credit Risk**

iii. **Operational Risk**

iv. **Market Risk**

42.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and overseeing of the Company's risk management framework. In discharging its governance responsibility, it operates through two key committees, the Risk Management Committee and the Audit Committee. The Integrated Risk Management Framework for the Company has been estabilised.

The Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

42.3 Liquidity Risk

Liquidity risk is the risk that arises when the Company encounters difficulty in meeting obligations associated with its financial liabilities that are to be settled by delivering cash or another financial asset. Reviewing liquidity management strategies and cash flow forecasts to ensure adequate liquidity buffers. Reviewing liquidity risk stress test results to assess the adequacy of liquidity reserves under stressed scenarios.

42.3.1 Liquidity Risk and Funding Management

In the context of a financial institution, liquidity risk arises primarily from mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; market liquidity risk and fund liquidity risk. Market liquidity risk is the inability to easily exit a position. A company has low market liquidity risk, if assets can be liquidated without excessive price movements. Fund liquidity risk is the inability of a company to continue financing assets at an acceptable borrowing rate. Fund liquidity risk typically arises when creditors withdraw their loans or change the terms on which they are granted, making them no longer profitable. Fund liquidity risk will increase if the Company's credit quality is deteriorating or at least its financial conditions are deteriorating.

Managing Liquidity Risk

The Company's approach to manage liquidity is to ensure that funds available are adequate to meet credit demands of its customers and to enable debt instruments to be repaid on demand or upon maturity as appropriate.

The Finance Division is responsible for the management of liquidity risk and funding in accordance with the approved guidelines and risk limits. Monitoring liquidity risk, reporting and analysing, making proposals, setting limits and guidelines, formulating and implementing plans relating to liquidity risk management. The treasury and liquidity policies and compliance thereunder are reviewed and approved by the ALCO. ALCO is primarily responsible for effectively managing assets and liabilities to minimise maturity mismatches and thereby managing the liquidity risk of the Company. The Committee meets regularly and takes all policy decisions to manage funding activities, the maturity of assets and liabilities and investments, while meeting regulatory requirements and maintaining liquidity at healthy levels.

The Company's primary objective in managing liquidity risk is to ensure adequate funding for its businesses throughout market cycles, including period of financial stress. To achieve this objective, the Company regularly monitors its liquidity position and maintains an adequate buffer of liquid assets. Monitoring maturity mismatches of assets and liabilities and cash flow forecasting under normal and stressed scenarios are two key tools used in the liquidity risk management process. All statutory and prudential liquidity ratios are monitored against stress testing. The Company has regularly taken prudent steps to increase its liquidity buffers to assess the effectiveness of liquidity management and has maintained a strong excess liquidity position throughout the year under review. The Company is comfortable with its existing liquid asset buffer. The Company maintains access to diversed funding sources to meet unexpected liquidity needs.

42.3.2 Exposure to Liquidity Risk

The Company monitors the following liquidity ratios to assess funding requirements.

	2025	2024
Liquid Asset Ratio (LAR)		
As at December 31,	1333.95%	2218.80%
Average for the year	1056.88%	2102.77%
Maximum for the year	1542.95%	2495.57%
Minimum for the year	589.55%	1280.47%

Liquid assets include cash and short term funds. The calculation is based on directions and guidelines issued by the Central Bank of Sri Lanka (CBSL).

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

Minimum Liquidity Requirement

As per the Direction 4 of 2012 of Central Bank of Sri Lanka, every finance company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets;

	2025	2024
Required minimum amount of liquid assets	42,469,369	31,848,900
Daily average liquid assets	566,520,369	706,664,000
Excess liquidity	**524,051,000**	**674,815,100**

42.3.3 Maturity Analysis as at December 31, 2025

42.3.3.1 The table below summarises the maturity profile of the undiscounted cash flows of the Company's Financial assets and liabilities as at 31 December 2025.

Rs. '000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Earning Assets						
Cash and cash equivalents (Interest earning bank balances)	14,089	-	-	-	-	14,089
Placements with banks	1,088,704	1,378,203	-	200,383	353,095	3,020,385
Financial assets at amortised cost - Loans and receivables to customers	597,499	280,032	822,873	168,996	442,305	2,311,705
Financial investments	2,512	7,833	14,102	-	146,083	170,530
	1,702,804	**1,666,068**	**836,975**	**369,379**	**941,483**	**5,516,709**
Non Interest Earning Assets						
Cash and cash equivalents (Other than interest earning bank balances)	28,377	-	-	-	-	28,377
Investment properties	-	-	-	-	996,750	996,750
Property, plant & equipment	-	-	-	67,745	-	67,745
Right-of-use assets	7,286	15,647	27,206	8,438	-	58,577
Intangible assets	-	-	-	-	264,127	264,127
Other assets	-	7,107	1,960	24,000	45,250	78,317
	35,663	**22,754**	**29,166**	**100,183**	**1,306,128**	**1,493,893**
Total assets	**1,738,467**	**1,688,822**	**866,141**	**469,562**	**2,247,611**	**7,010,602**
Interest Bearing Liabilities						
Due to financial institutions	79,778	2,499,057	-	-	-	2,578,835
Financial liabilities at amortised cost - Deposits due to customers	75,784	134,293	17,708	8,646	31,963	268,394
Financial liabilities at amortised cost - Due to other customers	-	-	-	140,318	-	140,318
Lease liabilities	7,707	13,344	30,949	12,983	-	64,983
	163,269	**2,646,694**	**48,657**	**161,947**	**31,963**	**3,052,530**
Non Interest Bearing Liabilities						
Retirement benefit obligations	-	75	-	1,400	26,836	28,310
Deferred tax liabilities	-	1,954	-	-	-	1,954
Other liabilities	53,600	26,049	-	-	51,925	131,574
	53,600	**28,078**	-	**1,400**	**78,760**	**161,838**
Equity						
Shareholders' funds	-	-	-	-	3,806,199	3,806,199
	-	**-**	**-**	**-**	**3,806,199**	**3,806,199**
Total liabilities & equity	**216,869**	**2,674,772**	**48,657**	**163,346**	**3,916,922**	**7,020,566**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

42.4 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other companies, and investment in debt / equity securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure.

