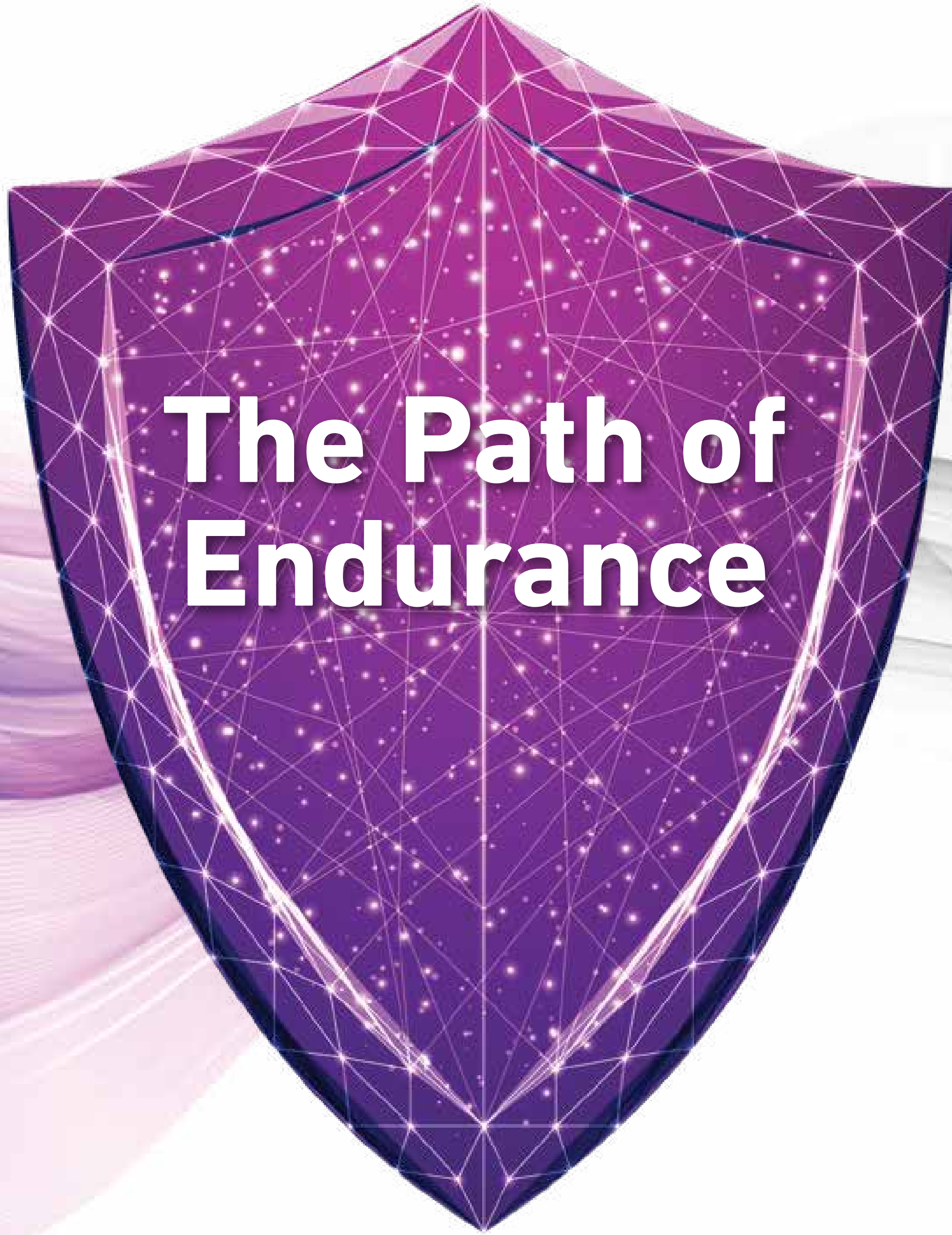
FINTREX finance

YOUR TRUSTED FINANCE PARTNER



The Path of Endurance

Fintrex Finance Limited

Annual Report 2022/23

The Path of Endurance

The path to progress is not always a straight line and for good reason. Often, one must pause to look inward, to consolidate in order to not lose the purpose of our journey. The year under review, therefore, was a combination of introspection while remaining ever fixed on our end goal, most notably amidst diverse hurdles. As the famous adage goes, "It's not about the destination, it's about the journey", and we believed in this wholeheartedly as we embarked on a journey towards growth and every step of the way, we discovered new things about ourselves. Our resilience, our unity and our enthusiasm to be the best, turned an arduous trip into an attestation of our stability, strong framework and long standing relationship with our client base and our team members.Our path to progress is a path of endurance.

FINTREX finance

Fintrex Finance Limited

Annual Report 2022/23

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Vision, Mission and Values

Vision

Be within the top 5 financial solution providers by creating value to everyone we engage with.

Mission

Create Value to:

- Our customers by offering services at their convenience through innovative technology.
- Our staff by developing and empowering to offer superior service.
- Our shareholders by optimizing returns.
- Our society by committing good governance.
- Our nation by contributing to their wellbeing.

Values

F **Fairness**	We treat people equitably
I **Innovation**	We seek creativity in everything we do
N **Nurture**	We develop our employees and customers
T **Transparent**	We will be open and honest in all our dealings
R **Respect**	We treat all individuals with dignity
E **Elevate**	We help in uplifting the social wellbeing of our nation
X **Xenial**	We are sincere to all our stakeholders

About this Report

This is the second Integrated Annual Report of Fintrex Finance Ltd for the financial year 2022/23 which provides a balanced and objective evaluation of the Company's value creation process, strategy, and performance during the period in accordance with the 'TAGS' (Transparency, Accountability, Governance, Sustainability) reporting standards and the guidelines given by the Institute of Chartered Accountants of Sri Lanka (ICASL). The report seeks to provide an inclusive portrait of the Company's value creation process in line with integrated thinking while highlighting the Company's commitment to sustainability reporting.

Scope and Boundary

This report presents a holistic review of the financial and non-financial developments for the financial year 2022/23 commenced from 01st April 2022 to 31st March 2023. The report outlines the Company's operations, performance, risk management, corporate governance practices and its commitment to sustainability. The most recent past Annual Reports are available for viewing and download on the corporate website – www.fintrexfinance.com.

Standards and Frameworks that Guide us

Integrated Reporting
- The International Integrated Reporting <IR> Framework

Sustainability Reporting
- Global Reporting Initiative (GRI) Standards - "With Reference"
- United Nations Sustainable Development Goals (SDG)

Financial Reporting
- Sri Lanka Financial Reporting Standards
- The Companies Act No.7 of 2007

Governance
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC)

We have voluntarily adopted the GRI Sustainability Reporting Guidelines in addition to the above mentioned statutory reporting guidelines.

GRI Disclosure	Response
GRI 2-1: Organisational details	Fintrex Finance Limited, No 851, Dr. Danister De Silva Mawatha (Baseline Road) Colombo 14.
GRI 2-2: Entities included in this report	All entities in this report are those included in the audited financial statements presented in this report.
GRI 2-3: Reporting period and frequency	This report covers the 12 months period from 1st April 2022 to 31st March 2023 and will be continued as an annual reporting activity.
GRI 2-3: Accessing this report and feedback	This report can be downloaded from our website https://www.fintrexfinance.com
GRI 2-4: Restatement of information	There has been no requirement for the restatement of any information from our previous annual report.
GRI 2-5: External assurance	The financial statements presented in this report have received assurance from our external auditors KPMG.

Forward-Looking Statements

This Report may contain certain information that may constitute "forward-looking statements". As these statements may involve risks and uncertainties, the actual results may differ from those projected and implied in the forward-looking statement. Therefore, readers are cautioned not to place undue reliance on such "forward-looking statements".

Inquiries

Queries and clarifications, if any, on this annual report are to be directed to:

Name: Mr. Jayathilake Bandara
Designation: Chief Executive Officer
Address: Fintrex Finance Limited,
No. 851,
Dr. Danister De Silva Mawatha,
Colombo 14.
E-mail: bandara@fintrexfinance.com
Telephone: 0117200100

This report can be downloaded from our website

www.fintrexfinance.com

About Fintrex Finance Limited

'Fintrex Finance Ltd' which was established in 2007, has emerged as a strong contender in the financial services sector capturing a sizable market share in its journey of over a decade. Driven by a steadfast commitment to promoting financial inclusion, economic growth and development in Sri Lanka, Fintrex continues to play a significant role in ensuring the financial well-being of communities by supporting businesses and individuals to access financial solutions. Backed by a team of experts with strong financial acumen, Fintrex continues to create value for its customers supporting them in realising their financial aspirations.

In this endeavour, the Company offers a range of personalised financial solutions to customers who seek financial assistance with a specific focus on the SME segment and provide financial assistance to grow and develop their business or establish their financial wealth. This support is further fortified through exceptional service delivery leveraging advanced technology to improve efficiencies and satisfy the needs of the emerging requirements of the modern clientele.

Fintrex Finance Limited is owned by Bluestone 1 (Pvt) Limited, backed by a consortium of world-class investors including global insurance giant Fairfax Holdings which holds 70% along with MAS and Hirdaramani Group who together hold 24% of the equity shareholding. The investors of the Company are represented on the Board by Mr. Ajit Gunewardene, Chairman, Mr. Ronnie Peiris and Mr. Shantanu Nagpal, who are well-known professionals in the corporate arena.

Fintrex was formerly known as Melsta Regal Finance Ltd and was a fully owned subsidiary of Melstacorp PLC. The ownership moved from a trusted Sri Lankan conglomerate to another trusted multinational, giving Fintrex the continued strength to forge ahead and pursue its corporate goals.

Product Offerings GRI 2-6

Leasing

Fintrex Finance offers a wide range of Leasing products that are customized to meet the specific requirements of our diverse customer base who are seeking to realize their dream of a vehicle. Our product range includes vehicle leasing facilities, vehicle loans, hire purchase facilities for 2W, 3W and 4W vehicles for the customers across the island to purchase their dream vehicle, be it brand new, registered, or unregistered, petrol, hybrid or electric through getting in touch with the Company's island-wide network.

These leasing products coupled with speedy service delivery, the flexibility in personal guarantor requirement and down payments, and flexible repayment structure based on future cash flows targets attracting salaried employees, individuals engaged in businesses, SMEs, and corporate clients.

Our product 'Smart Cash' for 4W vehicles enables the customer to acquire brand new, reconditioned and registered motor cars/vans & SUVs, the highest possible advances repayable up to 5 years.

Revolving Draft

Fintrex Revolving Draft (FRD) facility enables the customer to access an additional cash reserve for any requirement. By comprehending the customers' borrowing needs which vary throughout the year, FRD facility gives flexible funds to manage cash flow, take advantage of timely bargains, meeting unexpected emergencies and much more, all with just a one-time application. Customers can make multiple drawdowns-based requirement within the pre-approved credit limit, and it allows capital repayments bringing the liability down, during the tenure.

Business Loans

We strongly believe in serving the SME sector and therefore, facilitate quick access to financing for the entrepreneurial SMEs offering them a range of financing options that would suit the cash flows of their business and help them grow their enterprise. The three types of business loans we provide including short terms loans, and long-term loans to purchase stocks and raw material, meeting the recurring expenditure, and investing in capital goods, respectively.

Long-term loan

The long-term loan facility is available to purchase property, vehicles and machinery. While personal guarantees can be offered as security, it provides a repayment period between 13 months to 60 months along with a grace period based on the business cash flows and nature of projects.

Short-term loans

The short-term loans are offered for the working capital requirements of businesses and is provided with a repayment period of 12 months or below.

Trade Finance

Our trade finance facility is available for importers of vehicles and other trading goods including Letters of Credit facilities and post-import loans for importers by pledging original import documents for vehicles and pledging the imported goods. We also provide import loans for custom duty payments, as well as for warehousing facilities and inventory management for pledged goods. The entire value chain is monitored and handled from port to warehouse.

This facility provides a flexible repayment period of less than 12 months.

Product Offerings

Fixed Deposits

The Company introduced the “Vishvasa” fixed deposit product to the public in its initiative to expand the product portfolio of the Company. This product is accompanied by a competitive interest rate providing people with a higher return incentive for their savings, especially during challenging times.

We offer Fixed Deposit (FD) investment schemes at competitive interest rates for investments with subject to CBSL policy rate revisions. Backed by world-class investors and robust governance and risk management system, we guarantee our clients reliable investment plans to suit their convenience.

These deposit products have several deposit terms from minimum of 01 month to maximum of 60 months for the customers to choose from, while the interest is payable at maturity or monthly. In addition, we allow cashback facilities against the fixed deposit of up to 90 percent of the value of the investment with subject to T&C.

Savings

For inculcating the habit of saving amongst our customers, particularly amongst the entrepreneurs of the SME sector that represent the future of the nation, we have introduced two savings products; ‘Vishishta’ savings account for those who are above the age of 18 and ‘Shreshta’ senior citizens’ savings account. Similarly, we have also introduced a ‘Pravishta’ children’s savings account for children who are below the age of 18 years.

These savings products allow convenient cash deposits, withdrawals, fund transfers through the island-wide network with a standing order facility and offer competitive interest rates which are calculated daily with a monthly credit.

Gold Loan and Gold Purchase Loan Facility

Ran Shakthi Gold Loan facility offers our customers the convenience and highest cash advances against gold, when they need it the most, with accurate assessment and flexibility in repayment and redeeming. We guarantee the most accurate assessment with the help of latest technology and quick service while ensuring maximum security for the assets.

Continuous increase of gold prices in the Sri Lankan market made local citizens finding it difficult to make an outright purchase of gold. Therefore, the “Ransakthi Gold Purchasing Loan”, provides people with the opportunity to buy gold jewellery of their choice from reputed gold jewellers in Sri Lanka. “Ransakthi Gold Purchasing Loan” scheme was developed to offer customers the opportunity to invest in gold by paying in installments with minimal pressure on their cash flow.

Existing customers of Fintrex Finance with a prompt re-payment capacity will also be able to purchase gold through this product against the leeway available in their facility.

Money Market Savings

Fintrex Flexy Fix Money Market Savings Account, aimed at Corporate and high net worth individuals, SMEs who seek a product that offers better fund management capabilities for short term investments, assuring direct returns. Promising ‘higher returns for shorter period’, Flexy Fix Money Market Savings provides the flexibility needed to manage short term investments at their own convenience with higher interest rates, anytime withdrawals and daily interest.

Investment Planner

Dream Planner is an innovative savings plan, first in the industry - a product designed for a customer to set aside a fixed amount of savings every month.

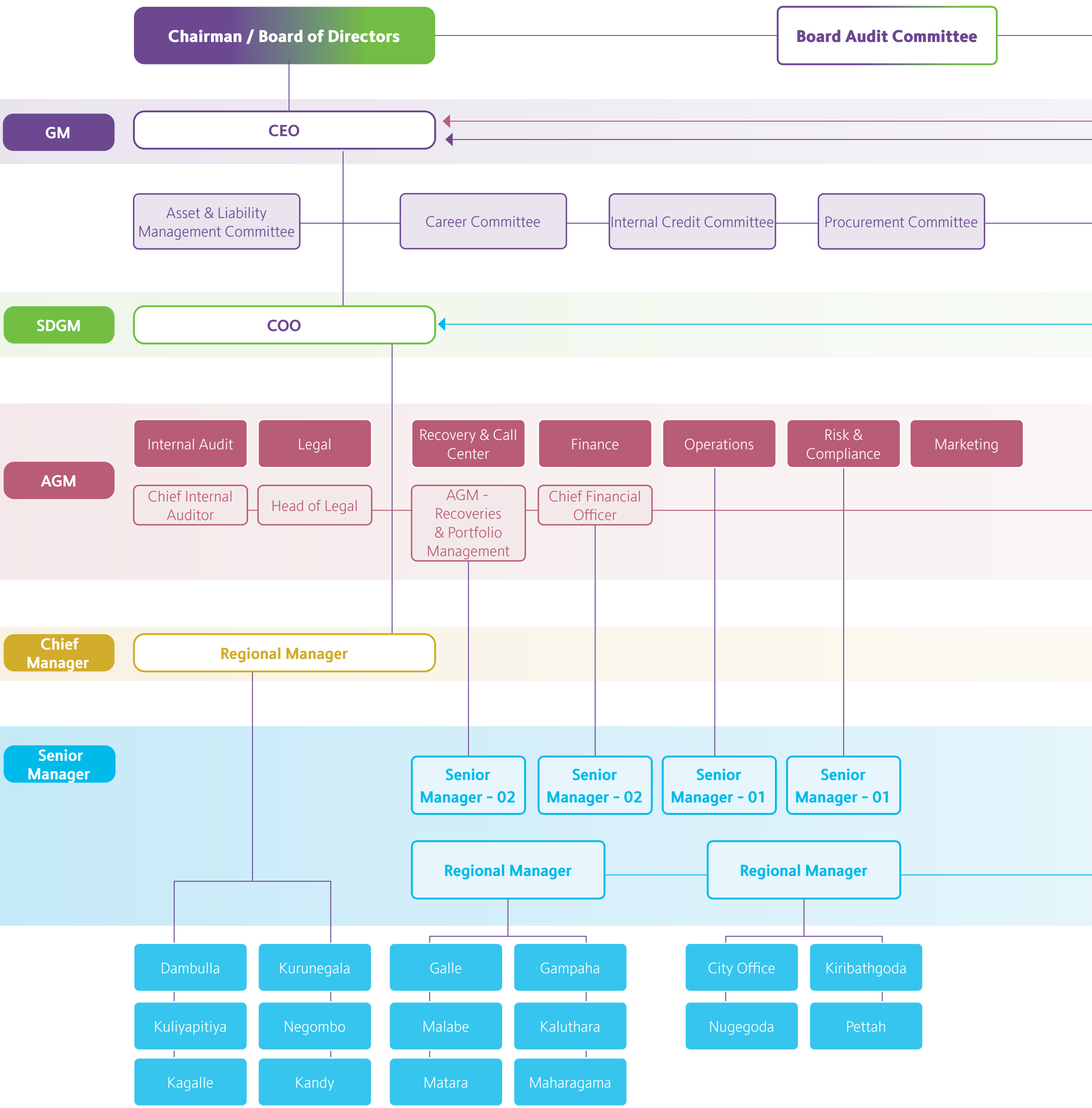
As a fixed monthly installment to achieve a target amount at the end of an agreed target period ranging from a minimum of 1 year to a maximum of 5 years.

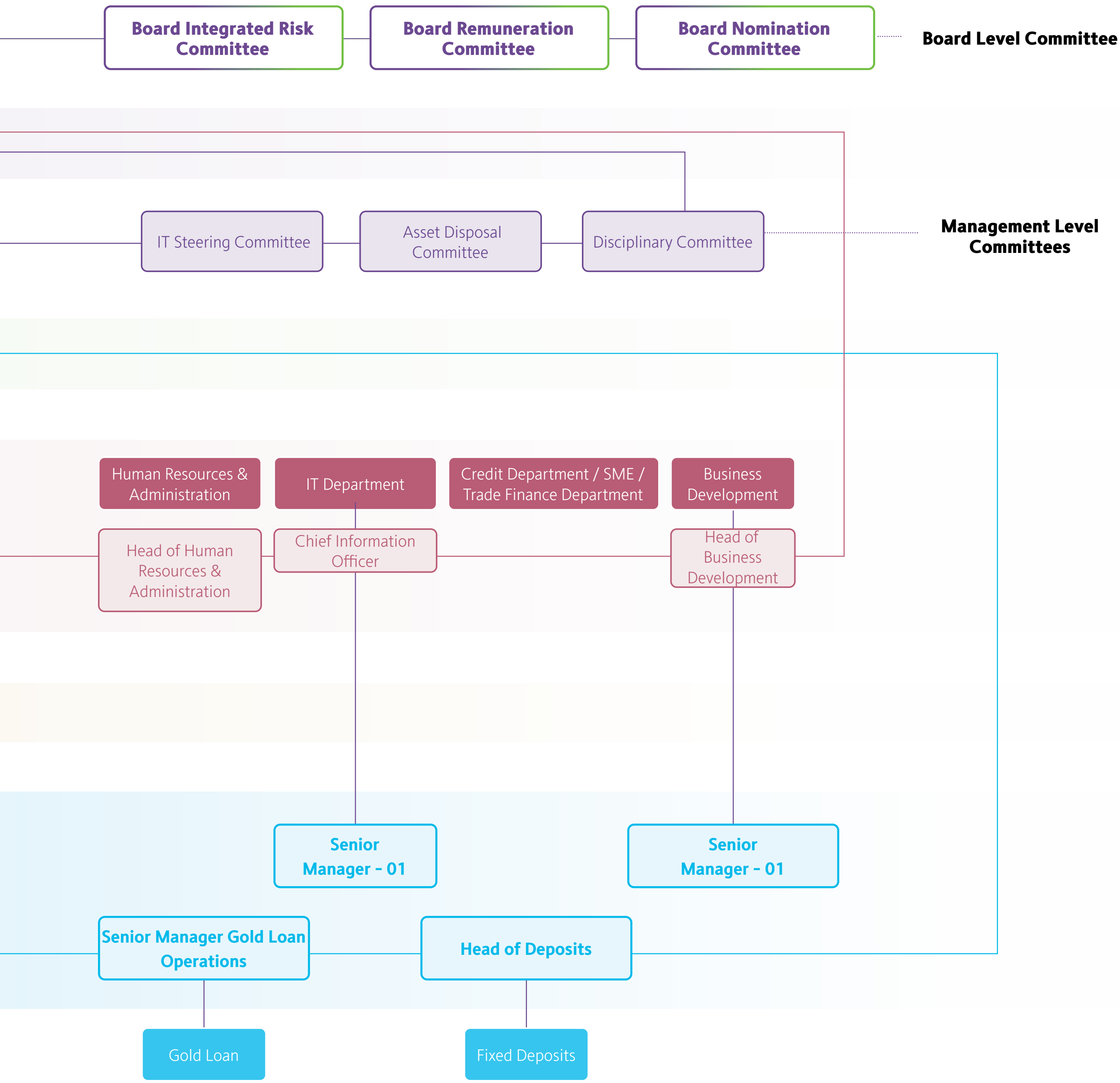
Awards and Accolades

Honoured with the Bronze Award at the Annual Reports TAGS Awards 2022, organized by the Institute of Chartered Accountants of Sri Lanka.

Awarded "Great Place to Work" certification by the Great Place to Work Institute in Sri Lanka for the second consecutive year.

Organisational Structure




Board Integrated Risk Committee
Board Remuneration Committee
Board Nomination Committee
Board Level Committee
IT Steering Committee
Asset Disposal Committee
Disciplinary Committee
Management Level Committees
Human Resources & Administration
IT Department
Credit Department / SME / Trade Finance Department
Business Development
Head of Human Resources & Administration
Chief Information Officer
Head of Business Development
Senior Manager - 01
Senior Manager - 01
Senior Manager Gold Loan Operations
Head of Deposits
Gold Loan
Fixed Deposits

Our Journey

2012

FEBRUARY
Received the finance license from Central Bank of Sri Lanka to commence finance business

OCTOBER
Opening of the Head office premises by Governor of Central Bank of Sri Lanka A N Cabral & Group Chairman D H S Jayawardena & commenced business operations

2013

MAY
The Company was rated Fitch A+(lka)

SEPTEMBER
Opening of first Branch in Kurunegala by Group Chairman - Deshamanya D H S Jayawardena

NOVEMBER
Opening of Matara branch

2014

MARCH
Opening of Kandy branch
Right Issue of Rs. 650 Mn
SLITAD People Development Award 2014 Bronze Winner

JULY
Opening of Negombo branch

OCTOBER
First Foreign Currency Loan of USD 10Mn

2019

JANUARY
Opening of Dambulla Branch

MARCH
Recorded PBT of Rs. 200 Mn and Total Assets reached to Rs. 8 Bn

2020

FEBRUARY
Opening of City Branch

JUNE
Rating upward from Fitch B (lka) to
B+ (lka)

2015

MARCH
Recorded PBT of Rs. 100 Mn and Total Assets reached to Rs. 5 Bn

AUGUST
Opening of Kiribathgoda Service Center
Opening of Kegalle branch

OCTOBER
Relocation of Kandy branch

2016

MARCH
Opening of Kuliyapitiya Branch

NOVEMBER
Opening of Gampaha Branch

DECEMBER
Opening of Kaluthara Branch

2018

APRIL
Change of ownership- Acquired by Bluestone 1 (Pvt) Ltd

SEPTEMBER
Name changed to Fintrex Finance Limited

2021

Fastest Growing Finance Company - June 2021
Awarded Great Place to Work Certification
Kiribathgoda relocation - May 2021,
Recorded PAT of Rs. 327.5 Mn and
Total Assets reached to Rs. 12.6 Bn

New Branches
Galle - November 2021
Malabe - February 2022
Maharagama - February 2022
Pettah - March 2022

2022

Awarded Great Place to Work Certification

Opening of Nugegoda Branch - June 2022

Won the **Bronze Award**
(NBFI -Total group assets up to 20 Bn) at the Annual Reports TAGS awards.

Recognized as **Most Respected Entities - LMD**
August 2022

New products launch- Dream Planner, Over Drive, Flexy Fix and Gold Purchase loan

Highlights of the year



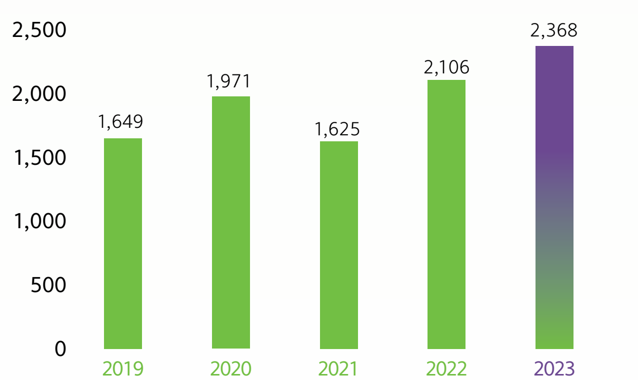



BRONZE AWARD

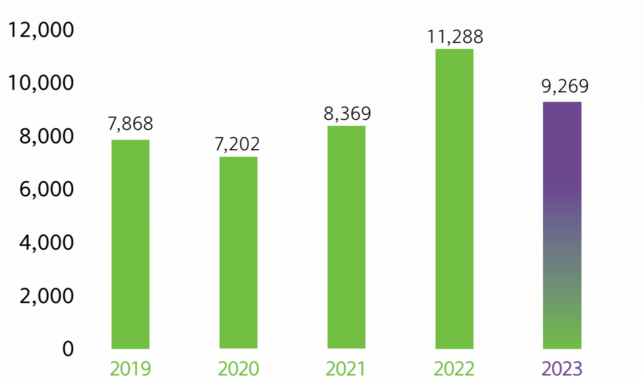

Financial Highlights

	2023 Rs. '000	2022 Rs. '000	Change %
Results for the year			
Gross Income	2,368,382	2,106,329	12%
Interest Income	2,264,367	1,955,827	16%
Interest Expenses	1,811,036	660,299	174%
Impairment Charge	182,571	117,544	55%
Operating Expenses	819,511	753,479	9%
Profit before tax	(444,736)	440,018	-201%
Profit after income tax	(219,089)	327,498	-167%
Financial Position			
Shareholder's fund	2,934,108	3,152,601	-7%
Deposits from customers	4,743,530	1,858,225	155%
Leases,loans and advances	9,269,294	11,287,520	-18%
Borrowings	2,932,376	7,077,781	-59%
Total Assets	10,978,227	12,620,432	-13%
Investor Information			
Earnings per share (Rs.)	-0.92	1.80	-151%
Net assets per share (Rs.)	12.38	13.30	-7%
Financial Indicators			
Return on shareholders' funds (%)	-7.20	12.16	-159%
Return on average assets (%)	-1.86	3.04	-161%
Net interest margin (%)	4.12	12.58	-67%
Cost to income ratio (%)	147.04	52.11	182%
Gross non performing loan (%)	11.21	6.50	72%
Net non performing loan (%)	3.76	0.29	1,197%
Statutory Ratios			
Core Capital Ratios (%)- Minimum requirement- 8.5%	26.7	23.6	13%
Total Risk Weighted Capital Ratio (%)- Minimum requirement - 12.5%	26.6	23.5	13%
Capital Funds to Deposit Liabilities Ratio (%) - Minimum requirement -10%	61.9	169.7	-64%

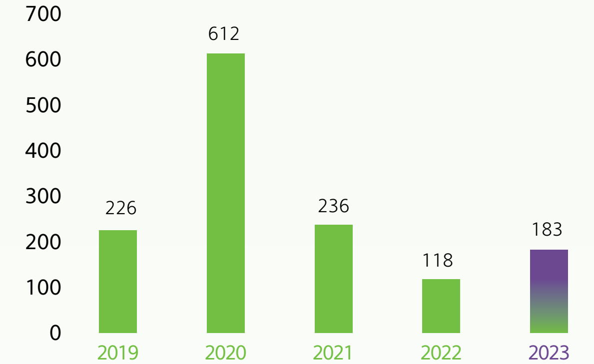
Gross Income (Rs. Mn)



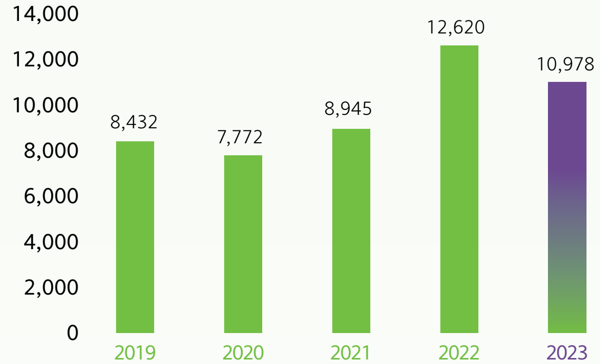
Net Lending Portfolio (Rs. Mn)



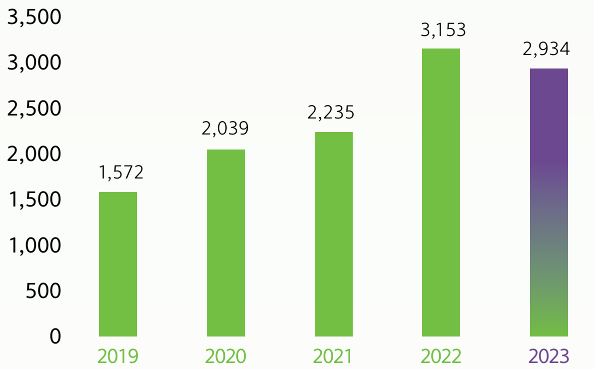
Impairment Charges (Rs. Mn)



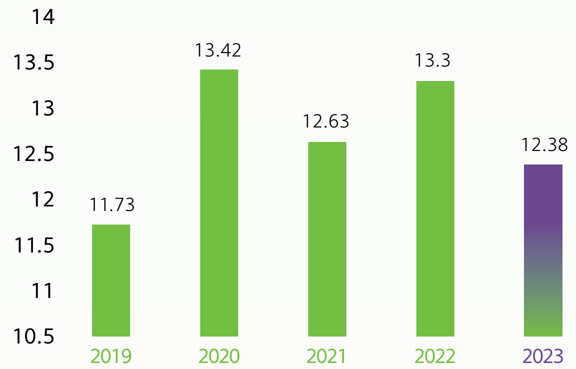
Total Assets (Rs. Mn)



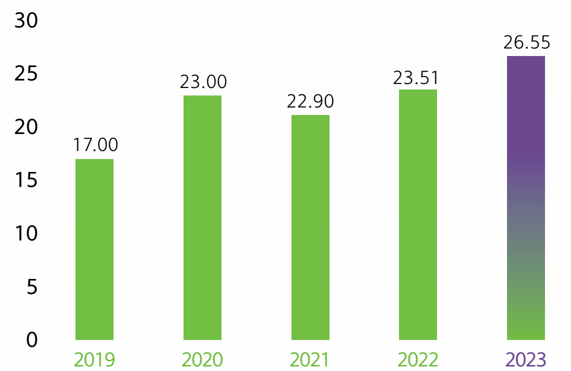
Total Equity (Rs. Mn)



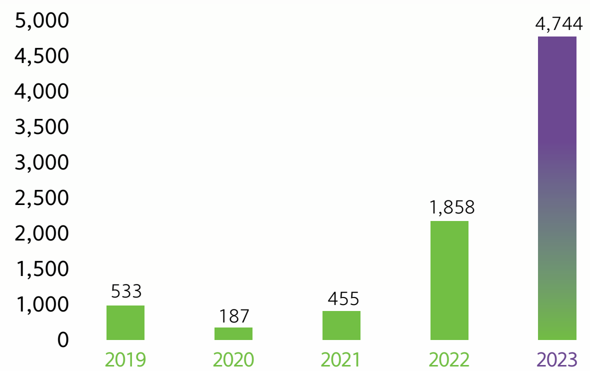
Net Assets Per Share (NPS)



Capital Adequacy Ratio (%)



Deposits (Rs. Mn)



How We Create Value

Input

Fintrex's Financial Capital is represented by the funds and borrowings that are available to the Company to be utilized in the provision of services ensuring its longterm growth and value creation.

Financial Capital

Total Equity – Rs. 2,934 Mn
Total Deposits – Rs. 4,743 Mn
Total Debt – Rs. 3,021 Mn

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Fintrex's Manufactured Capital is represented by the physical assets that comprise the head office building and the branch network as well as the digital channels that include IT infrastructure and network architecture.

Manufactured Capital

Branch Network – 16
New product launches - 04

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Fintrex's Intellectual Capital is represented by our intangible assets that include digital infrastructure, tacit knowledge and the brand equity that builds the reputation of the Company.

Intellectual Capital

Launching CEFTS facility
Adopting a data driven approach
Process automation

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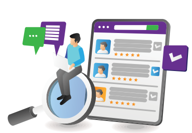

Fintrex's Human Capital is represented by the economic value of the employee's skills and experience that contribute to the productivity and profitability of the Company.

Human Capital

Staff Strength – 245
Training Hours – 12,409

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Fintrex's Social and Relationship Capital is represented by the relationships we have nurtured with our customers, community, regulatory bodies, and other networks to improve individual and collective well-being.

Social & Relationship Capital

Industry collaborations
Community awareness initiatives

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Fintrex's Natural Capital is represented by our environmental capital values that drive our commitment to preserve the environment.

Natural Capital

Energy Saving - 26.03%
Paper consumption reduced by 58%
5s Implementation

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Our Offerings

- FINTREX විශ්වාස
- FINTREX easy ලීසිං
- FINTREX smart cash
- FINTREX OVER DRIVE
- FINTREX Business Loans
- ප්‍රවේශ
- FINTREX ශ්‍රේෂ්ඨ
- FINTREX රන්ශක්ති
- FINTREX FleXy Fix Deposit
- FINTREX DreamPlan Investment account

10 pillars of Sustainability

- Clear vision and strategy
- Focus on core
- Market Leadership
- Innovative customer solutions

Activity	Strategic Focus Area	Outcomes

Activity

Raise

Capital through debt and equity sources along with sell-down of assets

Identify

Eligible borrower pool by leveraging on technology

Lend

Credit to the borrowers riding the back of prudent underwriting processes

Recover

Payments from borrowers with focus on digital collection

Strategic Focus Area

- Product Diversification
- Process Automation
- Solid Liquidity Management

SFAs

- People Engagement and Recognition
- Sustainable Development
- Customized Financial Solutions

Outcomes

Return to Shareholders and Investors
- NIM: 4.12%
- NPS: Rs. 12.38

Customer-centricity
- Total Active Customers: 10,466
- Deposit Portfolio Growth: 155%

Digital Delivery
- CEFTS implementation
- Implementation of Payment Management system (PMS)
- 95% Cashless disbursement through Credit Management System (CMS)
- Implementation of EKYC & video KYC solution

High Employee Engagement
- Total training hours by all employees: 12,409
- Average training hours per employee: 51 Hrs
- Awarded as one of Sri Lanka's Best Workplaces in 2022

Competitive employees | Decisive management | Environmental and social legitimacy | Values and ethics | Corporate governance | Learning organization

Our Progress on Strategy

Fintrex Finance Ltd is a dynamic and innovative financial service provider that is focused on delivering value to customers through leveraging technical know-how and skills as well as technology to cater to the emerging financial transaction trends and expectations of the modern clientele. Since its inception in 2007, the Company has emerged as a strong candidate in the financial services sector in Sri Lanka capturing a sizeable market share within the SME segment supporting businesses and individuals to realise their financial aspirations under the current macroeconomic landscape. By doing so, the Company contributes to the overall economic development of the Country uplifting a segment that requires significant assistance in emerging out of their financial hardships.

Strategic focus during FY 2022/23

- Adopted a focused strategy on business development (segment-specific business development) where customers within a 10-15km radius of the branch were targeted.
- Continued streamlining of processes with the ongoing adoption of technology to fast-track the way we do business.
- Developed new products to cater to the changing customer trends and expectations under the current macroeconomic condition .
- Adopted a multipronged strategy for marketing communication.
- Enhanced focus on digital marketing towards targeted communication with prospective customers such as the professional customer segment.
- Regular communication with customers on our products and services through WhatsApp, SMSs, e-flyers, direct marketing on commercial websites, joint promotions through collaborations along the value chain.
- One-to-one communication with business segments at the branch level to review the business.
- Adopted a win-win strategy: considering the difficulties faced by the customers in fulfilling their financial obligations under the prevailing macroeconomic backdrop, we formulated structured exit plans to support them. These include organising repayment plans as well as advice/guidance to emerge out of their liabilities.
- Rigorous screening of new customers for their repayment capacity prior to onboarding.
- Conduct customer clinics that includes one-to-one communication at the branch level to understand customer grievances and provide guidance to find solutions.
- Building team strength through training and development, engagement, and motivation.
- Redesinged the customer complaints mechanism for effective resolution of issues and concerns in support of our valued customers.

GRI 2-23

Policy Commitments

Our values remain the foundation of all our business policies and practices that has enabled us to conduct business in an ethical and responsible manner respecting human rights. Therefore, we have consistently strived to encourage a non-discriminatory environment within the organisation where every employee is treated equally.

GRI 2-24

Embedding Policy Commitments

The Company's leadership and the senior management ensure that the policy commitments for responsible business practices are integrated into our business activities at all levels of operations through adherence to regulatory compliance, risk management and robust governance structure.

Commitment to Sustainability

Our commitment to sustainability remains an ongoing process where we continually invest in environmental, social and governance aspects in ensuring sustainable value creation. In this endeavour we have embraced sustainable business practices to minimise our environmental footprint, enhancing our support to uplift the communities while strengthening the Company's governance structure for the same. We believe that ESG is an integral part of our corporate strategy and hence ensures that its essence is incorporated into our strategies in driving sustainable growth of the Company.

Outlook for 2023/24

Short Term Goals	Medium Term Goals
Develop products to suit the current customer requirement	Develop customer-centric products
Focused strategy to attract specific customer segments	Ongoing digital transformation for improved efficiencies and better service delivery
Enhanced support to customers to emerge out of their current financial difficulties	Contributing to sustainable development through minimising our impact on the environment and support to community welfare

How We Contribute to the Economy

Employment Generation
We currently provide direct employment to 242 individuals across the country through our extensive branch network and indirect employment opportunities for various support service providers. Further, we provide internship training for undergraduates. FFL is also a registered training institution of ICASL for signing articles to create qualified professionals for the future. We also contribute to creating indirect employment by providing financial solutions to businesses of different scales and self-employed individuals.

Digital Transformation
We have embraced digital transformation towards better efficiencies and greater customer convenience which in turn contribute to a digital economy. We digitalize our manual internal processes which consumes more time and physical resources and enhance the productivity of the company.

Community Support
We continue to support community upliftment through meaningful CSR interventions that assist in alleviating poverty and raising the living standards of the underprivileged segment in society.

Direct Economic Value Generated
The economic value we generate is an indication of the effectiveness of our operations and our contribution to the economy for the benefit of all our stakeholders. This includes payment of salaries and benefits to the employees, payment made to suppliers, payment to capital providers, payment of taxes to the government and investment into community assistance.

Regional Development
By establishing our presence in key strategic locations, we encourage regional development by providing support for businesses and individuals in those regions through fuelling infrastructure, human talent and regional partnerships along the financial value chain.

Tax Contribution
We pay taxes to the Government in line with the regulatory requirement outlined by the CBSL and consequently contribute to the economic growth. We comply with tax laws and regulations governed by Inland Revenue Department of Sri Lanka.

Inculcating financial discipline in the society
Through various awareness campaigns that we conduct throughout the year across the island, we support upgrading the financial knowledge and discipline of our clients and general society leading to overall financial wellbeing and prosperity.

Engaging with Stakeholders

Approach to Stakeholder Engagement GRI 2-29

Fintrex engages with a broad range of stakeholders whom we have identified as groups that could influence the Company's long-term value creation. We have recognized customers, employees, regulators, and the community as our key stakeholder groups who could have an impact on the Company's operations determining our growth and profitability. We believe that regular and ongoing engagement with these groups is imperative to obtain feedback and insights that could contribute to the sustainable growth of the Company. By encouraging proactive engagement, we have been able to improve our strategy and performance to meet the expectations of the stakeholders obtaining the best possible outcomes.