42.4.1 Management of Credit Risk

Board Credit Committee has oversight responsibility for the management of credit risk. Primarily the Credit Division manages the credit risk. There is a management credit Committee & a Board Credit Committee to review significant credit risks. Credit approvals for disbusrsements and renewal of credit facilities are based on the Board approved Delegated Authority Limits. Larger credit facilities require approval by the Board Credit Committee as appropriate. Risk Management Division (RMD) is a separate vertical independent division from other business units, established to assess the overall risk of the Company. Establishing the credit approval structure with delegated authority limits for the approval and renewal of credit facilities. Other responsibilities of RMD include formulating credit risk policies and guidelines in consultation with the Credit Division covering collateral requirements, risk grading reviews and reporting risk dashboards to the Integrated Risk Management Commitee, setting the risk appetite for exposures to counterparties, geographies and industries (for loans and advances and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities), providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk, identification of elevated risk industries and the adequacy of any overlay adjustment made outside the ECL model, as part of model adjustments to address the potential implications of the prevailing economic conditions and conducting identification of potential risky borrowers meetings. Each business unit is required to implement Company's credit policies and guidelines, with credit approval authorities delegated from the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios. Regular audits of business units and credit processes are undertaken by internal auditors.

The Company manages credit by focusing on following stages;

a) Loan Origination

The loan origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet its obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process. A suitable internal risk rating model is in place and is an important part of the risk assessment of customers.

b) Loan Approval

The Company has established clear guidelines for loan approvals / renewals by adopting a committee based approval structure, where all approval signatories carry equal responsibility for credit risk. Individual credit facilities beyond a minimum threshold require Board Credit Committee approval.

c) Credit Administration and Disbursement

Credit Division ensures efficient and effective customer support including disbursement and settlements.

d) Recoveries

Overdue loans are managed by the Recoveries Division with the support of the Legal Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalised.

e) Collateral

The Company carries sensitivity tests to measure the values of portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determine appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risk induced by potential stress.

42.4.1.1 Collateral wise analysis of individual significant impaired loan and receivables to customers

Collateral and Other Credit Enhancement

The Company holds collateral and other credit enhancements against certain types of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets. For each loan, the value of disclosed collateral is capped at the amount of the loan it is held against.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by the CBSL.

The Compnay incorporates the effect of collateral in measuring expected credit losses by adjusting the loss given default (LGD) estimates. Collateral includes cash deposits, real estate, vehicles, and guarantees. The recoverable value of collateral is capped at the gross carrying amount of the loan and advances. Collateral is regularly revalued, and only legally enforceable, readily liquidated collateral is considered when reducing ECLs. For unsecured exposures, no collateral value is applied in the ECL computation.

As at December 31,	2025		2024	
	Gross loan and advance receivables	Security	Gross loan and advance receivables	Security
Stage 1				
Cash collateral	4,191,901	4,191,901	353,236	353,236
Property, plant and machinery	1,111,800,825	1,111,800,825	1,007,381,961	1,007,381,961
Gold and precious metals	812,160,597	812,160,597	430,300,043	430,300,043
Personal / corporate guarantee	28,728,719	28,728,719	37,799,136	37,799,136
Stage 2				
Property, plant and machinery	190,930,838	190,930,838	107,922,625	107,922,625
Gold and precious metals	89,122,506	89,122,506	56,616,988	56,616,988
Personal / corporate guarantee	896,600	896,600	4,124,988	4,124,988
Stage 3				
Property, plant and machinery	418,814,103	418,814,103	645,934,832	645,934,832
Unsecured	2,200,000	-	3,625,549	-
Gold and precious metals	13,625,434	13,625,434	21,968,939	21,968,939
Personal / corporate guarantee	89,443,615	89,443,615	148,665,084	148,665,084
	2,761,915,138	**2,759,715,138**	**2,464,693,381**	**2,461,067,832**

42.4.2 Credit Quality Analysis

The tables below sets out information about the credit quality of financial assets held by Company net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 - "Financial Instruments" the Company manages credit quality using a three stage approach.

Stage One : 12 months expected credit losses (ECL)
Stage Two : Life time expected credit losses (ECL) – Not credit impaired
Stage Three : Lifetime expected credit losses (ECL) – Credit impaired

Explanation of the terms: 12 months ECL, lifetime ECL included in Note 5.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model;

	12 months ECL	Life Time ECL-Not credit impaired	Life Time ECL- Credit impaired	Unclassified	Total
As at December 31, 2025					
Cash and cash equivalents	42,465,580	-	-	-	42,465,580
Placements with banks	3,020,384,995	-	-	-	3,020,384,995
Financial assets at amortised cost - Loans and receivables to customers	1,874,875,334	231,827,565	205,002,172	-	2,311,705,071
Financial investments	170,530,307	-	-	-	170,530,307
Investment properties	-	-	-	996,750,000	996,750,000
Property, plant & equipment	-	-	-	67,744,690	67,744,690
Right-of-use assets	-	-	-	58,577,248	58,577,248
Intangible assets	-	-	-	264,127,391	264,127,391
Other assets	-	-	-	78,317,146	78,317,146
Total assets	**5,108,256,216**	**231,827,565**	**205,002,172**	**1,465,516,475**	**7,010,602,428**

	12 months ECL	Life Time ECL-Not credit impaired	Life Time ECL- Credit impaired	Unclassified	Total
As at December 31, 2024					
Cash and cash equivalents	44,436,726	-	-	-	44,436,726
Placements with banks	2,924,467,192	-	-	-	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	1,347,608,079	138,292,931	296,634,485	-	1,782,535,495
Financial investments	120,351,765	-	-	-	120,351,765
Investments in associate	-	-	-	-	-
Assets held for sale	41,699,000	-	-	-	41,699,000
Investment properties	-	-	-	708,050,000	708,050,000
Property, plant & equipment	-	-	-	59,654,628	59,654,628
Right-of-use assets	-	-	-	73,151,295	73,151,295
Intangible assets	-	-	-	268,246,256	268,246,256
Other assets	-	-	-	80,152,769	80,152,769
Total assets	**4,478,562,762**	**138,292,931**	**296,634,485**	**1,189,254,948**	**6,102,745,126**

42.4.3 Credit Quality Analysis of Placements with Banks

The following table sets out the credit quality of placements with banks. The analysis is based on ratings of Fitch Ratings Lanka Ltd and Lanka Rating Agency.

As at December 31,	2025	2024
Rated AA- to AA+	1,837,330,373	1,752,028,097
Rated A- to A+	200,436,986	200,421,918
Rated BBB+ and below	982,818,904	973,151,664
	3,020,586,263	**2,925,601,679**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

Credit Quality Analysis of Cash at Banks

The following table sets out the credit quality of placements with banks. The analysis is based on ratings of Fitch Ratings Lanka Ltd and Lanka Rating Agency.

As at December 31,	2025	2024
Rated AA- to AA+	2,728,593	13,157,343
Rated A- to A+	59,343	489,403
Rated BBB+ and below	13,453,761	55,372
	16,241,697	**13,702,118**

42.4.4 LTV Ratio Details

Adequate precautions were taken to maintain exposures by maintaining LTV ratio at acceptable levels which was below 70% as of December 31, 2025.

42.4.5 Incorporation of Forward-Looking Information

The Company has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic variables used by the Company based on the statistical significance include the followings;

1. Unemployment rate
2. Interest rate
3. GDP growth rate
4. Inflation rate
5. Base case scenario along with two other scenarios has been used (Best case and worst case)

Weightages assigned for each scenario for the year 2025 is given below;

Scenario	Weightage
Normal scenario	50.00%
Best case scenario	10.00%
Worst case scenario	40.00%

As at December 31, 2025, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, 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.

Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the company's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees
As at December 31,

42.4.6 Movements in Allowance for Expected Credit Losses (Stage Transition)

2025	Stage 1: 12 months ECL	Stage 2: life time ECL not credit–impaired	Stage 3: life time ECL credit–impaired	Total ECL
Balance as at the beginning of the year	128,226,295	30,371,671	523,559,920	682,157,886
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(93,297,814)	20,228,412	(296,105,815)	-
Transferred from lifetime ECL not credit–impaired	(13,906,497)	(1,854,186)	7,797,241	-
Transferred from lifetime ECL credit– impaired	103,310	(4,351,374)	40,921,221	-
Net remeasurement of loss allowance	60,881,415	4,727,856	42,908,412	(231,947,819)
Balance as at the end of the year	**82,006,709**	**49,122,380**	**319,080,979**	**450,210,067**

42.4.7 Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fail to meet its contractual obligations and arises principally from the Company's receivables from customers and investments.

The carrying amount of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in the statement of profit or loss were as follows;

For the year ended December 31,	2025	2024
Allowance for expected credit loss for loans and advances	(231,947,819)	(68,154,330)
Allowance for expected credit loss for placement with banks	(933,219)	(22,301)
	(232,881,039)	**(68,176,631)**

42.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

Compliance with the Company's standards is supported by a program of periodic reviews undertaken by Internal Auditors. The results of internal audit reviews are discussed with the management and reports to the Audit Committee and to the Board.

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

42.6 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

42.6.1 Exposure to Interest Rate Risk

42.6.1. (a)

The interest rate profile of the Company's interest bearing financial instruments is as follows;

As at December 31,	2025	2024
Financial assets		
Placements with banks	3,020,384,995	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	2,311,705,071	1,782,535,495
	5,332,090,066	**4,707,002,687**
Financial liabilities		
Due to financial institutions	2,578,834,690	1,927,174,171
Financial Liabilities at Amortised Cost - Deposits due to customers	268,393,940	166,816,576
Financial Liabilities at Amortised Cost - Due to other customers	140,318,295	135,837,341
	2,987,546,925	**2,229,828,088**

42.6.1 (b) Sensitivity Analysis

The Company carries sensitivity tests to measure the value of its portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determines appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risks induced by potential stress. The change in weighted average interest rate of the Company will have the following effects.

Loan Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(29,212,335)	(14,606,167)	14,606,167	29,212,335
Effect on loan interest income	-10.29%	-5.15%	5.15%	10.29%
Lease Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(11,730,071)	(5,865,035)	5,865,035	11,730,071
Effect on lease interest income	-9.91%	-4.95%	4.95%	9.91%
Total Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(40,942,406)	(20,471,203)	20,471,203	40,942,406
Effect on interest income	-10.18%	-5.09%	5.09%	10.18%
Interest Expenses				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest expenses change	(47,821,645)	(23,910,822)	23,910,822	47,821,645
Effect on interest expenses	-21.95%	-10.97%	10.97%	21.95%

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

42.6.2 Exposure to Market Risk

42.6.2.1 Management of Market Risk

The Company separates its exposure to market risk between trading and non - trading portfolio. Trading portfolio includes financial assets and liabilities that are managed on a fair value basis. Non-trading portfolio is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on fair value basis.

The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at December 31, 2025	Carrying amount	Market risk measure	
		Trading	Non-trading
Assets Subject to Market Risk			
Cash and cash equivalents	42,465,580	-	42,465,580
Placements with banks	3,020,384,995	-	3,020,384,995
Financial assets at amortised cost - Loans and receivables to customers	2,311,705,071	-	2,311,705,071
Financial investments	170,530,307	170,530,307	-
Total assets subject to market risk	**5,545,085,954**	**170,530,307**	**5,374,555,646**
Liabilities Subject to Market Risk			
Due to financial institutions	2,578,834,690	-	2,578,834,690
Financial liabilities at amortised cost - Deposits due to customers	268,393,940	-	268,393,940
Financial liabilities at amortised cost - Due to other customers	140,318,295	-	140,318,295
Total liabilities subject to market risk	**2,987,546,925**	-	**2,987,546,925**