Stakeholder Group	Purpose of Engagement	How we engage with them
Customers	➤ To provide a superior service ➤ To create product awareness ➤ To obtain customer feedback ➤ Maintain good relations	We engage with our customers through continuous communication of our product portfolio through one-on-one interaction, social media platforms, corporate websites as well as customer relationship management. We consistently make an effort to build a close rapport with our customers to understand their unique financial requirements. We treat all our customers in a fair and equitable manner and ensure non -discrimination on any grounds and always value their feedback and opinions towards us.
Employees	➤ To provide training and development ➤ To improve awareness of issues ➤ To seek opinions/ suggestions ➤ To appreciate the higher performance of employees	We engage with our employees through performance evaluation, training and development programs and engagement initiatives/staff events to encourage them to voice their opinion. Further, we engage with employees through platforms such as intranet/staff meetings, WOW rewards and CEOs club rewards on monthly basis while ensuring their safety at workplace and job security. Employees can also convey their new ideas and suggestions through "Fintrex Innovation Ideas" platform.
Regulators	➤ Regulatory Compliance ➤ Upholding Labour Standards ➤ Upholding Human Rights	We engage with regulators through regulatory submissions including periodic returns, directives and circulars and the Annual Report. We ensure timely response to the queries raised by the regulators and maintain sound corporate relationships with them.
Community and Environment	➤ To strengthen relationships with communities ➤ Groom Young Business Leaders ➤ To protect the environment	We engage with the communities through CSR activities to uplift their living standards and provide career opportunities including internships. In addition, we implement different types of initiatives to reduce energy, water and paper consumption and proactively ensure that the Company does not cause any harm to the environment.
Investors and Shareholders	➤ To report financial performance ➤ To maintain an adequate level of liquidity ➤ To ensure sustainable growth	We mainly engage with investors through our Annual Report and the Annual General Meeting. FFL complies with all regulatory requirements and adhere to the corporate governance requirements to ensure sustainable growth for the investors. We have also established new funding lines and conducted investor presentations for the same.

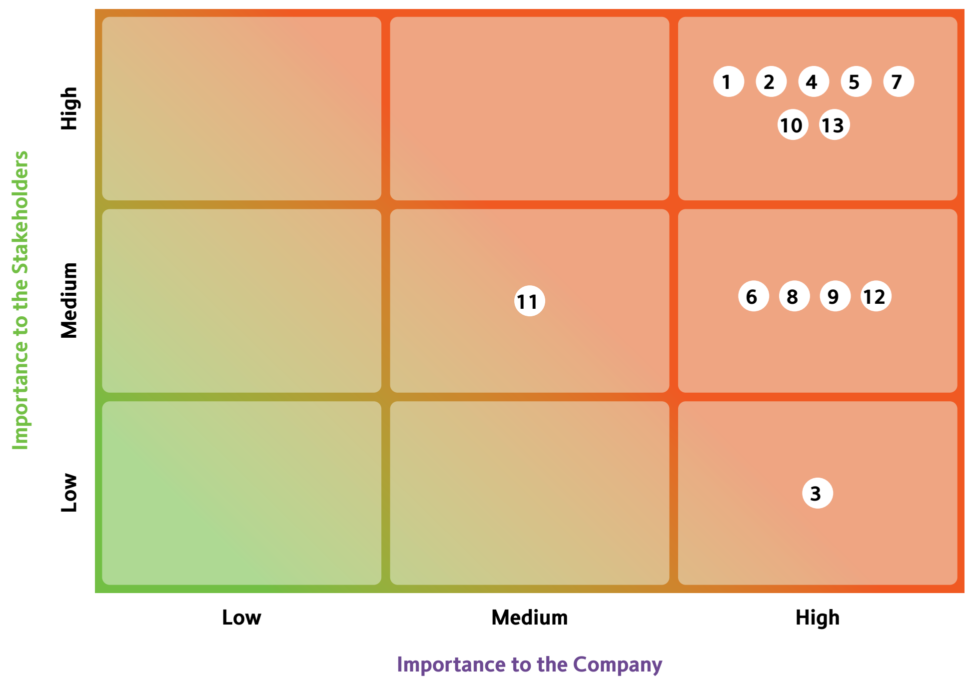
Materiality Assessment

We consider an issue as material if it impacts the Company's performance and sustainable value creation as well as the stakeholder decision-making. Fintrex identifies material issues based on the continued engagement with the stakeholders and the trends in the operating landscape that may impact the Company’s operations and performance in a significant manner.

GRI 3-1

Process for determining material topics

1. Identify	Identify material topics through regular engagement with stakeholders and assessing the changing trends in the operating environment.
2. Assess	Assess the significance of the identified impacts in relation to the level of importance to the Company and the stakeholders.
3. Prioritise	Prioritise the impacts based on their significance.



GRI 3-2 **List of Material Topics**

1. Economic Performance
2. Indirect Economic Impact
3. Anti-Corruption
4. Energy
5. Water
6. Employment
7. Occupational Health and Safety
8. Training and Education
9. Diversity and Equal opportunity
10. Non-discrimination
11. Local Communities
12. Marketing and Labelling
13. Customer Privacy

4. Respond	Take action to respond effectively to material topics

Materiality Assessment

GRI 3-3

Management of Material Topics

	List of Material topics	Why it is material	How we manage them
1	Economic performance	Continues revenue generation and cost management are necessary to ensure stakeholder returns.	We make an effort to adopt appropriate sales strategies and marketing and communication to ensure continued returns.
2	Indirect economic impacts	Continued investment into infrastructure is imperative for better service delivery.	We continue to enhance our manufactured and intellectual capital on an ongoing basis.
3	Anti-corruption	Incidents of corruption may hinder our performance and brand reputation.	Through risk assessment of operations and related awareness training and communication, Compliance with CG best practices & internal controls, we manage to minimise the risk impact on our business.
4	Energy	Reduction in energy consumption within the organisation will lead to energy saving minimising the environmental impact and cost.	Implement energy-saving measures within the organisation and raise awareness of the same amongst the employees.
5	Water	Efficient water usage will lead to efficient resource usage.	Reduce water wastage within the organisation by raising awareness of the same among the employees.
6	Employment	Recruiting the right candidates at the right time will deliver value to the customers and drive the Company's long-term strategy.	Effective recruitment and retention strategy including the provision of benefits for full-time employees for effective implementation of business strategy.
7	Occupational health and safety	Reduced risks and accidents may improve efficiency and greater employee satisfaction and motivation.	Fostering a safe and healthy work environment through educating employees on health and safety while complying with necessary safety measures.
8	Training and Education	Exposure to learning and development opportunities will ensure employees' professional and personal growth and better contribution to business growth.	Conducting regular training and development programs to develop employee capacities.
9	Diversity and Equal Opportunity	We consistently encourage diversity and equal opportunity for fair representation.	Maintaining diversity in governance bodies and workforce, ensuring equal basic salary and remuneration to both men and women.
10	Non-discrimination	Prevention of discrimination is imperative to ensure a safe and supportive work environment for people to progress.	Implement necessary measures to prevent discrimination.
11	Local communities	Uplifting the communities in which we operate may ensure our social license to operate while contributing to the sustainable development of the country.	Uplift the local communities through CSR initiatives based on community needs and fostering better relations.
12	Marketing and Labelling	Marketing compliance is necessary to ensure customer protection.	Carry out fair and responsible Marketing Communication Campaigns.
13	Customer Privacy	Ensuring customer privacy will safeguard the business reputation and the brand.	Protection of Customer Data Privacy.

ESG Focus

Our obligation to the people and society does not end with driving financial inclusion but goes beyond embracing the larger responsibility of contributing to sustainable existence through managing our environmental and social impact. Hence, we consistently make an effort to reflect on our role in the lives of our valued customers, employees and society at large thereby continually engaging with them in guiding our decision-making. By adjusting the Company's Environment, Social and Governance practices towards sustainable operations and value creation, we have been able to build customer loyalty, improve our performance, and attract investors while gaining a competitive edge in the market.

At Fintrex, we consider ESG as an integral part of business and ensure that it is integrated into the strategies and operations across the organisation. As such, we continually reflect on our business activities alongside our larger responsibility placing greater emphasis on risk management and internal controls, governance practices, human capital management, support to the communities and our behaviours and attitudes towards stakeholders. Through such focused attention, we have endeavoured to minimise the risk that may pose to the sustainable growth of the Company addressing the social and environmental issues facing the world today and contributing to Sustainable Development Goals (SDGs).

Our Commitment to ESG

Environmental criteria refers to the environmental impact of the Company's operations, along with its environmental stewardship.

Social criteria refers to how the Company manages relationships with its stakeholders in creating value for them.

Governance criteria refer to the Company’s leadership and management philosophy, practices, policies, internal controls and shareholder rights.

ESG Focus

ESG Performance

Initiatives	Key Facts/KPIs	Contribution to SDGs
Environment		
Optimizing energy Consumption	➤ 26.03% reduction in electricity ➤ Replacement of fluorescent lights with LED lights across our branches ➤ Installation of new investors/VRF AC units replacing the existing ones	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Process automation and paperless transactions	➤ 95% of transactions are carried out digitally ➤ 58.25% A4 Papers saved ➤ CEFTS implementation	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Financing for electric vehicles	➤ Loans disbursed for the purchase of eco-friendly Electric Vehicles	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social		
Learning and Development	➤ 15 Internal Training and 88 External Training Programs through 12,409 Training Hours	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH
Water supply for rural schools	➤ Maintenance and monitoring the water supply projects completed in previous financial year	1 NO POVERTY 2 ZERO HUNGER 6 CLEAN WATER AND SANITATION
Community Engagement	➤ Promoting island wide Dengue Prevention Programs	3 GOOD HEALTH AND WELL-BEING
Financial Inclusion	➤ Financial inclusion to support vulnerable communities	8 DECENT WORK AND ECONOMIC GROWTH
Talent Management and Succession Planning	➤ Building a strong future-ready talent pool and robust leadership succession pipeline continues to be priority areas for us in Talent Management. ➤ In the Talent Acquisition process, there is no discrimination based on gender, race, family, and religion.	10 REDUCED INEQUALITIES 5 GENDER EQUALITY
Employees wellness and engagement	➤ In the Energy crisis, work from home arrangement and allowing staff to work at nearest branch.	3 GOOD HEALTH AND WELL-BEING
Governance		
Compliance with relevant rules and regulations	➤ Adherence to all the CBSL rules and regulations pertaining to NBFIs ➤ Compliance with labour regulations	8 DECENT WORK AND ECONOMIC GROWTH
Integrate core values and principles into strategies	➤ Strategies are formulated to uphold corporate values and principles ➤ Ensure transparency and accountability in our business activities ➤ Non-discrimination and equal opportunity for all ➤ Social responsibility ➤ Strong work ethics and teamwork	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Ethical Business Practice	➤ Responsible lending ➤ Risk Management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Customer: Mrs. Dharshani Dias
Housewife

Chairman's Message

The year was a time that tested our strength and endurance, which would determine our future.

Dear Stakeholder,

I am pleased to present to you the Annual Report of Fintrex Finance Limited for the financial year ended 31st March 2023. The Company navigated a turbulent year, effectively responding to the unprecedented external realities.

Context

Responding to the external upheavals required focused effort where we needed to comprehend the difficulties faced by the customers and assist them to emerge out of their financial difficulties through appropriate financial solutions, guidance, and mentorship. Therefore, we continued to reorganise our resources towards recovery efforts as well as to control NPL and impairment. In addition, we focussed on the mobilization of deposits. As a result, we were able to maintain liquidity and maintain the Company's NPL ratio within secure levels. The improved collection efforts also led to reduced borrowings, lowering our gearing and sustaining stability in terms of capital and liquidity during the period.

We introduced new products to suit the changing requirements of the customers while expanding our focus on the gold loan product 'Ranshakthi' across all our branches. Gold loans now account for 5% of our portfolio.

The overarching objective of these efforts was to sustain the Company through this crisis and establish a solid platform to pursue an aggressive business drive and growth in the ensuing financial year. By underwriting quality assets, being aggressive in our collection efforts as well as effectively managing impairment, we are now well set to achieve profitable growth in the next financial year.

Performance

We recorded a gross income of Rs. 2.4 billion through underwriting new assets and investments in government securities. However, the net interest income declined due to the rapid rise in the cost of funds due to interest rates increasing from 9% to over 30% during the financial year under review. As a result, the Company recorded a net loss of Rs 219 million for the period.

Significant Milestones

During the year, we were conferred with the "Great Place to Work" certification for the second consecutive year by the Great Place to Work Institute in Sri Lanka. Likewise, we were honoured with the Bronze Award at the Annual Reports TAGS Awards 2022, organised by the Institute of Chartered Accountants of Sri Lanka and for the first time, we were also listed amongst the Most Respected Companies in Sri Lanka by LMD.

GRI 2-22

Relevance of Sustainability

As a sustainable business, our focus consistently remains on people and reflecting on the difference we could make in their lives. Hence, we strive to empower people across the country by extending financial support to SMEs and supporting them towards economic prosperity. In addition, we make a conscious effort to maintain a positive environmental and social impact through carrying out environmental and social initiatives.

Governance

We have established a strong governance foundation that provides us with the outline to perform our business activities ethically and transparently. It is this foundation that ensures the accountability of our actions, consistently encouraging us on a path to good governance, establishing a culture of integrity within the organisation to provide direction to the management in creating value for the stakeholders and sustaining our competitive position.

Going Ahead

The year was a time that tested our strength and endurance, which would determine our future. We consistently did the basics right, maintaining our stability in terms of capital, liquidity, and brand image. With the same zest, we invested our energy in maintaining our relationships with all our stakeholders.

With nimbleness, determination, and endurance, we managed to navigate a difficult journey during the year, consolidating our systems, processes, and operations for value creation in the longer term. As we step into a new financial year, we look forward to reaping the fruits of this hard work.

Acknowledgement

I wish to express my sincere thanks to our CEO and the Fintrex team for their unwavering support and dedication towards navigating the journey ahead with confidence at times of unprecedented adversity in the operating landscape. I would also like to express my deepest appreciation to the Board of Directors for their continued support and guidance in achieving the Company's strategic objectives during the period.

Further, I would also like to thank the Governor of the Central Bank of Sri Lanka and the Director and staff of the Non-Bank Supervision Department for their support and the timely implementation of regulatory reforms and assistance to the sector.

My deepest gratitude also goes to our loyal customers, suppliers, and the public for placing their trust in us and continuing their financial journey with us, fortifying our integrity as a trusted financial entity in the Country.

Ajit Gunewardene
Chairman

CEO’s Message

“With our prudent strategic direction, we are confident in our ability to rebound in the next financial year.”

Dear Shareholders,

We have successfully navigated another challenging year with resilience, constantly reflecting on our actions and making necessary adjustments to adapt to the prevailing circumstances and ensure the continuity of our business. It was a test of our ability to overcome obstacles and our commitment to achieving our strategic goals, relying on a strong foundation of ethical governance principles and robust relationships. Therefore, I am pleased to report that despite the challenges in the operating environment, we successfully steered through the financial year 2022/23, strengthening our existing frameworks and paving the way for progress.

The Sri Lankan economy contracted during the year, experiencing negative growth and reversing the positive momentum witnessed in the post-pandemic period. This downturn affected various sectors, including banking and non-banking financial institutions, which witnessed a decline in credit growth, an increase in impairment and non-performing loans, and a decrease in asset quality, consequently impacting sector profitability.

Focused Strategy

Given this backdrop, we adopted a prudent approach to sustain our business activities and ensure the long-term growth of the company. On the one hand, we focused on reorganizing our resources to support recovery efforts, manage non-performing loans (NPLs) and impairments, and mobilize deposits. On the other hand, we made a deliberate effort to understand the challenges faced by our clients and provided them with appropriate guidance, mentorship, and repayment plans to navigate their financial difficulties. As a result of these collective efforts, we increased our deposit base by 155% while maintaining an industry-par NPL ratio.

We introduced four new products to cater to evolving customer needs and launched the gold loan product 'Ranshakthi' across our branch network, which now accounted for 5% of our portfolio. Utilizing micro and digital marketing techniques, we effectively reached potential customer segments and maintained regular engagement by keeping them informed about our product offerings. Additionally, we engaged in joint business promotion activities, partnering with motor vehicle dealers and establishing exclusive partnerships with channel partners to sell their brands, thus targeting specific customer segments.

Performance

The macroeconomic conditions in the country significantly impacted the company's financial and operational performance. Although our gross income increased from 2.1 billion to 2.3 billion (12.4%) due to underwriting quality assets and investments in government securities, our net interest income declined due to the rapid rise in funding costs resulting from increasing interest rates, which soared from 9% to over 30% during the financial year. Consequently, the company reported a net loss of Rs. 219 million for the period.

Our lending portfolio contracted from Rs. 11.3 billion to Rs. 9.3 billion as we adopted a cautious approach to underwriting new assets and focused on collections. However, our gold loan product experienced significant growth, increasing from Rs. 139 million to Rs. 517 million, a 271% rise compared to the previous year. We efficiently utilized collections and generated deposits to settle high-cost bank borrowings, reducing our borrowings from banks from Rs. 7.1 billion to Rs. 3.0 billion. The deposit base increased from Rs. 1.8 billion to Rs. 4.7 billion, a 155% increase, owing to enhanced customer confidence and our deposit portfolio expansion strategy. We also maintained healthy capital and liquidity levels to safeguard our liabilities amidst the highly volatile market conditions, with a liquidity ratio of 164% above the Central Bank of Sri Lanka's requirements and a capital adequacy ratio of 26.55% compared to the CBSL requirement of 12.5%.

Achievements

We are proud to have received the "Great Place to Work" certification by the Great Place to Work Institute in Sri Lanka for the second consecutive year, affirming the conducive work environment we have cultivated for our employees. In addition, we were honoured with the Bronze Award at the Annual Reports TAGS Awards 2022, organized by the Institute of Chartered Accountants of Sri Lanka, and was recognized as one of the Most Respected Companies in Sri Lanka by LMD.

Commitment to Sustainability

Our commitment to sustainability revolves around empowering people to build a better future by supporting their economic prosperity. Therefore, we continued to drive financial inclusion for small and medium-sized enterprises (SMEs) while undertaking initiatives to minimize our environmental impact. We focused on resource optimization, with particular emphasis on reducing paper and electricity consumption, resulting in a 26% decrease in electricity consumption and a 58% decrease in paper consumption. We also implemented the 5S system to create a more organized and innovative workplace, leading to improved process efficiencies. Additionally, we established a 'Green Team' to review departmental processes, resulting in the identification and streamlining of several process inefficiencies.

Our People

Our employees are the lifeblood of our organization, and we made every effort to ensure their well-being during these challenging times. We provided them with motivation through engagement opportunities, a conducive work environment, benefits, and rewards. We organized a cricket carnival to encourage employee engagement, along with various coaching and counselling sessions aimed at promoting mental health.

CEO's Message

Future Outlook

We are optimistic about the future and eagerly anticipate driving our growth in the coming years. In the short term, we will capitalize on the renewed economic momentum evident through the gradual appreciation of the rupee value, improved inflation rates, and the interest rate environment. Leveraging our focused business development efforts, we will continue our new business promotions campaign by partnering with vehicle dealers and online commerce platforms. In the long term, we will consider relaunching our 2-wheeler and 3-wheeler products and expanding our branch network. With our prudent strategic direction, we are confident in our ability to rebound in the next financial year.

Appreciation

I would like to express my gratitude to the Chairman and the Board of Directors for their support and guidance in leading the company towards its strategic goals amidst unprecedented challenges in the operating environment.

I extend the same appreciation to our valued team, who continue to have faith in our ability to serve them well despite all odds. We remained committed to serving our clients, providing them with the necessary guidance and mentorship to overcome their financial constraints and surpass the challenges we faced during this period.

In conclusion, I would like to express my heartfelt gratitude to all our customers for their continued trust and confidence in us, as well as to the company's shareholders who believed in our business strategy and growth trajectory in the near term.

I would also like to thank our banking partners for their unwavering trust in Fintrex Finance, the Governor, and the Director of the Non-Bank Supervision Department of the Central Bank of Sri Lanka for their valuable guidance throughout the year. My sincere thanks also go to our external auditors, KPMG, for their valuable input and timely completion of the audit, as well as our business partners and other stakeholders for their support and dedication during this challenging period.

Jayathilake Bandara
Chief Executive Officer

Customer: Mr. Mohamed Fazmy Bawa
Managing Director
Asia Shoe Company

Board of Directors

Mr. Ajit Gunewardene
Chairman

Mr. Ronnie Peiris
Non-Independent
Non-Executive Director

Mr. Shantanu Nagpal
Non-Independent
Non-Executive Director

Mr. Ahamed Sabry Ibrahim
Senior Director / Independent
Non-Executive Director

Mr. Shrihan B. Perera
Independent Non-Executive
Director

Mr. Nilam Jayasinghe
Independent Non-Executive
Director

Mr. K. Sivaskantharajah
Independent Non-Executive
Director

Mr. Ajit Gunewardene
Chairman

Ajit Gunewardene is the Founder & CEO of Bluestone Capital Private Limited. He was the Deputy Chairman of John Keells Holdings PLC and was a member of the Board for over 24 years. In addition to this he was the Chairman of Union Assurance PLC a leading life insurance provider in Sri Lanka and Nations Trust Bank. He is currently the Founder Chairman of Digital Mobility Solutions- the leading ride hailing service provider (Pick Me) in the Country. He is also the Chairman of Fintrex Finance Limited, Teejay Lanka Limited and Ingame Entertainment Ltd which is a pioneer in esports in Sri Lanka. He was a member of the Council of the University of Colombo. He has also served as the Chairman of the Colombo Stock Exchange and was a member of the Board of the BOI. Mr. Gunewardene has a degree in Economics and brings over 40 years of management experience.

Mr. Ronnie Peiris
Non-Independent/Non-Executive Director

Mr. Peiris was, till end December 2017, an Executive Director on the Board of John Keells Holdings PLC (JKH) and was its Group Finance Director. He was also a Director in several Listed and Non-Listed Companies involved in Leisure/Hoteliering, Food and Beverage Manufacturing/ Retailing, Financial Services including Banks, Insurance and Brokering, Property Development/ Real Estate, Information Technology, Plantations/Plantation Services and Transportations, Logistics and Ports. He was, prior to JKH, the Managing Director, Anglo American Corporation (Central Africa) Limited, a subsidiary of Anglo American Plc, a company listed in the UK Stock Exchange. Mr. Peiris has 50 years of Finance and General Management experience with more than 47 of them at Senior Management level in Sri Lanka, Zambia, Zimbabwe and South Africa. Mr Peiris was an active member of the Ceylon Chamber of Commerce (CCC) during the period 2004 to 2017 and was the Chairman of its Taxation Sub Committee for several years. He is a Past President of the Sri Lanka Institute of Directors and was recognized by the Chartered Institute of Management Accountants, Sri Lanka, as its Business Icon of 2014.

In addition to holding a Masters in Business Administration (MBA) from the University of Cape Town, South Africa with specialisation in Marketing and Human Resource Management, Mr Peiris is a Fellow of the Chartered Institute of Management Accountants (FCMA), UK, a Fellow of the Chartered Association of Certified Accountants (FCCA), Scotland, a Fellow Member of the Society of Certified Management Accountants (FSCMA), Sri Lanka and a Fellow of the Zambia Institute of Certified Accountants (FZICA), Zambia. Mr. Peiris is now, a Coach/Mentor to many C-Suite Executives since his formal retirement from JKH. He consults on strategic issues at many prominent organisations. He has been, and is a presenter of Papers on various topics at Workshops, Seminars and other forum and authored “Tough Journey Great Destination” – a behavioural guide for Professionals and Leaders.

Mr. Shantanu Nagpal
Non-Independent/Non-Executive Director

Mr. Nagpal is a Co-Founder of Bluestone. Mr. Nagpal worked in asset management and equity research for 20 years, in Hong Kong and London before he moved to Sri Lanka. He has worked as portfolio manager for UBS Asset Management, Ellerston Asset Management and Brevan Howard Asset Management. He holds a Bachelor’s degree in Philosophy, Politics and Economics from Oxford University where he was a Chevening Scholar, and an MBA with Distinction from INSEAD where he was a Misys Scholar. Mr. Nagpal started his career at the Tata Administrative Service, where he worked with several CEOs of various Tata Group companies on strategic projects. Mr. Nagpal started working in UBS Hong Kong in 1995 in the equity research department and was responsible for three sectors where he covered the automobile, metal and shipping sectors in the region. Mr. Nagpal’s move to asset management that took place in London, where he moved to UBS Asset Management, O’Connor and was subsequently posted to Hong Kong where, as Portfolio Manager, he covered Japan, China, Hong Kong, India and the sub-continent. In 2011, Mr. Nagpal moved to Sri Lanka with his family and joined the Expolanka Group, specifically to restructure their holdings and find an exit for the largest shareholders, which after a 2 year restructure, culminated in a strategic sale of the Company to Sagawa, Japan. He is a Board member of Expolanka Freight Global.

Mr. Ahamed Sabry Ibrahim
Senior Director
Independent Non-Executive Director

Mr. Ahamed Sabry Ibrahim was appointed as a Director at Fintrex Finance Ltd with effect from 14th June 2021. Prior to appointment of Director at Fintrex he was Chief Executive Officer/General Manager at Peoples Leasing and Finance PLC. Mr. Ibrahim has over 37 years of banking experience, primarily in the areas of corporate banking, treasury management and risk management and has held very senior positions both locally and internationally including Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) of People’s Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking and Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004). Mr. Ibrahim is also a Director of Union Bank of Colombo, Asset Trust Management Ltd and Regal

Board of Directors

Images International Ltd. He has also been a Director of HNB Securities Ltd. (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011). In addition, he held the positions of Director of People's Insurance PLC, People's Micro-commerce Ltd., People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited, and Lankan Alliance Finance Limited. He holds an Honours Degree (B.Sc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB).

Mr. Shrihan B. Perera

Independent Non-Executive Director

Mr. Perera holds B.Sc. Mechanical Engineering (Honors) degree from University of Moratuwa and also Fellow Member of the Chartered Institute of Management Accountants/CGMA, UK. With a decade of experience in the apparel industry, Mr. Shrihan started his career as a Management trainee at Dankotuwa Porcelain. He has served in Al Mulla Group in Kuwait followed by 13 years tenure at Unilever Sri Lanka, before joining Brandix Apparel Solutions as CEO of its Intimate Apparel Division in 2010. At present, he is an Independent Director of Teejay Lanka Prints Pvt Limited, Teejay India Pvt Limited. Mr. Perera has counted many years of experience as CEO and senior management level in diverse sectors encompassing Apparel, Fast Moving Consumer Goods, Porcelain and Service Industry in the corporate sector.

Mr. Nilam Jayasinghe

Independent Non-Executive Director

Mr. Nilam Jayasinghe was appointed as a Director of Fintrex Finance Ltd with effect from 01st October 2021. He is presently an Independent Consultant in companies in Manufacturing, Retail and the Power Sectors. Prior to which he was the Group Director Finance of the CBL Group (Ceylon Biscuits) and an Executive Director of CBL Investments Limited the Holding Company and subsidiaries from 2012 until his retirement in July 2021. Prior to joining CBL, he was Vice President, NDB Bank for sixteen years and also served on the Boards of subsidiary companies of the NDB Group. He was the Group Treasurer of the Aitken Spence Group and a Director of Aitken Spence Corporate Finance Ltd and was responsible in introducing the Corporate Treasury concept in Sri Lanka and certain financial instruments including derivatives. Prior to this, he was Finance and Commercial Manager of Lanka Tiles PLC, when the company was originally set up in 1984. He is an alumnus of KPMG. Mr Jayasinghe is a Fellow of the Chartered Institute of Management Accountants UK, a Past President of CIMA Sri Lanka Division and served on the Global Board of CIMA UK and also was the Vice Chair of the Global Markets Committee of CIMA UK.

He was a past Chairman of the Industrial Association of Sri Lanka (IASL) affiliated to the Ceylon Chamber of Commerce and has served on the Main Committee of the Ceylon Chamber of Commerce, the Company Law Reforms Commission, and served on the Board of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLASMB) on two occasions. In 2019, he also served as an Independent Director, Bank of Ceylon and chaired its Audit Committee. Mr Jayasinghe possesses experience in the areas of General Management, Finance & Planning, Corporate Finance, Banking, Treasury, Risk, Audit and Compliance in excess of 35 years.

Mr. K. Sivaskantharajah

Independent Non-Executive Director

K. Sivaskantharajah, is an Attorney-at-Law, Solicitor, (England and Wales) having been admitted to the Bar in October 1981 and has over 42 years of professional experience and is well versed in the field of litigation, commercial law, conveyancing and company secretarial practice. He held the position of Head of Legal (Litigation) at a conglomerate Company from 1993 to 2017, and also served as a Senior Legal position at a leading Finance Company for over 9 years.

Corporate Management

Mr. Jayathilake Bandara
General Manager/ Chief Executive Officer

Mr. Sajeewa Sapukotana
Chief Operating Officer

Mr. H B Keerthirathna
Chief Financial Officer

Mr. Nimal Luxshman
Chief Internal Auditor

Mr. Nishantha Hettiarachchi
Chief Information Officer

Mr. Samantha Weragoda
Head of Business Development

Mr. Sanjeewa Buwanakabahu
Head of Human Resources & Administration

Mr. Hirantha Perera
Head of Legal

Mr. Kamal Kumarasinghe
Assistant General Manager - Recoveries & Portfolio Management

Corporate Management

Mr. Jayathilake Bandara

General Manager/ Chief Executive Officer

Mr Jayathilake Bandara is one of the most respected professionals in the Banking and Finance industry. He possesses over 35 years' worth of extensive experience in SME Banking, Corporate/Wholesale Banking, Factoring, Leasing and Hire Purchase and other areas of banking. He commenced his banking career at Seylan Bank PLC in 1989. He later joined Emirates Bank International PJSC, Dubai, UAE in 1998, as Officer Credit Administration. Working his way up the legendary ladder in his banking career, he joined Nations Trust Bank (NTB) as the Branch Manager – Kurunegala and progressed his way to the position of Deputy General Manager - SME Banking. At the time of leaving NTB he was designated as Senior Executive Vice President Commercial Banking, Member of the Corporate Management and several other management and Board committees. He is a results-oriented professional with a strong analytical capability to understand business drivers and implement appropriate business and marketing strategies to create unparalleled value delivery to ensure sustainable stakeholder value. Mr. Bandara's valued contribution is considered noteworthy in the progressive journey of Nations Trust Bank. Mr Bandara holds an MBA from American City University, Wyoming, USA. He is a diploma holder in Financial Management from Wigan and Leigh College, UK and holds Banking qualifications from Institute of Bankers of Sri Lanka. A strong believer of Training and Development he was exposed to some of the renowned leadership and strategic management training programs both locally and internationally. Mr Bandara also holds directorships of the Finance House Association (FHA) and Leasing Association of Sri Lanka (LASL)

Mr. Sajeewa Sapukotana

Chief Operating Officer

With nearly a decade of hands-on experience in the finance industry, Mr. Sajeewa Sapukotana possesses/brings a wealth of knowledge and skills to the table having served for a multiple of industry players in various senior positions, from The Finance PLC, Commercial Credit and Finance PLC, to Vallibel Finance PLC. He has successfully contributed to projects across a wide scope of businesses such as real estate, property development, micro finance, consumer durables, term loans, with special focus on fixed deposits, hire purchase and leasing. He is well conversant with credit and risk management, corporate governance and compliance. Mr. Sapukotana holds an MBA from the University of Cardiff Metropolitan- UK with Diploma in Marketing from the Sri Lanka Institute of Marketing. He is an Associate Member of the Chartered Institute of Marketing (CIM) and a Certified Member of Sri Lanka Institute of Marketing (CMSLIM) and he is a Lean (Black belt) certified practitioner. His passion to inspire, ignite and lead teams through innovation and creativity has resulted in valued contributions across his progressive career. He has successfully spearheaded teams towards high performance culture with his expertise on strategic and operational planning, market analysis and commercializing of business units delivering effective returns on investment. He was instrumental in leading business development team towards the growth and strategic positioning of the Vallibel brand in Sri Lanka.

Mr. H B Keerthirathna

Chief Financial Officer

Mr Keerthirathna has over thirty-four (35) years of experience in the Banking and Finance industry and has held many senior positions in very important key areas. After graduation from the University of Colombo, joined Sampath Bank at its inception as Management Trainee in 1988 and served in the areas of International Trade (Imports and Exports), Treasury Back Office, Foreign Currency Banking Unit, Branch Banking Section (Branch Manager) Strategic Planning Unit and Finance Department.

He accomplished a progressive career for his commitment and superlative dedication in his tenure at Sampath Bank for twenty-Nine years and retired as Assistant General Manager –Finance. Thereafter Mr Keerthirathna served as a consultant for Sampath Bank Group and shared his knowledge and experiences with the subsidiary companies namely, Siyapatha Finance PLC , Sampath Centre Co. Ltd, SC Securities Co. ltd and Sampath IT Solution Co. Ltd .

Mr. Keerthirathna possesses a Bachelor of Commerce (Hons-First Class) Degree from the University of Colombo and a Master of Business Administration from the same University. He is a Fellow member of the Institute of Bankers of Sri Lanka and a Certified Business Accountant of the Institute of Chartered Accountants of Sri Lanka.

Mr Keerthirathna has successfully concluded a course on "Transformative Leadership" conducted by the Harvard University of Boston, USA and a General Management Course conducted by the Asian Institute of Management in the Philippines. He has also participated in many technical and leadership training programs conducted in Singapore, Malaysia, India, Thailand, and Dubai.

Mr. Nimal Luxshman

Chief Internal Auditor

Mr. Nimal Luxshman counts over 48 years of experience in the banking and finance industry in Sri Lanka. He began his banking career at Commercial Bank of Ceylon PLC, a reputed Banking institution in Sri Lanka and served that institution for a total period of over 40 years. As a member of the Senior Management of the Bank, he successfully managed the Bank's Travel and NRFC and Off Shore Banking Divisions and subsequently served as the Chief Manager – Human Resources as well as a Regional Manager. Upon being elevated to the Corporate Management team of the Bank, he performed the role of Deputy General Manager (Personal Banking), which division consisted of over 200 branches. Prior to retirement from the services, he also functioned as the Deputy General Manager (Management Audit) of the Bank, providing overall leadership to a team of Officers who conducted audit assignments of Branches and Departments both in Sri Lanka and overseas. During his tenure of employment in the Bank, he participated in several overseas training programs in Human Resources, General Management, Risk Based Internal Auditing as well as Corporate Management. After retirement from the Bank, Mr. Luxshman rendered his extensive overall experience in the Banking industry for the benefit of two finance Companies, namely, Siyapatha Finance PLC and Richard Pieris Finance Limited. At both these institutions, he played the role of Head of Internal Audit and completed a total period of over 5 years. Mr. Luxshman has successfully completed the Diploma in Bank Management from the Institute of Bankers Sri Lanka and hold a Bachelor's Degree in Social Sciences as well as the Commonwealth Executive Master of Business Administration from the Open University of Sri Lanka.

Mr. Nishantha Hettiarachchi

Chief Information Officer

Mr. Hettiarachchi joined the Fintrex in 2018. He counts over 23 years of experience in the Information Technology field, with 19 years in banking sector and 4 years in non-banking financial sector. His tenure includes 12 years in Corporate Management of which 9 years in Banking sector and 4 years in non-banking financial sector. Prior to joining Fintrex he was attached to National Development Bank as Assistant Vice President (AVP) of Information Technology department. He has a vast experience in Managing IT environment by being a Team Leader, Project Manager, Programme Manager for many end-to-end IT projects. He is an expert in the Core Banking Transformation for successful implementation and has provided leadership to several core banking implementation projects. In addition, he has work experience in a multinational environment serving for an overseas bank in Nigeria as a core banking implementation consultant. He has given the leadership to digital transformation of the business environment by reengineering business process, implementing efficient software solutions, data driven business models and required policy and procedures. Mr. Hettiarachchi possesses an MSc in IT from the University of Colombo, BSc (Hons) in Industrial Management from the University of Kelaniya and a Diploma in Business Administration from ICFAI University in India. He is a member of the British Computer Society (BCS).

Mr. Samantha Weragoda

Head of Business Development

Mr. Samantha Weragoda is a highly experienced professional in the financial sector, currently serving as the Head of Business Development. He holds a Bachelor of Science (General) degree from the University of Peradeniya and is a certified Lean Black Belt Practitioner from APEX Institute of Management Services. He is also pursuing an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

Mr. Weragoda's career began in 2004 as a Management Trainee at Central Finance. He has held various positions, including Senior Manager (Credit), before joining Fintrex Finance as the Head of Portfolio Management. He has been an integral part of Fintrex's strategic team, contributing to the development and streamlining of business processes to enhance service quality and efficiency, with a commitment to continuous improvement, a willingness to embrace change, and the ability to work collaboratively with stakeholders across the organization.

With over 19 years of experience in the financial sector, Mr. Weragoda is recognized for his exceptional communication skills and leadership qualities. He has a proven ability to build and maintain long-term relationships with internal and external customers, establishing a high level of trust and confidence. He is a valuable member of the team and continues to contribute to the growth and success of the organization.

Mr. Sanjeewa Buwanakabahu

Head of Human Resources & Administration

Mr. Sanjeewa Buwanakabahu counts over 17 years of hands-on experience in banking and finance, manufacturing, and services sector industries. He possesses experience during his career as a strategic HR Business Partner to the business served for People's Bank, Modern Pack Lanka (Pvt) Ltd, CBL Foods International (Pvt) Ltd, Siyapatha Finance PLC, and Renuka Group of Companies while contributing to the planning and execution of projects to ensure availability of right talents, creating a working environment where people feel happy and safe targeting a performance-driven culture with a highly engaged and productive workforce.

Corporate Management

Mr. Buwanakabahu holds an MBA from the University of Colombo and is recognized as the Human Resources Management - Gold Medalist. He obtained a BSc. Business Administration (Sp) degree from the University of Sri Jayewardenepura. Further, he is a TPM/ Kaizen, and Lean Practitioner, Advanced 5S Lead Auditor/ Instructor, OHSAHS 18001/ Health & Safety Lead Auditor from IRCA/UK, and a certified Corporate Trainer.

With a passion for Training and Development, Continuous Improvement, and several other disciplines in HR/ General Management, he has been contributing as a visiting lecturer/trainer at the University of Sri Jayewardenepura, University of Kelaniya, and Vocational Training Authority Sri Lanka.

Mr. Hirantha Perera

Head of Legal

Mr. Hirantha Perera has over 26 years of experience in the fields of banking, finance, insurance and compliance, of which fourteen years have been in the legal arena. He is an expert in civil and criminal litigation and he was in charge of the LOLC Litigation department which is regarded as one of the largest litigation departments in the banking and finance industry. He commenced his legal career as a Legal Executive at Ceylinco Insurance PLC and joined Nations Trust Bank as Assistant Manager Legal where he was groomed to become a professional corporate Lawyer. Then he joined Pan Asia Bank PLC as Manager Legal and Recoveries. Prior to joining Fintrex he served for nine years as the Chief Manager- Legal and Head of Litigation LOLC Holdings PLC involved in developing strategic recoveries. He was in the management boards of Commercial Leasing and Finance PLC, LOLC Development Finance Ltd, LOLC General Insurance Ltd, and LOLC Life Assurance Ltd, and further he has been the Compliance Officer for both LOLC Insurance Companies.

Mr. Hirantha has completed his Bachelor of Laws' degree at the Open University of Sri Lanka and has obtained his Master of Laws' degree from the University of Colombo. He is an Attorney-at-Law and completed his 'Masters of Business Administration' degree from the University of Wolverhampton – UK. Further he is a qualified Banker and a diploma holder from the Frankfurt School of Finance and Management- Germany on Strategic Leadership.

Mr. Kamal Kumarasinghe

Assistant General Manager - Recoveries & Portfolio Management

Mr. Kamal Kumarasingha counts over 22 years of diverse work experience in the Finance & Leasing industry including Branch operations, Deposit mobilization, Leasing Business, and Recoveries.

He has specialized experience in business and sales development during his tenure. Further, he has gained hands-on experience in the field of Recoveries and provided leadership and mentoring for the successful implementation of core recovery strategies. He has skills in developing and executing targeted recovery objectives that drove to enhance bottom-line profits. An effective communicator and team leader with a proven track record to build long-standing affiliations with internal and external customers by creating a high level of assurance and conviction, Kamal has been working with Fintrex Family for nearly 8 years. Also had a progressive career at Asia Finance Ltd and served there for more than 12 years in different capacities.

Mr. Kumarasingha holds an MBA from London Metropolitan University.

Senior Management

Mr. Charitha Vithana
Senior Manager - Finance
CFO Designated
w.e.f 25th May 2023

Mr. Prabath Pathiranage
Senior Manager - Recoveries

Ms. Dulmani Jayasekara
Risk and Compliance Officer

Mr. Salika Wijesekara
Senior Manager - Business Development

Mr. Aruna Fernando
Senior Relationship Manager - Recoveries

Mr. Nuwan Fernando
Head of Deposits

Mr. Weranga Jayasekara
Senior Manager - Operations

Mr. Upul Ranjan
Senior Manager - Gold Loan Operations

Mr. Yenuka Geemal
Senior Manager - Treasury

Mr. Ranga Gunasekara
Senior Manager - Business Development

Mr. Indika Bogala
Senior Manager - IT

Branch Managers

Mr. Amila Sandaruwan
City Branch

Mr. Dilak Wanigathunga
Matara Branch

Mr. Sameera Indrajith
Kurunegala Branch

Mr. Isuru Chandana
Negombo Branch

Mr. Nissanka Amunugama
Kandy Branch

Mr. Himal Gunasekara
Maharagama Branch

Mr. Danushka Sandaruwan
Pettah Branch

Mr. Manoj Rukshan
Kiribathgoda Branch

Mr. Keshawa Prasanjith
Malabe Branch

Mr. Sagara Kumara
Dambulla Branch

Mr. Gihan Dabare
Kalutara Branch

Mr. Stanley Gunarathna
Galle Branch

Mr. Isuru Rodrigo
Gampaha Branch

Mr. Sanjaya Lakmal
Kulliyapitiya Branch

Mr. Tharanga Maduragoda
Kegalle Branch

Customer: Mr. M. Kelum Gunarathne
Director
Metro logistics International (Pvt) Ltd.

Operating Landscape

Global Economy

The global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks most notably, the COVID-19 pandemic and Russia's invasion of Ukraine manifesting in unforeseen ways. Spurred by pent-up demand, lingering supply disruptions, and commodity price spikes, inflation reached multidecade highs last year in many economies, leading central banks to tighten aggressively to bring it back toward their targets and keep inflation expectations anchored.

Although telegraphed by central banks, the rapid rise in interest rates and anticipated slowing of economic activity to put inflation on a downward path have, together with supervisory and regulatory gaps and the materialization of bank-specific risks, contributed to stresses in parts of the financial system, raising financial stability concerns. Banks' generally strong liquidity and capital positions suggested that they would be able to absorb the effects of monetary policy tightening and adapt smoothly. However, some financial institutions with business models that relied heavily on a continuation of the extremely low nominal interest rates of the past years have come under acute stress, as they have proved either unprepared or unable to adjust to the fast pace of rate rises.

The unexpected failures of two specialized regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse, a globally significant bank have roiled financial markets, with bank depositors and investors reevaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable. The loss of confidence in Credit Suisse resulted in a brokered takeover. Broad equity indices across major markets have fallen below their levels prior to the turmoil, but bank equities have come under extreme pressure.

Despite strong policy actions to support the banking sector and reassure markets, some depositors and investors have become highly sensitive to any news, as they struggle to discern the breadth of vulnerabilities across banks and non-bank financial institutions and their implications for the likely near-term path of the economy. Financial conditions have tightened, which is likely to entail lower lending and activity if they persist.

Prior to recent financial sector ructions, activity in the world economy had shown nascent signs of stabilizing in early 2023 after the adverse shocks of last year. Russia's invasion of Ukraine and the ongoing war caused severe commodity and energy price shocks and trade disruptions, provoking the beginning of a significant reorientation and adjustment across many economies. More contagious COVID-19 strains emerged and spread widely. Outbreaks particularly affected activity in economies in which populations had lower levels of immunity and in which strict lockdowns were implemented, such as in China. Although these developments imperiled the recovery, activity in many economies turned out better than expected in the second half of 2022, typically reflecting stronger than anticipated domestic conditions. Labor markets in advanced economies most notably, the United States have stayed very strong, with unemployment rates historically low. Even so, confidence remains depressed across all regions compared with where it was at the beginning of 2022, before Russia invaded Ukraine and the resurgence of COVID-19 in the second quarter.

With the recent increase in financial market volatility and multiple indicators pointing in different directions, the fog around the world economic outlook has thickened. Uncertainty is high, and the balance of risks has shifted firmly to the downside so long as the financial sector remains unsettled. The major forces that affected the world in 2022, central banks' tight monetary stances to allay inflation, limited fiscal buffers to absorb shocks amid historically high debt levels, commodity price spikes and geoeconomic fragmentation with Russia's war in Ukraine, and China's economic reopening seem likely to continue into 2023. However these forces are now overlaid by and interacting with new financial stability concerns. A hard landing particularly for advanced economies has become a much larger risk. Policymakers may face difficult trade-offs to bring sticky inflation down and maintain growth while also preserving financial stability.
[Source: International Monetary Fund]

Local Economy

Sri Lanka's economy contracted by 7.8% in 2022. While all key sectors contracted, manufacturing and construction sectors suffered the most amidst shortages of inputs and supply chain disruptions. High frequency indicators, such as purchasing managers' indices, indicate continued stress in the first quarter of 2023.

After peaking at an unprecedented 69.8% in September, headline inflation closed at 57.2% in 2022, reflecting the impact of elevated global commodity prices, monetization of fiscal deficits, currency depreciation, and food supply constraints due to the 2021 ban on chemical fertilizers. Since January 2022, the central bank has raised policy rates by a cumulative 1,050 basis points to try curbing inflation.

Due to the economic contraction, half a million jobs were lost in industry and services and back-up lower-paying agricultural jobs could not compensate for income losses. Combined with increases in the cost of living, this economic contraction led national and urban poverty to double (to 25%) and triple (to 15%), respectively. The crisis left 52% of the population in estate areas living in poverty, exacerbating spatial disparities, and led to an increase in overall inequality.

The trade deficit declined to US$ 5.2 billion in 2022 from US$ 8.1 billion in 2021, as exports, particularly textiles, grew faster than imports. This trade deficit reduction is estimated to have lowered the current account deficit, despite a fall in remittances (by 36%) and relatively low tourism receipts. Lower remittances – a source of income for 7.2% of the population- contributed to income losses and to the adoption of negative coping mechanisms, further increasing the risk of food insecurity and stunting.

The currency (LKR) depreciated by 78% against the US Dollar between March and May 2022 when it was floating. A return to a managed float, amid the ongoing foreign exchange management strategy, restricted the full year depreciation to 81%. However, due to low market confidence, bringing export earnings and remittances to Sri Lanka through formal channels has been challenging, despite mandatory repatriation and conversion rules. The unwinding of speculative Dollar holdings led to sharp appreciation of the LKR in early March 2023 amidst sluggish import demand.

The overall fiscal deficit is estimated to have declined owing to the implementation of several new revenues measures (including a VAT rate increase from 8% to 15%), tightly controlled expenditure and a buildup of arrears to suppliers and contractors. Interest payments continued to absorb more than two-thirds of total revenue.

In the last five years, growth and poverty reduction significantly decelerated due to several shocks, including COVID-19. A restrictive trade regime, weak investment climate, episodes of loose monetary policy, and an administered exchange rate contributed to external imbalances. Years of fiscal indiscipline, driven primarily by low revenue collections, led to high fiscal deficits and large gross financing needs. Combined with these pre-existing fiscal imbalances, tax cuts in 2019 contributed to a rapid build-up of debt to unsustainable levels. Sri Lanka lost access to international financial markets in 2020 after credit rating downgrades.

Without market access, official reserves dropped from US$7.6 billion in 2019 to less than US$500 million (excluding a currency swap equivalent to US$ 1.4 billion with China) in December 2022. Net foreign assets in the banking system also fell to US$ -4.8 billion in December 2022. This severe forex liquidity constraint has been felt across the economy, particularly from the second quarter of 2022, with shortages of fuel, medicine, cooking gas, and other inputs needed for economic activity. Amidst depleted reserves, Sri Lanka announced an external debt service suspension in April 2022, pending debt restructuring. A foreign exchange management strategy (covering outflows with available inflows in the absence of debt servicing), implemented in the second half of 2022, somewhat stabilized the external sector.

The IMF Board approved a US$2.9 billion 48 months Extended Fund Facility program on March 20, 2023, after securing financing assurances from official creditors to provide debt relief consistent with the IMF's debt sustainability framework.

The fluid political situation and heightened fiscal, external, and financial sector imbalances pose significant uncertainty for the outlook. Growth prospects depend on debt restructuring and growth enhancing structural reforms. At the same time, fiscal consolidation will likely dampen these prospects, with the fiscal deficit expected to gradually fall over the medium-term. Inflation is projected to come down from a high base as monetization of fiscal deficits is reined in. The current account deficit is expected to decline thanks to import compression, despite decelerating exports due to weak global demand. Additional resources will be needed in 2023 and beyond to close the external financing gap.

Key downside risks include a slow debt restructuring process, limited external financing support, a sharper global slowdown, and a prolonged recovery from the scarring effects of the current crisis. A lower-level external trade equilibrium could have contagion effects on domestic trade, economic activity, jobs, and income. This and adverse effects from revenue-mobilization efforts could worsen poverty projections. The financial sector needs to be managed carefully, given rising non-preforming loans and large public sector exposures.

The necessary macroeconomic adjustments may initially adversely affect growth and poverty but will correct overall imbalances, help regain access to international financial markets, and build the foundation for sustainable growth. Mitigating the impacts on the poor and vulnerable remains critical during the adjustment. Reducing poverty requires better-targeted social assistance, an expansion of employment in industry and services, and a recovery in the real value of income. On the upside, the government's reform program, supported by financing from international partners, could boost confidence and attract fresh capital inflows key to restart the labor market and restore livelihoods.
[Source: The World Bank]

Inflation

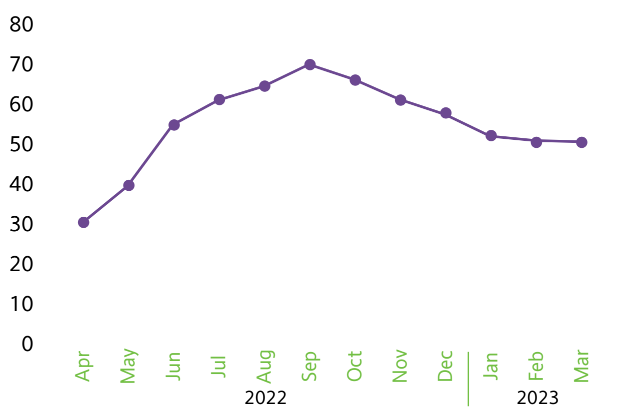
Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100) decreased to 50.3% in March 2023 from 50.6% in February 2023. The decline in the headline inflation is broadly in line with the disinflation path envisaged by the Central Bank of Sri Lanka (CBSL) in 2023.

Looking ahead, based on the available information, the anticipated declining trend of inflation is expected to continue through 2023. This disinflation process would be supported by subdued demand conditions owing to tight monetary and fiscal policy measures, softening of food and energy prices amidst the

Operating Landscape

recent exchange rate appreciation and greater pass-through of lower global commodity prices, second round impacts of recent fuel price revisions, and anticipated improvements in domestic supply conditions, along with the favorable statistical base effect.

CCPI YoY Change (%)



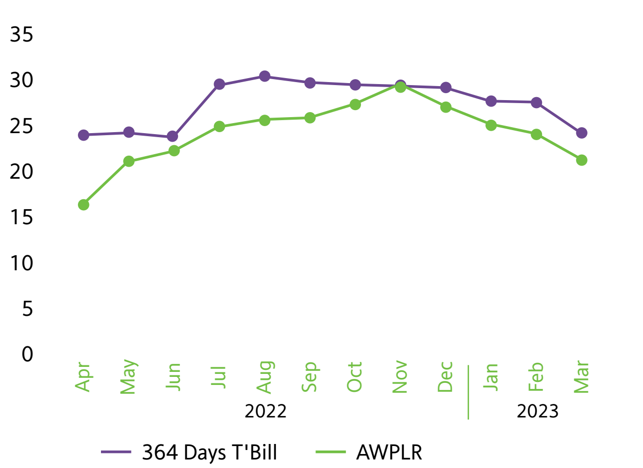
(Source: CBSL)

Interest Rate

Both deposit and lending interest rates have continued to decline in the last 5 months in this financial year, reflecting largely the market guidance provided by the Central Bank and the improved liquidity conditions of the domestic money market. A notable moderation in the yields on government securities was also observed, driven by the improvements in market sentiments.

However, forward-looking real interest rates remain positive with falling inflation, thereby continuing monetary conditions sufficiently tight to tame any adverse demand pressures in the period ahead. Reflecting the impact of tight monetary and credit conditions, and the moderation in economic activity, outstanding credit to the private sector by commercial banks continued to contract.

364 Day T'Bill Vs AWPLR (%)



(Source: CBSL)

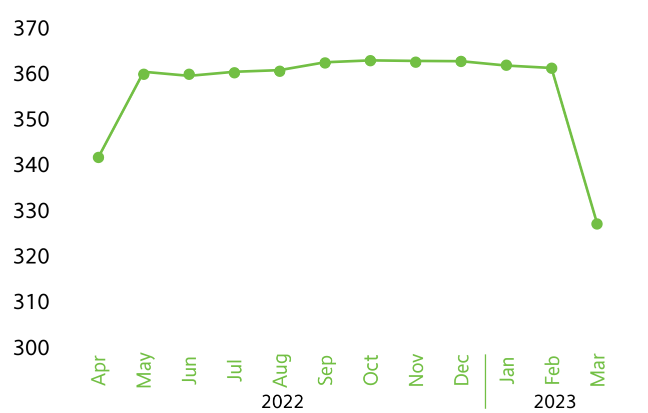
Exchange Rate

During the year up to 31st March 2023, the Sri Lankan rupee appreciated against the US dollar by 10.90 % amidst complementary money and exchange policies of the Central Bank which is creating a virtuous policy cycle.

The currency dealers cited the increase of daily trading band pertaining to the guidance peg from Rs.2.60 to Rs.5.00 by the Central Bank as the immediate reason that helped the rupee to appreciate against the dollar. Following the botched free floating of the rupee in March 2022, which resulted in the collapse of the rupee from Rs.200 to Rs.360, the Central Bank repegged the rupee at 360 to the US dollar and introduced a guidance rate based on the interbank rate.

Prospects of Sri Lanka securing the envisaged International Monetary Fund bailout, recent International Finance Corporation announcement of providing US $ 400 million financing to three local banks, reduction in surrender requirement for export proceeds and higher foreign inflows to the country's equity and bond markets may also have contributed to the recent appreciation of the rupee against the US dollar.

Month End Spot $1 (LKR)



[Source: CBSL]

NBFI Sector Performance

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector managed to continue its expansion during 2022 amidst the economic contraction experienced by the country. Despite challenges faced from shrinking credit growth, declining profitability and increase in non-performing loans as indicated by Stage 3 loans, the LFCs and SLCs sector grew in terms of assets and deposits with adequate capital and liquidity buffers during last financial year.

Tight monetary policy and concerns over domestic debt restructuring uncertainties resulted in a sharp increase in the treasury bill yields. This led to a substantial increase in maximum interest rates offered by LFCs on deposits and debt instruments and an upward revision in lending rates.

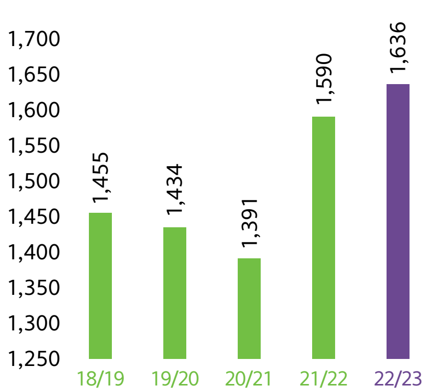
On an aggregate basis, the sector-maintained liquidity well above the minimum required level during 2022. The overall regulatory liquid assets available in the sector was Rs. 184.9 billion as at end 2022, against the stipulated minimum requirement of Rs. 98.0 billion recording a liquidity surplus of Rs. 86.9 billion as at end 2022.

In 2020, the Masterplan was introduced to address the weaknesses and risk exposures in the LFCs and SLCs sector. Under Phase I of the Masterplan, 5 transactions were fully completed during 2022 and 3 proposed amalgamations which were approved by the Monetary Board in 2022 are currently in progress. Further, the companies that were unable to find a partner to merge with were directed to exit from the market upon cancellation of the license, and two such transactions are currently in progress.

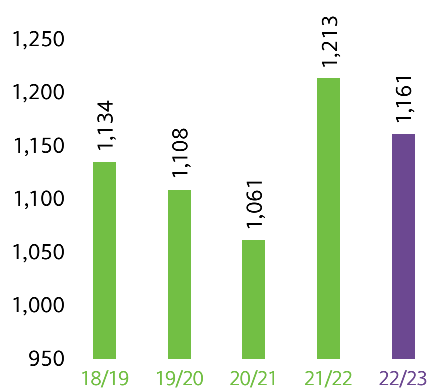
Assets

The asset base of the sector expanded by Rs. 123 billion recording a growth of 2.89% and stood at Rs. 1,635 billion by end 31st March 2023. The asset expansion was mainly driven by the growth of loans and advances portfolio followed by increase in investments and liquid assets. Loans and advances accounted for 70.9% of the total assets of the sector. Finance leases dominated the loans and advances portfolio of the sector and accounted for 45.3% of total loans and advances by 31st March 2023 compared to that of 50.7% by 31st March 2022.

Assets (Rs. Bn)



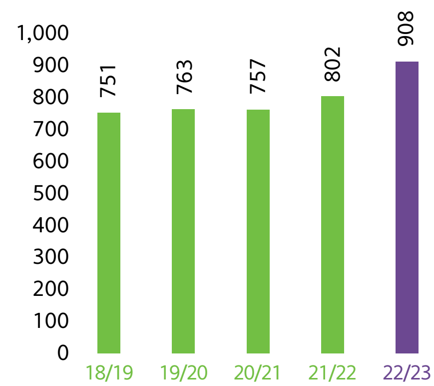
Loans (Rs. Bn)



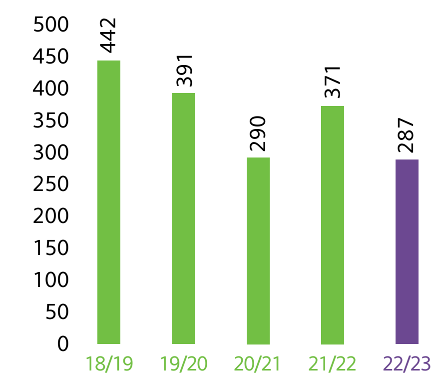
Liabilities

Customer deposits continued to dominate the liabilities of the LFCs sector accounting for a share of 55.5% of total liabilities. Deposits increased by Rs. 106 billion recording a year-on-year growth of 13.2% to Rs. 908 billion, while borrowings declined by 22.6% to Rs. 286 billion during the financial year.

Deposits (Rs. Bn)



Borrowings (Rs. Bn)

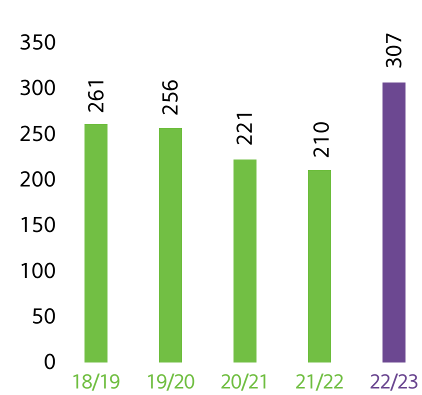


Profitability

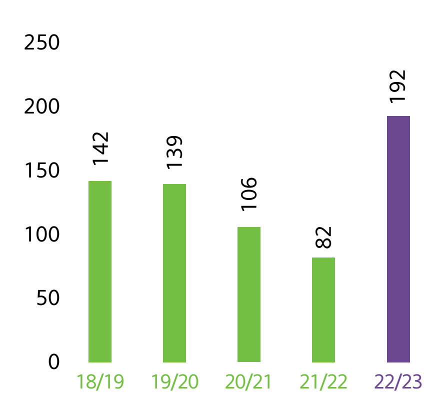
The profitability of the sector declined in this financial year compared to the previous year. The net interest income of the sector decreased to Rs. 114.87 billion by 10.4%. This was due to the significant increase in interest expenses by Rs. 109 billion, recording a growth of 133.7%, despite the increase in interest income by Rs. 96 billion with a growth of 45.8% due to the substantial increase in interest rate consequent to the prevailing macroeconomic environment. As a result, the net interest margin of the sector decreased to 6.6% compared to that of 8.16% in previous financial year contributing to the decline in the profitability of the sector.
[Source: CBSL]

Operating Landscape

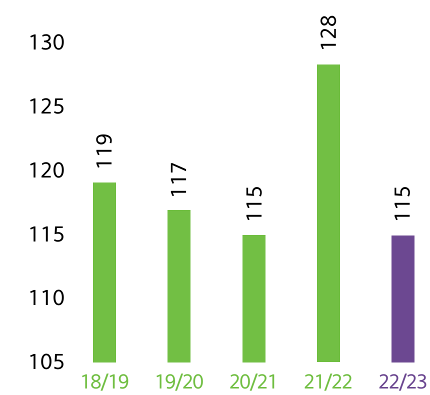
Interest Income (Rs. Bn)



Interest Expense (Rs. Bn)



Net Interest Income (Rs. Bn)



Fintrex Finance outperforms the NBFI Sector

Indicator	Ratio	Fintrex (%)	NBFI Sector (%)
Growth	Deposit Growth (YoY)	155.27	13.28
Capital Adequacy	Core Capital to Risk Weighted Assets	26.69	20.53
	Capital Base to Risk Weighted Assets	26.55	21.88
Asset Quality	Gross Non Performing Advances to Total Advances	11.21	16.01
	Net Non Performing Advances to Total Advances	3.76	10.67
	Total Net Advances to Total Assets	84.43	70.96
	Provision Coverage Ratio	58.23	33.38
Profitability	Net Interest Margin	4.12	6.61
Liquidity	Regulatory Liquid Assets to Total Assets	8.01	13.00
	Regulatory Liquid Assets to Deposits & Borrowings	11.32	19.08

CAPITAL REPORTING

Financial Capital

How we define Financial Capital

Fintrex's Financial Capital is represented by the funds and borrowings that are available to the Company to be utilised in the provision of services ensuring its long-term growth and value creation.

Highlights of the Year

Maintained healthy capital and liquidity levels

Growth in gold loan portfolio

Expansion in deposit portfolio

Key Takeaways for FY 2023/24

- Re-evaluate the strategic direction based on the developments of the operating environment.
- Prudent cost management
- Formulate strategies with customer interests at the centre of decision making

Link to SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Overview

Our financial resources play a pivotal role in bolstering our credibility and establishing trust with the stakeholders. A well-capitalized finance company is better positioned to weather uncertainties, provide stability, and instil confidence in our clients, investors, and regulatory bodies. By prudently managing our financial resources, we enhance our reputation and become a reliable partner in financial intermediation.

Within our organization, these resources are carefully allocated and utilized to maximize their potential. We leverage a combination of funding sources, including equity investments, borrowings, retained earnings, and other financing options, to ensure the availability of adequate capital to support our growth, meet our financial obligations, and sustain our operations.

Beyond the internal implications, the effective management of financial resources enables us to adapt to market dynamics, regulatory changes, and emerging trends. By staying attuned to the evolving needs of our clients and the broader financial ecosystem, we can proactively respond to challenges, seize opportunities, and deliver innovative financial solutions.

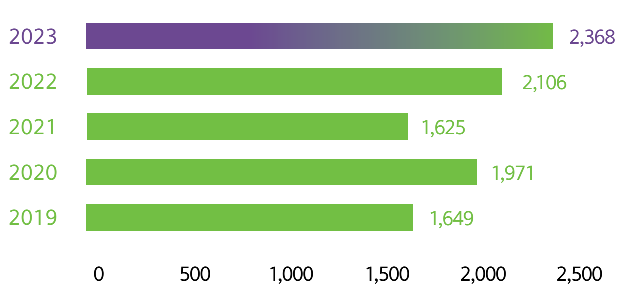
Our commitment to optimizing our financial resources is deeply rooted in our dedication to sustainable growth and long-term value creation. We embrace technological advancements, foster a culture of responsible financial management, and continuously evaluate our financial capital strategy to ensure that it aligns with our organizational goals and the evolving demands of the financial industry.

Financial Performance

Revenue Growth

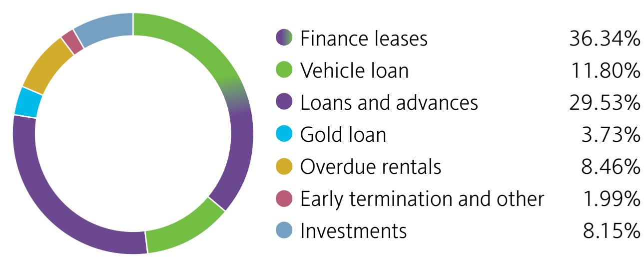
Fintrex's gross revenue grew by Rs. 262 million to Rs.2.37 billion from Rs.2.11 billion in the previous financial year. The 12.44% growth in gross revenue is a noteworthy achievement given the disruptions caused by challenging economic environment underpinned by high uncertainty. The principal contributor to the growth of revenue was interest income, which grew by 15.76% (Rs. 308 million) to Rs. 2.26 billion from Rs. 1.96 billion reported in 2021/22.

Gross Income (Rs. Mn)



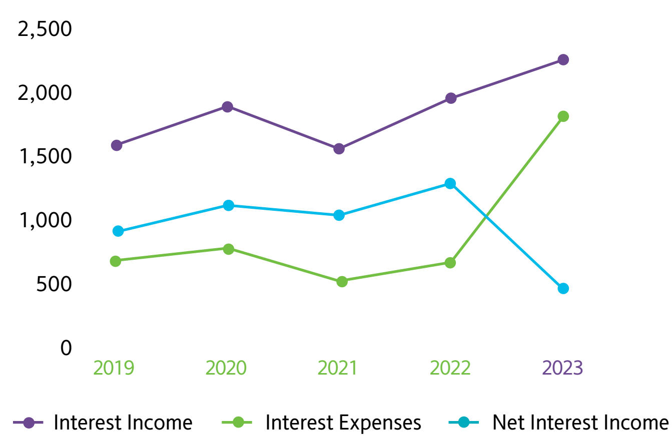
The Company's recent repricing of the interest rates on their secured loans significantly impacted the company's financial performance. The major contributor to the growth in interest income was secured loans which grew by 157% from Rs.260 million in 2021/22 to Rs.668 million during the financial year due to the repricing of the interest rates. Moreover, the other key contributor to the growth was the investment income which increased by Rs. 157 million representing 576% growth compared to the previous FY from Rs. 27 million to Rs. 185 million. The Company strategically took the advantage of rising interest rates by investing excess funds in high yielding treasury bills and build up the investment portfolio to Rs. 763 million

Interest Income Composition



The unpredictable hike in interest rates due to the adverse economic conditions resulted in an additional interest expense of Rs.1,150 million for the Company. This challenging economic environment demanded for proactive measures from the Company to manage its interest rate risk and optimize its lending strategies, ensuring long-term financial stability and sustainable growth.

Interest Income, Interest Expenses and NII (Rs. Mn)



One of the key focuses of the Company was to maintain a high-quality portfolio while reducing the level of non-performing assets strategically through a few selected high-quality products, such as leasing, SME, and 'Smart Draft'. Against this backdrop, the Company deployed additional resources and implemented

Financial Capital

close screening and monitoring to improve loan recoveries. Various strategic initiatives were launched to improve NPA recoveries, such as customer counselling, legal and recovery clinics, and continuous task force efforts to educate and convince customers to voluntarily hand over vehicles. The vehicles which were voluntarily handed over were then auctioned at regular intervals. With the rise in vehicle prices, these auctions proved to be very productive and profitable.

Overhead Cost Management

Despite the presence of inflation, we have effectively kept our expenses at a similar level when compared to the previous financial year. The operating expenses increased to Rs.819.5 million or by 8.76% compared to the financial year 2021/22 (Rs.753.5 million). The primary factor driving this surge was the rise in other operating expenses, which grew by Rs. 29.0 million, along with an additional increase of Rs. 36.7 million in all other operating costs collectively. The operating expenses also increased due to our aggressive marketing drive to expand customer reach, grow business, promote, and position our brand in the marketplace and continuous visits and recovery programs at branches. During the year, the new branch that was opened in Nugegoda led to further increase in operating expenses. On the contrary, we have effectively sustained personal expenses at an equivalent level to that of the previous year.

Taxation

The income tax decreased by 301% to Rs.225.6 million tax benefit due to deferred tax reversal in the current financial year. The deferred tax asset of Rs. 263.5 million was reported in the financial year compared to a deferred tax asset of Rs.33.6 million reported in the prior year. However, there is no tax payable during the period under review.

With effect from 1st October 2022, the rate of income tax was increased to 30% from 24%. The Company applied the revised income tax rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to compute the deferred tax expense. The Value Added Tax (VAT) on financial services does not incur any expenses during the financial year.

The Social Security Contribution Levy (SSCL) came to effect from 01st October 2022. The SSCL rate applied during 2022/23 was 2.5% on the value addition attributable to financial services.

Impairment Charges

The impairment charge on loans and receivables amounted to Rs.182.5 million which increased by 55% compared to the previous financial year. This 55% surge in impairment charges was mainly due to the change in the classification of non-performing loans from 180 to 120 days past due. The Company increased its impairment provision due to its cautious approach in considering macroeconomic conditions. Whilst the industry provision coverage ratio has experienced some growth, Fintrex's provision coverage ratio is significantly higher. At the end of the FY 2022/23, the industry average provision coverage ratio stood at 33.4%, whereas Fintrex boasts a provision coverage ratio of 58.2%. This decision reflects Fintrex's commitment to managing potential credit losses and protecting their financial stability. By incorporating a prudent approach to provisioning, Fintrex aims to ensure that their provisions adequately accounted for the potential impact of economic conditions on their loan portfolio.

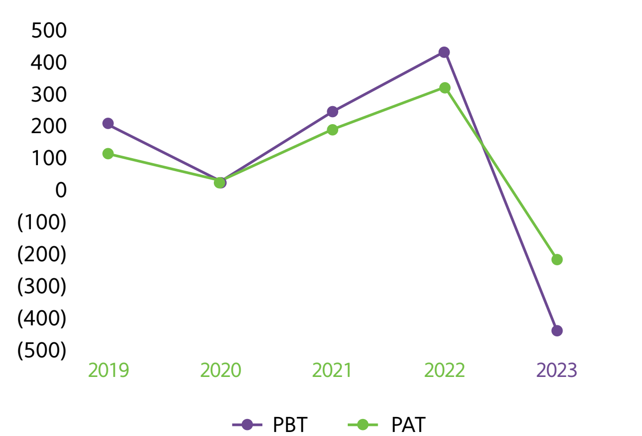
	2020	2021	2022	2023
Impairment Charge (Rs. Mn)	612.17	236.41	117.54	182.57
Number of days past due	180	180	180	120

Profitability

In the current financial year, the Company reported a net loss of Rs. 219 million, largely driven by substantial impairment charges. The Company recognized impairment totalling Rs. 182.5 million, mainly associated with underperforming assets in its loan portfolio. These impairments reflect the Company's prudent approach to recognizing potential losses and addressing the impact of economic uncertainties on asset valuations.

Additionally, Fintrex experienced an increase in rate sensitivity liabilities, which further contributed to the loss. Due to the unexpected escalation in interest rates during the year, the Company's borrowings, particularly those tied to variable interest rate has been increased. This rise in rate sensitivity liabilities resulted in higher interest expense and adversely impacted the Company's profitability.

Profit Before Tax and Profit After Tax (Rs. Mn)



FINANCIAL STABILITY

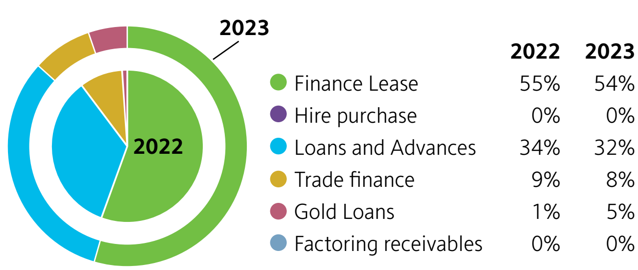
Asset Management

Lending Portfolio

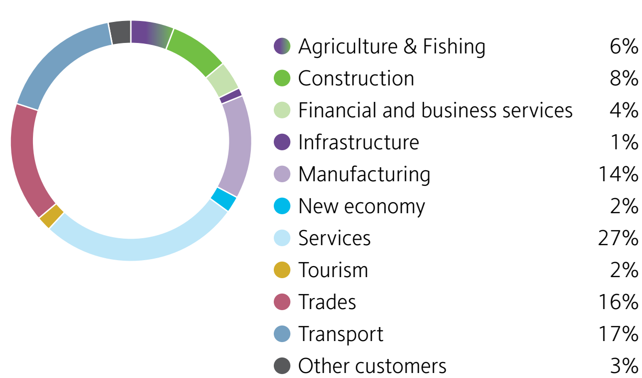
The value of gross portfolio recorded a negative growth of 15.36% reaching to Rs. 10.18 billion at the end of the financial year 2022/23 compared to the previous year. The Company experienced a substantial decline in lending businesses during the year under review, due to the unprecedent escalation in interest rates, deterioration in borrowers' repayment capacity, diminishing credit growth experienced across the industry. The finance lease, which represents 54% of the entire portfolio, remains a significant contributor. Additionally, the gold loan product, which introduced in the last financial year, has shown a remarkable growth of 271.9% from Rs. 139 million (2021/22) to Rs. 518 million in FY 2022/23 and represents 5% of the total portfolio.

Product	Gross Portfolio (Rs. Mn)	%
Finance Lease	5,550.44	54%
Hire Purchase	0.11	0%
Loans and Advances	3,265.08	32%
Trade Finance	831.50	8%
Gold Loans	517.64	5%
Factoring Receivables	20.36	0%
Grand Total	**10,185.14**	**100%**

Composition of Gross Portfolio



Industry Analysis of Gross Portfolio



Assets Quality

We are pleased to highlight that we have successfully enhanced the quality of our asset base while strategically adjusting its composition. This dual approach has bolstered the strength of our financial capital, allowing us to optimize risk-adjusted returns and fortify the value of the asset base.

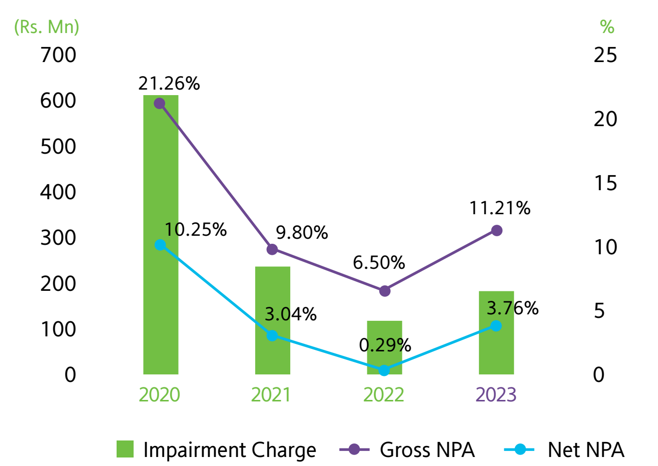
Through rigorous risk assessments, stringent underwriting standards, and proactive risk management measures, we have cultivated a portfolio that is characterized by assets with strong creditworthiness, reliable cash flows, and favourable performance indicators. Whilst we have strategically adjusted asset composition to align with company's long-term growth objectives, our primary focus has been on prioritizing the quality of our assets.

The company has successfully maintained both gross Non-Performing Advances (NPA) ratio and net NPA ratio below the industry average where Gross NPA and Net NPA ratios stood at 11.21% and 3.76%, respectively, in contrast to the industry NPA ratios of 16.01% and 10.67%.

Enhancement of the credit quality of lending disbursements, resulted in robust asset base that demonstrates resilience and generates consistent returns. By actively managing credit risks and minimizing non-performing assets, we have preserved the value of our financial capital, despite a slight reduction in the total asset base. This reduction in quantity has been a strategic decision aimed at optimizing our asset composition and aligning it with long-term growth objectives.

The improvement of asset quality has several advantages for our financial capital. Firstly, it enhances the stability and predictability of our cash flows, providing a solid foundation for sustainable returns. This allows us to navigate through market fluctuations and economic uncertainties more effectively, ensuring the long-term stability of the Company and strengthens the Company's reputation and credibility in the market.

Asset Quality

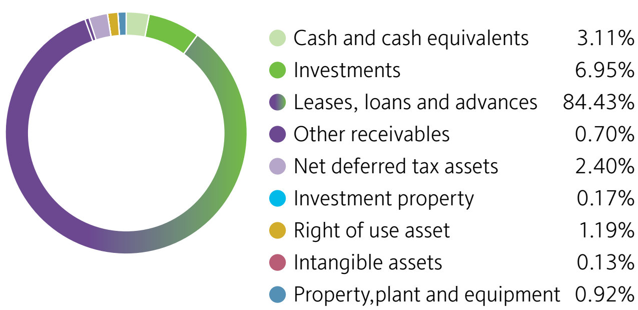


Financial Capital

Total Assets

During the year under review, the Company's total asset base slightly declined by 13.01% primarily due to the decrease in the lending portfolio. A substantial majority, precisely 84%, of the total asset base is comprised of the lending portfolio while 7% of the total assets consist of investments.

Total Assets



Liquidity Management

Sufficient liquidity plays a critical role in shaping the financial capital of the Company. It directly impacts our ability to meet financial obligations, grab business opportunities, and maintain financial stability. The presence of ample liquidity provides a solid foundation for financial capital and ensures smooth operations across all facets of our organisation.

Adequate liquidity enhances ability to meet short-term financial obligations promptly. It allows us to honour payments to suppliers, service debt obligations, and fulfil operational expenses without disruptions. This ensures the smooth functioning of business, preserves reputation, and instils confidence among our stakeholders.

During periods of economic instability or unforeseen circumstances, having an adequate amount of liquid assets serves as a protective measure against potential financial upheavals. By maintaining an appropriate balance between cash inflows and outflows, we minimize the risk of liquidity shortages and optimize financial resources.

We are pleased to report that FFL maintains a liquidity ratio of over 100%, comfortably meeting the minimum regulatory requirement of 100% set out by CBSL. The ratio of total liquidity assets to liquidity assets requirement stood at 164%, at the end of FY 2022/23 demonstrating a solid financial position.

Funding and Investments

During the reporting period, Fintrex implemented strategic measures to optimize its financial capital structure. The Company tactically reduced its high-cost borrowings whilst growing the holdings of investments. These changes reflect Fintrex' commitment to financial stability and efficient capital management.

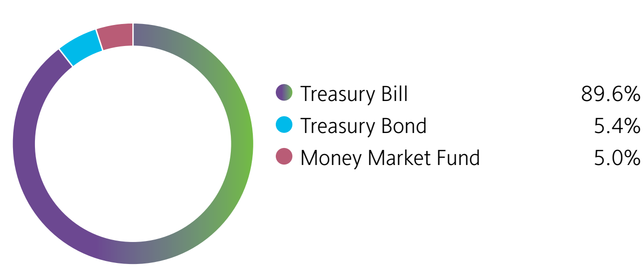
The borrowing portfolio contracted by 57% (Rs. 4,056 million) compared to the previous FY by duly repayments and early settlements of high-cost bank borrowings with the surge in interest rates. This reduction demonstrates Company's proactive approach to minimizing its reliance on external debt and enhancing financial resilience.

Concurrently, the Company turned around the investment mix to short term investments in Government Securities one year and below maturities by Rs. 491 million compared to the previous year to grab the advantage of rise in interest rates of treasury bills. Out of the total investment portfolio, 89.6% comprises of high yielding treasury bills and this investment strategy allowed Fintrex to maintain a secured and liquid portfolio whilst contributing to the growth of interest income for the year.

Investment Mix	2023 (Rs. Mn)	%	2022 (Rs. Mn)	%
Treasury Bill	684	89.6	193	27.8
Treasury Bond	41	5.4	47	6.7
REPO Investments	-	0.0	204	29.4
Fixed Deposits	-	0.0	251	36.1
Money Market Fund	38	5.0	-	-
Total	**763**	**100.0**	**694**	**100.0**

The Company remains committed to prudent financial management practices and will continue evaluating and adjusting its capital structure to support its growth objectives. By optimizing financial capital, the Company is well-positioned to seize emerging opportunities in the dynamic technology landscape and drive sustainable long-term success.

Investment Mix



The funding mix of the Company strategically turned around to a balanced funding mix compared to the last FY with the implementation of strategic decisions under the adverse economic conditions.

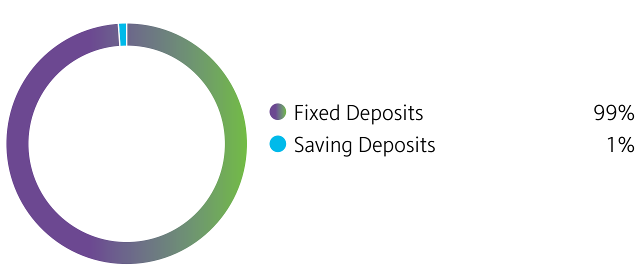
Funding Mix	2023 (Rs. Mn)	%	2022 (Rs. Mn)	%
Deposits	4,744	44.3	1,858	15.4
Borrowing	3,021	28.2	7,078	58.5
Equity	2,934	27.4	3,153	26.1
Total	**10,699**	**100.0**	**12,089**	**100.0**

The deposit base reported a significant growth of 155.3% from Rs. 1.9 billion to Rs. 4.7 billion during the year under review, as a result of the enhanced customer confidence and continuous deposit drive with the collaboration of employees and implementation of robust deposits campaigns. This surge in deposits has not only enhanced our liquidity position, but has also provided a stable and reliable source of funding. Additionally, the impressive expansion of deposit portfolio contributed to improving the capital adequacy and strengthening the company's financial capital. Moreover, continuous efforts in deposit mobilization strategies elevate the brand awareness among the public.

Deposits Growth (Rs. Mn)

The overall deposit base is primarily comprised of Fixed Deposits, accounting for a significant and substantial portion, precisely 99%.

Composition of Deposit Base



Capital Adequacy

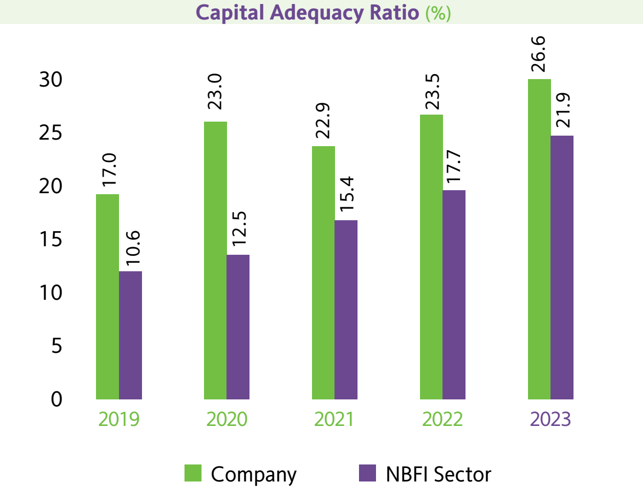
The sufficiency of Capital Adequacy Ratio (CAR) serves as a fundamental component of Key Performance Indicators (KPIs) for evaluating and influencing financial capital's performance. We are pleased to announce that our CAR for the FY 2022/23 stood at 26.55% demonstrating a notable increase compared to the previous financial year and also well above the industry average. This positive trend underscores our commitment to maintaining a robust CAR and reflects continuous efforts to strengthen the financial position.