As at December 31, 2024	Carrying amount	Market risk measure	
		Trading	Non-trading
Assets Subject to Market Risk			
Cash and cash equivalents	44,436,726	-	44,436,726
Placements with banks	2,924,467,192	-	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	1,782,535,495	-	1,782,535,495
Financial investments	120,351,765	120,351,765	-
Total assets subject to market risk	**4,871,791,178**	**120,351,765**	**4,751,439,413**
Liabilities Subject to Market Risk			
Due to financial institutions	1,927,174,171	-	1,927,174,171
Financial liabilities at amortised cost - Deposits due to customers	166,816,576	-	166,816,576
Financial liabilities at amortised cost - Due to other customers	135,837,341	-	135,837,341
Total liabilities subject to market risk	**2,229,828,088**	-	**2,229,828,088**

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees

42.6.3 Exposure to Equity Price Risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conducts mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

Equity price sensitivity

The Management of equity price risk is done by monitoring various standard and non - standard equity price scenarios and analysis is given below;

As at December 31,	2025		2025			2024		
		Shock Levels	Impact on profit	Impact on OCI	Impact on net assets	Impact on profit	Impact on OCI	Impact on net assets
Fair value through profit or loss (FVTPL)	146,083,676	10% shock (Increase)	8,317	13,139,213	13,147,531	3,873	10,827,786	10,831,659
Fair value through other comprehensive income (FVTOCI)		10% shock (Decrease)	(8,317)	(13,139,213)	(13,147,531)	(3,873)	(10,827,786)	(10,831,659)

42.6.4 Exposure to Gold Price Risk

Gold price risks arises as a result of fluctuations in market gold prices and management conducts mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at December 31,	Total net weight of gold loan articles (In grams)	Market price per gram	Total market value	Gold loan receivable amount	Value excess
2025	35,708	37,681	1,345,513,839	914,908,537	430,605,301
2024	28,407	22,720	645,407,431	508,885,970	136,521,461

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price;

Shock Levels	2025		2024	
	Impact on market value	Impact on value excess	Impact on market value	Impact on value excess
10% shock (Increase)	134,551,384	134,551,384	64,540,743	64,540,743
10% shock (Decrease)	(134,551,384)	(134,551,384)	(64,540,743)	(64,540,743)

Notes to the Financial Statements *(Contd.)*

Amounts in Sri Lankan Rupees '000

NOTE 43 CURRENT / NON CURRENT ANALYSIS

As at December 31,	2025			2024		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Company						
Assets						
Cash and cash equivalents	42,466	-	42,466	44,437	-	44,437
Placements with banks	2,466,907	553,478	3,020,385	2,375,301	549,166	2,924,467
Financial assets at amortised cost - Loans and receivables to customers	877,531	1,434,174	2,311,705	600,794	1,181,741	1,782,535
Financial investments	10,345	160,185	170,530	-	120,352	120,352
Assets held for sale	-	-	-	41,699	-	41,699
Investment properties	-	996,750	996,750	-	708,050	708,050
Property, plant & equipment	-	67,745	67,745	-	59,655	59,655
Right-of-use assets	22,933	35,644	58,577	20,875	52,276	73,151
Intangible assets	-	264,127	264,127	-	268,246	268,246
Other assets	7,107	71,210	78,317	-	80,153	80,153
Total assets	**3,427,289**	**3,583,314**	**7,010,602**	**3,083,106**	**3,019,640**	**6,102,745**
Liabilities						
Due to financial institutions	2,578,835	-	2,578,835	1,037,443	889,731	1,927,174
Financial liabilities at amortised cost - Deposits due to customers	210,077	58,317	268,394	133,506	33,310	166,816
Financial liabilities at amortised cost - Due to other customers	-	140,318	140,318	-	135,837	135,837
Retirement benefit obligations	75	28,235	28,310	80	21,706	21,786
Lease liabilities	21,051	33,968	55,019	11,738	51,810	63,548
Deferred tax liabilities	1,954	-	1,954	-	-	-
Other liabilities	79,649	51,925	131,574	69,854	79,989	149,843
Total liabilities	**2,891,640**	**312,762**	**3,204,403**	**1,252,621**	**1,212,383**	**2,465,004**

NOTE 44 SEGMENT REPORTING

Business Segments	Loans		Leasing		Gold Loan		Treasury		Unallocated		Total	
For the year ended December 31,	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenue from external customers ;												
Interest income	134,033	77,040	118,425	100,557	149,832	89,193	223,342	246,240	-	-	625,632	513,030
Fee & commission income	4,535	4,448	5,246	2,357	-	-	-	-	-	-	9,781	6,805
Other operating income (Net)	10,592	14,336	6,355	429	-	-	1,907	739	25,840	2,610	44,694	18,114
Changes in fair value of Investment Property	-	-	-	-	-	-	-	-	116,601	74,170	116,601	74,170
Total revenue from external customers	**149,160**	**95,824**	**130,026**	**103,343**	**149,832**	**89,193**	**225,249**	**246,979**	**142,441**	**76,780**	**796,708**	**612,119**
Segment result	**107,740**	**144,704**	**93,919**	**80,825**	**108,225**	**69,759**	**162,700**	**193,165**	**102,887**	**60,051**	**575,472**	**478,746**
Allowance for expected credit loss for loans and advances - Reversal / (Charges)	45,263	109,168	58,739	119	(13,930)	4,359	933	22	-	-	91,005	113,668
Depreciation charged for the year	(13,403)	(8,553)	(11,684)	(9,224	(13,464)	(7,961)	(20,240)	(22,044)	(12,799)	(6,853)	(71,590)	(54,635)
Interest expense	(40,796)	(25,767)	(35,563)	(27,789)	(40,980)	(23,984)	(61,607)	(66,412)	(38,957)	(20,646)	(217,903)	(164,599)
Operating profit	**53,541**	**40,625**	**46,673**	**43,814**	**53,782**	**37,814**	**80,853**	**104,708**	**51,129**	**32,551**	**285,978**	**259,512**
Taxes on financial services	(13,569)	(9,648)	(11,828)	(10,405)	(13,630)	(8,981)	(20,490)	(24,868)	(12,957)	(7,731)	(72,474)	(61,633)
Share of profit of associate company	-	-	-	-	-	-	-	-	-	1,864	-	1,864
Income tax expense	(10,030)	(7,635)	(8,744)	(8,234)	(10,075)	(7,107)	(15,147)	(19,679)	(9,578)	(6,118)	(53,575)	(48,772)
Other comprehensive income	1,597	2	1,392	2	1,604	2	2,411	5	1,525	2	8,528	12
Total comprehensive income for the year	**31,539**	**23,344**	**27,493**	**25,176**	**31,681**	**21,728**	**47,627**	**60,166**	**30,118**	**20,569**	**168,458**	**150,983**
As at December 31,												
Segment assets	771,375	745,965	642,038	530,970	898,293	505,601	3,062,851	2,968,904	1,636,047	1,351,306	7,010,602	6,102,745
Segment liabilities	599,931	385,885	522,972	416,161	602,632	359,180	905,964	994,584	572,905	309,194	3,204,403	2,465,004
For the year ended December 31,												
Cash flow from operating activities	(83,512)	(32,504)	(72,800)	(35,054)	(83,888)	(30,254)	(126,113)	(83,776)	(79,750)	(26,044)	(446,064)	(207,632)
Cash flow from investing activities	(56,015)	(14,761)	(48,829)	(15,919)	(56,267)	(13,739)	(84,589)	(38,045)	(53,491)	(11,827)	(299,191)	(94,291)
Cash flow from financing activities	(217,946)	12,540	(189,988)	13,524	(218,927)	11,672	(329,123)	32,321	(208,128)	10,048	(1,164,113)	80,105