CAR is a critical metric that assesses the adequacy of the capital in relation to the risks we face. It serves as a reflection of our ability to absorb potential losses, effectively manage risks, and ensure the stability of financial operations. By diligently monitoring and maintaining a strong CAR, we fortify our financial capital and position ourselves securely to support strategic objectives and drive sustainable growth.

By surpassing the minimum capital adequacy standards set by regulatory authorities (minimum CAR: Tier 1-8.5% & Tier 2-12.5%), we demonstrate our unwavering commitment to sound governance and risk management practices. This is not only ensures our compliance with regulatory requirements but also strengthens our reputation as a responsible and well-managed financial institution.

	Regulatory Minimum	2023	NBFI Sector March 2023
Tier 1 Capital Ratio (%)	8.50	26.69	20.53
Total Capital Ratio (%)	12.50	26.55	21.88

Capital Adequacy Ratio (%)



Financial Capital

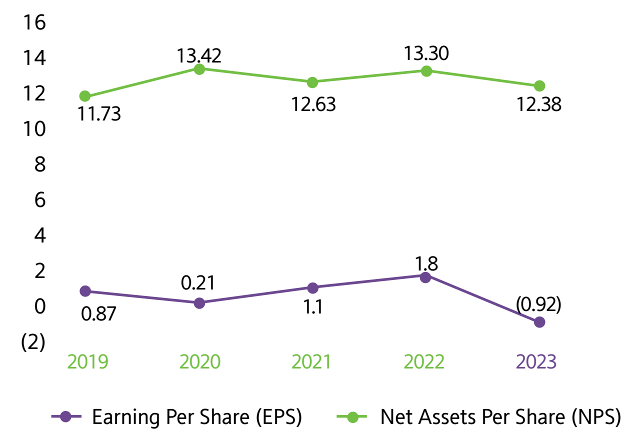
Shareholders' Funds

The shareholders' fund serves as a crucial measure of the financial capital of a company, reflecting the stakeholders' investments and retained earnings. The shareholders' funds of the company remain stable, with a slight decline to Rs. 2.9 billion. It is noteworthy that the company has already met the minimum regulatory requirement of Rs. 2.5 billion, indicating its compliance and financial strength.

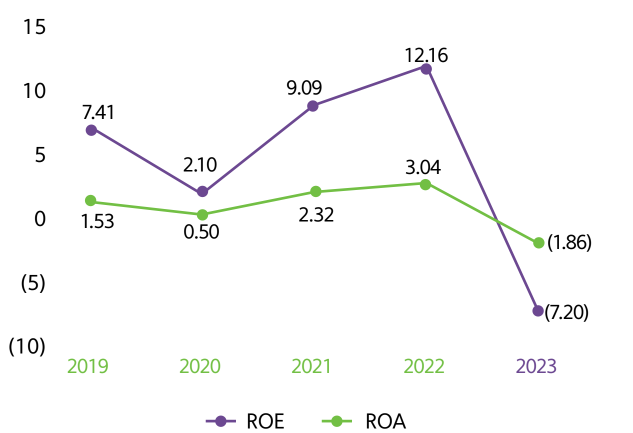
Both earnings per share and net assets per share are showing as Rs. -0.92 and Rs. 12.38 respectively.

Return on Equity (ROE) and Return on Assets (ROA) are key measures for evaluating the effectiveness and efficiency of asset management of the Company. Return on Equity is -7.20% while Return on Asset is -1.86% for the current financial year due to the negative profit incurred.

Earnings Per Share & Net Assets Per Share (Rs.)



ROE and ROA (%)



Management's Efficiency

Our management team's efficiency plays a crucial role in maintaining and strengthening our financial capital, ensuring the long-term sustainability and resilience of our organization. Whilst this year's financial performance may have presented challenges, our management team remains committed to effective management of financial resources.

By implementing strategic cost management measures and resource allocation strategies, management team has proactively addressed the changing market dynamics and economic conditions. Through prudent financial decision-making, we had been able to allocate resources effectively, maximize operational efficiency, and minimize unnecessary expenditures. This disciplined approach has helped us preserve and enhance our financial capital, even in the adverse circumstances.
Risk management is another area where our management team's efficiency shines. By carefully identifying, assessing, and mitigating risks, we protected our financial capital and minimize potential disruptions. Through robust risk management frameworks and proactive measures, we were able to navigate uncertainties and maintain the stability of financial position.

Additionally, our management team recognizes the significance of building strong relationships with our stakeholders. By fostering transparent communication, demonstrating good corporate governance practices, and delivering consistent value, we nurture trust and confidence among our shareholders, lenders, and investors. These relationships contribute to the overall strength of our financial capital and position us favourably for future growth opportunities.

Whilst this year's financial results may not have met our desired targets, our management team remains dedicated to continuous improvement. We are committed to implementing strategies aimed at enhancing our financial performance and restoring profitability in the coming periods. By leveraging our management team's expertise, we are confident in our ability to adapt to market dynamics, seize opportunities, and drive sustainable growth.

GRI 201-1

Economic Contribution

Our sustainability agenda aims to create economic value to our depositors, lenders, employees, suppliers as well as to the Government. In turn this leads to the sustainable growth of the company. The economic value created by the company was Rs.2.4 billion in the financial year 2022/23 compared to Rs.2.1 billion in the previous year which was an improvement of Rs. 262.05 million. From the economic value generated, highest economic value distributed to our lenders and depositors which was Rs. 1,811 million (76.47%). Economic value provided for employees and suppliers were Rs. 366 million (15.46%) and Rs. 538 million (22.73%) respectively during the financial year 2022/23.

	2023		2022		Change	
	Rs. Million	%	Rs. Million	%	Rs. Million	%
Economic Value Generated						
Interest Income	2,264.37		1,955.83		308.54	
Other income	104.01		150.50		-46.49	
Total	2,368.38		2,106.33		262.05	
Economic Value Distributed						
To Depositors and Lenders						
Interest Expenses	1,811.04		660.30		1,150.74	
	1,811.04	76.47%	660.30	31.35%	1,150.74	439.12%
To Employees						
Salaries and other benefits	366.17		366.03		0.14	
	366.17	15.46%	366.03	17.38%	0.14	0.05%
To the Government						
Income tax	-		112.52		-112.52	
VAT on financial service	-		134.99		-134.99	
Crop Insurance Leavy	-		2.16		-2.16	
	-	0.00%	249.67	11.85%	-249.67	-95.27%
To Suppliers						
Other Operating Expenses	274.30		242.82		31.48	
Impairment charges	182.57		117.54		65.03	
Depreciation and amortization	81.53		59.50		22.03	
	538.40	22.73%	419.86	19.93%	118.54	45.24%
Economic Value Retained	-347.23	-14.66%	410.47	19.49%	-757.70	-289.14%
Total	**2,368.38**	**100.00%**	**2,106.33**	**100.00%**	**262.05**	

Manufactured Capital

How we define Manufactured Capital

Fintrex's Manufactured Capital is represented by the physical assets that comprise the Head Office building and the Branch Network as well as the digital channels that include IT infrastructure and network architecture.

Highlights of the Year

16 Branches

System upgrade and process automation

4 New products

Key Takeaways for FY 2023/24

- Continuous focus on process automation and upgrade of digital platform for enhanced agility and speed
- Strengthening customer relationships through building better relationships, mentorship, and financial assistance to prosper amidst the lacklustre economic conditions
- Focus on introducing new products, financial solutions to suit customer requirements in the post Covid era.

Link to SDGs

Fintrex's Manufactured Capital is a significant part of our value-creation process. These physical and digital assets have enabled us to increase the efficiency of our processes allowing us to deliver products and services to customers more effectively. The digital platform has reduced resource usage in addition to ensuring customer convenience. Therefore, we continue to place strategic importance on improving these physical and digital assets in driving stakeholder value.

Branch Network

The Company's branch network spread across 16 key locations remain our main PPE that directly links with the customers. These branches are strategically positioned in commercial and metro cities which drive the country's economy, primarily around the Western Province as well as some of the key geographical locations in the Country. This has enabled our customer segments easy access to our products and services at their convenience. In May 2022, we added another new branch to our network, Nugegoda branch, continuing our branch expansion providing greater convenience and flexibility to the customers.

16 Branches located within the Western Province and in Key Strategic Locations

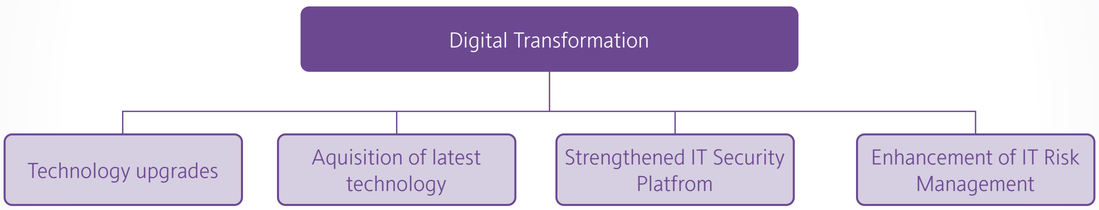
The staff at branches were further empowered with up-to date-knowledge and skills relevant to service our modern and sophisticated clientele with somewhat diverse and complex financial requirements. The continuous training and skill development opportunities provided to all categories of staff enhanced their motivation and capacity for business development reinforcing their competency for service excellence. This physical network of branches that is steered by well-trained employees has enabled us to increase our engagement with existing as well as potential customers solidifying our presence as a trusted and valued financial service provider in the market.

Manufactured Capital

Technology and Innovation

In our quest for digital transformation towards optimising our functions and deliverables, improving customer experience and cost management, we continue to digitalize our systems and processes on an ongoing basis. Currently, we are on the path to gradually transforming into a fully digitalised financial institution that is prepared to support customers with diverse digital solutions that cater to their modern-day requirements.

During the last two years, we succeeded in transforming a significant proportion of our internal processes and service offerings onto a technology platform enhancing the effectiveness of our business activities and improving customer experience. This has also enabled us to reduce resource usage (mainly paper usage), optimising cost management.



We carried out the following technology improvements and upgrades during the financial year.

- Improvement of the production environment by upgrading hardware.
- Improvement of the Credit Management System (CMS) to provide speedy service for customer onboarding.
- Implementation of PMS (Payment Management System) to have digitalized workflow to track all general payments in the company.
- Implementation of CEFTS solution to support online real-time fund transfers/payments, has given a lot of advantages to customers as well as to the company. Onboarding to CEFTS platform has enabled customers to remit their monthly rentals directly to the contract without manual process of receipting and human intervention. This has provided hassle free transfer while the customers are at their convenience to perform transactions with the Company. On the other hand, the manual receipting process was transformed to a digitalize platform while maintaining the accuracy.
- Improvement of MIS dashboard to track business trends, and current competitions and provide fingertip data-driven solutions.
- Improve the Gold Loan system by automating auction process.
- Reengineering and automation of many manual processes to improve efficiency.
- Implementation of a new HRIS system to track online real-time attendance and leave management, which will reduce processing time, and cost, and improve service levels.
- Implementation of EKYC and video KYC solutions. We have incorporated video KYC solution for onboarding customers remotely through video-based identity verification process and customers can open fixed deposits, savings deposits, and other deposits products without reaching to the branch and without manual documentation process.

We further invested into technology advancement by implementing the latest collaboration tools with Microsoft 0365, collaboration tools such as video conferencing, project management software, and shared document repositories to improve communication and productivity among team members.

IT security platform was also strengthened through the following activities;

- Conducting IT security assessment, penetration testing, and vulnerability testing.
- IT General control assessment and Technology Risk Management Framework.
- Revised BCP policy
- Review and enhancement of all IT policies to strengthen security.

We implemented the following activities in improving the IT Risk Management aspect;

- Introduced an IT risk framework to manage possible IT risks. Automate the process where possible to minimise potential IT risks.
- Implemented a succession plan to establish a second layer of backup, which can help mitigate the risks associated with personnel changes.

- Implemented better controls to maintain source codes with ESCROW partner as well as in a secured cloud base platform.

Going forward, we intend to move to Platform as a Service (PAS), a cloud computing platform where a third-party provider will deliver hardware and software resources. We further intend to adopt CD WAN networking technology for more efficient communication. In addition, we will continue to consolidate our IT governance and IT risk management aspects including upgrading of digital core banking facility. Overall, we intend to adopt a data-driven approach to all our activities in the near term in improving our efficiency and effectiveness. With the same zest, we will gradually support our employees as well as the customers to be digitally enabled over time.

Designing Customised products

Capitalising on our 16 customer delivery points and the technology platform, we cater to the customers' financial needs through a range of financial solutions that are developed to suit their requirement. In the backdrop of macroeconomic uncertainties, we were persistent in developing products to support their specific financial needs ensuring their continued financial well-being.

As such, four new products were introduced to fulfilling the specific expectations of the customers. Primarily focusing on digital marketing, we continued to communicate with our prospective customers on our product portfolio through direct and personalised engagement methods including WhatsApp, Viber, Messenger, SMS and e-flyers. In line with our Blue Ocean Strategy, marketing communication at the branch level included more one-to-one communication with branch staff as well as those business segments in the catchment areas in securing the business during a challenging period. We also carried out joint promotions with a wide range of vehicle dealers through our island-wide branch network as a business development activity.

New Products Launched

- Revolving Draft : Over Drive
- Dream Planner: Investment Plan Account
- Flexy Fix: Money Market Savings Account
- Gold Purchase Loan

Intellectual Capital

How we define Intellectual Capital

Fintrex's Intellectual Capital is represented by our intangible assets that include digital infrastructure, tacit knowledge and the brand equity that builds the reputation of the Company.

Highlights of the Year

Facilitating data driven approach for decision making

Brand development utilizing digital marketing platforms

12,409 Training hours

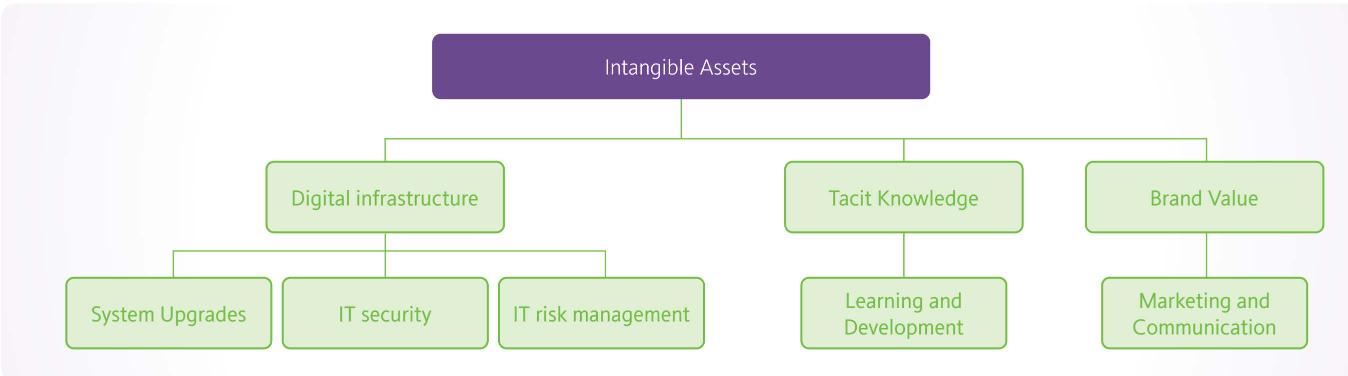
103 Trainings conducted

Key Takeaways for FY 2023/24

- Continue process automation to improve efficiencies and customer convenience
- Sharpen the workforce capabilities towards effective service delivery and value creation
- Focused marketing and communication to attract specific customer segments

Link to SDGs

Fintrex's Intellectual Capital is an essential component in our long-term growth as it drives performance, innovation, and brand equity enhancing customer confidence and the Company's reputation. Therefore, we continue to reinforce our intellectual capital through several measures. The digital transformation of our internal systems and processes to ensure high-quality service and customer expediency is a key initiative in this regard. Likewise, we update the capacities of our human capital continually by providing exposure to learning and development opportunities in addition to improving our brand reputation by engaging in marketing and communication activities on an ongoing basis.



Digital Infrastructure

In our quest for transforming our business operations through digital innovation, we have placed considerable importance on digitalising our internal systems and processes across the value chains. Given the current customer preference to perform financial transactions on an electronic/digital platform due to the convenience of access, we have digitalized our processes internally as well as the service offerings to external customers. This has significantly improved the effectiveness of our operations contributing to enhanced customer experience while reducing resource usage contributing to cost management. The aim is to transform all our functions into a digital platform over time while simultaneously developing digitally enabled employees.

Fintrex's IT function includes

- Application Support Unit
- IT Operations Unit
- IT Development Unit

Currently, we engage an IT workforce of 10 employees in addition to few interns who work with the organisation from time to time. We conduct IT knowledge sharing sessions for all IT staff on a weekly basis and IT awareness sessions to all the staff on periodic basis.

GRI 203-1

During the financial year, we focused on the following areas in bringing further efficiency into our IT platform.

Adopted a data driven approach

We adopted a data driven approach to support our decision-making process and validate our course of action. These include dashboards, automation of recovery process and Impairment process for efficient decision making of the management.

Dashboards: We developed customized dashboards to ensure easily accessible and up-to-date information, empowering us to make data-driven decisions without any difficulty. By having fingertip access to key metrics, trends, and insights, we were able to quickly assess the performance of our various operations and identify areas for improvement. These dashboards have proven to be an invaluable tool in streamlining our decision-making processes and ensuring that our actions are based on accurate and timely data.

Intellectual Capital

Recovery Process: Recovery systems have transformed the way we manage and analyse data. With its graphical dashboards, easy forecasting capabilities, and real-time updates, we have gained valuable insights, improved our decision-making processes, and enhanced our overall recovery performance.

Our Recovery Systems allows the following advantages;

- Graphical dashboards and reports.
- Availability of reports to monitor the performance of the company including branch wise, cluster wise, and officer wise.
- Integration with Call Centre to handle day to day recovery actions and follow ups.
- Integration with SMS gateway.

Impairment process automation: Automation of the impairment process has made it significantly easier for us to forecast financial outcomes. By leveraging advanced data analytics and predictive models, we can now more accurately anticipate potential impairments and their impact on our bottom line. This enhanced forecasting capability enables us to proactively allocate resources, manage risks, and make informed strategic decisions. With a clearer understanding of future financial scenarios, we can optimize our operations, allocate budgets more effectively, and ensure the long-term sustainability of our organization. The integration of easy-to-use forecasting tools within our automated impairment process has proven to be an asset in guiding our financial planning and maximizing our overall performance.

Management Information System (MIS): This offers a comprehensive dashboard providing a holistic view of our company's performance. This powerful system allows us to monitor and analyse key metrics across various business segments, including Lending, Fixed Deposits (FD), Savings, and Gold Loan performance. Through the MIS, we gain valuable insights into the overall health and progress of our organization, enabling us to make data-driven decisions and drive strategic initiatives. The comprehensive dashboard offers a user-friendly interface, allowing management to easily access and interpret the performance data. With this advanced MIS in place, we are equipped with the tools necessary to optimize our operations, identify growth opportunities, and enhance our competitive edge in the market.

CEFTS Implementation

We connected with LankaPay CEFTS real time fund transfer switch to allow customers to carry out domestic interbank fund transfers/payments real time at their convenience, avoiding any delays and human interventions. This hassle-free solution to settle transactions have been advantages to the customer as well as the Company ensuring flexibility and convenience.

IT Security

To enhance the IT security platform, we carried out an IT security assessment including penetration testing, vulnerability testing and IT general control assessment. Based on these recommendations we implemented necessary security controls. To strengthen, the technology risk management, a technology risk management framework was developed based on CBSL guidelines and implemented required controls. We further revised the Business Continuity Plan (BCP) in the current operating landscape to ensure resilience of our operations minimising risks, apart from reviewing and enhancing all IT policies in par with industry best practices to strengthen security.

Furthermore, cyber security awareness trainings were conducted for the employees to understand the role they play in helping to combat information security breaches.

In addition to the above, we implemented the following activities in improving our ICT systems,

- Improvement of primary data centre environment by upgrading hardware.
- Improvements to Credit Management System (CMS) to provide speedy service for customer onboarding.
- Implementation of Payment Management System (PMS) to have digitalized workflow to track all general payments in the company.
- Improvements of MIS dashboard to track business trends, and current competitions and provide fingertip data-driven solutions.
- Reengineered and automated many manual processes to improve efficiency.
- Implementation of a new HRIS system to track online real-time attendance and leave management, which will reduce processing time, cost, and improve service levels.

- Implementation of EKYC and video KYC solution. This enabled onboarding deposit customers remotely through video-based identity verification avoiding the manual documentation process.

Tacit Knowledge

We strive to develop a highly skilled workforce that can meet the market challenges while serving the diverse customer requirements ensuring quality service. Besides, we make an effort to foster a team of individuals who are financial entrepreneurs and experts who can guide the customers towards their financial prosperity. For this purpose, we continue to upskill our talent pool with the necessary knowledge and experience. On the one hand, we strive to hire the best talent for the Company while on the other hand, we attempt to polish up the existing skills of the employees by filling their competency gaps.

The professional development of employees is carried out through a combination of technical and soft skill trainings. Training programs are organised by the human resource department upon identification of training gaps through bi-annual performance evaluation.

During the financial year, 103 trainings were conducted focusing on system training, recoveries, gold loans, cost savings initiative, valuation, branch security, CEFTS implementation, cashier trainings, cyber security, sales excellence, SWIFT system, ICAAP development and implementation and mentoring programs.

Corporate Culture and Values

We have established a strong governance system and values, policies and procedures that guides us and our business operations ensuring that we conduct business in an ethical and a transparent manner. As such, we create awareness within the organisation regarding our values and behaviour expectation from the employees and encourage them consistently to follow the same. In this endeavour we also encourage our employees to voice their opinion and concerns at will.

Brand Equity

Building a credible and trustworthy brand is essential for earning a strong and loyal customer following that contributes to the Company's business success. Leveraging our branch network spread across 16 key locations, we invested in brand building through marketing and communication activities to promote our financial products and services. Given the macroeconomic environment and its implications on the customer's financial status, we created new products to support their financial well-being. As such, four new products were introduced to assist the customer's unique financial requirements during the period such as revolving draft, dream planner, Flexy fix and gold purchase loan.

Introduced 4 New products.

FINTREX OVER DRIVE

FINTREX FleXy Fix Deposit

FINTREX DreamPlan Investment account

Intellectual Capital

We proactively carried out marketing and communication activities adopting a multipronged strategy, mainly driving on digital marketing techniques to focus on targeted communication with prospective customers. Through this method, we were able to collect databases on various customer segments, especially the professional clientele that includes doctors, lawyers, engineers, tuition providers, pilots etc.

In addition, we communicated with them through WhatsApp, SMSs and e-flyers consistently sending information regarding our profile and the products we offer. These types of measures were carried out every week at constant intervals so that our customer and potential customers are continuously provided with information they would need to thrive in the aspect of their financial wellbeing. We also used online commercial platforms such as ikman.lk to reach our direct customer segments.

To enhance the Company's image in general, birthday wishes were sent out for the customers on the FD platform including provision of corporate gifts and tokens for the customers. Furthermore, at the branch level, the senior members of the management visited the branches intending to spend more time with the branches and their business community in reviving the business during the year.

We also utilized methods such as joint promotions with vehicle dealers in selected car sales at every branch. Toyota joint promotions and island-wide dealer promotions are two initiatives carried out at the branch level for business development.

The skills of our business development team were also enhanced for better service delivery while cross-functional teams (branch cashiers, recovery officers, tellers etc) were also encouraged to engage in business development identifying potential customer segments. For the same purpose, new customer service assistants were appointed at all branches.

Apart from the above, we recognised our loyal and long-standing customers as well as staff members rewarding them as appropriate. In this regard, international customer service week celebration is an important event in our corporate calendar. As part of this initiative, staff are rewarded for their special contribution towards building customer loyalty. This revolves around celebrating customers and customer service with the participation of our internal staff as well as loyal clientele covering all branches. Through out the week, various activities are organized in the branches engaging customers and these celebrations most often extend to their families with programmes such as various creative activities and being rewarded with complimentary gifts and rewards.

Marketing and Communication measures during the year under review;

Digital Marketing

Facilitating product information through My Fintrex App

Joint promotions with Toyota and Islanwide selected Vehicle Dealers

Direct customer communication and engagement at Branch level

Street and door to door, shop to shop visits to educate customer at Branch level

Human Capital

How we define Human Capital

Fintrex's Human Capital is represented by the economic value of the employee's skills and experience that contribute to the productivity and profitability of the Company.

Highlights of the Year

LKR 2.6 Mn Training investments

12,409 Training hours

103 Training programs

50 Recruits

Key Takeaways for FY 2023/24

- Continue professional development of our staff to enhance the skills and knowledge and develop a succession plan for key management positions.
- Acquisition of the right talent at the right time
- Enhance employee motivation through appropriate retention strategy and engagement

Link to SDGs

At Fintrex, we believe that our employees are the most valuable asset of the organisation as it is their knowledge, experience and productive capabilities that drive growth of the Company. Employees are also the face of the organisation as their strong performance has a significant impact on the public perception of our brand. Therefore, we consider its a strategic priority to develop and enhance the competencies of our human resources.

The aim of our Human Resource Policy is to acquire the right talent for the organisation at the right time while nurturing a safe and conducive work environment for the employees to thrive. Improving these human resources on a continuous basis also remains a key priority in our agenda.

GRI 405-1

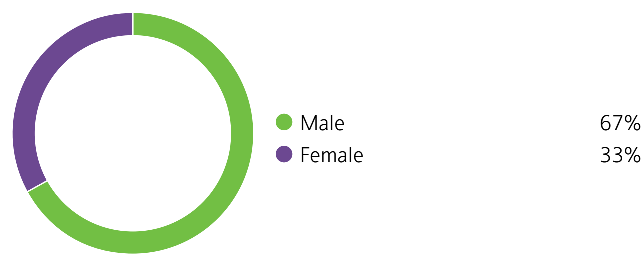
Diversity and Equal Opportunity

We have ensured diversity in our workforce as an equal-opportunity employer and have strengthened this viewpoint by establishing a non-discriminatory policy within the organisation including respect for human rights. At present, the Company has a total workforce of 245 employees of which 163 are male and 82 are female who belong to diverse racial, ethnic, socioeconomic and cultural backgrounds. We have also maintained equality in the ratio of remuneration for both male and female employees.

Employees by Gender

Gender	2021/22	2022/23
Male	182	163
Female	92	82
Total	**274**	**245**

Gender Distribution 2022/2023



GRI 406-1

Non-Discrimination

There were no incidents of discrimination reported during the year under review.

GRI 2-7

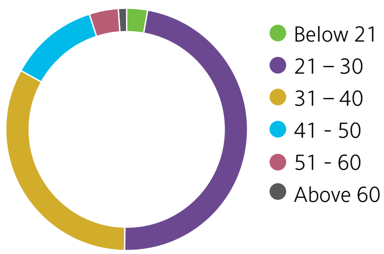
Employee Profile of FFL

Designation	No. of Employees	
	2021/22	2022/23
Corporate Management	8	9
Chief Manager	-	1
Senior Manager	15	11
Manager	35	31
Assistant Manager	29	28
Senior Executive	50	45
Executive	76	75
Junior Executive	61	45
Total	**274**	**245**

Human Capital

Employees by Age Analysis

Age Analysis 2022/2023



Employees by Locations

Branch	No of Employees
City Branch	24
Dambulla	7
Gampaha	10
Kalutara	7
Kandy	11
Kegalle	8
Kiribathgoda	13
Kuliyapitiya	6
Kurunegala	12
Matara	10
Negombo	10
Head Office	93
Galle	6
Maharagama	7
Malabe	6
Nugegoda	6
Pettah	7
Yard	2
Total	**245**

GRI 2-30

Collective Bargaining Agreements

Fintrex employees are not unionized and hence the Company does not engage in collective bargaining. The company is a member of Employer's Federation of Ceylon (EFC) and governs under following regulations;

- The Shop and Office Act of 1954
- Employees Provided Fund (EPF) Act No.15 of 1958
- Employees Trust Fund (ETF) No.46 of 1980
- Budgetary Relief 2005 / 2016
- Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971 & Amendment Act No. 29 OF 2021 (TEWA)
- ILO regulation on Child labor
- Health and Safety best practices

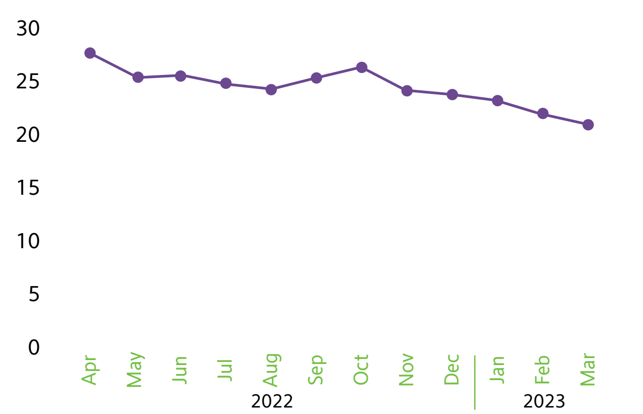
GRI 401-1

Talent Acquisition and Turnover

We aim to recruit the best fit for the job and new employees are hired when a position is vacant to be filled. In this process, we first give priority to hiring an internal candidate who is suitable for the available position. If unable to find a suitable employee to fill a vacant position, as the second resort we seek external candidates through advertising on print and online media. By initially providing space for the internal candidate to fulfil the available position, we strive to support their professional development within the organisation. During the financial year, we hired 50 new employees to fill the vacancies at the branch level and the head office.

The Company was able to maintain an industry-par turnover ratio during the year under review with a cumulative turnover ratio of 20.99%.

Employee Turnover Ratio (%)



Talent Retention

To retain our employees, we focused on providing opportunities for their professional development and engagement where a robust training platform was established. On the other hand, we have implemented initiatives to create a safe and conducive work environment where employees would feel happy, engaged and appreciated for their hard work. Our KPI-driven approach to measuring employee progress also provides a clear direction for the employees as to what is expected of them and targets that need to be achieved individually.

Retention Strategy

- Opportunities for professional development
- Performance-driven culture (KPI driven)
- Incentives and recognition schemes
- Employee engagement initiatives
- Prioritising work-life
- 5s model

GRI 401-2

Salary and benefits

The Company's full-time employees are provided with a range of benefits to ensure their satisfaction and motivation at the workplace. We have established a standardized salary structure and several other benefits based on industry standards. In addition, we comply with all legal requirements related to employee compensation including minimum wage regulations, budgetary relief allowance contribution to Employee Provident Fund, contribution to Employee Trust Fund, Saturday allowance payments, sales-related incentives, gratuity payments and tax deductions.

A loan provision is also in place to assist the employees in the event of house renovation, a wedding, or any other special occasion. In addition, educational assistance loans are also provided for the employees to further their studies in a related field that is conducted by reputed educational institutions such as Vocational Training Authority or University Grants Commission.

Benefits we provide

- Industry par remuneration
- Statutory benefits (EPF, ETF etc)
- Loan Scheme
- Short-term incentive scheme
- Medical insurance
- Benefits through Welfare Fund

Employees are further protected through a Medical Insurance Policy that covers them and their families for OPD claims including considerable coverage limits. Besides, the Sports and Welfare Club of the Company offers all employees multiple benefits including Death donations, Weddings, Scholarships and Newborn baby gifts etc.

Employee Benefits	2022/23 (Rs. Mn)	2021/22 (Rs. Mn)
Salaries and wages	294.39	260.16
Staff bonus	39.60	24.40
Other staff related costs	22.29	22.57
Defined contribution plan costs -EPF and ETF	43.10	37.07
Garuity Benefits paid during the year	1.40	4.50

Human Capital

Fintrex Sports and Welfare Club

The objectives of Fintrex's Sports and Welfare Club is to provide multiple benefits for all employees and to organize staff engagement activities, CSR activities and celebrate religious events in turn encouraging team building, fellowship and understanding among members. The welfare fund is administered by the executive committee comprising 17 members namely president, assistant president, general secretary, assistant secretary, treasurer, assistant treasurer, social secretary, sports secretary and other committee members while MD/CEO is acting as Patron of the Welfare Club. The fund is subject to an annual independent audit. The accumulated welfare fund as of 31st March 2023 is Rs. 3.2Mn. The funds provide numerous benefits to the employees in the event of:

- Death of an employee
- Death of an immediate family member such as parent, spouse and children
- Child of employee passing Grade 05 scholarship exam with over 175 marks
- Childbirth of an employee
- Child of an employee getting selected for the university entrance

GRI 401-3

Parental leave

The Company is providing maternity leave as per the Shop and Office Employees Act, 1954 which is 12 weeks (84 days) excluding weekly holidays, Poya days and statutory holidays. There's no paternity leave scheme at the moment but the Company is providing leave for the male staff as and when they need for their parental requirements.

Work-life Prioritisation

We encourage work-life prioritisation in ensuring a state of equilibrium in one's professional life and personal commitments. For this purpose, we have provided flexible working hours for employees who are travelling from a distance including work-from-home arrangements where necessary. This has enabled us to foster a favourable environment for the staff to achieve their personal and professional objectives.

Employee Engagement

Engaging employees have not only contributed to solidifying our relationship with them but has also ensured better performance outcomes through their feedback and suggestions towards greater productivity and efficiency. Hence, we make efforts to engage our employees from the commencement of employment. From the induction program, with a systematic onboarding process, also with the learning and development platform, we encourage employees to voice their opinion.

Quarterly, we publish a newsletter for encouraging employees showcase their talents in art, poetry, etc. Moreover, employees are encouraged to suggest their opinions and ideas via the "IDEA" platform which helps to increase the communication between the management and staff members in turn leading to enhanced employee engagement for the betterment of the Company. Further, Fintrex cricket tournament was also held to encourage their involvement.

IDEA Platform to increase communication between the Management and the Employees

Monitoring Employee Satisfaction

FFL participated in the "Great Place to Work" (GPTW) survey in 2022 which was conducted by the Great Place to Work organization which is the global authority on workplace culture and FFL was awarded the Certification of Great Place to Work for the second consecutive year.

GRI 403-1, 2, 9, 10

Health and Safety

- **Adopted OHSAS 18001 health and safety guidelines.**
- **Conducted Hazard Identification and Risk Assessment (HIRA) study.**

We consider the health and safety of our workforce as a core value and maintain the highest standards of health and safety at the workplace. For this purpose, we have adopted OSAS 18001 health and safety guidelines as a framework for the effective management of occupational health and safety within the Company. Besides, we conduct a Hazard Identification and Risk Assessment (HIRA) study to systematically assess the hazards and their associated risks. This has enabled us to determine the reason for an identified hazard and ensure a way to manage the risk.

There were no work-related injuries or work-related ill health reported during the period under review.

Talent Management

The talent management process enabled us to recognize and reward the right employee for their contribution and commitment for the achievement of Company’s goals and objectives.
The performance evaluation of each employee is conducted biannually where the Company evaluate employee performance against set KPIs. The employee’s performance appraisal is carried out through our fully automated HRIS system followed by mid-year assessment and conclude the annual performance appraisal at the end of the financial year based on which salary increments, bonuses and promotions are decided. This assessment is also used to identify training gaps following which a training schedule is prepared for the year.

Employees are evaluated under four KPI categories;
1. Customer
2. Internal Systems/ Processes
3. People/ Leadership
4. Financial Performance

By utilising this criteria, we assist the employees in achieving their targeted goals thereby supporting their career development and determining their suitability for bonuses, promotions and special increments.

Employees are evaluated based on a 1 – 5 point scale where employees are rewarded upon achievement of targeted KPIs as per the reward matrix. This reward matrix includes;
- Short-term incentive scheme based on monthly target achievement
- CEO club members scheme
- Interim promotions

Recognizing Employee Contribution

A well-structured employee recognition scheme has been established to recognize the extraordinary contribution of the employees towards the organization. This is expected to enhance the employee morale and commitment to the work while positively impacting their output. The concept of WOW reward scheme aims to recognize and reward our staff members for their innovative ideas that contribute to enhancing customer service, cost savings, product development, and new income generation. Through this platform, we encourage and appreciate the creative thinking and contributions of our team. The CEO and management personally recognize these outstanding ideas, offering rewards and celebrations as a token of appreciation. We extend our gratitude to all staff members who have contributed their valuable ideas, as they play a crucial role in driving our organization's success and growth.

WOW Reward Scheme to recognize employee contribution

Human Capital

Training and Education

Based on the training needs analysis carried out as part of the performance evaluation, the Company facilitate customised training programs for the employees to fulfill the competency gaps. Necessary trainings including coaching and mentorship programs were organised by the HR department to upskill the employees supporting their career progression. Further, the competency gaps are also identified through audit reports and meetings (Steering Committee meetings, Board meetings, and Departmental meetings) where trainings are facilitated for the identified skill gaps.

During the year, the Company invested Rs. 2.6 Mn on training and development initiatives covering a total of 12,409 training hours.

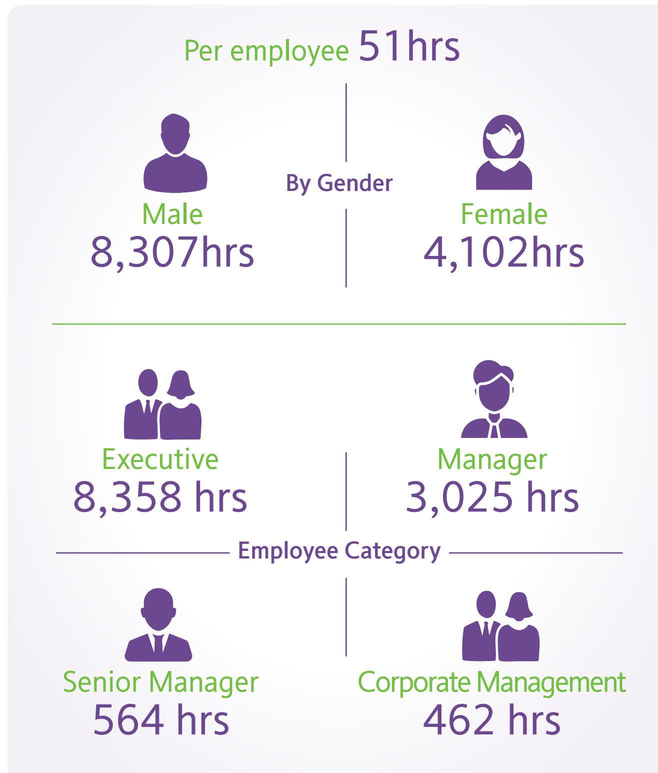
The training includes a combination of internal and external trainings where internal trainings are conducted by internal resource persons such as experienced senior management employees. External trainings are carried out by external training resources such as representatives of CBSL, the Banking institute, as well as other government institutions like the Labour Department.

Training Focus:
- Technical trainings
- On-the-job training
- Coaching and mentoring
- Soft skills development
- Leadership training based on 360-degree evaluations

Trainings

GRI 404-1

Average hours of training per year per employee-by gender and employee category



GRI 404-2

Training programs for upgrading employee skills

During the year we conducted a total of 103 training programs that include 15 external trainings and 88 internal trainings.

Training Areas	
External Trainings	**Internal Trainings**
➤ Valuation ➤ Branch security ➤ CRIB ➤ CBSL Trainings ➤ SWIFT system ➤ Risk assessment for financial institutions ➤ Sales excellence ➤ Cyber security ➤ ICAAP development and implementations	➤ System training ➤ Recovery ➤ Gold loan ➤ Cost savings initiatives ➤ Cashier trainings ➤ Customer complaints ➤ Mentoring programs ➤ CEFTS ➤ 5s training ➤ Compliance Training ➤ Branch Operation

GRI 404-3

Percentage of employees receiving regular performance and career development reviews

62% - Regular Performance Review and Career Development Reviews

38% - Performance Review and Career Development Reviews Twice a Year

GRI 2-25, 2-26

Grievance handling

We have established a hierarchical complaint-handling procedure and hence all departmental heads, the Head of HR, and corporate management remain responsible for attending and resolving grievances. Grievances raised by the employees are resolved within 7 days of their occurrence while grievances related to compensation and benefits are separately addressed under the performance management policy.

The grievances related to sexual harassment is addressed only by the Head of HR and General Manager/ CEO of Fintrex Finance Ltd and if required will be escalated to the Disciplinary Committee (DC) to take the final decision on the matter. If the allegation is against the Head of HR, the inquiry will be handled by the rest of the Disciplinary Committee. In the event that the allegation is against the CEO, the Inquiry will be handled by the Remuneration Committee and the Remuneration Committee will be informed by the Head of HR.

Social and Relationship Capital

How we define Social and Relationship Capital

Fintrex's Social and Relationship Capital is represented by the relationships we have nurtured with our customers, community, regulatory bodies, and other networks to improve individual and collective well-being.