Notes to the Financial Statements (Contd.)

Amounts in Sri Lankan Rupees

44.1 Operating Segments in Segmental Reporting

A segment is a distinguishable component of the Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segment.)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management of the Company consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows and rhe Company's segmental reporting is based on the following operating segments;

Loans

This segment includes loan products offered to the customers.

Leasing

This segment includes leasing products offered to the customers

Gold loans

This segment includes gold loan products offered to the customers

Treasury

This segment includes treasury and other investment activities.

Unallocated

This segment includes all other business activities that Company engaged other than above segments.

SMB FINANCE PLC

SUPPLEMENTARY INFORMATION

DECADE AT A GLANCE

Amounts in Sri Lankan Rupees '000

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
For the year ended December 31,										
Operating Results										
Revenue	796,708	612,120	825,805	551,275	295,485	180,162	283,931	265,975	315,263	256,012
Interest expenses	(217,903)	(164,599)	(308,880)	(134,737)	(51,819)	(59,755)	(77,119)	(63,339)	(69,181)	(40,311)
Operating expenses & provision	(292,827)	(188,010)	(301,546)	(309,437)	(177,276)	(190,069)	(190,787)	(97,132)	(185,165)	(118,584)
Operating profit / (loss) before taxes on financial services	**285,978**	**259,512**	**215,379**	**107,101**	**66,390**	**(69,662)**	**16,025**	**105,504**	**60,917**	**97,116**
Taxes	(126,049)	(110,405)	(95,517)	(15,512)	(13,111)	(3,099)	(9,439)	(19,762)	(23,668)	(20,420)
Impairment provision for subsidiary company	-	-	-	(12,750)	-	-	-	-	-	-
Share of profit of associate company	-	1,864	40	744	152	2,307	2,079	-	-	-
Profit / (Loss) for the year	**159,930**	**150,971**	**119,901**	**79,582**	**53,431**	**(70,455)**	**8,665**	**85,742**	**37,249**	**76,696**
Total comprehensive income / (expense)	**168,458**	**150,983**	**130,806**	**104,136**	**76,177**	**(82,088)**	**19,491**	**95,746**	**37,196**	**77,952**
As at December 31,										
Assets										
Cash and cash equivalents and placement with banks	3,062,851	2,968,904	2,659,270	2,456,778	2,497,005	438,471	172,010	177,985	162,378	146,551
Loans and receivables	2,311,705	1,782,535	1,471,314	1,855,368	1,115,518	1,070,958	1,204,255	1,332,771	1,268,457	1,319,828
Financial investments	170,530	120,352	116,358	104,249	82,077	60,657	72,249	61,798	52,719	7,578
Investments in associate	-	-	42,617	42,577	41,833	41,682	39,375	37,296	37,275	101,452
Assets held for sale	-	41,699	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	12,750	12,750	12,750	12,750	12,750	12,750
Investment properties	996,750	708,050	637,236	385,728	142,778	96,225	96,225	33,310	33,310	33,310
Property plant & equipment	67,745	59,655	50,339	19,963	7,306	12,180	12,838	14,726	19,417	20,224
Right-of-use assets	58,577	73,151	34,156	16,070	23,266	35,904	30,037	-	-	-
Intangible assets	264,127	268,246	263,663	245,092	5,615	5,928	5,042	3,111	1,495	3,258
Other assets	78,317	80,153	55,235	61,401	67,796	48,688	52,937	54,262	59,040	6,015
	7,010,602	**6,102,745**	**5,330,188**	**5,187,226**	**3,995,944**	**1,823,443**	**1,697,718**	**1,728,009**	**1,646,842**	**1,650,965**
Liabilities & Shareholders' Fund										
Borrowings	2,987,547	2,229,828	1,678,634	1,695,007	648,550	717,306	528,779	638,669	413,820	453,434
Retirement benefit obligations	28,310	21,786	13,645	8,961	7,545	7,890	7,581	11,753	12,183	11,948
Lease liabilities	55,019	63,548	21,780	14,880	15,649	21,108	21,402	-	-	-
Deferred tax liabilities	1,954	-	-	-	-	-	-	-	-	-
Other liabilities	131,574	149,842	129,371	112,426	72,384	39,871	20,599	40,636	47,253	49,194
Shareholders' funds	3,806,199	3,637,741	3,486,758	3,355,952	3,251,816	1,037,268	1,119,357	1,036,951	1,173,586	1,136,390
	7,010,602	**6,102,745**	**5,330,188**	**5,187,226**	**3,995,944**	**1,823,443**	**1,697,718**	**1,728,009**	**1,646,842**	**1,650,965**
Ratios										
Income growth / (degrowth) (%)	30	(26)	50	206	64	(37)	7	(16)	23	29
Property, plant & equipment to shareholders' fund (%)	1.78	1.64	1.44	0.59	0.22	1.17	1.15	1.42	1.65	1.78
Total asset to shareholders' fund (Times)	1.84	1.68	1.53	1.55	1.23	1.76	1.52	1.67	1.40	1.45
Net assets per share (Rs.)	0.40	0.38	0.37	0.35	0.34	0.57	0.62	0.57	0.65	0.63
Basic earning / (loss) per share (Rs.)	0.02	0.02	0.01	0.01	0.01	(0.04)	0.00	0.05	0.02	0.04