Highlights of the Year

New products and new customer segments

Industry collaborations

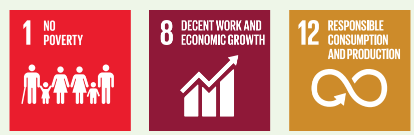
Community awareness initiatives

Regulatory compliance

Key Takeaways for FY 2023/24

- Improve customer satisfaction through better service delivery and technology-driven solutions
- Customized product development to cater to the changing customer trends in the market
- Increase investments into social initiatives
- Continuous customer support and guidance to emerge out of financial difficulties

Link to SDGs



How we build our Social and Relationship Capital

Customers

- Customised products
- Recovery clinics
- Complaint mechanisms
- Marketing and Communication activities
- Customer feedback mechanism
- Customer data privacy protection

Community

- CSR initiatives to support social development

Regulators

- Compliance with relevant laws and regulations

Managing Customer Relationships

Our customer is the centre of our universe that drives growth and profitability ensuring the long-term success of the business. Therefore, maintaining good relations with customers is essential in retaining their loyalty and trust in our products and services thereby expanding the market share over time. On the other hand, it will enhance our brand value as a committed and trusted financial institution within the realm. Therefore, we consider it is a strategic priority to build and strengthen our customer relations to make them feel secure and well-connected with our brand.

Product Responsibility

We are cognizant of our responsibility to develop products that ensure customers' financial well-being. Hence, apart from the range of financial solutions we offer, we introduced four (4) new products to fulfil the emerging expectations of both the individual and corporate customers. These include Business Revolving Draft, Dream Planner, Flexy Fix, and Gold Purchase Loan.

The ‘Business Revolving Draft’ facility enables the customers to make withdrawals in amounts required when the need arises for cash from a pre-approved amount, while the ‘Dream Planner’ provides an innovative saving plan for people to invest for specific objectives that matched with their cash flows. On the other hand, the 'Flexy Fix' product benefits customers who seek short-term financial gains at higher returns against their liquid savings balances. The 'Gold Loan' facility offers cash against customers' gold as well as an additional facility to purchase gold articles of customers' choice where Fintrex Finance has partnered with local Jewellers for the same.

New Products Introduced

- Over Drive: Revolving Draft
- Dream Planner: Investment Plan Account
- Flexy Fix: Money Market Savings Account
- Gold Purchase Loan

Social and Relationship Capital

Recovery Clinics

We organised customer recovery clinics at the branch level to support identified segments of customers in emerging out of their financial hardships. Through these clinics, we carried out one-to-one discussions with customers listening to their grievances thereby guiding them with our financial expertise to streamline repayments and discussing solutions to regularise contracts. We were persistent in offering practical solutions to our clientele in overcoming their financial challenges which in turn strengthened our relations with them reinforcing their trust and loyalty.

Customer Complaint Handling

The Company has put in place an effective and efficient customer-compliant mechanism where the customer can lodge a complaint through writing, calling, SMS or any other digital mode regarding any concern for which we would take immediate action to seek a suitable resolution. The customer is empowered to raise those concerns with any level of management/officials. We strive to address the root causes of these issues by identifying reasons for those issues, drastically reducing the complaints as a result of the overall efforts and improvements.

Marketing and Communication activities

We adopted a multi-pronged strategy where digital marketing was given prominence during the period to connect with the existing and prospective customers. Through such marketing efforts, we were aiming for targeted communication with prospective clientele including the professional segments. In addition, we utilized digital engagement platforms including WhatsApp, Viber, YouTube, Instagram, Twitter and SMS as well as e-flyers and commercial websites to maintain interaction with customers at regular intervals. Direct marketing was also carried out through the team at ground level using brochures, flyers, leaflets, voucher offers to create and reinforce awareness of our brand, products and services. Micro marketing initiatives were launched through the branches by collecting potential databases, generating direct messages of awareness, follow up with calls and visits until they are nurtured into loyal customers.

- Digital Marketing
- Direct Marketing
- Joint Promotions
- Micro Marketing
- Enhanced direct communication with customers

Moreover, methods such as joint promotions with selected island wide vehicle dealers and one-to-one discussions with branch-level business segments were also utilized through-out, to maintain customer interactions during the period.

Industry collaborations

The Company in recognition with the importance of industry collaborations and co- existence, entered into a joint promotion with Toyota Lanka- the importer of one of the most trusted vehicle brands in the country, for optimizing the market opportunities where both parties combined their resources including technical expertise to serve customers better. This alliance offered flexible and convenient financing solutions under one roof leading customers towards the winning edge in sourcing their dream vehicle with the best possible financial solution.

The benefit this offered to the market was unparalleled, as it was unique and innovative by itself- coming together of value chain partners to create a seamless experience to the industry and the customers who suffered in a lacklustre backdrop for over a year due to COVID-19 and the subsequent dull economic environment.

GRI 417-3

There were no incidents of non-compliance concerning marketing communication during the period. We fully complied with all the CBSL directives when carrying out our activities. So far, we have not received any complaints from the customers for use of misleading or incorrect information in our marketing communications.

Customer Privacy

During this period, we carried out several technology upgrades including strengthening the Company's information security and IT risk management platforms to enhance the service delivery aspect as well as to safeguard the customer's information. Besides, we have also raised awareness amongst the employees on their duties and responsibilities with regard to protecting customer privacy.

GRI 418-1

There were no complaints concerning breaches of customer privacy or loss of customer data during the year under review.

Customer Feedback

By utilizing our call centre, we seek and collect customer feedback and suggestions thereby passing it to the management for further action. This has enabled us to retain customer satisfaction making them feel that their opinions are valued and appreciated creating a positive impact on our brand. We have obtained customer feedback through all communication channels such as Emails, the Official Website, Calls, WhatsApp, and Viber platforms.

Joint Promotion with Toyota Lanka

Social and Relationship Capital

Community Assistance

GRI 413-1

We engage with the local community through various activities in fortifying our commitment to sustainable development and societal wellbeing. For this purpose, we implemented the Island-wide Dengue Awareness Hoarding campaign joining hands with the Health Ministry, which will draw the attention of the community throughout the year, towards eradicating one of the biggest health threats to the general public, children in particular.

Regulatory Compliance

GRI 2-27

Our relations with regulatory bodies are sustained through strict compliance with laws and regulations pertaining to the industry. At present, we comply with all the rules and regulations stipulated by CBSL for non-banking financial sector institutions.

GRI 2-28

Fintrex is an active member of the Finance House Association (FHA) and has fostered mutually beneficial relationships with our peers through collaboration.

Natural Capital

How we define Natural Capital

Fintrex's Natural Capital is represented by our environmental capital values that drive our commitment to preserve the environment.

Highlights of the Year

Digitalizing the workflows

26% energy saved

58% (1031 packs) A4 paper saved from system automation

5s Implementation

Key Takeaways for FY 2023/24

- Continues enhancement of our digital presence in reducing manual processes and achieving greater efficiency and resource optimization
- Continues energy conservation efforts
- Continues waste management efforts
- 5s Implementation to eliminate waste and maintain an efficient, safe, and clean work environment

Link to SDGs

Natural Capital

Process Automation for Resource Optimization

In our consistent effort to transform as a digital finance company, we continually drive process automation through upgrading our software and technologies to improve processes and functions towards attaining our organizational goals. Consequently, we have carried out further improvements to the Credit Management System (CMS) and Payment Management System (PMS) facilitating the financial transaction process. These measures including continuous monitoring of paper usage have enabled us to reduce the paper (A4) consumption within the Company, which were consumed in large quantities during the manual operations. With the digitising of workflows and use of CMS and PMS system, the physical transfer of documents between Head Office and the branches for approval and signatures has considerably reduced, resulting in less fuel consumption, pollution, eliminating the need for photocopies, physical storage of documents and the waste of valuable time of the staff members.

58% reduction in A4 Paper Consumption (1,031 Packs)

Energy Conservation

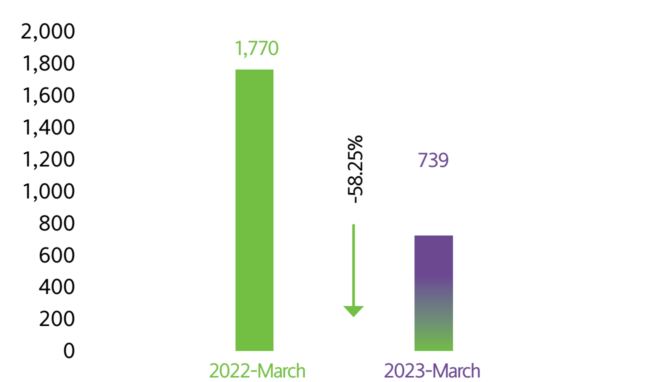
Our energy consumption is limited to electricity consumption at the head office and branch level. Over the past three years due to our focused efforts on minimizing electricity usage, we have been able to reduce our carbon footprint sustaining cost efficiency. As such we made an effort to control the A/C temperature, number of lights, and number of AC machines and instructed the employees to maintain all A/C temperatures at 25C° and switch off the lights of the Pylon and main name board as an energy-saving measure. Further, employees were also encouraged to work only from 8.30 am to 5.30 pm disconnecting power at 5.30 p.m. in each location.

"Green Team" to monitor energy consumption

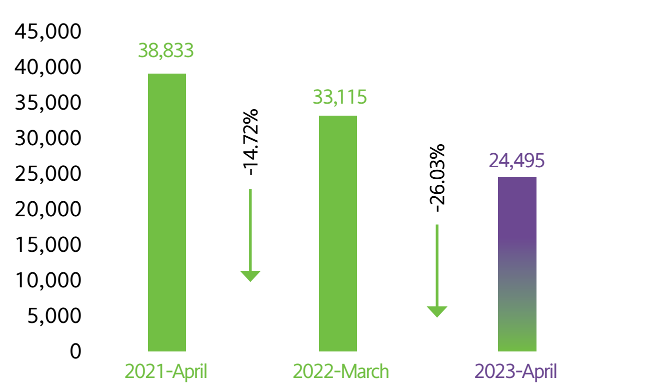
The power consumption at the workplace is monitored by the "Green Team" appointed where they would analyse the electricity usage thereby taking the initiative to implement measures to reduce the usage.

GRI 302-1, 302-4

A4 Paper Consumption (No. of A4 Packs)



Electricity Consumption (Units in Monthly Average)



Minimizing Waste

To minimize waste generation, we have encouraged all employees to use rough papers for internal purposes making it a mandatory practice. In addition, to encourage environmentally mindful attitudes among the workforce, we have consistently carried out trainings and awareness sessions on waste management.

Ecological awareness training

Water Conservation

We use water primarily for sanitary and drinking purposes and hence consider preservation a top priority. For this purpose, we consistently raise awareness among the employees on the same, encouraging them always to follow it in practice.

5s Implementation

We implemented the 5S system along with lean practices in creating a more organised and productive workplace. These efforts have enabled us to significantly improve Productivity, Quality, Cost Saving, Delivery, Safety and Morale (PQCDSM) within the organization.

In this process, as the first step, we made effort to identify and eliminate waste, redundant processes and inefficiencies that impact our natural capital. Following which, as the second step, we established a structured and efficient arrangement for resources and assets where we carried out initiatives to optimize the use of space, streamline workflows, and improve accessibility, that leads to reduced environmental impact and enhanced resource management. Herewith, our aim was to ensure that there is a place for everything and in the right quantity which in turn would eliminate the search time and all forms of waste.

As the third step, we focused on maintaining cleanliness and hygiene in natural capital-related areas implementing regular cleaning and maintenance practices, pollution prevention measures, and efforts to promote a healthy and sustainable environment within the organisation.

The next step involves standardizing procedures and protocols for managing resources. Hence, we implemented guidelines, policies, and best practices to ensure consistent and sustainable use of resources across different departments and locations. As a result, we were able to keep all the SOPs and work instructions in place.

Finally, we strengthened our commitment to sustain the benefits of 5S implementation. For this purpose, we carried out training and education programs, auditing, promotional activities, performance monitoring, and continuous improvement initiatives aimed at cultivating a positive atmosphere towards maintenance of discipline at all levels of staff across the board.

Customer: Mrs. Chithrangani Anoja Rathnayake
Entrepreneur
Event Management

Corporate Governance

Fintrex Approach to Corporate Governance

At Fintrex, our commitment to strong corporate governance begins with establishing a robust governance framework that supports good governance providing clear direction and control towards achieving business objectives. By emphasising the core principles of transparency and accountability through adherence to relevant laws and regulations, we have been able to foster a culture of integrity that guides management towards realising stakeholder interests and ensuring a competitive edge.
In our sustainable value creation, we adhere to the requirements of Finance Business Act Direction No. 05 of 2021 effective from 01st July 2022 and during the transitional period provisions contained in the Direction No 3 of 2008 on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL) and the Companies Act No. 7 of 2007.

GRI 2-9

Governance Procedure

The Corporate Governance Procedure of the organisation is carefully formulated to incorporate the relevant rules and principles on management, internal controls and delegation of responsibility amongst the hierarchy to ensure the business is conducted ethically and transparently.

GRI 2-12

Board Responsibility

The Board of Directors hold the premier responsibility for good governance and provides overall direction and leadership by developing the rules, structures, policies and procedures incorporating the principles of integrity, transparency, and accountability. By applying internal controls and monitoring mechanisms as well as resource optimisation, the Board secures value delivery to all stakeholders of the Company ensuring long-term growth.

The governance framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements, and international best practices.

This report provides details of the governance system in place within the Company during the period under review.

Board Composition

Fintrex Finance Limited Board consist of seven directors of whom four are independent non-executive directors as of 31.03.2023. The balance of power and authority of the Board is ensured by the role of the Chairman and Chief Executive Officer which are held separately by Mr. A. D. Gunewardene and Mr. Jayathilake Bandara, respectively. Directors' profiles, skills and experience are listed on Pages 35 to 36.

GRI 2-15

Each Board member has the responsibility to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon, such abstentions from the decision are duly recorded by the Company Secretary.

The Board has the overall responsibility of maintaining an adequate internal control system and risk management system while evaluating the effectiveness of the same. The Board Audit Committee has been assigned to monitor the effectiveness of internal controls while the Integrated Risk Management Committee regularly evaluates the Risk Management Framework of the Company.

GRI 2-10

Board Appointment

New Directors are appointed to the Board with the approval of the Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka.

The Board consist of highly qualified individuals that have a wealth of experience in the finance field and have played distinctive roles in various other organisations. They bring together a diverse set of competencies along with wide industry acumen sustaining the skill balance required by the Board for effective governance.

GRI 2-17

Collective Knowledge of the BOD

Fintrex Board comprise individuals who are supportive of sustainability philosophy and hence are committed to driving sustainable development through empowering people for economic prosperity. Besides, the Company's overall training and development agenda ensures that the Company's leadership advance the collective knowledge, skills, and experience on sustainable development. Therefore, there was no requirement to implement separate measures to advance the collective knowledge, skills, and experience of the BOD on sustainable development.

Corporate Governance

GRI 2-11

Role of the Chairman

The Chairman of the Board is responsible for leading the Board and overseeing the Company's overall direction and strategy including setting the Corporate Governance standards. The role of the Chairman and CEO are segregated where the Chairman heads the Board of Directors ensuring its effective functioning while the CEO drives day-to-day operations and performance aligned with the strategic plan.

GRI 2-18

Board Evaluation

The Directors are required to submit an annual self-evaluation indicating their views on the collective performance of the Board vis-a-vis the contribution towards developing and monitoring the implementation of strategies, ensuring robust and effective risk management, maintaining effective internal control mechanisms, and oversight of Board Sub Committees etc.

The Senior Director reviews these self-evaluations and presents a summary thereof to the Board and the findings are used constructively to discuss improvements to the Board and to ascertain if each individual Director remains qualified to ccontinue in the Board. The Chairman acts on the results of the evaluations, and if appropriate, proposes new Directors or seeks the resignation of Directors.

GRI 2-14

BOD Role in Sustainability Reporting

The Board of Directors reviews and approves the reported information while evaluating the adequacy of the organization's internal controls to strengthen the integrity and credibility of the organization's sustainability reporting.

GRI 2-16

Communication of Critical Concerns

The Board is made aware of the critical concerns and updated on the same through monthly Board Papers. There were no critical concerns that were communicated to the Board during the reporting period.

Board Meetings

The Board meets once a month unless otherwise required. Additional special meetings are held based on business necessity. The Chief Executive Officer presents the Company's Performance and the progress of implementing the business strategies. In addition, the Board also receives reports from Board Sub Committees from time to time. All the reports along with the notice are sent to the Directors prior to 7 days of the meeting. The Company Secretary has been appointed with the principal responsibility of ensuring that the Board procedures are followed and reviewed regularly. She ensures that all relevant information, details and documents are available to Directors for effective decision-making at the meeting.

The term of office, resignation, retirement, and re-election of Directors are based on the provision of Articles of Association of the Company, the Companies Act and Finance Business Act Directions (Corporate Governance) No 3 of 2008, No 4 of 2008 and No 6 of 2013 issued by the Central Bank of Sri Lanka requirements.

GRI 2-13

The Board is assisted by mandatory and voluntary Board sub-committees to carry out its responsibilities in alignment with the Company's business strategy and direction to deliver value to the stakeholders. These subcommittees are responsible for matters within their respective Charters/Terms of Reference and their recommendations are duly communicated to the Board.

Name of the Committee	Responsibility	
Board Audit Committee	Oversee internal controls and financial reporting	The report is available on pages 123 to 124
Board Integrated Risk Management Committee	Oversee the risk management mechanism	The report is available on page 122
Board Human Resource and Remuneration Committee	Oversee the remuneration structure	The report is available on page 125
Board Credit Committee	Managing the credit risk	The report is available on page 127
Board Nomination Committee	Selection and nomination of BOD and CEO	The report is available on page 126

In addition to the above, Board Sub Committees, the CEO and the Corporate Management review performance of the company through well-structured meetings. The key management forums are stated below.

Management Forum	Responsibility	Meeting Calendar
Overall Performance Review Meeting of Senior Leadership Team with CEO	Review and align the performances of all Business Units and Support functions	Monthly
Asset and Liability Management Committee - ALCO	Review liquidity, funding, interest rates and tenure management	Monthly
IT Steering Committee Review	IT-related project status, System performances, issues and investments	Monthly
Customer Service Steering Committee	Review of customer service initiatives, issue resolution and process development	Monthly
Executive Audit Committee	Review of Internal Audit reports and Investigation reports	Monthly

GRI 207-1

Approach to Tax

FFL complies with all the applicable tax laws and regulations in Sri Lanka by paying taxes timely and accurately. KPMG serves as the tax consultant for the Company, with the responsibility of regularly monitoring the accuracy of tax calculations and ensuring the precise execution of tax payments. FFL does not have specific tax strategy aimed at shielding income or minimizing tax payments. FFL's sustainable business practices are designed to accommodate tax obligations, and the Company strictly adheres to a policy that prohibits any involvement in tax evasion or avoidance.

Finance Leasing (Corporate Governance) Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011

	Section	Compliance Status	Remarks
1. Board's overall responsibilities			
1.1	The Board shall assume 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. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities	Complied with	
1.2	Business Strategy and Governance Framework		
	a. Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update annually in view of the developments in the business environment.	Complied with	The Board approved three year Strategic Plan 2022-2025 at its Board Meeting held on 17th November 2021 and oversee the implementation of the overall business strategy with measurable goals for next three years and update annually in view of the developments in the business environment.

Corporate Governance

	Section	Compliance Status	Remarks
	b. Approving and implementing FCs governance framework commensurate with the FCs size, complexity, business strategy and regulatory requirements.	Complied with	The Board approved Governance Framework is available and implements Governance Framework commensurate with the size, complexity, business strategy and regulatory requirements.
	c. Assessing the effectiveness of its governance framework periodically	Complied with	The Board assesses the effectiveness of its Governance Framework periodically.
	d. Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities	Complied with	The Board has appointed the Chairman and the Chief Executive Officer. The roles and responsibilities are defined accordingly.
1.3	**Corporate Culture and Values**		
	a. Ensuring that there is a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior.	Complied with	The Board ensures that there is a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior.
	b. Playing a lead role in establishing the FCs corporate culture and values, including developing a code of conduct and managing conflicts of interest.	Complied with	Code of Conduct and Board approved Policy on Managing Potential Conflicts with the Related Parties of the Board of Directors and Senior Management Is available.
	c. Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Complied with	The Board promotes sustainable finance through appropriate environmental, social and governance considerations in developing its business strategies.
	d. Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and creditors in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	Complied with	Board approved Corporate Communication Policy is uploaded in the Company Intranet Portal.
1.4	**Risk Appetite, Risk Management and Internal Controls**		
	a. Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework	Complied with	Board approved the Risk Appetite Statement (RAS) is available.
	b. Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Complied with	Risk mitigating systems and procedures are discussed at the IRMC Meetings.
	c. Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	Complied with	The Board Audit Committee reviews the adequacy and the integrity of the Company's internal control systems and management information systems frequently.

	Section	Compliance Status	Remarks
	d. Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Complied with	Board approved Business Continuity and Disaster Recovery Plan both are available.
1.5	**Board Commitment and Competency**		
	a. All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	Complied with	All members of the Board devote sufficient time on dealing with the matters relating to affairs of the Company.
	b. All members of the Board shall possess necessary qualifications, adequate skills, knowledge and experience.	Complied with	All members of the Board are highly qualified and possess adequate skills, knowledge and experience.
	c. The Board shall regularly review and agree the training and development needs of all the members.	Complied with	Board Members are highly qualified professionals and they too conduct training sessions to others.
	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.	Complied with	The self-assessments of directors are carried out annually and maintain records of such assessment.
	e. The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	Complied with	Board approved Procedure for Board of Directors to seek independent external advice is available.
1.6	**Oversight of Senior Management**		
	a. Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	Complied with	The Board approved Policy on Identifying Key Management Personnel is in effect.
	b. Defining the areas of authority and key responsibilities for the senior management.	Complied with	The Authority and responsibilities of Board of Directors have been agreed with. CEO and KMPs are responsible for day to day management of the Company.
	c. Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	Complied with	The Senior Management of the Company qualified and possess adequate skills, knowledge and experience.
	d. Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	Complied with	Affairs of the Company are reviewed by the Board at the monthly Board meetings.
	e. Ensuring the FC has an appropriate succession plan for senior management.	Complied with	Succession plan has been established.
	f. Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Complied with	The Board meets on monthly basis and reviews the policies, establish lines of communication and monitor progress towards corporate objectives.

Corporate Governance

	Section	Compliance Status	Remarks
1.7	**Adherence of the Existing Legal Framework**		
	a. Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	Complied with	The Company has not, to the best of their knowledge, engaged in any activity, which was detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.
	b. Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	Complied with	The Company has adhered with the applicable laws and regulations in conducting its business and not engaged in any activities contravening the relevant laws, regulations, directions and ethical standard.
	c. Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Complied with	Due care has been exercised to ensure duties are discharged diligently.
2. Governance Framework			
2.1	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board c) delegation of authority d) composition of the Board e) the Board's independence f) the nomination, election and appointment of directors and appointment of senior management g) the management of conflicts of interests h) access to information and obtaining independent advice i) capacity building of Board members j) the Board's performance evaluation k) role and responsibilities of the chairperson and the CEO l) role of the company secretary m) Board sub committees and their role; and n) limits on related party transactions	Complied with	The Board approved Governance Framework is in effect.
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 FC.	Complied with	All members of the Board are highly qualified and possess adequate skills, knowledge and experience.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	Complied with	The Board consists of 7 Directors.
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.	Complied with	No Director holds the position more than nine years.

	Section	Compliance Status	Remarks
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 more 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 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.	Complied with	The Company is fully owned by Bluestone 1 (Pvt) Ltd.
3.5	**Executive Directors**		
	a. Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	Not applicable	The Company had not appointed any Executive Directors.
	b. A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. 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 FC 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.		
	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 FC.		
	d. All Executive directors shall have a functional reporting line in the organization structure of the FC.		
	e. The executive directors are required to report to the Board through CEO.		
	f. Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.		

Corporate Governance

	Section	Compliance Status	Remarks
3.6	**Non-Executive Directors**		
	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.	Complied with	All the Non-Executive directors possess required academic and professional qualifications in diverse fields. The mix of different skills and expertise is the key to success in the business arena.
	b. A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	Complied with	Current CEO is not appointed as Director of the Company.
3.7	**Independent Directors**		
	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.	Complied with	The Board consists of seven Directors and four out of them are Independent and Non-Executive Directors.
	b. Independent directors appointed shall be highest caliber, with professional qualifications, proven track record and sufficient experience.	Complied with	All the Independent directors possess required academic and professional qualifications in diverse fields. The mix of different skills and expertise is the key to success in the business arena.
	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.	Complied with	
	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.	Complied with	
	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.	Complied with	
	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.	Complied with	
	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.	Complied with	
	vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.	Complied with	

	Section	Compliance Status	Remarks
	vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director.	Complied with	
	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.	Complied with	
	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.	Complied with	No such situation has been occurred during the year.
	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.	Complied with	No such situation has been occurred during the year.
3.8	**Alternate Directors**		
	a. Representation through an alternate director is allowed only;		Alternate Director is not appointed during the financial year 2022/23
	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	Not applicable	
	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.	Not applicable	
	b. The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	Not applicable	
	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.	Not applicable	
	d. An alternate director cannot be appointed to represent an executive director.	Not applicable	

Corporate Governance

	Section	Compliance Status	Remarks
	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.	Not applicable	
3.9	Cooling Off Periods		Director/CEO not appointed during the financial year 2022/23
	a. There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	Not applicable	
	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	Not applicable	
3.10	**Common Directorship**		
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Complied with	Director or a senior management of the Company not nominated, elected or appointed as a director of another Finance Company during the financial year 2022/23.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC 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 FC.	Complied with	No Director holds the office as a Director in more than 20 Companies. The detail profiles of the Directors with the position hold by themselves available in the Annual Report.
4. Assessment of Fitness and Propriety Criteria			
4.1	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied with	The approval has been granted for the continuation of Key Responsible Persons (KRPs) of the Company in terms of Section 3.2 of the Finance Business Act Direction No. 06 of 2021 on Assessment of Fitness and Propriety of KRPs via letter dated 08/08/2022.
4.2	A person over the age of 70 years shall not serve as a director of a FC.	Complied with	Mr. J R F Piers who attained the age of 71 years on 29th June 2022 continued in office as director with the approval received from Monetary Board communicated via letter dated 21st June 2022, from Director of the Department of Supervision of Non-Bank Financial Institutions.

	Section	Compliance Status	Remarks
4.3	Notwithstanding provisions contained in 4.2 above, 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 following,	Complied with	Mr. J R F Piers who attained the age of 71 years on 29th June 2022 continued in office as director with the approval received from Monetary Board communicated via letter dated 21st June 2022, from Director of the Department of Supervision of Non-Bank Financial Institutions.
	a. Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied with	Mr. J R F Pieris who attained the age of 71 years on 29th June 2022 continued in office as director with the approval received from Monetary Board communicated via letter dated 21st June 2021, from Director of the Department of Supervision of Non-Bank Financial Institutions.
	b. Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).		
	c. The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	Complied with	The Board consists of seven Directors and only one Director has exceeded 70 years of age during the year 2022/2023.
	d. The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	Complied with	Mr. J R F Pieris, director concerned had completed a minimum period of 3 continuous years in office, as at the date of the first approval.
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.	Complied with	The appointments, resignations or removals made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021 during the year 2022/23.
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.	Complied with	Board approved Terms of Reference for Chairman is in effect
6.2	The chairperson shall be an independent director, subject to 6.3 below.	Complied with	Since the Chairman is non-independent and non-executive director, an independent and non-executive director is designated as the Senior Director and disclosed in the Annual Report.

Corporate Governance

	Section	Compliance Status	Remarks
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.		
6.4	The responsibilities of the chairperson shall at least include the following:		
	a. Provide leadership to the Board.	Complied with	The Chairman provides overall leadership to the Board.
	b. Maintain and ensure a balance of power between executive and non-executive directors.	Complied with	All the Directors of the Company are Non-Executive Directors.
	c. Secure effective participation of both executive and non-executive directors	Complied with	All the Directors of the Company are Non-Executive Directors.
	d. Ensure the Board works effectively and discharges its responsibilities.	Complied with	Ensure that the board works effectively and discharges its responsibilities.
	e. Ensure all key issues are discussed by the Board in a timely manner.	Complied with	Ensure all the key issues are discussed by the board in a timely manner.
	f. Implement decisions/directions of the regulator.	Complied with	Implement decisions/directions/ circulars of the regulator.
	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.	Complied with	The Chairman has delegated the function of preparing the agenda to the company secretary with his supervision.
	h. Not engage in activities involving direct supervision of senior management or any other day to day operational activities.	Complied with	The Chairman does not engage in activities involving direct supervision of senior management or any other day to day operational activities.
	i. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with	The Chairman ensures appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
	j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	Complied with	The Chairman assess the Performance and the contribution during the past 12 months of the Board and the CEO and same is submitted to Director of the Department of Supervision of Non-Bank Financial Institutions.

	Section	Compliance Status	Remarks
6.5	**Responsibilities of the CEO**		
	The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include: a) Implementing business and risk strategies in order to achieve the FC's strategic objectives. b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions. c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e) Strengthening the regulatory and supervisory compliance framework. f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. 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.	Complied with	The CEO functions as executive-in-charge of the Company. CEO is responsible for day to day management of the Company.
7. Meetings of the Board			
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied with	During the financial year 2022/23, the Board met twelve times.
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.	Complied with	All directors are provided with the equal opportunity to include matters and proposals relating to the promotion of business and the management of risks of the company in the agenda for regular Board meetings.
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.	Complied with	The dates of the monthly board meetings are agreed upon at the beginning of the year. In addition, Notice is sent along with the Board papers seven days prior to the meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied with	All directors devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.

Corporate Governance

	Section	Compliance Status	Remarks
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.	Complied with	No such situation has arisen during the year 2022/23.
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year	Complied with	All the Directors are non-executive.
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.	Complied with	The management of conflicts of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he has actual or potential conflict of interest due to a personal relationship or an external association. Therefore, the Director who has an interest in the contract will refrain from voting and it will be duly recorded by the Secretary in the minutes.
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.	Complied with	No such situation has been occurred during the year.
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.	Complied with	During the year all the Board Meeting were held through electronic means due to the prevailing country situation.
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.	Complied with	The Board has appointed PW Corporate Secretaries Ltd as the Company Secretary.
	b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.		A transitional period until 01.07.2024 will be granted to appoint company secretary an employee of the Company.

	Section	Compliance Status	Remarks
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	Complied with	All Directors have access to Company Secretary to obtain required advice and services in relation to Company affairs.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied with	The Chairman has delegated to the Company Secretary the function of preparing the agenda for the Board meetings.
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied with	The Company Secretary maintain the minutes of Board meetings.
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.	Complied with	The Company Secretary maintain the minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.
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 following: a) a summary of data and information used by the Board in its deliberations; b) the matters considered by the Board; c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and f) the decisions and Board resolutions.	Complied with	Minutes of Board Meetings are recorded in sufficient detail as specified in the direction.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with	The minutes of Board are open for inspection at any reasonable time, on reasonable notice by any Director
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.	Complied with	The Board approved Delegation of Authority (DA) is available highlighting the directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.

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	Section	Compliance Status	Remarks
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Complied with	Board had appointed the sub-committees mentioned in Direction 10 except Related Party Transactions Review Committee and ensure the functions stipulated under such committee is presently being carried out by the Board itself.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied with	The Board had established appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with	The Board delegates the powers vested with the Board to any Board Sub Committee, Chief Executive Officer or any person who deems fit to carry out such duty, only if it is appropriate and permissible to do so.
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.	Complied with	The Board evaluate the delegations and its authority limits regularly to ensure that such delegations would not hinder the ability of the Board to discharge its functions
10. Board Sub Committees			
Finance Companies (Corporate Governance) Direction 3 of 2008 **8. Board appointed Committees**			
(1)	Every relevant establishment shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	Complied with	The Board had appointed Board sub-committees namely, Board Audit Committee, Integrated Risk Management Committee, Remuneration Committee, Nomination Committee and Board Credit Committee and they report directly to the Board. The Chairman and a Secretary for each Committee being appointed. The Report from each Committee available in the Annual Report.
(2) Audit Committee			
The following shall apply in relation to the Audit Committee:			
	a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied with	The Chairman of the Audit Committee is Mr. Shrihan B Perera - an Independent Non- Executive Director. He is fellow member of the Chartered Institute of Management Accountants (UK).
	b) The Board members appointed to the committee shall be non-executive directors.	Complied with	All three members in the Committee are non-executive directors.

	Section	Compliance Status	Remarks
	c) The committee shall make recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; (iv) the service period, audit fee and any resignation or dismissal of the External auditor, provided that the 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 terms.	Complied with	The Audit Committee has recommended; (i) M/s KPMG as the external auditors of the Company (ii) Implementation of CBSL guidelines issued to auditors from time to time (iii) Application of Sri Lanka Financial Reporting Standards to the financial reporting (iv) Recommend the audit fees of the external auditors
	d) 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.	Complied with	The Committee has obtained the declaration from KPMG confirming their independence in carrying out the external audit function of the Company for 2022/23.
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider, (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor;	Complied with	The Committee has developed and implemented a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Corporate Governance

	Section	Compliance Status	Remarks
	f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the relevant establishment'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.	Complied with	The Audit committee met the external auditors prior to the commencement of the audit to discuss the audit plan, nature and the scope of the audit. Accordingly, the committee met KPMG two times during the year to discuss the audit related matters.
	g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment'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.	Complied with	The Committee periodically reviews the financial information, in order to monitor the integrity of the financial statements. The Committee reviews the annual report of the Company and interim financial statements.
	h) The committee 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 key management personnel, if necessary.	Complied with	During the financial year the Committee met twice the external auditors without the Key Management Personnel of the Company.
	i) The committee shall review the external auditor's management letter and the management's response thereto.	Complied with	During the year the Committee reviewed the external auditor's management letter and the management's response thereto for financial year 2022/23

	Section	Compliance Status	Remarks
	j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied with	The Committee reviews the adequacy of the scope, functions and resources of the internal audit department. The internal audit plan for 2022/23 was reviewed and approved by the Committee. The Committee assesses the performance of the Chief Internal Auditor. The Committee ensures the internal audit function is carried out independently and impartiality with proficiency and due professional care.
	k) The committee shall consider the major findings of internal investigations and management's responses thereto;	Complied with	The Committee reviews the major findings of the internal audit and management's responses thereto.
	l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Complied with	The Committee met the external auditors without the presence of management twice during the financial year. All the Directors are non-executive directors. .
	m) The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with	The Audit Committee Charter provided explicit authority to investigate into any matter within its terms of references. A report of the details Audit Committee will be available in the Annual Report.

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	Section	Compliance Status	Remarks
	n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with	The Committee meets regularly; adequate notice is given with the issues to be discussed. The Secretary records its conclusions in discharging its duties and responsibilities.
	o) The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	Complied with	A report of the details Audit Committee will be available in the Annual Report.
	p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied with	The Company Secretary acts as the Secretary to the Committee and records and keeps detailed minutes of the Committee meetings.
	q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment's relations with the external auditors.	Complied with	In addition to a Board approved Whistleblowing Policy proper arrangements are in place for the fair and independent investigations into possible improprieties in financial reporting, internal control or other matters.
(3)	**Integrated Risk Management Committee (IRMC)**		
The following shall apply in relation to the Integrated Risk Management Committee:			
	a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied with	The committee consists of four non-executive directors. CEO, CFO and Risk and Compliance Officer, Heads of the department who supervise the broad risk categories of credit, market, liquidity, operational and strategic risks, and Internal Audit will attend the meeting by invitation. The detail IRMC report to be available in the Annual Report.
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.	Complied with	The IRMC assess the management information along with the risk indicators on credit, market, liquidity, operational and strategic risk of the Company presented via Risk Report, Key Risk Indicators and other Reports at its monthly meetings.

	Section	Compliance Status	Remarks
	c) The committee shall review 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 as specified by the committee.	Complied with	The IRMC reviews the adequacy and effectiveness of Asset-Liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
	d) The committee shall 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 relevant establishment's policies and regulatory and supervisory requirements.	Complied with	The Committee reviews respective Risk indicators against the risk tolerance levels. During the year there were no such situation occurred.
	e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with	The Committee met monthly during the financial year 2022/23.
	f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied with	During the year there were no such situation occurred.
	g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with	The Committee minutes along with the Risk Report were submitted to the Board within a week of the meeting.
	h) The committee shall establish a compliance function to assess the relevant establishment's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied with	The Committee has established a compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Compliance Officer reports to the Committee and also to the Board on a monthly basis.
9. Related party transactions			
(1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 2 of 2009 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 3 of 2009 or such other directions that shall repeal and replace the said directions from time to time.		

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	Section	Compliance Status	Remarks
(2)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: a) A subsidiary of the relevant establishment; b) Any associate company of the relevant establishment; c) A director of the relevant establishment; d) A key management personnel of the relevant establishment; e) A relative of a director or a key management personnel of the relevant establishment ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment; g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.	Complied with	The Company has recognized the related parties as per the guidelines stipulated in the Direction and action is taken to avoid any conflicts of Interest that may arise from any transaction of the company with such parties. Board approved Related Party Policy is available.
(3)	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the relevant establishment in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the relevant establishment or obtaining those services of the relevant establishment d) Creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with	The transactions are identified in the Related Party Policy as stated in the Direction.

	Section	Compliance Status	Remarks
(4)	The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, "more favourable treatment" shall mean: a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the relevant establishment's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment's share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the relevant establishment's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied with	The Board ensures that the Company does not engage in 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 Company. The Company has not granted any accommodations to the related parties
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.	Complied with	Succession plans, code of conduct and business ethics, competency, policy frameworks, segregation of duties and internal controls are in operation.
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	Complied with	Adequate internal controls, systems and procedures are in place.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied with	Employees are issued with Job Description.

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	Section	Compliance Status	Remarks
12	**Related Party Transactions**		**Transitional provisions prevailing until 01.07.2024**
13	**Group Governance**	Not applicable	The Company is fully owned by Bluestone One (Pvt) Ltd.
13.1	Responsibilities of the FC as a Holding Company		
13.2	Responsibilities as a Subsidiary		
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.	Complied with	Code of Conduct is available.
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.	Complied with	Records of breaches of code of conduct are maintained.
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 confidential manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with	Board approved whistle blowing policy is available and uploaded in the Company intranet portal
15. Conflicts 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 or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting	Complied with	The management of conflicts of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he has actual or potential conflict of interest due to a personal relationship or an external association. Therefore, the Director who has an interest in the contract will refrain from voting and it will be duly recorded by the Secretary in the minutes.
	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,	Complied with	Policy on Managing Potential Conflicts with the Related Parties of the Board of Directors and Senior Management is in effect.

	Section	Compliance Status	Remarks
	i. Identify circumstances which constitute or may give rise to conflicts of interests.		
	ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.		
	iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.		
	iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.		
	v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and		
	vi. Articulate how any non-compliance with the policy to be addressed.		
16. Disclosures			
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.	Complied with	The Company published the audited financial statements for the financial year 2022/23 on 29th June 2023, in Sinhala, Tamil and English newspapers. The Financial statements as at 30th September 2022 were published on 28th November 2022 in Sinhala, Tamil and English newspapers.
	The Board shall ensure that at least following disclosures are made in the Annual Report of the FC. i. Financial Statements ii. Chairperson, CEO, and Board related disclosures iii. Appraisals of Board Performance iv. Remuneration v. Related Party Transactions vi. Board appointed Committees vii. Director's Report viii. Statement on Internal Control ix. Corporate Governance Report x. Code of Conduct xi. Management Report xii. Communication with shareholders	Complied with	Disclosed in the Annual Report

Risk Management

Risk Landscape in 2022/23

The risk landscape during the financial year continues to deepen driven by the economic crisis and the political unrest prevailing at the time. The economy contracted with all sector performance showing a downturn. The accelerating forex crisis, the rupee value rapidly depreciating against the US dollar, scarcity of raw material and essential commodities, high inflation and the high-interest rate environment all impacted the Company operations. As a financial service Company, the interest rate fluctuations significantly impacted the business activities where the customers were unable to meet their financial obligations which in turn had direct implications for the Company's risk profile.

Nevertheless, having maintained a strong capital and liquidity position during the year as well as a prudent approach to risk management, Fintrex remained well positioned to endure the external vulnerabilities while providing support to the customers to emerge out of their financial difficulties.

Approach to Risk Management

Fintrex has adopted an integrated approach to risk management based on policy frameworks and governance structures approved by the Board of Directors, along with tools and techniques to identify, measure, mitigate and manage all risk exposures. Therefore, the risk management process of Fintrex includes risk identification, risk analysis, risk control and risk review. Each employee is empowered to identify the risk that they encounter in their day-to-day activities. A communication channel has been established to communicate it to the respective Heads of Departments and then to the Risk Management Committee.

The Risk Management Committee analyses the risk and then designs and establishes the control in place to mitigate the vulnerability. The Internal Auditors review the adequacy and effectiveness of the internal control system and report to the Board through the Board Audit Committee.

Risk Governance Structure

The Board of Directors has the ultimate responsibility for managing risks and formulating policy setting of the risk parameters. The Board has delegated the responsibility of risk management to the Board Integrated Risk Management Committee (BIRMC). The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk parameters and controls to monitor risks and adherence to limits.

The BIRMC has the overall responsibility for the establishment and oversight of the Company’s risk management framework. The Committee works very closely with the key management personnel and the Board of Directors in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management. In addition, the Board Audit Committee, the Assets and Liabilities Management Committee (ALCO) and Board Credit Committee also assist BIRMC and the Board in discharging their responsibilities in relation to risk management. The Committee meets on a monthly basis to assess all types of risk management aspects. During the year under review, eleven (11) monthly meetings and two (2) special meetings were held, and the minutes were circulated to the Board of Directors.

Risk Management Framework (3 lines of defence)

Fintrex uses the industry-standard **three lines of defence model** to articulate accountabilities and responsibilities for managing risk. This supports the embedding of effective risk management throughout the organization.

Three lines of defence

First line of defence	Second line of defence	Third line of defence
The first line of defence incorporates most roles in Fintrex, including those in the customer-facing franchises, Technology and Services as well as support functions such as Human Resources, Legal and Finance. The first line of defence is empowered to take risks within the constraints of the risk management framework and policies as well as the risk appetite statements set by Fintrex and measures set by the Board. The first line of defence is responsible for managing its direct risks. With the support of specialist functions such as Legal, Human Resources and Technology, it is also responsible for managing its consequential risks by identifying, assessing, mitigating, monitoring and reporting risks.	The second line of defence comprises the risk function and is independent of the first line. The second line of defence is empowered to design and maintain the risk management framework and its components. It undertakes proactive risk oversight and continuous monitoring activities to confirm that Fintrex engages in permissible and sustainable risk-taking activities. The second line of defence advises on, monitors, challenges, approves, escalates and reports on the risk-taking activities of the first line, ensuring that these are within the constraints of the risk management framework and policies as well as the risk appetite statements set by Fintrex and measures set by the Board.	The third line of defence is the Internal Audit function and is independent of the first and second lines. The third line of defence is responsible for providing independent and objective assurance to the Board, its subsidiary legal entity boards and executive management on the adequacy and effectiveness of key internal controls, governance and risk management in place to monitor, manage and mitigate the key risks to achieving their objectives. The third line of defence executes its duties freely and objectively in accordance with the Institute of Chartered Accountants Code of Ethics and International Standards.

Risk Appetite

Risk appetite defines the type and aggregate level of risk Fintrex is willing to accept in pursuit of its strategic objectives and business plans. Risk appetite supports sound risk-taking, the promotion of robust risk practices and risk behaviours, and is calibrated as and when required.

For certain principal risks, risk capacity defines the maximum level of risk that Fintrex can assume before breaching constraints determined by regulatory capital and liquidity requirements, the operational environment, and from a conduct perspective. Establishing risk capacity helps determine where risk appetite should be set, ensuring there is a buffer between internal risk appetite and Fintrex's ultimate capacity to absorb losses.

Identification and Measurement

Identification and measurement within the risk management process comprise:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Monitoring of the risks associated with lending and credit exposures.
- Assessment of trading and nontrading portfolios.
- Review of potential risks in new business activities and processes.
- Analysis of potential risk in any complex and unusual business transactions.

The financial and non-financial risks that are faced by Fintrex are detailed in its Risk Indicators. This provides a common risk language to ensure consistent terminology is used across Fintrex. The risk Indicators are subject to review as required to ensure that it continues to fully reflect the risks that are faced by Fintrex.

Mitigation

Mitigation is a critical aspect of ensuring that the risk profile remains within the risk appetite of the company. Risk mitigation strategies are discussed and agreed upon within Fintrex.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification and effective management of changes in legislation and regulation are critical to successful mitigation.

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Confirmed Incidents of Corruption and Actions Taken

There were no confirmed incidents of corruption reported during the year under review. However, Fintrex focus on corruption as a risk factor in its overall risk assessment.

Testing and Monitoring

This activity is carried out to confirm to both internal and external stakeholders – including the Board, Senior Management and Internal Audit - that such processes and controls are being correctly implemented and operated adequately and effectively. A consistent testing and monitoring methodology is in place across Fintrex.

Testing and monitoring activity focuses on processes and controls relating to credit risk, financial crime risk, operational resilience, and compliance and conducts risk. However, a range of controls and processes relating to other risk types are also subject to testing and monitoring activity as deemed appropriate within the context of a robust control environment.

Stress Testing

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of Fintrex's approach to capital management. It is used to quantify and evaluate the potential impact of specified changes to risk factors on the financial strength of Fintrex, including its capital position.

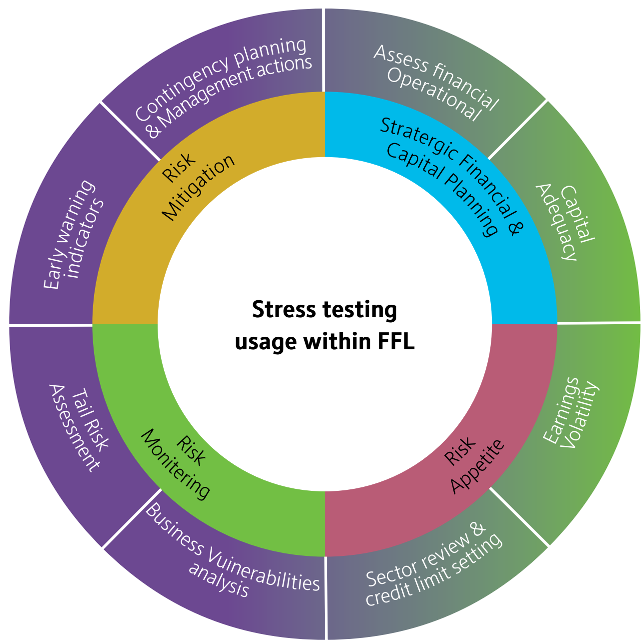
Stress testing includes;

- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

The process for stress testing consists of four broad stages:

Define scenarios	Identify macro and Fintrex specific vulnerabilities and risks.
	Define and calibrate scenarios to examine risks and vulnerabilities.
	Formal governance process to agree scenarios.
Assess impact	Translate scenarios into risk drivers.
	Assess impact to current and projected P&L and balance sheet across Fintrex
Calculate results and assess implications	Aggregate impacts into overall results.
	Results form part of the risk management process
	Scenario results are used to inform Fintrex's business and capital plans.
Develop and agree management actions	Scenario results are analyzed by subject matter experts. Appropriate management actions are then developed.
	Scenario results and management actions are reviewed by the relevant Management Committees and Board Risk Committees and agreed by the relevant Boards.

Stress testing is used widely across Fintrex. The diagram below summarizes key areas of focus.



Specific areas that involve capital management include:

- **Strategic financial and capital planning** – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- **Risk appetite** – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.
- **Risk monitoring** – by monitoring the risks and horizon scanning events that could potentially affect Fintrex's financial strength and capital position.
- **Risk mitigation** – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment.

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis including as part of the annual budgeting process by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as SLFRS 9). They incorporate economic variables and key assumptions on balance sheet and P&L drivers, such as impairments, to demonstrate that Fintrex maintain sufficient capital. A range of future states are tested. In particular, the capital requirements are assessed:

- Based on a forecast of future business performance under adverse economic and market conditions over the forecast period. Scenarios of different severity may be examined.
- The examination of capital requirements under both normal and adverse economic and market conditions enables Fintrex to determine whether its projected business performance meets internal plans and regulatory capital requirements.

The potential impact of normal and adverse economic and market conditions on capital requirements is assessed through stress testing, the results of which are used across Fintrex.

Stress and peak-to-trough movements are used to help assess the amount of capital Fintrex needs to hold in stress conditions in accordance with the capital risk appetite framework.

Capital Allocation

Fintrex has mechanisms to allocate capital across its legal entities and businesses. These aim to optimize the use of capital resources taking into account applicable regulatory requirements, strategic and business objectives and risk appetite. The framework for allocating capital is approved by the Asset & Liability Management Committee.

Governance

Capital management is subject to substantial review and governance. The Board approves the capital plans, including those for key legal entities and businesses as well as the results of the stress tests relating to those capital plans.

Stress Testing – Liquidity

Liquidity risk monitoring and contingency planning

A suite of tools is used to monitor, limit and stress test the risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity risks are reviewed at significant legal entity and business levels daily, with performance reported to the Asset & Liability Management Committee on a regular basis. Liquidity Condition Indicators are monitored daily. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, Fintrex maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

Type	Description
Idiosyncratic scenario	The market perceives Fintrex to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
Market-wide scenario	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. Fintrex is affected under this scenario but no more severely than any other participants with equivalent exposure.
Combined Scenario	This scenario models the combined impact of an idiosyncratic and market stress occurring at once, severely affecting funding markets and the liquidity of some assets.

Fintrex uses the most severe outcome to set the internal stress testing scenario which underpins its internal liquidity risk appetite. This complements the regulatory liquidity coverage ratio requirement.

Stress Testing – Recovery

Fintrex recovery plan explains how Fintrex would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimize the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities, and escalation routes to minimize uncertainty or delay.
- Developing a recovery playbook to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

Risk Management

The plan is intended to enable Fintrex to maintain critical services and products it provides to its customers, maintain its core business lines and operate within risk appetite while restoring Fintrex's financial condition. It is assessed for appropriateness on an ongoing basis and is updated annually.

1. Credit Risk

Credit risk is the risk that customers and counterparties face when failing to meet their contractual obligation to settle outstanding amounts.

The principal sources of credit risk are lending and related financial guarantees and undrawn commitments. Through its payment's activities, Fintrex is also exposed to settlement risk.

Governance

The Credit Risk function provides oversight and challenge of frontline credit risk management activities. Governance activities include:

- Defining credit risk appetite measures for the management of concentration risk and credit policy to establish the key causes of risk in the process of providing credit and the controls that must be in place to mitigate them.
- Approving and monitoring operational limits for business segments and credit limits for customers.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that controls are being operated adequately and effectively.
- Assessing the adequacy of expected credit loss (ECL) provisions including approving the key SLFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds).
- Development and approval of credit grading models.

Risk appetite

Credit risk appetite aligns to the strategic risk appetite set by the Board and is set and monitored through risk appetite frameworks tailored to the Fintrex's Personal and Corporate segments.

Personal

The personal credit risk appetite framework sets limits that control the quality and concentration of both existing and new business for each relevant business segment. These risk appetite measures consider the segments' ability to grow sustainably, and the level of losses expected under stress. Credit risk is further controlled through operational limits specific to customer or product characteristics.

Corporate

For Corporate credit, the framework has been designed to reflect factors that influence the ability to operate within risk appetite. Tools such as stress testing and economic capital are used to measure credit risk volatility and develop links between the framework and risk appetite limits. Four formal frameworks are used, classifying, measuring, and monitoring credit risk exposure across single name, sector and country concentrations and product and asset classes with heightened risk characteristics. The framework is supported by a suite of transactional acceptance standards that set out the risk parameters within which businesses should operate. Credit policy standards are in place for both the Corporate and Personal portfolios. They are expressed as a set of mandatory controls.

Credit stewardship

Risks are identified through relationship management and credit stewardship of customers and portfolios. Credit risk stewardship takes place throughout the customer relationship, beginning with the initial approval. It includes the application of credit assessment standards, credit risk mitigation and collateral, ensuring that credit documentation is complete and appropriate, carrying out regular portfolio or customer reviews and problem debt identification and management.

Asset quality

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults. Performing loans are defined as stage 1-2 (where the probability of default (PD) is less than 100%) and defaulted non-performing loans as Stage 3 under SLFRS 9 (where the PD is 100%). Loans are defined as defaulted when the payment status becomes 120 days past due, or earlier if there is clear evidence that the borrower is unlikely to repay, for example bankruptcy or insolvency.

Mitigation

Mitigation techniques, as set out in the appropriate credit policies and transactional acceptance standards, are used in the management of credit portfolios across Fintrex. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset. Property is used to mitigate credit risk across a number of portfolios.

Assessment and monitoring

Practices for credit stewardship including credit assessment, approval and monitoring as well as the identification and management of problem debts differ between the Personal and Corporate portfolios.

Personal

Personal customers are served through a lending approach that entails offering a large number of small-value loans. To ensure that these lending decisions are made consistently, Fintrex analyses internal credit information as well as external data supplied by credit reference agencies (including historical debt servicing behaviour of customers with respect to both Fintrex and other lenders). Fintrex then sets its lending rules accordingly, developing different rules for different products.

The process is then largely automated, with each customer receiving an individual credit score that reflects both internal and external behaviours and this score is compared with the lending rules set. For relatively high-value, complex personal loans, including some residential mortgage lending, specialist credit managers make the final lending decisions. These decisions are made within specified delegated authority limits that are issued dependent on the experience of the individual.

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain adequate in the current market environment and are not weakened materially to sustain growth.

The actual performance of each portfolio is tracked relative to operational limits. The limits apply to a range of credit risk related measures including projected credit default rates across products and the loan-to-value (LTV) ratio of the mortgage portfolios. Where operational limits identify areas of concern, management action is taken to adjust credit or business strategy.

Corporate

Corporate customers are corporates which are grouped by industry sectors and geography as well as by product/asset class and are managed on an individual basis. Customers are aggregated as a single risk when sufficiently interconnected. A credit assessment is carried out before credit facilities are made available to customers. The assessment process is dependent on the complexity of the transaction. Credit approvals are subject to environmental, social and governance risk policies which restrict exposure to certain highly carbon intensive industries as well as those with potentially heightened reputational impacts. Customer specific climate risk commentary is now mandatory.

For lower risk transactions below specific thresholds, credit decisions can be approved through self-sanctioning within the business. This process is facilitated through an auto-decision making system, which utilises scorecards, strategies and policy rules. Such credit decisions must be within the approval authority of the relevant business approver.

For all other transactions, credit is only granted to customers following joint approval by Board Credit Committee and the Board with the recommendations from Internal Credit Committee. The joint business and credit approvers act within a delegated approval authority under the Credit Policy. Business and credit approvers are accountable for the quality of each decision taken, although the credit risk approver holds ultimate sanctioning authority. Transactional acceptance standards provide detailed transactional lending and risk acceptance metrics and structuring guidance. As such, these standards provide a mechanism to manage risk appetite at the customer/transaction level and are supplementary to the established credit risk appetite. Credit grades and loss given default (LGD) are reviewed and if appropriate reapproved annually. The review process assesses borrower performance, including reconfirmation or adjustment of risk parameter estimates; the adequacy of security; compliance with terms and conditions; and refinancing risk.

Problem Debt Management

1. Personal

Early Warning Signal mechanism

Pre-emptive triggers are in place to help identify customers that may be at risk of being in financial difficulty. These triggers are both internal, using Fintrex's data, and external using information from credit reference agencies. Proactive contact is then made with the customer to establish if they require help with managing their finances. By adopting this approach, the aim is to prevent a customer's financial position deteriorating which may then require intervention from the Recoveries teams. Personal customers experiencing financial difficulty are managed by the Recoveries team. If the Recoveries team is unable to provide appropriate support after discussing suitable options with the customer, management of that customer moves to the Legal Team. If at any point in the collections and recoveries process, the customer is identified as being potentially vulnerable, the customer will be separated from the regular process and supported by a specialist team to ensure the customer receives appropriate support for their circumstances.

Collections

When a customer exceeds an agreed limit or misses a regular monthly payment, the customer is contacted by Fintrex and requested to remedy the position. If the situation is not regularized thereafter, where appropriate, the Recoveries team will become more involved, and the customer will be supported by skilled debt management staff who endeavour to provide customers with tailored solutions. Solutions include short-term account restructuring, refinance loans and forbearance which can include interest suspension and 'breathing space'. In the event that an affordable/sustainable agreement with a customer cannot be reached, the debt will transition to the Recoveries team. For provisioning purposes, under SLFRS 9, exposure to customers managed by the Recoveries team is categorized as Stage 2 and subject to a lifetime loss assessment, unless it is 120 days past due or has an interest non-accrual status, in which case categorized as Stage 3.

Recoveries

The Recoveries team will issue a notice of intention to the default customer and, if appropriate, a formal demand, while also registering the account with credit reference agencies where

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appropriate. Following this, the customer's debt may then be placed with a third-party debt collection agency, or alternatively a solicitor, in order to agree an affordable repayment plan with the customer. An option that may also be considered, is the sale of unsecured debt. Exposures subject to formal debt recovery are defaulted and, under SLFRS 9, categorized as Stage 3.

2. Corporate

Early problem identification

Each segment and sector have defined early warning indicators to identify customers experiencing financial difficulty, and to increase monitoring if needed. Early warning indicators may be internal, such as a customer's bank account activity, or external, such as a publicly listed customer's share price. If early warning indicators show a customer is experiencing potential or actual difficulty, or if relationship managers or credit officers identify other signs of financial difficulty, they may decide to classify the customer within the Risk of Credit Loss framework.

Risk of Credit Loss framework

The framework focuses on Corporate customers whose credit profiles have deteriorated materially since origination. Expert judgment is applied by experienced credit risk officers to classify cases into categories that reflect progressively deteriorating credit risk to Fintrex. There are two classifications in the framework that apply to non-defaulted customers; Heightened Monitoring and Risk of Credit Loss. For the purposes of provisioning, all exposures subject to the framework are categorized as Stage 2 and subject to a lifetime loss assessment. The framework also applies to those customers that have met Fintrex's default criteria. Defaulted exposures are categorized as Stage 3 impaired for provisioning purposes.

Heightened Monitoring customers are performing customers that have met certain characteristics, which have led to significant credit deterioration. Collectively, characteristics reflect circumstances that may affect the customer's ability to meet repayment obligations. Characteristics include trading issues, covenant breaches, material PD downgrades and past due facilities.

Heightened Monitoring customers require pre-emptive actions (outside the customer's normal trading patterns) to return or maintain their facilities within Fintrex 's current risk appetite prior to maturity.

Risk of Credit Loss customers are performing customers that have met the criteria for Heightened Monitoring and also pose a risk of credit loss to Fintrex in the next 12 months if mitigating actions are not taken or not successful.

Once classified as either Heightened Monitoring or Risk of Credit Loss, a number of mandatory actions are taken in accordance with policies. Actions include a review of the customer's credit grade, facility and security documentation and the valuation of security. Depending on the severity of the financial difficulty and the size of the exposure, the customer relationship strategy is reassessed by credit officers, by specialist credit risk or relationship management units in the relevant business or by Restructuring. Agreed customer management strategies are regularly monitored by both the business and credit teams. The largest Risk of Credit Loss exposures are regularly reviewed by the BIRMC. BIRMC reviews and challenges the strategies undertaken for customers that pose the largest risk of credit loss to Fintrex.

Appropriate corrective action is taken when circumstances emerge that may affect the customer's ability to service its debt (refer to Heightened Monitoring characteristics). Corrective actions may include granting a customer various type of concessions. Any decision to approve a concession will be a function of specific appetite, the credit quality of the customer, the market environment and the loan structure and security. All customers granted forbearance are classified Heightened Monitoring as a minimum.

Other potential outcomes of the relationship review are to; remove the customer from the Risk of Credit Loss framework, offer additional lending and continue monitoring, transfer the relationship to Restructuring if appropriate, or exit the relationship.

The Risk of Credit Loss framework does not apply to problem debt management for business banking customers. These customers are, where necessary, managed by specialist in Credit Management, depending on the size of exposure or by the business banking recoveries team where a loan has been impaired.

Restructuring

Restructuring is carried out for corporate customers in financial difficulty to help them understand their options and how their restructuring or repayment strategies can be delivered. Helping the customer return to financial health and restoring a normal banking relationship is always the preferred outcome, however, where a solvent outcome is not possible, insolvency may be considered as a last resort.

Restructuring will always aim to recover capital fairly and efficiently. Throughout Restructuring's involvement, the mainstream relationship manager will remain an integral part of the customer relationship. Restructuring work helps Fintrex to remain safe and sustainable, contributing to its ability to champion potential.

Forbearance

Forbearance takes place when a concession is made on the contractual terms of a loan/debt in response to a customer's financial difficulties.

The aim of forbearance is to support and restore the customer to financial health while minimizing risk. To ensure that forbearance is appropriate for the needs of the customer, minimum standards are applied when assessing, recording, monitoring and reporting forbearance.

A credit exposure may be forborne more than once, generally where a temporary concession has been granted and circumstances warrant another temporary or permanent revision of the loan's terms.

Impairment, provisioning, and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality. Fintrex 's SLFRS 9 provisioning models, which use existing Basel model as the benchmark, incorporate term structures and forward-looking information. Regulatory conservatism within the Basel models has been removed as appropriate to comply with the SLFRS 9 requirement for unbiased ECL estimates. Five key areas may materially influence the measurement of credit impairment under SLFRS 9 – two of these relate to model build and three relate to model application:

Model build:

- The determination of economic indicators that have most influence on credit loss for each portfolio and the severity of impact (this leverages existing stress testing models which are reviewed annually).
- The build of term structures to extend the determination of the risk of loss beyond 12 months that will influence the impact of lifetime loss for exposures in Stage 2.

Model application

- The assessment of the SICR and the formation of a framework capable of consistent application.
- The determination of asset lifetimes that reflect behavioural characteristics while also representing management actions and processes (using historical data and experience).
- The choice of forward-looking economic scenarios and their respective probability weights.

SLFRS 9 ECL model design principles

Modelling of ECL for SLFRS 9 follows the conventional approach to divide the estimation of credit losses into its component parts of PD, LGD and EAD.

To meet SLFRS 9 requirements, the following aspect

- Unbiased – material regulatory conservatism has been removed from SLFRS 9 parameters to produce unbiased estimates.
- Point-in-time – SLFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.
- Forward-looking – SLFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward looking economic conditions.
- Lifetime measurement – SLFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon. SLFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the PD over the remaining lifetime at the reporting date) and the equivalent lifetime PD as determined at the date of initial recognition. For assets originated before SLFRS 9 was introduced, comparable lifetime origination PDs did not exist. These have been retrospectively created using the relevant model inputs applicable at initial recognition.

Governance and Post Model Adjustment

The SLFRS 9 PD, EAD and LGD models are subject to Fintrex's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to formal approval through provisioning governance, and were categorised as follows (business level commentary is provided below):

- **Deferred model calibrations** – ECL adjustments where PD model monitoring indicated that actual defaults were below estimated levels but where it was judged that an implied ECL release was not supportable due to the influence of government support schemes. As a consequence, any potential ECL release was deferred and retained on the balance sheet.
- **Economic uncertainty** – ECL adjustments primarily arising from uncertainties associated with multiple economic scenarios (also for 2020) and credit outcomes.
- **Other adjustments** – ECL adjustments where it was judged that the modelled ECL required to be amended.

Post model adjustments will remain a key focus area of Fintrex's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends. A key part of the assessment is also understanding the

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current levels of ECL coverage (portfolio by portfolio) against pre COVID-19 levels, recognizing changes in franchise portfolio/ sector mix.

Refers to Note No. 21 of Financial Statements.

2. Capital, Liquidity and Funding Risk

Fintrex continually ensures a comprehensive approach is taken to the management of capital, liquidity and funding, underpinned by frameworks, risk appetite and policies, to manage and mitigate capital, liquidity and funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring the Fintrex operates within its regulatory requirements and risk appetite.

Regulatory capital consists of reserves and instruments issued that are available, have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite and supporting its strategic goals.

Liquidity consists of assets that can be readily converted to cash within a short timeframe with a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

Liquidity and funding risks arise in a number of ways, including through the maturity transformation role that banks perform. The risks are dependent on factors such as:

Maturity profile;
Composition of sources and uses of funding;
The quality and size of the liquidity portfolio;
Wholesale market conditions;
Depositor and investor behaviour.

Sources of Risk

Capital

The eligibility of instruments and financial resources as regulatory capital is laid down by applicable regulation. Capital is categorised by applicable regulation under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses, degree of permanency and the ranking of absorbing losses.

Liquidity

Fintrex manages its liquidity to ensure it is always available when and where required, taking into account regulatory, legal and other constraints. Liquidity resources of Fintrex are divided into primary and secondary liquidity as follows:

- Primary liquid assets include cash and bank balances at commercial banks and excess investment in Government Securities above the CBSL requirement
- Secondary liquid assets are undrawn loans and OD limits

Funding

Fintrex maintains a diversified set of funding sources, including customer deposits, bank borrowings, Instrumental Borrowings and equity capital.

Capital Management

Capital management is the process by which the financial entities ensure that they have sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting the financial entities' businesses and is also considered at Fintrex level.

Capital planning is integrated into Fintrex's wider annual budgeting process and is assessed and updated at least monthly. As a key operating entity, capital plans are produced and managed for Fintrex. This is summarized below.

Produce capital plans	Capital plans are produced for Fintrex, its key operating entities and its businesses over a three-year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing for regulatory purposes.
	Shorter term forecasts are developed frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.
Assess capital adequacy	Capital plans are developed to maintain capital of sufficient quantity and quality to support Fintrex's business, and its strategic plan over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements.
	Capital resources and capital requirements are assessed across a defined planning horizon.
	Impact assessment captures input from across Fintrex including from businesses.

Inform capital actions	Capital planning informs potential capital actions including buy backs, redemptions, dividends and new issuance to external investors or via internal transactions.
	Decisions on capital actions will be influenced by strategic and regulatory requirements, risk appetite, costs and prevailing market conditions.
	As part of capital planning, Fintrex will monitor its portfolio of issued capital securities and assess the optimal blend and most cost-effective means of financing.

Capital planning is one of the tools that Fintrex uses to monitor and manage capital risk on a going concern basis, including the risk of excessive leverage.

Liquidity risk management

Fintrex manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses. The size of the liquidity portfolio held in Fintrex is determined by referencing their liquidity risk appetite. Fintrex retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits over quality of counterparty and maturity mix.

The Company manages its liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value. Assets and Liabilities Committee (ALCO) is entrusted with this task.

ALCO meets at least monthly and is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity.

3. Interest Rate Risk

Interest rate risk arises from the provision to customers a range of banking products with differing interest rate characteristics. When aggregated, these products form portfolios of assets and liabilities with varying degrees of sensitivity to changes in market interest rates. Mismatches can give rise to volatility in net interest income as interest rates vary. Interest Rate Risk comprises three primary risk types: gap risk, basis risk and option risk. To manage exposures within its risk appetite, Fintrex aggregates interest rate positions and hedges its residual exposure, primarily with interest rate swaps.

Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates. For further information on the types and sources of interest rate risk as well as on the purpose and methodology of the structural hedging are carried out. Interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two. Fintrex uses VaR as its value-based approach and sensitivity of net interest earnings as its earnings-based approach.

Sensitivity of net interest earnings

Net interest earnings are sensitive to changes in the level of interest rates, mainly because maturing structural hedges are replaced at higher or lower rates and changes to coupons on managed rate customer products do not match changes in market rates of interest or central bank policy rates. Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in Central Bank policy rates. The sensitivity of net interest earnings shows the expected impact of an immediate upward or downward change of 100 basis points. At monthly ALCO meetings, the Committee reviews the market conditions and the impact to the Company. Prudential measures were taken to mitigate the interest rate risk.

4. Operational Risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Company's 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 behaviour.

The objective is to manage the operational risks in order to strike a balance between risk and return. This balanced approach would avoid the occurrence of financial losses and reputation losses with overall cost effectiveness whilst avoiding control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to BIRMC of the Company. Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit Department. The results of internal audit reviews are discussed with the management of the Company, Board Audit Committee and the Board of Directors.

The Company's approach to capital management is mainly based on strategic and organizational requirements taking into consideration legal and regulatory requirements as well.

Risk Management

5. Cyber Security Risk
With the increase in adoption and investment in digitization, security risks have emerged, which could occur due to the breach of confidentiality, integrity and availability of classified data such as customers' personal and financial information. Customer information is of critical importance and the Company is committed to protecting their privacy through information security initiatives.

Fintrex has identified the significance of cyber security as an emerging risk category and therefore has considered its requirements as a core component of the overall operational risk profile. The IT department has dedicated resources and device strategies to cope with cyber security risks.

The IT Steering Committee which meets on a monthly basis, discuss on the implementation of system security features to reduce the risk of cyber threats and to improve system capabilities with the assistance of BIRMC.

6. Strategic Risk
The risk that the Company's future business plans and strategies are inadequate to prevent financial loss or protect the Company's competitive position and generate expected shareholder returns.

The Company rolled out its one-year strategic plan in 2022/23and the progress against the set objectives are monitored and reviewed periodically along with timely remedial action. Further branch profitability is also reviewed on a periodic basis.

7. Reputational Risk
The risk of potential/actual damage to the Company's image which may have a detrimental impact on the profitability and/or sustainability of the business. The Company is committed to maintain consistent communication with all its stakeholders to build strong and transparent relationships.

8. Climate Risk
Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change and the political, economic and environmental responses to it.

Sources of risk - Physical risks may arise from climate and weather-related events such as heatwaves, droughts, floods, storms and sea level rises. They can potentially result in financial losses, impairing asset values and the creditworthiness of borrowers. Fintrex could be exposed to physical risks directly by the effects on its property portfolio and, indirectly, by the impacts on the wider economy as well as on the property and business interests of its customers. Transition risks may arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology and sentiment could prompt reassessment of customers' financial risk and may lead to falls in the value of a large range of assets. Fintrex could be exposed to transition risks directly through the costs of adaptation within economic sectors and markets as well as supply chain disruption leading to financial impacts on it and its customers. Potential indirect effects include the erosion of Fintrex's competitiveness, profitability, or reputation damage.

9. Financial Crime Risk
Financial crime risk is presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions and tax evasion, as well as fraud risk management.

Sources of risk -financial crime risk may be presented if Fintrex's customers, employees or third parties undertake or facilitate financial crime, or if Fintrex's products or services are used to facilitate such crime. Financial crime risk is an inherent risk across all lines of business.

10. Compliance Risk
Compliance risk is the risk that the behaviour of Fintrex towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Such a failure may lead to breaches of regulatory requirements, organizational standards or customer expectations and could result in legal or regulatory sanctions, material financial loss or reputational damage.

Sources of risk - Compliance risks exist across all stages of Fintrex's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential inside information.

Customer: Mr. Sikkan Sellakumar
Shop Owner

Board Integrated Risk Management Committee Report

The composition and the attendance of the Board appointed Integrated Risk Management Committee (IRMC) during the financial year was as follows:

Name	Designation	Attendance/ No of meetings held
Mr. J. R. F. Peiris (Chairman)	Non-Independent/Non-Executive Director	11/11
Mr. A. S. Ibrahim	Independent Non-Executive Director	10/11
Mr. S. N. Jayasinghe	Independent Non-Executive Director	10/11
Mr. K. Sivaskantharajah	Independent Non-Executive Director	8/11

The Committee held eleven, formal and scheduled meetings on a monthly basis and two (02) Special Meetings were held on 01st November 2022 and 13th February 2023 during the year under review.

Brief profiles of the Directors representing the committee are given on pages 35 to 36 of the Annual Report.

The Secretary to the Board of the Company performs the secretary's function to the Integrated Risk Management Committee (IRMC).

Regular Participants

Chief Executive Officer
Chief Financial Officer
Risk and Compliance Officer

Attend Upon Invitation

Any other members of the Board/Corporate Management/any other Staff Member will attend the Committee upon invitation.

Terms Of Reference, Charter and Activities

Integrated Risk Management Committee (IRMC) is established by the Board to comply with the requirements specified in the Finance Companies (Corporate Governance) Direction No 03 of 2008, issued by the Monetary Board of the Central Bank of Sri Lanka under powers vested in the Monetary Board, in terms of the Finance Business Act No. 42 of 2011. The composition and the scope of work of the Committee is in conformity with the provisions of the Section 8 (3) of the aforesaid Direction.

The Charter and Terms of Reference of the IRMC was last reviewed and adopted by the Board of Directors in September 2022. The IRMC Charter clearly sets out the membership, source of authority, duties and responsibilities of the IRMC. Functions of the IRMC in the Company's overall risk management framework have been discussed in detail on the page 104.

The activities of the Committee include;

- Assessing all risks, i.e., credit, market, liquidity, operational and strategic risks to the Company on a monthly basis through appropriate risk indicators and management information.
- 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 as specified by the committee.
- Making 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 Company's policies and regulatory and supervisory requirements.
- Reviewing suitability of updated business continuity plan and develop disaster recovery plan.
- Taking timely, and appropriate, corrective actions in ensuring conformity with the risk management policies of the Company.
- Monitoring the effectiveness and independence of Risk Management within the Company and ensure that adequate resources are deployed for this purpose.
- Reviewing the effectiveness of the compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

Acting collectively, the members of the Integrated Risk Management Committee evaluated its performance during the year as a subset of its performance, effectiveness and efficiency.

During the financial year 2022/23, the BIRMC supported execution of the overall business strategy within a set of prudent risk parameters that are reinforced by an effective risk management framework.

On behalf of the Integrated Risk Management Committee

(Sgd.)
Ronnie Peiris
Chairman - Board Integrated Risk Management Committee

Board Audit Committee Report

The Board appointed Board Audit Committee as at the end of the year comprises the following Non-Executive Directors of the Company.

Mr. Shrihan B. Perera – (Chairman) - Independent Non-Executive Director

Mr. J. R. F. Peiris
Non-Independent Non-Executive Director

Mr. S. Nagpal
Non-Independent Non-Executive Director

The Secretary to the Board of the Company performs the Secretary's function to the Audit Committee.

Brief Profiles of the members are given on pages 35 to 36 of the Annual Report.

The Audit Committee met 12 times during the year. The attendance of the members at Audit Committee Meetings is as follows:

Member	No. of Meetings
Mr. Shrihan B Perera	12/12
Mr. J. R. F. Peiris	12/12
Mr. S. Nagpal	12/12

In addition, Chief Executive Officer, Chief Financial Officer and Chief Internal Auditor attended the Committee meetings by invitation. The Audit Partner of the External Auditors, M/s. KPMG, was also invited to attend two such meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

Role of the Audit Committee:

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial, Corporate Governance and other related affairs of the company. The functioning of the Committee is guided by Audit Committee Charter and Audit Charter. The Committee has been empowered to:

- examine internally any matter relating to the financial affairs of the company
- monitor and follow-up the Internal and External Audit programmes and plans, review the Internal Audit and External Audit reports
- analyse and review risks and examine the adequacy, efficiency and effectiveness of the Internal Control System and procedures in place to avoid or mitigate such risks
- review Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards (LKAS) / Sri Lanka Financial Reporting Standards (SLFRS) review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders
- review the policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Financial Reporting

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the Financial Statements that portray a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Finance Business Act no 42 of 2011, and CBSL Directions.

The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed and certified the profit reconciliation based on SLAS/CBSL directions and LKAS/SLFRS and impact to the prudential ratios, in compliance with relevant regulations.

The Audit Committee reviewed the financial reporting system in place to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws & regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, and material audit judgments.

External Audit

The Audit Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, Audit fee and any resignation or removal of the Auditor. The committee is satisfied that there is no conflict of interests between the Company and the Auditor,

The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices. The Audit Committee will ensure that the engagement of an audit partner shall not exceed five years and that the audit partner is not re-engaged for the audit before the expiry of 3 years from the date of the completion of the previous term as per section 8 (2) (c) of Direction No.3 of 2008 issued under the Finance Business Act no 42 of 2011.

Board Audit Committee Report

The annual financial statements 2022/23 were reviewed with the External Auditor and their Engagement and Management Letter and Management's responses thereto were also reviewed.

The Committee also met with the External Auditor at two meetings without the presence of Chief Executive Officer and other key officers to discuss whether there have been any improprieties, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the External Auditor's independence and objectivity.

Risks and Internal Controls

Audit Committee reviewed the company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the company are safeguarded and the financial position is monitored according to information made available.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31st March 2023, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, as assessed in the Directors Statement on Internal Control on page 137.

The External Auditor has issued an Independent Assurance Report on the Director's Statement on Internal Control.

Internal Audit

During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the Internal Audit Division, the results of the internal audit process and their evaluation of the Company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

Regulatory Compliance

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No. 42 of 2011 and CBSL regulations.

(Sgd.)
Shrihan B. Perera
Chairman-Board Audit Committee

Board Human Resource and Remuneration Committee Report

GRI 2-19, 2-20

Board Human Resource and Remuneration Committee is established to assist, and advise, the Board in evaluating and recommending the Rewards, and Recognition, policies for all employees, and in ensuring the appropriateness of fees paid to the Independent Directors.

The composition and the attendance of the Board Human Resource and Remuneration Committee during the Financial Year 1 April 2022 to 31 March 2023, are/were as follows:

Name	Designation	Attendance/ No of meetings held during the period
Mr. J. R. F. Peiris (Chairman)	Non-Independent Non-Executive Director	5/5
Mr. Shantanu Nagpal	Non-Independent Non-Executive Director	5/5
Mr. Shrihan Perera	Independent Non-Executive Director	5/5
Mr. S. N. Jayasinghe	Independent Non-Executive Director	4/5

The Committee met five times during the financial year that ended 31st March 2023 and the Board was kept informed about the proceedings and Board approval was obtained when, and where, required.

The Chief Executive Officer participated in all deliberations of this Committee and attended the meetings by invitation. The Head of Human Resources and Administration also attended when required.

Role of The Committee

- Maintain a competitive remuneration package for employees at all levels on par with industry standards,
- Gain assurance that the due processes, and procedures, have been followed in evaluating the performance of employees against pre-agreed goals/ key performance indicators and recommend rewards/promotions, as determined by the Committee, for approval by the Board of Directors,
- Ensuring that the findings of the Great Places to Work Survey are operationalized, and the survey is regularly updated.
- Assessing the appropriateness of the Fees paid to Independent Directors relative to the market.

The Committee recognizes rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, reward programs are designed to attract, retain, and motivate employees to deliver results by linking performance to demonstrable performance-based criteria. In this regard, the Committee focuses, particularly, on the individual performance of the Key Management Personnel in achieving the pre-agreed operating, and financial, targets and goals of the Company, both short-term and long-term.

Further, the Committee reviewed the succession plans in respect of the critical staff of, and the talent management process in the Company. The Succession Planning process mainly focused on assessing the readiness of identified employees for futuristic roles.

(Sgd.)
Ronnie Peiris
Chairman – Board Human Resource and Remuneration Committee

Board Nomination Committee Report

The Board Nomination Committee was established by the Board of Directors to ensure Board's oversight and control over selection of Directors and Chief Executive Officer.

The Committee's purpose is to review and report on the leadership and succession needs of the Company and ensure that appropriate procedures are in place for nominating, evaluating and succession planning for Directors and Chief Executive Officer.

The compositions of the Board Nomination Committee were as follows:

Name	Designation
Mr. Ajit Damon Gunewardene	Chairman/Director Non-Independent Non-Executive Director
Mr. Ahamed Sabry Ibrahim	Senior Director Independent Non-Executive Director
Mr. James Ronnie Felitus Peiris	Director Non-Independent Non-Executive Director
Mr. Shantanu Nagpal	Director Non-Independent Non-Executive Director
Mr. Seminda Nilam Jayasinghe	Director Independent Non-Executive Director

The Committee met once during the financial year that ended 31st March 2023.

Role of the Committee

The Role of the Board Nomination Committee:

- To review the structure, size and composition of the Board and make recommendations to the Board with regard to any change.
- To review the leadership needs of the Company, both executive and non-executive with a view to ensure long term sustainability of the Company to compete effectively in the market place.
- To implement a procedure for the appointment and re-appointment of Directors to the Board taking into account factors such as fitness, propriety including qualifications, competencies, independence and relevant statutory provisions and regulations.
- Prior to any appointment being made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- Prior to the appointment of a Director ensure that the proposed appointee would disclose any other business interests that may result in a conflict of interest and report any future business interests that could result in a conflict of interest.
- To consider and recommend from time to time, the requirements of additional/ new expertise for Directors.
- To propose the maximum number of Company Board representations which any Director may hold in accordance with relevant statutory provisions and regulations.
- To formulate plans for succession for Directors in the Board and in particular for the key roles of Chairman and Chief Executive Officer taking into account challenges and opportunities facing the Company and skills needed in the future.
- To make recommendations to the Board concerning, suitable candidates for the role of Senior Independent Director in instances where Chairman is not an Independent Director, membership of other Board Committees as appropriate in consultation with the Chairpersons of those Committees.
- To monitor the progress of any relevant Corporate Governance or Regulatory Developments, that may impact the Committee and recommend any actions or changes it considers necessary for Board approval and ensure compliance with existing Laws and regulations.
- To invite any member of the Corporate Management, any member of the Company staff or any external advisers to attend meetings as and when appropriate and necessary.

Conclusion

The Committee will continue to assist the Board in selecting the right candidate with the necessary skills, knowledge and experience, ensuring the desired diversity of the Board to meet the strategic demands of the Company.

(Sgd.)
Ajit Gunawardene
Chairman – Board Nomination Committee

Board Credit Committee Report

Composition of the Committee

During the year, the Board Credit Committee (the BCC) consisted of the following members.
Mr. Ajit Gunewardene - Chairman
Mr. Sabry Ibrahim - Member*
Mr. S. Kathirgamar - Member*
Mr. Nilam Jayasinghe - Member*
*Independent Non-Executive Director

Charter of the Committee

The Committee assists the Board of Directors in effectively fulfilling its responsibilities relating to the Credit Direction, Credit Policy and Lending Guidelines of the Company in order to inculcate prudent lending standards and practices while ensuring that relevant regulations are complied with.

The Committee is empowered to:

- Review and consider changes proposed from time to time to the Credit Policy and the Lending Guidelines of the Company.
- Review the credit risk controls in lending and pricing of lending proposals, ensure alignment with the market context and the internal policy of the Company and the prevailing regulatory framework in order to ensure continuous maintenance and enhancement of the overall quality of the Company's loan book.
- Evaluate, assess, and approve credit proposals which fall within the delegated authority.
- Evaluate and recommend sector exposures.
- Monitor and evaluate special reports called for by the Board of Directors.
- Set lending directions based on the current economic climate and risk appetite of the Company.

Activities During FY 2022/23

In a challenging environment due to the COVID-19 pandemic affecting the global and local business environment, the Committee set the Lending Directions of the organization for prudent management of credit growth, while aiming at maintaining and improving asset quality.