NOTES

NOTICE OF MEETING - VOTING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF HYBRID MEETING ON JUNE 24, 2026 AT 3.00 P.M. AT THE RENUKA CITY HOTEL, 328, GALLE ROAD, COLOMBO 3.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended December 31, 2025, and the Report of the Auditors thereon.

2. To re-elect Mr. W. M. Dayasinghe who re retires by rotation in terms of Article 87 of the Articles of Association of the Company as a Director of the Company.

3. To re-appoint Dr. A. G. Illangakoon who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

4. To re-appoint Ms. S. P. Kumarasena who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

5. To re-appoint Ms. S. D. Athuldoraarachchi who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

6. To re-appoint Mr. R. S. Kandage who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

7. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.

8. To authorize the Directors to determine and make donations for the year ending December 31, 2026 and up to the date of the next Annual General Meeting.

By Order of the Board
SMB FINANCE PLC



Ruwangani Jayasundera
Company Secretary
May 29, 2026

Notes:

1. A shareholder entitled to participate and vote at the above hybrid meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.

2. A proxy need not be a shareholder of the Company.

3. Shareholders who are unable to participate in the above hybrid meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.

4. For more information on how to participate by virtual means in the above hybrid meeting, please refer Registration Process enclosed herewith.

NOTICE OF MEETING - NON VOTING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF HYBRID MEETING ON JUNE 24, 2026 AT 3.00 P.M. AT THE RENUKA CITY HOTEL, 328, GALLE ROAD, COLOMBO 3.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended December 31, 2025, and the Report of the Auditors thereon.

2. To re-elect Mr. W. M. Dayasinghe who retires by rotation in terms of Article 87 of the Articles of Association of the Company as a Director of the Company.

3. To re-appoint Dr. A. G. Illangakoon who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

4. To re-appoint Ms. S. P. Kumarasena who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

5. To re-appoint Ms. S. D. Athuldoraarachchi who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

6. To re-appoint Mr. R. S. Kandage who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.

7. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.

8. To authorize the Directors to determine and make donations for the year ending December 31, 2026, and up to the date of the next Annual General Meeting.

By Order of the Board
SMB FINANCE PLC



Ruwangani Jayasundera
Company Secretary
May 29, 2026

Notes:

1. A shareholder entitled to participate at the above hybrid meeting is entitled to appoint a proxy to participate in his/her place by completing the Form of Proxy enclosed herewith.

2. A proxy need not be a shareholder of the Company.

3. Shareholders who are unable to participate in the above hybrid meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate.

4. For more information on how to participate by virtual means in the above hybrid meeting, please refer Registration Process enclosed herewith.

FORM OF PROXY - VOTING

*I/We.....holder of

NIC No.....of.....being a *Shareholder /Shareholders of

SMB Finance PLC, do hereby appoint..... holder of

NIC No.....of.....or failing him.

Mr. H. R. S. Wijeratne	of Colombo or failing him
Mr. L. Abeysinghe	of Colombo or failing him
Mr. W. M. Dayasinghe	of Colombo or failing him
Mr. R. S. Wijeratne	of Colombo or failing him
Dr. A. G. Illangakoon	of Colombo or failing him
Ms. S. P. Kumarasena	of Colombo or failing her
Ms. S. D. Athuldoraarachchi	of Colombo or failing her
Mr. R. S. Kandage	of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on June 24, 2026, at 3.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended December 31, 2025, and the Report of the Auditors thereon	○	○
2. To re-elect Mr. W. M. Dayasinghe who retires by rotation in terms of Article 87 of the Articles of Association of the Company as a Director of the Company.	○	○
3. To re-appoint Dr. A. G. Illangakoon who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.	○	○
4. To re-appoint Ms. S. P. Kumarasena who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.	○	○
5. To re-appoint Ms. S. D. Athuldorarachchi who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.	○	○
6. To re-appoint Mr. R. S. Kandage who retires in terms of Article 94 of the Articles of Association of the Company as a Director of the Company.	○	○
7. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.	○	○
8. To authorize the Directors to determine and make donations for the year ending December 31, 2026, and up to the date of the next Annual General Meeting.	○	○

Signed this.....day of.....Two Thousand and Twenty Six

..... Signature

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number, and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate/ statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indica on is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretary at No. 282/1, CBS Building, Galle Road, Colombo 3, Sri Lanka or must be emailed to agm@smblk.com by 3.00 p.m on June 22, 2026.

FORM OF PROXY - NON VOTING

*I/We.....holder of NIC No.....of.....being a *Shareholder /Shareholders of SMB Finance PLC, do hereby appoint..... holder of NIC No.....of.....or failing him.

Mr. H. R. S. Wijeratne	of Colombo or failing him
Mr. L. Abeysinghe	of Colombo or failing him
Mr. W. M. Dayasinghe	of Colombo or failing him
Mr. R. S. Wijeratne	of Colombo or failing him
Dr. A. G. Illangakoon	of Colombo or failing him
Ms. S. P. Kumarasena	of Colombo or failing her
Ms. S. D. Athuldoraarachchi	of Colombo or failing her
Mr. R. S. Kandage	of Colombo

as *my/our proxy to represent me/us to speak for me/us on my/our behalf at the Annual General Meeting of the Company to be held on June 24, 2026 at 3.00 p.m. and any adjournment thereof and at every poll which may be taken in

Signed this.....day of.....Two Thousand and Twenty Six

.....Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number, and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –
   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarial certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate/statutory body in accordance with its Articles of Association or the Constitution on or the Statute (as applicable).