The Committee approved credit proposals above a predetermined limit, recommended credit proposals and other credit reports intended for approval/perusal by the Board of Directors after careful scrutiny. These tasks were carried out by the Committee in line with the Company's lending policies and credit risk appetite to ensure that the lending portfolios were managed in line with the stipulated credit risk parameters set by the Board of Directors while achieving the Company's lending targets.

(Sgd.)
Ajit Gunewardene
Chairman – Board Credit Committee

Customer: Mr. Ihan Sanjaya
Owner
Star International

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

The Board of Directors of Fintrex Finance Limited have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2023.

This Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007.

General

Fintrex Finance Ltd is a limited liability Company which was incorporated on 29th March 2007 under the Companies Act No.17 of 1982 as "ABC Investments Limited". The Company was re-registered under the Companies Act, No.7 of 2007 on 11th February 2009 under Registration No.PB 878.

On 2nd April 2009, the name of the Company was changed to "First Barakah Investments Limited". Consequent to the acquisition of 100% ownership of the Company by Melstacorp Limited, the name was changed to "Melsta Regal Finance Limited" on 9th February 2012. On 6th April 2018, 100% of the ownership of the Company was acquired by Bluestone 1 (Private) Limited and its name was changed to Fintrex Finance Limited in September 2018.

Fintrex Finance Limited is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011, having obtained registration under the said Act on 10th February 2012 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000, since 26th August 2012.

Registered Office of the Company is at No. 851, Dr. Danister De Silva Mawatha, Colombo 14.

Principal Activities and Nature of Operations

The principal activities of the Company are providing loans and advances, lease financing, gold loans, trade finance and mobilizing public deposits in forms of savings and term deposits.

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

This Report together with the Financial Statements reflects the state of affairs of the Company.

Review of Performance and Future Development Plan

The Chairman's Message (page 28 to 29) Chief Executive Officer's Message (page 30 to 32) and the Financial Capital on page 50 to 57 , provide a comprehensive analysis of the Company's affairs together with the important events that took place during the year under review. These reports form an integral part of the Annual Report of the Board of Directors.

FinancialStatements

The Financial Statements of the Company has been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirement of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011. These Financial Statements of the Company for the year ended 31st March 2023 which are duly certified by Chief Executive Officer and Chief Financial Officer, have been approved by the Board of Directors and signed by two Directors on behalf of the Board including the Chairman, appear on page 144 to 149 in this Annual Report and forms an integral part of the Annual Report of the Board of Directors.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto appearing on page 144 to 199 in this reports, have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and the Companies Act No.07 of 2007.

Further, these Financial Statements also comply with the requirements of the Finance Business Act No.42 of 2011 and amendments thereto. The Statement of Directors' Responsibility for Financial Reporting appears on page no. 134 and forms an integral part of this Annual Report.

Directors' Statement of Internal Control over Financial Reporting

The Board has issued a statement on the internal control mechanism of the Company as per Section 1.4 (c) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, which forms an integral part of the Annual Report of the Board of Directors.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting.

Independent Auditors'Report

The Company's Auditor Messrs. KPMG, performed the audit of financial statements of the Company for the year ended 31st March 2023, and their report on those Financial Statements, as required by Section 168(1)(c) of the Companies Act appears on page no. 142.

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

Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given in note 02 on page 149 to 151 the Financial Statements, which are, unless otherwise stated, consistent with those used in previous period.

The Company prepared their Financial Statements for all periods up to and including the year ended 31st March 2023, in accordance with Sri Lanka Accounting Standards which were in effect up to that date. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on note nos. 03 on page 151 to 160 of the Financial Statements.

Accounting Period

The Financial Accounting period is from 1st of April 2022 to 31st March 2023.

Financial Performance

Interest Income

The Company recorded a total interest income of Rs.2,264.37 million (Rs.1,955.83 million in FY 2022) for the year ended 31st March 2023. This represents a growth of total interest income by Rs. 308.54 million or 15.8% compared to the previous year. A more descriptive analysis of the interest income is given in note no. 7 on page 162 to the Financial Statements.

Profit and Appropriations

The Company's loss before taxation amounted to Rs.444.73 million in comparison to the profit before taxation of Rs.440.02 million in financial year 2021/22. The Company recorded a loss after tax of Rs.219.09 million (Profit after tax of Rs.327.49 million in financial year 2021/22) for the year ended 31st March 2023. This represents a decrease of Rs.546.58 million or 167% compared to the previous year. The Company recorded a total comprehensive expense of Rs.218.49 million (profit Rs.317.97 million in financial year 2021/22) for the year ended 31st March 2023. As per the guidelines and criteria laid down in the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No.1 of 2013 of the Central Bank of Sri Lanka, the Board of Directors did not transfer any balance to the Company's 'Statutory Reserve Fund' during the year under review due to the loss after tax recorded (Rs.16.32 million transferred in previous year).

Details of Company's performance and appropriation of profit of the Company are given below.

Description	2022/23 Rs. '000	2021/22 Rs. '000
Profit/(loss) before Income Tax Expense	(444,735)	440,018
Less: Income Tax (Expense) / Benefit	225,647	(112,521)
Profit /(Loss) for the Year after Taxation	(219,089)	327,497
Unappropriated Profit Brought Forward from Previous Year	729,123	418,892
Profit Available for Appropriation	510,034	746,389
Less: Appropriations		
Other Comprehensive Income / (Expenses)	596	(938)
Transfer to Reserves	-	(16,328)
Total Appropriation	596	(17,266)
Unappropriated Profit Carried Forward	**510,630**	**729,123**

Equity and Reserves

The Equity and Reserves of the Company as at 31st March 2023 and 31st March 2022 are as follows:

Description	31st March 2023 Rs.'000	31st March 2022 Rs.'000
Stated Capital	2,369,560	2,369,560
Retained Earnings	510,630	729,123
Fair Value through Other Comprehensive Income Reserve	-	-
Statutory Reserves	53,918	53,918
Total Shareholders' Funds	**2,934,108**	**3,152,601**

Dividends

No dividends were paid during the year ended 31st March 2023 and no dividends are proposed for distribution from and out of the profit for the year under review.

Share Information

Information relating to earnings, and net asset value per share is given in the Financial Statements. Our parent company and the sole shareholder, Bluestone 1 (Pvt) Ltd, holds 100% of the ordinary shares issued by the Company.

Property, Plant & Equipment

The total capital expenditure incurred on Property, Plant and Equipment of the Company in the year ended 31st March 2023 amounted to Rs. 51.92 million (Rs.68.09 million in 2021/22). The detail analysis of Property, Plant & Equipment belonging to the Company as at year end are disclosed in note no 27 on page 176.

Taxation

The Income Tax rate applicable to the Company's operations is 24% up to 30th September 2022 and 30% from 1st October 2022 (24% in financial year 2021/22). The Company was also liable for Value Added Tax (VAT) on Financial Services at 18%. (15% up to 31st December 2021 and 18% from 01st January 2022) and Social Security Contribution Levy (SSCL) at 2.5% from 1st October 2022.

The Board of Directors

The Board of Directors of the Company as at 31st March 2023 consisted of Seven Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 35 to 36.

The names of the Directors who held office as at the end of the accounting period are tabulated below in terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007. Further, the categorization of Executive and Non-Executive, Independent and Non-Independent as at 31st March 2023 is given below as per Finance Business Act Direction No. 05 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka.

Name of the Director	Executive/ Non-Executive Status	Independent/Non-Independent Status
Mr. Ajit Damon Gunewardene - Chairman	Non-Executive	Non-Independent
Mr. James Ronnie Felitus Peiris	Non-Executive	Non-Independent
Mr. Shantanu Nagpal	Non-Executive	Non-Independent
Mr. Ahamed Sabry Ibrahim	Non-Executive	Independent
Mr. Shrihan Blaise Perera	Non-Executive	Independent
Mr. Kathirgamar Sivaskantharajah	Non-Executive	Independent
Mr. Seminda Nilam Jayasinghe	Non-Executive	Independent

Interests Register / Related Party Transactions

Except to the extent disclosed under note no. 43 to the Financial Statements, no Directors were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review.

Directors' Remuneration

As required by Section 168 (1) (f) of the Companies Act No.07 of 2007, the Directors' fees and emoluments for the financial year ended 31st March 2023 and 31st March 2022 are stated below and disclosed under note nos. 11 and 43 to the Financial Statements on pages 163 and 184 repectively.

Description	2022/23 Rs. '000	2021/22 Rs. '000
Directors' Fees and Emoluments	4,800	5,400

Recommendations for Re-election

Messrs A D Gunawardena and S Nagpal shall retire in terms of Article 103 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Mr.J R F Peiris who will attain the age of 72 years on 29th June 2023 will vacate office at the conclusion of the next Annual General Meeting in terms of Section 210 of the Companies Act. The Board has resolved to place a resolution before the shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act seeking the approval of the shareholders for the re-appointment of Mr. Peiris specially declaring that the age limit referred to in Section 210 of the Companies Act shall not apply to Mr. Peiris. The relevant regulatory approval in terms of the Finance Business Act Direction No. 05 of 2020 and Finance Companies Direction No.05 of 2021 was obtained for the continuation of Mr. Peiris as a Director for a further period of one year after attaining the age of 72 years.

Board Sub Committees

The Board of Directors of the Company has formed five Board sub-committees, namely, Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resource and Remuneration Committee, Board Credit Committee and Board Nomination Committee and the following Directors served as members of the said Committees:

Board Audit Committee

Mr. S B Perera – Chairman
Mr. J R F Peiris
Mr. S Nagpal

The Report of the Board Audit Committee is given on pages 123 to 124.

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

Board Integrated Risk Management Committee
Mr. J R F Peiris - Chairman
Mr. A S Ibrahim
Mr. S N Jayasinghe
Mr.K Sivaskantharajah

The Report of the Board Integrated Risk Management Committee is given on page 122.

Board Human Resource and Remuneration Committee
Mr. J R F Peiris – Chairman
Mr. S Nagpal
Mr. S B Perera
Mr. S N Jayasinghe

The Report of the Board Human Resource and Remuneration Committee is given on page 125.

Board Credit Committee
Mr. A D Gunewardene - Chairman
Mr. A S Ibrahim
Mr. S N Jayasinghe
Mr.K Sivaskantharajah

The Report of the Board Credit Committee is given on pages 127.

Board Nomination Committee
Mr. A D Gunewardene – Chairman
Mr. S Nagpal
Mr. A S Ibrahim
Mr. J R F Peiris
Mr. S N Jayasinghe

The Report of the Board Nomination Committee is given on page 126.

Donations
The Company has not made any donations during the year under review.

Human Resources
The Company continues to invest in Human Capital Development and implement effective Human Resource Practices and Policies to improve work force efficiency, effectiveness and productivity and also to foster collaborative partnerships that enrich the work and learning environment for the staff.

Auditors
Messrs. KPMG Chartered Accountants served as the Auditors during the period under review.

A total amount of Rs. 1,525,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 875,000/- as Audit Fees, and Rs.650,000/- for non-audit services. Details are given under note no. 11 to the Financial Statements page 163.

Based on the recommendations of the Audit Committee, the Board is recommending to the shareholders, the appointment of Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting in place of the retiring Auditors, Messrs KPMG, Chartered Accountants.

Notice of the proposed resolution has been served on the retiring Auditors as required by the Companies Act, No. 07 of 2007.

Statutory Payments
The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant, provided for.

Outstanding Litigation
In consultation with the Company's lawyers and the Directors confirm that no litigation is currently pending against the Company will have a material impact on the reported financial results or future operations of the Company except disclosed under note no. 39 to the Financial Statements on page 183.

Going Concern
The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

Environmental Protection
The Company has not engaged in any activity that is harmful or hazardous to the environment.

Contingent Liabilities
There were no material contingent liabilities as at the reporting date which require adjustment to or disclosure in the Financial Statements other than those disclosed under note no. 40 to the Financial Statements on page 184.

Events Occurring after the Reporting Date.
There have been no material events and/or circumstances that have arisen since the reporting date that would require adjustments to or disclosure in the financial statements, other than those disclosed under note no. 38 on page 183 to the Financial Statements.

Corporate Governance

In compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance, the Directors declare that,

- The Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations,
- the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested,
- The business is a going concern with supporting assumptions,
- Internal Control procedure and Risk Management practices of the company are effective and adhered to.

The measures have been taken in this regard are detailed in the Corporate Governance on page 85 of this report.

Annual General Meeting & the Notice to the Meeting

Annual General Meeting of the Company will be held virtually on 30th June 2023 at 2.30 pm centered at the Board Room of Fintrex Finance Ltd at No 841, Dr. Danister De Silva Mawatha, Colombo 14. The Notice of the meeting is available in this Report on page no. 210 in this Report.

Acknowledgement of the Contents of the Report

As required by section 168 (1) (k) of the Companies Act, this Report is signed on behalf of the Board of Directors of the Company by two (02) Directors and the Company Secretaries in pursuance of the authority granted by the Board Resolution passed on 22nd June 2023 pursuant to having acknowledged the contents of this Annual Report.

This Annual Report is signed for and on behalf of the Board of Directors by;

(Sgd)
A D Gunewardene
Chairman

(Sgd)
J R F Peiris
Director

(Sgd)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

22nd June 2023

Colombo

Statement of Directors' Responsibility in Financial Reporting

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before the Annual General Meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st March 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto. Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of:

a) the financial position of the Company as at Reporting date; and
b) the financial performance of the Company for the financial year ended on the Reporting date.

The Financial Statements of the Company have been certified by the Company's Chief Financial Officer and Chief Financial Officer, as the officers responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act. In addition, the Financial Statements of the Company have been signed by two Directors of the Company on June 22 ,2023 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements.

Under the Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions are maintained and that the Company's financial position, with reasonable accuracy, at any point of time is determined by the Company, enabling preparation of the Financial Statements, in accordance with the Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2022/23, prepared and presented in this Annual Report have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and amendments thereto.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the Report of the said Committee is given on pages 123 to 124.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on page 142 including, appropriate Accounting Policies selected and applied based on the new financial reporting framework on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

The Directors also have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal investigations, internal audit and financial and other controls required to carry on the business of banking in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

The Directors' Statement on Internal Control is given on page 136 of this Annual Report.

The Company's External Auditors, Messrs. KPMG Chartered Accountants, who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of shareholders' and Directors' Meetings and expressed their opinion in their report which appears on pages 142 to 143 of the Annual Report.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant, provided for. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.

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

By Order of the Board,

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

Chief Executive Officer's and Chief Financial Officer's Responsibility in Financial Reporting

The Financial Statements of Fintrex Finance Ltd (Company) as at 31st March 2023 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007 and amendments thereto,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Finance Business Act No. 42 of 2011 and amendments thereto &
- Directions, Circulars and Guidelines issued by the Central Bank of Sri Lanka,
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the Central Bank of Sri Lanka, which also complied with the disclosure requirements of the Sri Lanka Accounting Standard LKAS 01 – Representation of Financial Statements.

The Accounting Policies used in preparation of financial statements are appropriate and are in accordance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

Application of Significant Accounting Policies and estimates that involve a high degree of judgments and complexity were discussed with the Board Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company.

We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Company are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Company for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The Company's Internal Auditors also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their Report is given on page 142. The Board Audit Committee pre- approves the audit and non-audit services provided by Messer KPMG, in order to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair KPMG's independence and objectivity.

The Company's Board Audit Committee, inter alia, reviewed all the Interna and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the 'Board Audit Committee report' on pages 123 to 124. The Board Audit Committee regularly examined the major decisions taken by the Assets and Liabilities Committee (ALCO) and the Credit Committee, during the year. The continuous inspection and audit functions, engagement of Internal Auditors and effective functioning of Board Audit Committee, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that to the best of our knowledge:

- The Company has complied with all applicable laws and regulations and guidelines and there are no material litigation against the Company other than those disclosed in Note 39 on page 183 of the Financial Statements.
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

(Sgd.)
Charitha Vithana
Chief Financial Officer

22nd June 2023

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the section 16 (1) (ix) of the Finance Business Act No. 42 of 2011, Direction No.05 of 2021- Corporate Governance; the Board of Directors of Fintrex Finance Limited presents this Report on Internal Control over Financial Reporting.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the system of internal controls placed at Fintrex Finance Limited ("the Company"). However, such a system is designed to manage the Company's' key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed sub committees in accordance with the Guidance for Directors of Company on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

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

The management assists the Board in the implementation of the policies and procedures on risk and control over Financial Reporting by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

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

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various sub-committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee of the Company are set out in the 'Board Audit Committee Reports' which appears on the Annual Report.

- The comments made by the External Auditors in connection with internal control system during the financial year 2022/23 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.

- In assessing the internal control system over Financial Reporting, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

Confirmation

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

Review of the Statement by External Auditors

The External Auditor, Messrs. KPMG Chartered Accountants has reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31st March 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in review of the design & effectiveness of the internal control system over financial reporting of the Company.

By order of the Board

(Sgd.)
Shrihan B Perera
Chairman-Board Audit Committee

(Sgd.)
A D Gunewardene
Chairman

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

GRI Content Index

Statement of use	Fintrex Finance Limited has reported the information cited in this GRI content index for the period from 01st April 2022 to 31st March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location (Section and page number)
GRI 2: General Disclosures 2021	2-1 Organizational details	About this Report on page 05
	2-2 Entities included in the organization's sustainability reporting	About this Report on page 05
	2-3 Reporting period, frequency and contact point	About this Report on page 05
	2-4 Restatements of information	About this Report on page 05
	2-5 External assurance	About this Report on page 05
	2-6 Activities, value chain and other business relationships	Products Offering on page 07
	2-7 Employees	Human Capital on page 69
	2-9 Governance structure and composition	Corporate Governance on page 85
	2-10 Nomination and selection of the highest governance body	Corporate Governance on page 86
	2-11 Chair of the highest governance body	Corporate Governance on page 86
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance on page 85
	2-13 Delegation of responsibility for managing impacts	Corporate Governance on page 86
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance on page 86
	2-15 Conflicts of interest	Corporate Governance on page 85
	2-16 Communication of critical concerns	Corporate Governance on page 86
	2-17 Collective knowledge of the highest governance body	Corporate Governance on page 85
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance on page 86
	2-19 Remuneration policies	Board Human Resource and Remunerational Committee Report on page 125
	2-20 Process to determine remuneration	Board Human Resource and Remunerational Committee Report on page 125
	2-22 Statement on sustainable development strategy	Chairman's Message on page 29
	2-23 Policy commitments	Our Progress on Strategy on page 20
	2-24 Embedding policy commitments	Our Progress on Strategy on page 20
	2-25 Processes to remediate negative impacts	Human Capital on page 75
	2-26 Mechanisms for seeking advice and raising concerns	Human Capital on page 75
	2-27 Compliance with laws and regulations	Social and Relationship Capital on page 80
	2-28 Membership associations	Social and Relationship Capital on page 80
	2-29 Approach to stakeholder engagement	Engaging with Stakeholders on page 22
	2-30 Collective bargaining agreements	Human Capital on page 70

GRI Standard	Disclosure	Location (Section and page number)
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment on page 23
	3-2 List of material topics	Materiality Assessment on page 23
	3-3 Management of material topics	Materiality Assessment on page 24
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Capital on page 57
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Intellectual Capital on page 63
GRI 205 Anti Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Risk Management on page 112
GRI 207: Tax 2019	207-1 Approach to tax	Corporate Governance on page 87
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural Capital on page 82
	302-4 Reduction of energy consumption	Natural Capital on page 82
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Human Capital on page 70
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital on page 71
	401-3 Parental leave	Human Capital on page 72
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Human Capital on page 73
	403-2 Hazard identification, risk assessment, and incident investigation	Human Capital on page 73
	403-9 Work-related injuries	Human Capital on page 73
	403-10 Work-related ill health	Human Capital on page 73
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Human Capital on page 74
	404-2 Programs for upgrading employee skills and transition assistance programs	Human Capital on page 75
	404-3 Percentage of employees receiving regular performance and career development reviews	Human Capital on page 75
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Human Capital on page 69
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human Capital on page 69
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social and Relationship Capital on page 80
GRI 417 Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing communications	Social and Relationship Capital on page 79
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social and Relationship Capital on page 79

Customer: Mr. S K Thusitha Munasinghe
Owner
S K Munasinghe Motors

CONTENT TO THE FINANCIAL STATEMENTS

Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FINTREX FINANCE LIMITED

Report on the Audit of the Financial Statements

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, 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 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.

Other Information
Management is responsible for the other information. These financial statements do not include the other information.

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

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.

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

C.P. Jayatilake FCA
Ms S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms C.T.K.N. Perera ACA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
W.W.J.C. Perera FCA
W.K.D.C Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms F.R. Ziyard FCMA (UK), FTII

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.

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

28 June 2023

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March,	Note	2023 Rs.	2022 Rs.
Gross income	6	2,368,381,832	2,106,328,894
Interest income	7	2,264,367,417	1,955,826,892
Interest expenses	8	(1,811,035,574)	(660,298,984)
Net interest income		453,331,843	1,295,527,908
Other operating income	9	104,014,415	150,502,002
Total operating income		557,346,258	1,446,029,910
Impairment charge on loans and receivables	21.1	(182,570,809)	(117,544,055)
Net operating income		374,775,449	1,328,485,855
Operating expenses			
Personnel expenses	10	(366,172,322)	(366,029,399)
Premises, equipment and establishment expenses		(97,506,024)	(82,971,204)
Depreciation and amortisation charges		(81,530,420)	(59,499,603)
Other operating expenses		(274,302,584)	(244,979,265)
Operating (loss)/ profit before Value Added Tax (VAT) on financial services		(444,735,901)	575,006,384
VAT on financial services		-	(134,987,994)
Social Security Contribution Levy (SSCL)		-	-
(Loss)/ profit before income tax expense	11	(444,735,901)	440,018,390
Income tax (expense) / benefit	12	225,646,849	(112,520,838)
(Loss)/ profit for the year		(219,089,052)	327,497,552
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on employee benefits	32.1	852,133	(1,234,059)
Deferred tax effect on employee benefits	33.1	(255,640)	296,174
Items that are or may be reclassified to profit or loss			
Fair value gain/ (loss) on treasury bond during the year		-	(8,586,929)
Other comprehensive income for the year, net of tax		596,493	(9,524,814)
Total comprehensive (expense)/ income for the year		(218,492,559)	317,972,738
Transfer to statutory reserve		-	(16,327,983)
Total comprehensive (expense)/ income for the year after transferring to statutory reserve		(218,492,559)	301,644,755
Earnings/ (loss) per share			
Basic / diluted earnings/ (loss) per share	13.1	(0.92)	1.80

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March,	Note	2023 Rs.	2022 Rs.
ASSETS			
Cash and cash equivalents	14	341,258,906	312,049,491
Financial investments at amortised cost	15	721,424,223	647,135,954
Financial assets measured at fair value through other comprehensive income	16	41,604,427	46,916,224
Finance lease receivables	17	5,030,690,492	6,248,571,009
Hire purchase receivables	18	109,474	109,474
Loans and advances to other customers	19	4,235,736,672	5,036,919,372
Factoring receivables	20	2,757,271	1,920,499
Other receivables	22	76,352,865	79,816,137
Tax receivables	23	35,354	6,500
Deferred tax asset	33	263,570,209	33,633,497
Investment property	24	18,600,000	6,800,000
Right of use assets	25.1	130,272,954	107,833,060
Intangible assets	26	14,499,083	15,863,209
Property, plant and equipment	27	101,314,850	82,857,845
Total assets		10,978,226,780	12,620,432,271
LIABILITIES			
Bank overdrafts		89,071,888	81,082
Financial liabilities at amortised cost due to customers	28	4,743,530,348	1,858,224,777
Interest bearing loans and borrowings	29	2,932,375,945	7,077,780,596
Lease liabilities	25.2	135,005,713	110,379,848
Liabilities of FBIL customers	30	-	-
Current tax liabilities		-	94,407,088
Trade and other payables	31	126,097,738	314,108,459
Employee benefits	32	18,037,088	12,849,802
Total liabilities		8,044,118,720	9,467,831,652
EQUITY			
Stated capital	34	2,369,559,710	2,369,559,710
Statutory reserve fund	35	53,917,670	53,917,670
Fair value through other comprehensive income reserve	36	-	-
Retained earnings	37	510,630,680	729,123,239
Total equity		2,934,108,060	3,152,600,619
Total liabilities and equity		10,978,226,780	12,620,432,271
Contingent liabilities and commitments	40	-	-
Net assets per share (Rs.)		12.38	13.30

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.
We certify that the Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No.7 of 2007.

Charitha Vithana
Chief Financial Officer

Jayathilake Bandara
Chief Executive Officer

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

A. D. Gunewardene
Chairman

J. R. F. Peiris
Director

Colombo,
22nd June 2023

Statement of Changes in Equity

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Fair Value through other comprehensive income reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2021	1,769,559,710	37,589,687	8,586,929	418,891,555	2,234,627,881
Total comprehensive income for the year					
Profit for the year	-	-	-	327,497,552	327,497,552
Other comprehensive income					
Actuarial loss on employee benefits	-	-	-	(1,234,059)	(1,234,059)
Deferred tax effect on employee benefits	-	-	-	296,174	296,174
Changes in fair value through other comprehensive income investments	-	-	(8,586,929)	-	(8,586,929)
Total other comprehensive income for the year	-	-	(8,586,929)	(937,885)	(9,524,814)
Total comprehensive income for the year	-	-	(8,586,929)	326,559,667	317,972,738
Other movements in equity					
Share issue	600,000,000	-	-	-	600,000,000
Transferred to statutory reserve fund	-	16,327,983	-	(16,327,983)	-
Balance as at 31 March 2022	**2,369,559,710**	**53,917,670**	**-**	**729,123,239**	**3,152,600,619**
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(219,089,052)	(219,089,052)
Other comprehensive income					
Actuarial loss on employee benefits	-	-	-	852,133	852,133
Deferred tax effect on employee benefits	-	-	-	(255,640)	(255,640)
Changes in fair value through other comprehensive income investments	-	-	-	-	-
Total other comprehensive (expense) / income for the year	-	-	-	596,493	596,493
Total comprehensive income for the year	-	-	-	(218,492,559)	(218,492,559)
Other movements in equity					
Share issue	-	-	-	-	-
Transferred to statutory reserve fund	-	-	-	-	-
Balance as at 31 March 2023	**2,369,559,710**	**53,917,670**	**-**	**510,630,680**	**2,934,108,060**

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year Ended 31 March,	2023 Rs.	2022 Rs.
Cash flows from operating activities		
Interest received	2,053,243,970	1,921,403,186
Interest payments	(1,811,035,574)	(660,298,984)
Hiring rental received	147,760	3,655,967
Receipts from financial investments	184,650,599	27,326,884
Receipts from other operating activities	87,793,477	146,602,435
Cash payments to employees and suppliers	(730,515,766)	(824,741,560)
Operating (loss)/ profit before changes in operating assets and operating liabilities (Note (a))	(215,715,534)	613,947,928
(Increase) / decrease in operating assets		
Net investment in loans and advances	1,835,655,636	(3,035,640,648)
Net investment / (withdrawal) of fixed deposits	250,605,473	(250,565,069)
Net investment / (withdrawal) of repos	204,041,917	(118,979,040)
Net Investment in treasury bills	(464,845,230)	(95,932,779)
Net Investment in money market funds	(37,724,937)	-
Net increase in other operating assets	3,434,421	(30,706,782)
Increase / (decrease) in operating liabilities		
Other financial liabilities due to customers	2,885,305,571	1,402,850,319
Increase in liability to FBIL customers	-	(962,059)
Net increase / (decrease) in other liabilities	(178,318,390)	35,290,975
	4,282,438,927	(1,480,697,156)
Gratuity paid	(1,425,745)	(4,515,465)
Income tax paid	(98,952,591)	(119,198,306)
Net cash flows generated from / (used in) operating activities	4,182,060,590	(1,604,410,927)
Cash flows from investing activities		
Purchase of intangible assets	(2,430,001)	(4,334,248)
Purchase of property, plant and equipment	(51,925,080)	(68,092,180)
Proceeds from disposal of property, plant and equipment	-	1,776,254
Net cash flows used in investing activities	(54,355,081)	(70,650,174)

Statement of Cash Flows

For the Year Ended 31 March,	2023 Rs.	2022 Rs.
Cash flows from financing activities		
Net proceeds from loans and borrowings	(4,145,404,651)	1,372,263,516
Proceeds from right-issue	-	600,000,000
Payment of lease liabilities	(42,082,249)	(26,302,325)
Net cash flows (used in) / generated from financing activities	(4,187,486,900)	1,945,961,191
Net (decrease) / increase in cash and cash equivalents during the year	(59,781,391)	270,900,090
Cash and cash equivalents at the beginning of the year	311,968,409	41,068,319
Cash and cash equivalents at the end of the year (Note (b))	252,187,018	311,968,409

Note (a) : reconciliation of (loss)/ profit before tax with cash flows from operating activities

Profit/ (loss) before income tax expense	(444,735,901)	440,018,390
Depreciation of property, plant and equipment	33,468,073	22,239,945
Depreciation of right-to-use asset	44,268,220	30,836,105
Amortization of intangible assets	3,794,127	6,423,553
Provision for gratuity	7,465,164	4,226,302
Impairment charge on loans and advances	182,570,809	117,544,055
Fair value gain/(loss) on treasury bond during the year	5,311,797	1,416,725
Exchange gain/(loss)	(40,404)	(124,146)
Written back of unidentified deposits	(9,692,331)	(5,120,553)
Change in interest income receivables	(26,325,088)	(3,440,854)
Net gain form investment property	(11,800,000)	(71,593)
	(215,715,534)	613,947,928

Note (b) : reconciliation of cash & cash equivalents (Note 14)

Cash in hand and cash at banks	341,258,906	312,049,491
Bank overdrafts	(89,071,888)	(81,082)
	252,187,018	311,968,409

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

Fintrex Finance Limited is a limited liability Company domiciled in Sri Lanka under the provisions of Companies Act. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company (which was previously known as First Barakah Investments Limited), changed its name to Melsta Regal Finance Limited with effect from 9 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone One (Pvt) Ltd on 06 April 2018 and it is now named Fintrex Finance Ltd with effect from 03rd September 2018.

The registered office and the principal place of business of the Company is located at No. 851, Dr. Danister De Silva Mawatha, Colombo-14.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company comprised of providing loans and advances, lease financing, hire purchase financing, factoring, trade finance, hiring and mobilizing public deposits in forms of savings and term deposits. The Company obtained the registration under Finance Business Act No. 42 of 2011 on 10 February 2012. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No 56 of 2000 on 26 August 2012.

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

1.3 Parent and Ultimate Parent Entity

The Company's immediate parent is Bluestone 1(Pvt) Limited which is incorporated in Sri Lanka.

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011 and subsequent amendments thereto.

2.2 Responsibility of Financial Statements

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and provisions of the Companies Act No. 07 of 2007. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company for the year ended 31 March 2023 (including comparatives for 31 March 2022) were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 22 June 2023.

2.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following,

Investment Properties initially measured at cost and subsequently measured at Fair Value	Note 24
Financial Assets classified as fair value through other comprehensive income (FVOCI) are measures at fair value	Note 16
Liability for Defined Benefit Obligation carried at present value of Defined Benefit Obligations, calculated using projected unit credit method	Note 32

2.5 Functional and Presentation Currency

These Financial Statements are presented in the Sri Lankan rupees being, the functional and presentation currency unless indicated otherwise.

2.6 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards LKAS 01 on ‘Presenting of Financial Statements’, 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.

2.7 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

2.8 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard.

Notes to the Financial Statements

2.9 Use of Estimates and Judgments

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

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

a) Judgements
Classification and Impairment of Financial Assets

The Company used judgments when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Company also used judgments when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

b) Assumptions and estimation uncertainties

2.9.1 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management has assessed the existing and anticipated effects of current economic conditions on the Company and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.9.2 Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The Company uses estimates when determining inputs into the ECL measurement model, including incorporation of forward-looking information. This includes an element of management's judgment, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances. The valuation of financial instruments is described in more detail in Note 46.

2.9.3 Deferred Tax Assets

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

2.9.4 Impairment losses on Loans and Receivables

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgment 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 actual results may differ.

If impairment is not required based on the individual assessment all such individually significant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics. This is required to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as aging buckets, levels of arrears, industries, etc.), and judgments on the effect of concentration of risks and economic data.

2.9.5 Impairment for Financial Assets classified as Fair Value through Other Comprehensive Income

The Company reviews its securities classified as Financial Assets classified as Fair Value through Other Comprehensive Income at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Company also records impairment charges on Financial Assets classified as Fair Value through Other Comprehensive Income when there has been a significant or prolonged decline in the Fair Value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

2.9.6 Defined Benefit Obligations

The value of the defined benefit obligations are determined using actuarial valuation technique. The actuarial valuation involves making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 32 for the assumptions used.

2.9.7 Useful Lifetime of 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. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.9.8 Fair Valuation of Investment Property
The Company measures Investment Property at fair value with changes in fair value being recognized in the Profit or Loss. The Company engages independent professional valuers to assess fair value of Investment Property. The key assumptions used to determine the fair value of the Investment provided in Note 24.

2.9.9 Commitment and Contingencies
All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions Contingent Liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

2.9.10 SLFRS 16 – Leases
2.9.10.1 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

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

2.10 Presentation of Financial Statements
The Company assets and liabilities in the Statement of Financial Position broadly by nature and has listed in an order that reflects their relative liquidity and maturity patterns.

3. SIGNIFICANT ACCOUNTING POLICIES
The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Foreign Currency Translation
Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates as at that date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions.

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined. Foreign exchange differences arising on translation are recognized in profit or loss.

3.2 Revenue and Expenses Recognition
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. SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgment.

Notes to the Financial Statements

3.2.1 Interest
Interest income and expense are recognized in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Profit or Loss and Other Comprehensive Income include:
- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- Interest income on available-for-sale investment securities calculated on an effective interest basis.

Once a financial asset or a Company of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.2.2 Fees and Commission Income
Fee and commission income, including account servicing fees and placement fees are recognized as the related services are performed. Fee and commission expense relate mainly to transaction and service fees which are expensed as the services are received.

3.2.3 Finance Lease Income
Assets leased to customers to whom the Company transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

3.2.4 Hiring Rental Income
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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

3.2.6 Sale and Repurchase Agreements
Where government securities are sold subject to a commitment to repurchase them at a predetermined price (Reverse repos), the consideration paid is recognized in the Statement of Financial Position and the difference between sale and repurchase price is recognized as net gain from financial investments recorded under interest income.

3.2.7 Gain or Loss on Sale of Property, Plant and Equipment
Recognized as income in the period in which the sale occurs and is classified as other operating income.

3.2.8 Other Expenses
All other expenses are recognized on an accrual basis.

3.2.9 Income Tax Expense
As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.2.9.1 Current Tax
The amount of current tax payable or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or subsequently enacted at the reporting date in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 as amended by subsequent legislation.

Current tax liabilities are offset only if certain criteria are met.

3.2.9.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is measured at the tax rate that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if any.

The net increase/decrease in the carrying amount of the deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense in the Statement of Profit or Loss and Other Comprehensive Income.

Temporary differences in relation to a right-of -use asset and lease liability are regarded as a net package (right-of use asset) for the purpose of recognizing deferred tax.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2.10 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for value added tax on financial services for the Company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the Financial Statements. The value added tax rate is 15% up to 31st December 2021 and 18% thereafter on the value base for value added tax and is a disallowed expense for the purpose of the income tax liability as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

3.2.11. Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 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 in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

3.2.12 Deposit Insurance Scheme

In terms of the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme".

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies.
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel.
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposit as at end of the month to be payable within a period of 15 days from the end of the respective month.

3.2.13 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

Notes to the Financial Statements

3.3 Assets and Liabilities and Basis of Measurement

3.3.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks, and money at call & short notice. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of unfavorable balances.

3.3.2 Financial Instruments

3.3.2.1 Recognition and Initial Measurement

The Company initially recognizes loans and advances, 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 recognised 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, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.3.2.2 Classification

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 SPPI.

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 SPPI.

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 as 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 amortised 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;
- 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 its strategy for how those risks are managed;
- how managers of the business are compensated 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 realized.

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

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

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 SPPI, the Company considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or 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 loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Company holds a portfolio of long-term fixed-rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

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.

Financial Liabilities

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

3.3.2.3 Derecognition 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 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.

From 1st April 2018 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, as explained. 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.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

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.

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.

Financial Liabilities

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

Modification of Financial Assets and Liabilities

Financial Assets

If the terms of a financial asset are modified, then 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 derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Notes to the Financial Statements

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

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 calculated using the effective interest rate method.

Financial Liabilities

The Company derecognizes 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 derecognized and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.3.2.4 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 one is 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 take 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 maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e, the fair value of the consideration given or received.

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

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in Note 46.

3.3.2.5 Impairment losses on financial assets

Recognition of ECL

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

- financial assets that are debt instruments; and
- lease receivables.

No impairment loss is recognised on equity investments.
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 investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). 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 past due event;
- it is becoming 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 120 days or classified as non-performing under CBSL Direction No. 3 of 2006 is considered credit impaired.

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Profit or Loss and OCI. 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.

3.3.3 Securities Purchased Under Resale Agreements

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

The Company reviews on date of the Statement of Financial Position whether the carrying amount of the property and equipment are lower than their recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the higher of the market value of the asset less estimated cost of disposal and its value in use.

The Company reviews on the Statement of Financial Position date whether the carrying amount of computer application software is lower than the recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the value in use.

3.3.5 Property, Plant and Equipment

3.3.5.1 Basis of Recognition

The cost of property and equipment comprising computers, office equipment, furniture fixtures and fittings and motor vehicles is recognized as an asset if it is probable that future economic benefits associated with the property and equipment will flow to the Company and cost of equipment can be measured reliably.

Notes to the Financial Statements

3.3.5.2 Measurement at Recognition
The cost of an asset comprises its purchase price or cost of construction and any directly attributable costs of bringing the asset to working condition for its intended use. The assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

3.3.5.3 Subsequent Measurement
Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to expense during the financial period in which they are incurred.

3.3.5.4 Depreciation
The depreciation is provided for on the basis outlined below. Depreciation is provided on a straight-line basis such that the cost of the asset is depreciated over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Motor Vehicle	- 5 Years
Computer equipment	- 4 Years
Office equipment	- 5 Years
Furniture and fittings	- 5 Years
Mobile Devices and Tabs	- 2 Years

Depreciation on Motor Vehicle-Hiring Fleet is recognized on a reducing balance basis over the estimated useful life.

Depreciation commences in the date the asset is available for use in the business of the Company and ceases in the date of disposal or end of its useful life time. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

3.3.5.5 De-recognition
The carrying amount of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use and the gain or loss arising from the de-recognition is included in Statement of Comprehensive Income.

3.3.5.6 Impairment
The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3.3.6 Investment Property

3.3.6.1 Basis of Recognition
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose.

3.3.6.2 Basis of Measurement
Investment properties are initially recognised at cost including related transaction costs. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions on the reporting date. Gains or losses arising from changes in fair value are included in the other income of the Statement of Profit or Loss in the year in which they arise.

3.3.6.3 Derecognition
Investment properties are derecognized when disposed of or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal is recognized in the profit or loss in the year of retirement or disposal. When investment property that was previously classified as Property, Plant and Equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.3.7 Intangible Assets

3.3.7.1 Basis of Recognition
All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Statement of Financial Position under the category intangible asset and carried at cost less accumulated amortization and any impairment losses. The initial acquisition cost comprises license fee paid at the inception, import duties, non-refundable taxes and levies, cost of customizing the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use.

3.3.7.2. Subsequent Expenditure
The initial cost is enhanced by subsequent expenditure incurred by further customization to meet ancillary transaction processing and reporting requirements tailor-made for the use of the Company constituting an improvement to the software. Subsequent expenditure on software 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.

3.3.7.3 Amortization
The amortization is provided for on the basis outlined below. Amortization is provided on a straight-line basis such that the cost of the asset is amortized over the period appropriate to the

estimated life of the type of asset. The useful lives of the assets are as follows:

Computer Software	- 4 Years
Software Core System	- 5 Years
ATM License Fee	- 10 Years
VISA License Fee	- 10 Years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

3.3.7.4 De-recognition

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

3.3.8 Leases

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.

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.

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

3.3.8.1 Right-of-use Asset

The right-of-use asset is initially measured at cost. This comprises of 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 assets is also adjusted for certain subsequent re-measurements of the lease liability.

After the commencement date, Company measures the right-of-use asset on cost model.

3.3.8.2 Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

The right-of-use assets are subject to impairment.

3.3.8.3 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 the asset leased.

Lease payments fixed payments, including in-substance fixed payments.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimation 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 revision in the in-substance fixed lease payment.

If the lease liability is remeasured, 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.

After the commencement date, the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

3.3.8.4 Presentation in the Statement of Financial Position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its' Statement of Financial Position.

3.3.9 Employee Benefits

3.3.9.1 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately 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.

Provision for gratuity on the employees of the Company are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by a professionally qualified firm of actuaries, as at 31 March 2023. The valuation method

Notes to the Financial Statements

used by the actuary is "Projected Unit Credit Method". The Company recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive Income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss. The assumption based on which the results of actuarial valuation was determined are included in note to the financial statements.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past services or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

The Company provides for Gratuity under the payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed five (5) years of services with the company.

The liability is not externally funded.

3.3.9.2 Defined Contribution Plan

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.3.9.3 Employee's Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the basic salary of each employee to the Employee's Provident Fund managed by Central Bank of Sri Lanka.

3.3.9.4 Employee's Trust Fund (ETF)

The Company contributes 3% of the basic salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

3.3.10 Provision for Liabilities

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.3.11 Commitments and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Pending legal claims against the company form part of contingencies.