3. To be valid, the completed Form of Proxy must be deposited with the Company Secretary at No. 282/1, CBS Building, Galle Road, Colombo 3, Sri Lanka or must be emailed to agm@smblk.com by 3.00 p.m. on June 22, 2026.

CIRCULAR TO SHAREHOLDERS

ANNUAL GENERAL MEETING OF THE COMPANY

Dear Shareholder/s,

The Board of Directors of SMB Finance PLC has decided to hold the Annual General Meeting (AGM) as a Hybrid Meeting on Wednesday, June 24, 2026 at 3.00 p.m. The CDS of the Colombo Stock Exchange will be hosting the virtual participants.

METHOD OF HOLDING THE AGM

Up to a total of 100 shareholders will be accommodated at the physical location of the AGM. The Board of Directors, Key Management Personnel, Auditors, Legal Advisors and Company Secretaries and Registrars will assemble at the said physical location.

REGISTRATION PROCEDURE

Those shareholders and proxy holders who wish to participate physically/via audio or audio and visual means should notify the Company of such intention by completing the attached REGISTRATION FORM. The selection of the shareholders eligible to participate physically will be made on a first come first served basis and those who become eligible to participate physically on the said basis, will be notified thereof by email. All other shareholders will be allowed the opportunity of participating via an online meeting platform.

Shareholders who wish to attend the meeting physically are requested to forward the duly completed REGISTRATION FORM to the Company, SMB Finance PLC, No. 282/1, CBS Building, Galle Road, Colombo 03, Sri Lanka, or email the completed form to **agm@smblk.com.** Shareholders who wish to participate virtually are requested to forward the duly completed REGISTRATION FORM to the Registrars of the Company, Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, 341/5, Kotte Road, Rajagiriya (Tel: 011 235 6444), or email the completed form to AGM_EGM_Registrars@cds.lk.

APPOINTMENT OF PROXY HOLDERS

The shareholders are encouraged to vote by Proxy through appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.

The Form of Proxy will also be made available on the websites given below and those shareholders who wish to submit their Form of Proxy should duly complete the same as per the instructions given therein. The duly completed Form of Proxy should be deposited with the Company, SMB Finance PLC, No. 282/1, CBS Building, Galle Road, Colombo 3, Sri Lanka or forwarded by email to **agm@smblk.com** in order to enable the Company to receive the same not less than forty-eight (48) hours prior to the time appointed for holding the AGM.

PARTICIPATION VIA AN ONLINE MEETING PLATFORM

The login information will be authorised only for the use by individual shareholders, proxy holders and authorised representatives in case of institutional shareholders and the Company will not be responsible or liable for any misuse. Where the proxy holders are concerned, please note that the login information will only be shared with those in whose favour a valid proxy has been submitted by the shareholder. Shareholders can send in their queries, if any to **agm@smblk.com** before twenty-four (24) hours of the commencement of the Meeting.

VOTING

Voting in respect of the items of business of the agenda will be registered by using an online platform or a designated ancillary online application. This method of voting will count one vote per shareholder similar to show of hands.

COPIES OF THE ANNUAL REPORT 2025

The Annual Report and the Financial Statements of the Company are available on the following websites and the relevant links given below enabling all the shareholders to access such Annual Report and Financial Statements.

1.Corporate website of SMB Finance PLC – https://www.smblk.com/financial-info/annual-reports/
2.Colombo Stock Exchange – https://www.cse.lk/company-profile?symbol=SEMB.N0000

Should members wish to obtain a printed copy of the Annual Report, they may send a written request to the registered office of the Company by filling the REQUEST LETTER attached herein.
A copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.
Below mentioned documents are attached herewith.

1. Notice of meeting
2. Form of proxy
3. Guideline and registration process to join the AGM virtually
4. Registration form for the AGM
5. Form of request for the printed copy of the Annual Report

For any question, please contact Head of the Finance Department of SMB Finance PLC on +94 114222850 during office hours.

By order of the Board of Directors of SMB Finance PLC

Ruwangani Jayasundera
Company Secretary
Colombo, Sri Lanka
May 29, 2026

GUIDELINE AND REGISTRATION PROCESS TO JOIN THE ANNUAL GENERAL MEETING (AGM) VIRTUALLY

Instructions for Registration and Participation of Shareholders at the Annual General Meeting (AGM) to be held through electronic means on June 24, 2026

1. Shareholders and Proxy holders who wish to participate in the AGM via electronic means should complete and forward the attached REGISTRATION FORM to the Registrars of the Company, Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, 341/5, Kotte Road, Rajagiriya (Telephone: 011-2356444) or e-mail to AGM_EGM_Registrars@cds.lk by 3.00 p.m. on June 22, 2026. Shareholders are required to mandatorily provide their email address (or, if a Proxy is appointed, the email address of the Proxyholder) in the space provided in REGISTRATION FORM in order to forward the zoom link for participation in the AGM through zoom platform.

2. Shareholders who wish to appoint a Proxy to participate in the Meeting are required to complete the FORM OF PROXY and forward it to the Company as per the instructions set out therein. If a Proxy is appointed, the information set out in the REGISTRATION FORM pertaining to the Proxy holder should tally with the information indicated in the duly completed FORM OF PROXY submitted by the Shareholder.

3. The Login information will be authorized only for use by individual Shareholders, Proxyholders and Authorized Representatives in case of Institutional Shareholders and the Company will not be responsible or liable for any misuse. Where the Proxyholders are concerned, please note that the Login information will only be shared with those in whose favor a valid Proxy has been submitted by the Shareholder.

4. It is recommended that Shareholders/Proxyholders join the AGM at least fifteen (15) minutes before the start of the AGM. The digital platform will be active thirty (30) minutes before the start of the AGM.

5. Voting on the Item on the Agenda will be through an online platform. Shareholders/Proxy holders will be briefed on the procedure for voting at the commencement of the AGM.

6. All Shareholders / Proxyholders speaking at the AGM, to vote, seek clarification or make a comment relevant to the AGM are required to identify themselves when speaking at the AGM.

7. Shareholders can forward their queries and clarifications relevant to the AGM, by registered post to the registered office of the Company or email to agm@smblk.com not less than twenty four hours before the commencement of the AGM. Responses in respect of such queries and clarifications may be made before or during the Meeting.

8. If any Shareholders who are registered for participation via virtual platform encounters any difficulty in connecting to the meeting, they could contact on Tel: 011 2356444 or email to AGM_EGM_Registrars@cds.lk for any assistance required.

REGISTRATION FORM

THE ANNUAL GENERAL MEETING (AGM) OF SMB FINANCE PLC TO BE HELD AS A HYBRID MEETING ON JUNE 24, 2026 AT 3.00 P.M.

Details of Shareholder

Full Name of the Principal Shareholder: .....

.....

NIC No. / Passport No. /Company Registration No.: .....

CDS Account No.: .....

Residential Address: .....

.....

Telephone No/s: ..... Email:.....

Full Name of 01st Joint Holder: .....

.....

NIC No/ Passport No.: .....

Full Name of 02nd Joint holder:.....

.....

NIC No/ Passport No.: .....

In the event the Proxy holder is appointed by the Shareholder following details of his/her will also be required.

Details of Proxy holder: (only if a proxy is appointed)

Full name of Proxy holder: .....

.....

NIC No. / Passport No. of Proxy holder: .....

Telephone No/s: ..... Email: .....

PARTICIPATION AT THE AGM - Please tick the cage below

	Physically	Online
I/My Proxy holder am/are willing to participate at the AGM	☐	☐

Signature/s

.....	.....	.....
Principal Shareholder	01st Joint holder	02nd Joint holder

..... 2026

Note: In the case of a Company/Corporation the shareholder Registration From must be signed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association and in the case the Registration Form is signed by an Attorney, the Power of Attorney must be deposited at SMB Finance PLC, No. 282/1, CBS Building, Galle Road, Colombo 3, Sri Lanka or forwarded to agm@smblk.com.

FORM OF REQUEST

FOR A PRINTED COPY OF THE ANNUAL REPORT OF SMB FINANCE PLC FOR THE PERIOD ENDED DECEMBER 31, 2025

TO : SMB Finance PLC
No.282/1, CBS Building, Galle Road,
Colombo 03

I/We hereby request for a printed copy of the Annual Report of SMB Finance PLC for the period ended December 31, 2025.

DETAILS OF THE SHAREHOLDER(S)

Full name :

National Identity Card / Passport / Company Registration No. :

Contact Telephone Number :

Address :

....
Signature of Shareholder(s) Date

* Contact details of.....

Telephone.....

Facsimile.....

Email.....

CORPORATE INFORMATION

Name of the Company
SMB Finance PLC

Legal Form
Public Limited Liability Company (Incorporated and domiciled in Sri Lanka) under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007 quoted in the Colombo Stock Exchange.

Date of Incorporation
September 3, 1992

Company Registration Number
PQ 91

Stock Exchange Listing
The Ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on December 20, 1993.

Central Bank Registration Number
040 (Under the Finance Leasing Act No. 56 of 2000 and Finance Business Act No. 42 of 2011)

Financial Year-end
December 31

Board of Directors
The following persons held office as directors of the Company as at December 31, 2025.

Mr. H. R. S. Wijeratne (Chairman)
Mr. A. T. S. Sosa*
Mr. S. C. Wijesinghe
Mr. L. Abeysinghe
Mr. W. M. Dayasinghe
Justice D. P. S. Jayawardena**
Mr. R. S. Wijeratne
Dr. A. G. Illangakoon

*Mr. A. T. S. Sosa has retired from his position as a Director and Senior Director from the Board with effect from March 12, 2026.

**Mr. D. P. S. Jayawardena resigned from the Board with effect from January 31, 2026.

Company Secretary
Ms. Ruwangani Jayasundera,
No. 282/1, CBS Building, Galle Road,
Colombo 3, Sri Lanka.

Registrar
Central Depository Systems (Pvt) Ltd.
Ground floor, M&M Center,
341/5, Kotte Road, Rajagiriya.

External Auditors
M/s. KPMG
Chartered Accountants
No. 32A, Sir Mohammed Macan
Marker Mawatha, Colombo 03.

Internal Auditors
M/s. Deloitte Chartered Accountants
No. 11, Castle Lane, Colombo 04.

Tax Consultants
Amerasekera & Co
Chartered Accountants
No 5/3, 5/4, Mahanuga Gardens,
Colombo 03.

Lawyers
M/s. De Livera Associates
Attorneys-at-Law,
Solicitors & Notaries Public
No. 33 1/2, Shrubbery Gardens,
Colombo 04.

M/s. Shiranthi Gunawardena Associates
Attorneys-at-Law & Notaries Public,
No. 22/1, Elliot Place, Colombo 08.

M/s. Paul Rathnayake Associates
No 59, Gregory's Road, Colombo 07.

Bankers
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
DFCC Bank PLC
NDB Bank PLC
Indian Bank
Peoples' Bank
Hatton National Bank PLC
Pan Asia Banking Corporation PLC
Seylan Bank PLC

Tax Payer Identification Number (TIN)
134003669

Head Office
No. 282/1, CBS Building,
Galle Road, Colombo 3.
Telephone : 094-114222888
Fax : 094-112574330
E-mail : info@smblk.com
Web : www.smblk.com

Branches
Deniyaya Branch,
No. 11 A, Main Street,
Deniyaya.

Negombo Branch,
No. 15/15B, Station Road,
Negombo.

City Branch,
No. 301/A, Galle Road,
Colombo 03.

Bandaragama Branch,
No. 113/A, Rathnapura Road,
Bandaragama.

Matale Branch
No. 553/B, Trincomalee Street,
Matale.

Ambalangoda Branch
No. 50,1/1, Galle Road,
Ambalangoda.

Kotahena Branch
No. 214, George R. De Silva Mw,
Colombo 13.

Wellawatte Branch
No. 362, Galle Road,
Colombo 06.

Credit Rating
BB (Stable)

Designed and produced by
Ms. Sujeewa Ellage

www.smblk.com