3.4 Subsequent Events

All material events which occur between the reporting date and the date on which the Financial Statements are authorized for issue, and the financial impact on the condition of the assets and liabilities are disclosed in the Financial Statements.

3.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows' whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and cash equivalents include cash in hand and balances with banks.

3.6 Earnings per Share (EPS)

The Company presents basic earnings per share (EPS) data 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 April 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards did not have a material impact on the Financial Statements of the Company.

- Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework.
- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

The Company has applied all relevant accounting standards which have been issued up to 31 March 2023 in the preparation of the Financial Statements for the year ended 31 March 2023.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 April 2023 and earlier application is permitted. However, the Company has not early adopted the new and amended standards in preparing these financial statements.

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

5.2 Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1.1.C)
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LAKS 8).

Notes to the Financial Statements

For the year ended 31 March,	2023 Rs.	2022 Rs.
6. GROSS INCOME		
Interest income (Note 7)	2,264,367,417	1,955,826,892
Net other operating income (Note 9)	104,014,415	150,502,002
	2,368,381,832	2,106,328,894

For the year ended 31 March,	2023 Rs.	2022 Rs.
7. INTEREST INCOME		
Interest income on finance leases	822,824,782	894,693,386
Interest income on vehicle loan	267,231,176	323,139,721
Interest income on secured loans	668,510,578	260,166,720
Interest income on gold Loan	84,502,859	3,923,492
Hiring rental income	147,760	3,655,967
Interest income on overdue rentals from customers	191,551,231	296,215,712
Net gain on termination and early settlement of lending facilities	44,948,432	146,705,009
Interest income on government securities	172,108,914	20,704,310
Interest income on placement with banks and other financial institutions	12,541,685	6,622,575
	2,264,367,417	1,955,826,892

For the year ended 31 March,	2023 Rs.	2022 Rs.
8. INTEREST EXPENSES		
Interest expense on other financial liabilities due to customers	720,871,352	75,883,870
Interest expense on interest bearing loans and borrowings	1,075,159,492	575,463,461
Interest expense on lease liabilities	15,004,730	8,951,653
	1,811,035,574	660,298,984

For the year ended 31 March,	2023 Rs.	2022 Rs.
9. OTHER OPERATING INCOME		
Other finance charges	25,391,038	40,644,923
Service income from gold loans	9,100,033	652,997
Recoveries from written-off contracts	28,902,816	69,319,744
Fee and commission income	24,399,590	35,984,771
Exchange gain	40,404	124,146
Written back of unidentified deposits	9,692,331	5,120,553
Profit on disposal of hiring fleet	-	71,593
Net Gain form Investment Property	11,800,000	-
Fair value gain/(loss) on treasury bond during the year	(5,311,797)	(1,416,725)
	104,014,415	150,502,002

For the year ended 31 March,	2023 Rs.	2022 Rs.
10. Personnel expenses		
Salaries and wages	294,391,345	260,158,232
Defined contribution plan costs - EPF and ETF	43,096,775	37,072,604
Defined benefit plan costs - retirement gratuity (Note 32.2)	7,465,164	4,226,302
Staff bonus	(1,075,611)	42,003,183
Other staff related costs	22,294,649	22,569,078
	366,172,322	366,029,399
10.1 No. of employees as at the year end	245	275

11. (LOSS)/ PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/ profit before income tax expense is stated after charging all expenses including the followings ;

	2023 Rs.	2022 Rs.
Directors' fees and emoluments	4,800,000	5,400,000
Depreciation of property, plant and equipment (Note 27)	33,468,073	22,239,945
Depreciation on right of use asset (Note 25)	44,268,220	30,836,105
Amortisation of intangible assets (Note 26)	3,794,127	6,423,553
Legal expenses	9,441,529	8,424,798
Secretarial fees	509,236	749,130
Auditors' remuneration		
- Statutory audit	875,000	810,000
- Non audit fees	650,000	540,000
Crop Insurance Levy	-	3,325,511

12. INCOME TAX EXPENSE

The income tax provision of the company is calculated on its adjusted profits at the standard rate of 24% up to September 2022 and 30% from October 2022 (2022: 24%), in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the year ended 31 March,	2023 Rs.	2022 Rs.
Recognized in the profit or loss		
Current income tax expense (Note 12.1)	-	172,612,124
Prior years under provision/(over provision)	4,545,503	(7,396,271)
	4,545,503	165,215,853
Reversal on deferred tax (Note 33.1)	(230,192,352)	(52,695,015)
Income tax (expense) / benefit	(225,646,849)	112,520,838

For the year ended 31 March,	2023 Rs.	2022 Rs.
Recognized in the other comprehensive income		
Income tax expense recognised in other comprehensive income		
Charge / (reversal) on deferred tax (Note 33.1)	255,640	(296,174)
	255,640	(296,174)

Notes to the Financial Statements

12. INCOME TAX EXPENSE (CONTD.)

12.1 Numerical reconciliation of accounting profits to income tax expense

For the year ended 31 March,	2023 Rs.	2022 Rs.
Accounting (loss)/ profit before tax	(444,735,901)	440,018,390
Adjustments		
Disallowable expenses	294,950,614	561,858,283
Capital portion of lease rentals receivables	11,305,199	69,815,882
Allowable expenses	(515,585,875)	(352,475,372)
Business profit / (loss)	(654,065,963)	719,217,183
Taxable business profit	(654,065,963)	719,217,183
Exempt income	-	-
Total statutory income	(654,065,963)	719,217,183
Taxable income /(loss)	(654,065,963)	719,217,183
Current income tax expense @ 24%, 30%	-	172,612,124

13. EARNINGS/ (LOSS) PER SHARE

13.1 Basic/ diluted earnings/ (loss) per share

The calculation of basic/ diluted earnings/ (loss) per share is based on the profit/ (loss) attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

	2023	2022
Profit/ (loss) attributable to equity holders of the company (Rs.)	(219,089,052)	327,497,552
Weighted average numbers of ordinary shares	236,955,971	236,955,971
Basic / diluted earnings/ (loss) per share (Rs.)	(0.92)	1.80

13.2 Weighted average number of ordinary shares

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2023	2022	2023	2022
Number of shares in issue as at 1 April	236,955,971	176,955,971	236,955,971	176,955,971
Number of shares issued under rights issue	-	60,000,000	-	60,000,000
Number of shares in issue/ weighted average number of ordinary shares at 31 March	236,955,971	236,955,971	236,955,971	236,955,971

As at 31 March,	2023 Rs.	2022 Rs.
14. CASH AND CASH EQUIVALENTS		
Cash and Cheques in hand	226,073,573	59,915,318
Balances with bank and other financial institutions	115,185,333	252,134,173
	341,258,906	312,049,491

15. FINANCIAL INVESTMENTS AT AMORTISED COST		
Investments in treasury bills	683,699,286	192,528,968
Investments in repurchase agreement	-	204,041,917
Investments in fixed deposits	-	250,565,069
Investment in money market funds	37,724,937	-
	721,424,223	647,135,954

15.1 Investments in fixed deposits - Counterparty external credit rating		
A+ (Fitch Rating)	-	250,565,069

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Credit Information Bureau of Sri Lanka	331,000	331,000
Investments in treasury bonds	41,273,427	46,585,224
	41,604,427	46,916,224

The Company designated investments as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for long term for strategic purposes.

No Strategic investments were disposed of during 2022/23, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

Notes to the Financial Statements

As at 31 March,	2023 Rs.	2022 Rs.
17. FINANCE LEASE RECEIVABLES		
Gross lease rental receivables	6,816,137,462	8,273,312,632
Unearned income	(1,265,699,827)	(1,637,962,484)
Total lease rental receivables	5,550,437,635	6,635,350,148
Allowance for individual impairment (Note 17.3.1)	(300,319,491)	(56,916,059)
Allowance for collective impairment (Note 17.3.2)	(219,427,652)	(329,863,080)
	5,030,690,492	6,248,571,009

17.1 Finance lease receivables within one year

Gross lease rental receivables	904,401,930	3,643,537,177
Unearned income	(300,339,022)	(719,668,915)
Total lease rental receivables	604,062,908	2,923,868,262
Allowance for individual impairment	(281,663,873)	(25,080,072)
Allowance for collective impairment	(25,345,999)	(145,354,227)
	297,053,036	2,753,433,963

17.2 Finance lease receivables from one to five years

Gross lease rental receivables	5,911,735,532	4,629,775,455
Unearned income	(965,360,805)	(918,293,569)
Total lease rental receivables	4,946,374,727	3,711,481,886
Allowance for individual impairment	(18,655,618)	(31,835,987)
Allowance for collective impairment	(194,081,653)	(184,508,853)
	4,733,637,456	3,495,137,046

17.3.1 Allowance for individual impairment

Balance as at beginning of the year	56,916,059	47,520,325
Charge / (reversal) during the year	247,925,117	9,395,734
Write-off during the year	(4,521,685)	-
Balance as at end of the year	300,319,491	56,916,059

17.3.2 Allowance for collective impairment

Balance as at beginning of the year	329,863,080	377,049,954
Charge / (reversal) during the year	(110,435,428)	(47,186,874)
Balance as at end of the year	219,427,652	329,863,080

17.3.3 Movements in impairment allowance for lease receivables

Balance as at beginning of the year	386,779,139	424,570,279
Charge / (reversal) during the year	137,489,689	(37,791,140)
Write-off during the year	(4,521,685)	-
Balance as at end of the year	519,747,143	386,779,139

Finance lease receivables with the contractual amount of Rs. 4,521,685 written off during the year ended 31 March 2023 are being considered for enforcement activities.

17. FINANCE LEASE RECEIVABLES (CONTD.)

17.4 Stage wise net lease receivables

As at 31st March 2023	Total lease rental receivables	Allowance for impairment losses	Net rental receivable
Stage 1	3,049,207,792	(39,891,580)	3,009,316,212
Stage 2	1,910,440,138	(130,439,393)	1,780,000,745
Stage 3	590,787,705	(349,416,170)	241,371,535
Total	5,550,435,635	(519,747,143)	5,030,688,492

As at 31st March 2022	Total lease rental receivables	Allowance for impairment losses	Net rental receivable
Stage 1	5,042,069,707	(56,501,187)	4,985,568,520
Stage 2	1,263,391,900	(199,267,319)	1,064,124,581
Stage 3	329,888,541	(131,010,633)	198,877,908
Total	6,635,350,148	(386,779,139)	6,248,571,009

As at 31 March,	2023 Rs.	2022 Rs.
18. HIRE PURCHASE RECEIVABLES		
Gross hire purchase rental receivables	109,474	109,474
Unearned income	-	-
Total hire purchase rental receivables	109,474	109,474
Allowance for individual impairment (Note 18.2.1)	-	-
Allowance for collective impairment (Note 18.2.2)	-	-
Balance as at end of the year	109,474	109,474
18.1 Hire purchase rentals receivables within one year		
Gross hire purchase rental receivables	109,474	109,474
Unearned income	-	-
Total hire purchase rental receivables	109,474	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
	109,474	109,474
18.2.1 Allowance for individual impairment		
Balance as at beginning of the year	-	-
Charge / (reversal) during the year	-	-
Write-off during the year	-	-
Balance as at end of the year	-	-
18.2.2 Allowance for collective impairment		
Balance as at beginning of the year	-	-
Charge / (reversal) during the year	-	-
Balance as at end of the year	-	-
18.2.3 Movements in impairment allowance for hire purchase receivables		
Balance as at beginning of the year	-	-
Charge / (reversal) during the year	-	-
Write-off during the year	-	-
Balance as at end of the year	-	-

Notes to the Financial Statements

As at 31 March,	2023 Rs.	2022 Rs.
19. LOANS & ADVANCES TO OTHER CUSTOMERS		
Gold loans	517,643,527	139,203,006
Loans secured by other assets	3,265,084,346	4,145,275,590
Trade finance receivables	831,498,536	1,098,358,420
Gross loans & advances to other customers	4,614,226,409	5,382,837,016
Allowance for individual impairment (Note 19.2.1)	(258,791,910)	(159,344,331)
Allowance for collective impairment (Note 19.2.2)	(119,697,827)	(186,573,313)
	4,235,736,672	5,036,919,372
19.1 Receivables from one to five years	1,522,352,821	1,566,942,604
Receivables within one year	2,713,383,851	3,469,976,768
	4,235,736,672	5,036,919,372
19.2.1 Allowance for individual impairment		
Balance as at beginning of the year	159,344,331	130,389,546
Charge / (reversal) during the year	109,128,836	28,954,785
Write-off during the year	(9,681,257)	-
Balance as at end of the year	258,791,910	159,344,331
19.2.2 Allowance for collective impairment		
Balance as at beginning of the year	186,573,313	66,245,637
Charge / (reversal) during the year	(66,875,486)	120,327,676
Balance as at end of the year	119,697,827	186,573,313
19.2.3 Movements in impairment allowance for loans & advances to other customers		
Balance as at beginning of the year	345,917,644	196,635,183
Charge / (reversal) during the year	42,253,350	149,282,461
Write-off during the year	(9,681,257)	-
Balance as at end of the year	378,489,737	345,917,644

Loans and advances to other customers with the contractual amount of Rs. 9,681,257 written off during the year ended 31 March 2023 are being considered for enforcement activities.

19.3 Stage wise net loans & advances

As at 31st March 2023	Total loans & advances receivable	Allowance for impairment losses	Net rental receivable
Stage 1	2,927,456,692	(17,268,545)	2,910,188,147
Stage 2	1,134,983,843	(51,050,250)	1,083,933,593
Stage 3	551,785,874	(310,170,942)	241,614,932
Total	4,614,226,409	(378,489,737)	4,235,736,672

19. LOANS & ADVANCES TO OTHER CUSTOMERS (CONTD.)

As at 31st March 2022	Total loans & advances receivable	Allowance for impairment losses	Net rental receivable
Stage 1	4,567,236,952	(91,946,900)	4,475,290,052
Stage 2	415,916,997	(79,984,761)	335,932,236
Stage 3	399,683,067	(173,985,983)	225,697,084
Total	5,382,837,016	(345,917,644)	5,036,919,372

As at 31 March,	2023 Rs.	2022 Rs.
20. FACTORING RECEIVABLES		
Factoring receivables	20,362,015	15,456,341
Unearned income	-	-
Allowance for individual impairment (Note 20.1)	(17,604,744)	(13,535,842)
Allowance for collective impairment (Note 20.2)	-	-
	2,757,271	1,920,499
20.1 Allowance for individual impairment		
Balance as at beginning of the year	13,535,842	8,257,980
Charge/ (reversal) during the year	4,068,902	5,277,862
Write-off during the year	-	-
Balance as at end of the year	17,604,744	13,535,842
20.2 Allowance for collective impairment		
Balance as at beginning of the year	-	-
Charge/ (reversal) during the year	-	-
Write-off during the year	-	-
Balance as at end of the year	-	-

As at 31 March,	2023 Rs.	2022 Rs.
21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES		
21.1 Impairment charge on loans and receivables		
Charge on finance lease, hire purchase, loans & receivables and factoring receivables	182,570,809	116,769,184
Charge / (reversal) on hire rental receivables	-	774,871
	182,570,809	117,544,055

The company has been written-off Rs.14,202,942 during the financial year.

21.2 Analysis of Expected Credit Loss model three stages

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 month (12 MECL).

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. The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. it is considered that significant increase in credit risk takes a place when a facility is overdue more than 60 days.

Notes to the Financial Statements

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

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 Company defines credit impaired and default according to direction issued by CBSL. When a contract past due for more than 120 days is considered as Default.

Balance as at 01 April 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Finance lease	56,501,188	199,267,319	131,010,633	386,779,140
Hire purchase	-	-	-	-
Loans & advances	91,946,900	79,984,761	173,985,983	345,917,644
Factoring	-	-	13,535,842	13,535,842
Hiring rental receivables	-	-	1,241,132	1,241,132
	148,448,088	279,252,080	319,773,590	747,473,758
Movement During the Year				
Impairment charge for the year				
Finance lease	(16,609,608)	(68,827,926)	222,927,223	137,489,689
Hire purchase	-	-	-	-
Loans & advances	(74,678,355)	(28,934,510)	145,866,215	42,253,350
Factoring	-	-	4,068,902	4,068,902
Hiring rental receivables	-	-	(1,241,132)	(1,241,132)
	(91,287,963)	(97,762,436)	371,621,208	182,570,809
Write-off during the year				
Finance lease	-	-	4,521,685	4,521,685
Hire purchase	-	-	-	-
Loans & advances	-	-	9,681,257	9,681,257
Factoring	-	-	-	-
	-	-	14,202,942	14,202,942
Balance as at 31 March 2023				
Finance lease	39,891,580	130,439,393	349,416,170	519,747,143
Hire purchase	-	-	-	-
Loans & advances	17,268,545	51,050,250	310,170,942	378,489,737
Factoring	-	-	17,604,744	17,604,744
Hiring rental receivables	-	-	-	-
	57,160,125	181,489,643	677,191,856	915,841,624

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

21.2.1 Stage Transition

	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the year	148,448,088	279,252,080	319,773,590	747,473,758
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from Stage 1	(217,636,297)	134,626,351	83,009,946	-
Transferred from Stage 2	5,122,712	(39,466,503)	34,343,791	-
Transferred from Stage 3	43,609	51,808	(95,417)	-
Write-off during the year	-	-	(14,202,942)	(14,202,942)
Net remeasurement of loss allowance	121,182,013	(192,974,093)	254,362,888	182,570,808
Balance as at the end of the year	57,160,125	181,489,643	677,191,856	915,841,624

As at 31 March,	2023 Rs.	2022 Rs.
21.3 Allowance for individual impairment		
Balance as at beginning of the year	229,796,232	186,167,851
Charge / (reversal) during the year	361,122,855	43,628,381
Write-off during the year	(14,202,942)	-
Balance as at end of the year	576,716,145	229,796,232
21.4 Allowance for collective impairment		
Balance as at beginning of the year	516,436,394	443,295,591
Charge / (reversal) during the year	(177,310,915)	73,140,803
Balance as at end of the year	339,125,479	516,436,394
21.5 Allowance for total impairment		
Balance as at beginning of the year	746,232,626	629,463,442
Charge / (reversal) during the year	183,811,940	116,769,184
Write-off during the year	(14,202,942)	-
Balance as at end of the year	915,841,624	746,232,626
21.6 Product wise individual impairment		
Balance as at beginning of the year	229,796,232	186,167,851
Finance lease receivables	243,403,432	9,395,734
Hire purchase receivables	-	-
Loans & advances to other customers	99,447,579	28,954,785
Factoring receivables	4,068,902	5,277,862
Balance as at end of the year	576,716,145	229,796,232
21.7 Product wise collective impairment		
Balance as at beginning of the year	516,436,393	443,295,591
Finance lease receivables	(110,435,428)	(47,186,874)
Hire purchase receivables	-	-
Loans & advances to other customers	(66,875,486)	120,327,676
Factoring receivables	-	-
Balance as at end of the year	339,125,479	516,436,393

Notes to the Financial Statements

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

As at 31 March,	2023 Rs.	2022 Rs.
21.8 Loan product wise total impairment		
Balance as at beginning of the year	746,232,625	629,463,442
Finance lease receivables	132,968,004	(37,791,140)
Hire purchase receivables	-	-
Loans & advances to other customers	32,572,093	149,282,461
Factoring receivables	4,068,902	5,277,862
Balance as at end of the year	915,841,624	746,232,625

Impact of current economic condition on Expected Credit Losses

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company’s expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, Company used qualitative adjustments or overlays as temporary adjustments when such differences are significantly material.

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the company makes judgements and assumptions in relation to the selection of an estimation technique or modelling methodology, noting that the modelling of the Company's ECL estimates are complex; and the selection of inputs for those models, and the interdependencies between those inputs.

The modelling methodology applied in estimating in ECL in these Financial Statements is consistent with the applied in Financial Statements for the year ended 31 March 2023.

Sensitivity analysis of the expected credit loss model

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL Rs.	Impact Rs.
100% upside scenario	283,601,911	(55,523,510)
100% base scenario	318,025,462	(21,100,019)
100% downside scenario	347,436,978	8,311,497

As at 31 March,	2023 Rs.	2022 Rs.
22. OTHER RECEIVABLES		
Prepaid expenses	41,539,627	46,231,509
Advance for rent	23,267,318	23,570,615
Other receivables	4,888,379	3,797,485
Hiring rental receivables	6,657,541	7,457,660
Allowance for individual impairment (Note 22.1)	-	-
Allowance for collective impairment (Note 22.2)	-	(1,241,132)
	76,352,865	79,816,137
22.1 Allowance for individual impairment		
Balance as at beginning of the year	-	466,261
Charge / (reversal) for the year	-	(466,261)
Balance as at end of the year	-	-
22.2 Allowance for collective impairment		
Balance as at beginning of the year	1,241,132	-
Charge / (reversal) for the year	(1,241,132)	1,241,132
Balance as at end of the year	-	1,241,132
23. TAX RECEIVABLES		
WHT receivables	35,354	6,500
	35,354	6,500

Notes to the Financial Statements

As at 31 March,	2023 Rs.	2022 Rs.
24. INVESTMENT PROPERTY		
Balance as at beginning of the year	6,800,000	6,800,000
Change in fair value of investment property	11,800,000	-
Balance as at end of the year	18,600,000	6,800,000

24.1 Details of investment property

Investment property comprise of Lands acquired by the Company and is held for Capital Appreciation purposes. The professional valuation of Investment Property (Lands) of the company has been determined by an external, independent property valuer, M/S Prathap Chartered Valuation & Consultancy (Pvt) Ltd, on 31st March 2023. The Fair Value measurements of the Investment Property has been categorized as Level 03 Fair Value hierarchy.

The following table shows the valuation techniques used in measuring the Fair Value of Investment Property, as well as the significant unobservable inputs used.

Property Location	Land Extent	Valuation Technique	Significant Observable and Unobservable Inputs	Interrelationship between Key Inputs and Fair Value Measurement
Indiwinna, Hambanthota	1 rood and 1.4 perches	Comparison method of valuation - The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Per perch value in Hambanthota region ranges from Rs. 450,000/-	The estimated fair value would increase / (decrease) if comparable property value was higher / (lesser)

As at 31 March,	2023 Rs.	2022 Rs.
25. RIGHT OF USE ASSETS		
25.1 Movement of right of use assets		
Cost		
Balance as at beginning of the year	185,374,257	108,609,984
Additions/ renewal operating lease during the year	66,708,114	71,784,273
Advance payment made during the year	-	4,980,000
Balance as at end of the year	252,082,371	185,374,257
Accumulated depreciation		
Balance as at beginning of the year	77,541,197	46,705,092
Depreciation charge for the year	44,268,220	30,836,105
Balance as at 31 March 2023	121,809,417	77,541,197
Balance as at end of the year	130,272,954	107,833,060

25. RIGHT OF USE ASSETS (CONTD.)

As at 31 March,	2023 Rs.	2022 Rs.
25.2 Movement in lease liabilities		
Balance as at beginning of the year	110,379,848	64,897,900
Additions/ renewal operating lease during the year	66,708,114	71,784,273
Accretion of interest	15,004,730	8,951,653
Payments to lease creditors	(57,086,979)	(35,253,978)
Balance as at end of the year	135,005,713	110,379,848
25.3 Amounts recognised in profit or loss		
Interest on lease liabilities	15,004,730	8,951,653
Depreciation of right-of-use assets	44,268,220	30,836,105
	59,272,950	39,787,758
25.4 Amounts recognised in statement of cash flows		
Operating activities		
Payment of lease interest	15,004,730	8,951,653
Financing activities		
Payment of lease capital	42,082,249	26,302,325
Total cash outflow for leases	57,086,979	35,253,978

26. INTANGIBLE ASSETS

	Computer Software Rs.	Software - Core System Rs.	VISA License Fee Rs.	ATM License Fee Rs.	Total Rs.
Cost					
Balance as at 31 March 2021	18,582,586	26,307,842	5,460,246	14,985,000	65,335,674
Additions during the year	2,494,248	1,840,000	-	-	4,334,248
Balance as at 31 March 2022	21,076,834	28,147,842	5,460,246	14,985,000	69,669,922
Additions during the year	2,430,001	-	-	-	2,430,001
Balance as at 31 March 2023	23,506,835	28,147,842	5,460,246	14,985,000	72,099,923
Accumulated amortization					
Balance as at 31 March 2021	14,500,748	22,690,401	2,734,611	7,457,400	47,383,160
Amortization charge for the year	2,147,484	2,231,545	546,024	1,498,500	6,423,553
Balance as at 31 March 2022	16,648,232	24,921,946	3,280,635	8,955,900	53,806,713
Amortization charge/ adjustments for the year	2,621,303	2,370,272	541,537	1,486,183	7,019,295
Adjustments during the year	-	(3,225,168)	-	-	(3,225,168)
Balance as at 31 March 2023	19,269,535	24,067,050	3,822,172	10,442,083	57,600,840
Carrying amount					
As at 31 March 2023	**4,237,300**	**4,080,792**	**1,638,074**	**4,542,917**	**14,499,083**
As at 31 March 2022	4,428,602	3,225,896	2,179,611	6,029,100	15,863,209

Notes to the Financial Statements

27. PROPERTY, PLANT & EQUIPMENT

	Motor vehicle-Company fleet Rs.	Office equipment Rs.	Computer equipment Rs.	Furniture & fittings Rs.	Motor vehicle-hiring fleet Rs.	Mobile devices & tabs Rs.	Total Rs.
Cost							
Balance as at 31 March 2021	270,269	17,251,139	41,455,337	52,140,362	18,301,097	3,896,510	133,314,714
Additions during the Year	-	15,129,744	8,294,513	43,417,922	-	1,250,000	68,092,179
Disposals	-	-	-	-	(5,446,800)	-	(5,446,800)
Balance as at 31 March 2022	270,269	32,380,883	49,749,850	95,558,284	12,854,297	5,146,510	195,960,093
Additions during the Year	-	18,872,719	9,299,495	23,752,866	-	-	51,925,080
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2023	**270,269**	**51,253,602**	**59,049,345**	**119,311,150**	**12,854,297**	**5,146,510**	**247,885,173**
Accumulated Depreciation							
Balance as at 31 March 2021	270,269	12,437,881	27,657,560	36,626,904	14,984,576	2,627,255	94,604,445
Depreciation charge for the year	-	2,953,297	6,981,646	9,569,736	1,611,861	1,123,405	22,239,945
Disposals	-	-	-	-	(3,742,140)	-	(3,742,140)
Balance as at 31 March 2022	270,269	15,391,178	34,639,206	46,196,640	12,854,297	3,750,660	113,102,250
Depreciation charge for the year	-	7,029,966	8,742,684	16,693,419	-	1,002,004	33,468,073
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2023	**270,269**	**22,421,144**	**43,381,890**	**62,890,059**	**12,854,297**	**4,752,664**	**146,570,323**
Carrying amount							
As at 31 March 2023	**-**	**28,832,458**	**15,667,455**	**56,421,091**	**-**	**393,846**	**101,314,850**
As at 31 March 2022	-	16,989,705	15,110,645	49,361,645	-	1,395,850	82,857,845

27.1 Cost of fully depreciated assets

Property, plant and equipment included fully depreciated assets amounting to Rs. 101,861,496/- as at 31 March 2023 (As at 31 March 2022 was Rs. 84,396,115/-)

27.2 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguards the assets to ensure its future economic value would not diminish.

27.3 There were no items of property, plant and equipment pledged as at 31 March 2023.

As at 31 March,	2023 Rs.	2022 Rs.

28. FINANCIAL LIABILITIES AT AMORTISED COST DUE TO CUSTOMERS

Savings deposits	60,871,297	42,719,446
Term deposits	4,682,659,051	1,815,505,331
	4,743,530,348	1,858,224,777

29. INTEREST BEARING LOANS & BORROWINGS

Short term loans	350,000,000	2,225,000,000
Long term loans (Note 29.1)	2,415,294,557	4,541,190,827
Interest payables	167,081,388	311,589,769
	2,932,375,945	7,077,780,596

29.1 Movement of long term loans

Balance as at beginning of the year	4,541,190,827	3,264,250,000
Obtained during the year	400,000,000	2,687,000,000
Payments made during the year	(2,525,896,270)	(1,410,059,173)
Balance as at end of the year	2,415,294,557	4,541,190,827
Payables within one year	1,300,404,557	2,484,657,612
Payables within one to five years	1,114,890,000	2,056,533,215
	2,415,294,557	4,541,190,827

29.2 Long term loans analysed by lending institutions

Lending Institution	Credit rating	Capital Outstanding as at 31 March 2023 (Rs.)	Borrowing Terms
Sampath Bank PLC	A(lka) Fitch		
Loan 1		4,425,000	Repayable in 48 monthly installments at variable interest rate subject to monthly review.
Loan 2		9,650,000	Security assigned- Lease Receivables of Rs. 562 Mn
Hatton National Bank PLC	A(lka) Fitch		
Loan 1		138,500,000	Repayable in 59 equal monthly installments of Rs.13.5 Mn and a final installment of Rs.3.5 Mn plus interest - applicable variable interest rate. Security assigned- Lease Receivable of Rs.602 Mn.
Loan 2		158,328,000	Repayable in 47 equal monthly installments of Rs. 3.959 Mn and final payment of Rs. 3.927 Mn at variable interest rate subject to monthly review after an initial grace period of 6 months Security assigned- Lease Receivable of Rs.237. 5Mn plus corporate Guarantee from Blustone1 (Pvt) Ltd
Loan 3		466,672,000	Repayable in 47 equal monthly installments of Rs. 11.666Mn and final payment of Rs. 11.698Mn at variable interest rate subject to monthly review after an initial grace period of 6 months Security assigned- Lease Receivable of Rs.700 Mn plus corporate Guarantee from Blustone1 (Pvt) Ltd

Notes to the Financial Statements

29. INTEREST BEARING LOANS & BORROWINGS (CONTD.)

Lending Institution	Credit rating	Capital Outstanding as at 31 March 2023 (Rs.)	Borrowing Terms
Peoples' Bank PLC	A(lka) Fitch		Repayable in 48 monthly installments at variable interest rate subject to monthly review.
Loan 2		8,333,333	Security Assigned-Lease receivables of Rs.130Mn.
Loan 3		9,375,000	Security Assigned-Lease receivables of Rs.102Mn.
Loan 4		12,500,000	Security Assigned-Lease receivables of Rs.105Mn.
Loan 5		39,583,333	Security Assigned-Lease receivables of Rs.107.5Mn.
Loan 6		104,166,667	Security Assigned-Lease receivables of Rs.275Mn.
Loan 7		225,000,000	Repayable in 8 semi annual equal installments at variable interest rate subject to monthly review. Security Assigned- Pro note and receipts
Nation Trust Bank PLC	A-(lka) Fitch		Repayable in 33 equal monthly installments of Rs. 14.7Mn and final payment of Rs. 14.9Mn at variable interest rate subject to quarterly review. (after an initial grace period of 2 months) Security assigned - Rs.650 Mn over lease receivables
Loan 1		308,900,000	
Loan 2		160,300,000	Repayable in 35 equal monthly installments of Rs. 6.9 Mn and final payment of Rs. 8.5 Mn at variable interest rate subject to quarterly review. Security assigned - Rs.325 Mn over lease receivables
Seylan Bank PLC	A-(lka) Fitch	163,500,000	Repayable in 60 monthly installments with the applicable fixed interest rate. Security Assigned-Lease receivables of Rs.509Mn.
National Development Bank PLC	A-(lka) Fitch	371,428,000	Repayable in 42 equal monthly installments at variable interest rate subject to monthly review.(after an initial grace period of 6 months).
Safe Holding (Pvt) Ltd-Securitization 01		170,000,002	Repayable in 30 monthly installments at variable interest rate subject to monthly review after an initial grace period of 6 months Security Assigned-Lease receivables of Rs.650Mn
First Capital Ltd - Securitization 03		30,633,222	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned-vehicle loan receivables of Rs.750Mn.
M-Power Capital Ltd Securitization 04		34,000,000	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned-vehicle loan receivables of Rs.503Mn.

As at 31 March,	2023 Rs.	2022 Rs.
30. LIABILITIES TO FBIL CUSTOMERS		
Balance as at beginning of the year	-	962,059
Payment made during the year	-	-
Derecognition of liability	-	(962,059)
Balance as at end of the year	-	-

The liability is derecognised as the relevant parties agreed to the settlement based on the Scheme of Arrangements approved at the meeting of the creditors of First Barakah Investments Ltd (FBIL), held on 12 February 2011 and upheld by the Colombo Commercial High Court [Case No. H.C.(Civil) 01/2011 (CO)] and eight years lapsed form their confirmation dated 27 December 2013.

As at 31 March,	2023 Rs.	2022 Rs.
31. TRADE & OTHER PAYABLES		
Vendor payables	53,405,676	177,362,562
Bonus provision	-	42,046,362
Insurance premium payables	32,553,592	35,173,423
Other payables	40,138,470	59,526,112
	126,097,738	314,108,459
32. EMPLOYEE BENEFITS		
Present value of unfunded obligations	18,037,088	12,849,802
Present value of funded obligations	-	-
Total present value of obligations	18,037,088	12,849,802
Fair value of planned assets	-	-
Net retirement benefit obligations	18,037,088	12,849,802
32.1 Movement in present value of employee benefits		
Balance as at beginning of the year	12,849,802	11,904,906
Expenses recognised in the profit or loss (Note 32.2)	7,465,164	4,226,302
Actuarial (gain) / loss recognized in the other comprehensive income	(852,133)	1,234,059
Benefits paid during the year	(1,425,745)	(4,515,465)
Balance as at end of the year	18,037,088	12,849,802
For the year ended 31 March,		
32.2 Expenses recognized in the profit or loss		
Interest cost	1,739,472	880,963
Past service cost	-	(145,646)
Current service cost	5,725,692	3,490,985
	7,465,164	4,226,302

The provision for retirement benefits obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited, as at 31 March 2023. The valuation method used by the actuary to value the Fund is the “Projected Unit Credit Method”, the method recommended by the Sri Lanka Accounting Standards - LKAS 19 " Employee Benefits". The liability is not externally funded.

Notes to the Financial Statements

32. EMPLOYEE BENEFITS (CONTD.)

32.3 The assumptions used for the actuarial valuation are given below.

As at 31 March,	2023	2022
Discount rate per annum	20.0%	14.0%
Annual salary increment rate	10.0%	10.0%
Staff turnover ratio	19.0%	20.0%
Retirement age	60 Years	55 Years
Mortality table	A 1967/70	A 1967/70
Average future work life time	4.71 Years	4.44 Years

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with the support of the independent actuarial expert. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future. Due to the discount rate and salary increment rate account the current market conditions and inflation rate. Salary increments when taking into assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability because of prevailing macro-economic conditions.

32.4 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss & Other Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate to the total Comprehensive Income and retirement benefit obligation for the year ended 31 March 2023.

Sensitivity effect on employment benefit obligation	Increase / (Decrease) in the Liability	
As at 31 March,	2023 Rs.	2022 Rs.
Decrease in discount rate (1%)	637,154	95,316
Increase in discount rate (1%)	(597,402)	(905,798)
Decrease in salary increment rate (1%)	(688,729)	(950,909)
Increase in salary increment rate (1%)	726,208	135,821

33. DEFERRED TAX LIABILITIES/ (ASSET)

33.1 Movement of net deferred tax liabilities

As at 31 March,	2023	2022
Balance as at beginning of the year	(33,633,497)	19,357,692
Recognized in the profit or loss		
Amounts reversing during the year	(230,192,352)	(52,695,015)
Recognized in the other comprehensive income		
Amounts originating / (reversing) during the year	255,640	(296,174)
Balance as at end of the year	(263,570,209)	(33,633,497)
Recognised in statement of profit or loss due to during the year transactions	(177,210,310)	(52,991,189)
Recognised in statement of profit or loss due to increase in tax rate	(52,982,042)	-
Deferred tax expense recorded in profit or loss	(230,192,352)	(52,991,189)

Deferred tax assets are recognized in respect of tax losses based on the management judgment that the future taxable profit will be available against which the losses can be utilized based on the approved budget.

33.2 Origination of deferred tax assets / (liabilities)

As at 31 March,	Temporary Difference 2023 Rs.	Tax Effect 2023 Rs.	Temporary Difference 2022 Rs.	Tax Effect 2022 Rs.
Deferred tax assets :				
Employee benefits	18,037,088	5,411,126	12,849,803	3,083,953
Tax loss for the year	654,065,963	196,219,789	-	-
Provision for impairment	238,649,769	71,594,931	207,455,147	49,789,235
	910,752,820	273,225,846	220,304,950	52,873,188
Deferred tax liabilities :				
Property, plant and equipment	(11,680,829)	(3,504,249)	(7,843,142)	(1,882,354)
Accelerated depreciation for tax purpose - Leased assets	(11,305,199)	(3,391,560)	(69,108,783)	(16,586,108)
Right of use asset	(4,732,759)	(1,419,828)	(2,546,788)	(611,229)
Investment property	(13,400,000)	(1,340,000)	(1,600,000)	(160,000)
	(41,118,787)	(9,655,637)	(81,098,713)	(19,239,691)
Net deferred tax asset / (liabilities)		263,570,209		**33,633,497**

The tax base of the Company is computed in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereon. However temporary Difference generated through Accelerated Depreciation for Tax Purpose on Leased Assets is applicable only for the contracts incepted prior to 01 April 2018 and computed in accordance of the provision available in the Inland Revenue Act No 10 of 2006. The temporary difference is significant due to claiming capital allowances in advance in previous financial years.

Notes to the Financial Statements

33. DEFERRED TAX LIABILITIES/ (ASSET) (CONTD.)

33.3 Movement in recognized deferred tax assets and liabilities

For the year ended 31 March,	2023			
		Charged / (Reversed) in		
	Balance as at 01 April 2022	Profit or Loss	OCI	Balance as at 31 March 2023
Employee benefits	3,083,953	2,582,813	(255,640)	5,411,126
Right of use asset	(611,229)	(808,599)	-	(1,419,828)
Provision for impairment	49,789,235	21,805,696	-	71,594,931
Property, plant and equipment	(1,882,354)	(1,621,895)	-	(3,504,249)
Accelerated depreciation for tax purpose - Leased assets	(16,586,108)	13,194,548	-	(3,391,560)
Investment property	(160,000)	(1,180,000)	-	(1,340,000)
Tax loss for the year	-	196,219,789		196,219,789
	33,633,497	230,192,352	(255,640)	263,570,209

For the year ended 31 March,	2022			
		Charged / (Reversed) in		
	Balance as at 01 April 2021	Profit or Loss	OCI	Balance as at 31 March 2022
Employee benefits	2,857,177	(69,398)	296,174	3,083,953
Right of use asset	718,322	(1,329,551)	-	(611,229)
Provision for impairment	4,000,125	45,789,110	-	49,789,235
Property, plant and equipment	(2,451,433)	569,079	-	(1,882,354)
Accelerated depreciation for tax purpose - Leased assets	(24,321,883)	7,735,775	-	(16,586,108)
Investment property	(160,000)	-	-	(160,000)
	(19,357,692)	52,695,015	296,174	33,633,497

As at 31 March,	2023 Rs.	2022 Rs.
34. STATED CAPITAL		
Issued and fully paid - Ordinary shares of 176,955,971	2,369,559,710	1,769,559,710
Right issue made - Ordinary shares of 60,000,000	-	600,000,000
Issued and fully paid - Ordinary shares of 236,955,971	2,369,559,710	2,369,559,710

The Company made a right issue of Rs. 600,000,000/- on 07 of March 2022.

Ordinary shares

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

35. STATUTORY RESERVE FUND

Statutory reserve fund was created to comply with the Direction No. 1 of 2003 (Capital Funds) issued by the Central Bank. The Company is required to transfer 5% of Net Profits to this Reserve Fund as long as the Capital Funds are not less 25% of total deposit liabilities. During the year 2022/2023, the Company did not transfer funds to the Statutory Reserve Fund due to net loss reported during the year.

36. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

This reserve includes the cumulative net change in the Fair Value of Financial Assets which recognized in Other Comprehensive Income. When such investment is derecognized, the related cumulative Gain / (Loss) previously recognized is reclassified to Profit or Loss. Fair value losses have been set-off against the reserves and remaining losses are charged to Profit or Loss.

When measuring fair values of Financial Investments the company used the latest publicly available information in line with the prior year.

37. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

38. EVENTS AFTER REPORTING DATE

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.

39. LITIGATIONS AND CLAIMS

Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material impact on the Statement of Financial Position of the Company except the below mentioned. No adjustments have been made in the Financial Statement in this regard as management of the company believes that there is no likelihood of an unfavorable outcome.

i) Case No.647/16/L has been filed by previous owner of the land to cancel the Deed of Transfer which he executed to our customer on the basis of not properly passed the consideration. Answer filed by the Company and 1st & 2nd Defendants steps to serve summons due on 26 October 2018. 1st and Second Defendant have not accepted the summons, therefore Court wants to step taken to serve summons on the 1st and the 2nd defendants. Thereafter the case was fixed for fiscal report on 16 June 2023.The matter was fixed for ecparte trial against the 1st & 2nd defendants and pre trial against the 3rd defendant, next date of the case is 7 July 2023.

ii) Case No. 16131/M -Money case filed by the supplier of Harvester Machine A Base Mech Farm Pvt Ltd, against the Company Answers filed on 15 March 2018. Written submissions regarding the issues made by the Plaintiff and case was postponed to 08 July 2021 for trial. Thereafter the matter was fixed for trial on 03 October 2022. The trial was proceeded and fixed for further trial on 19 June 2023

iii) Case No.4835/M - customer defaulted the lease facility as per our instructions customer handed over the bike to the Company. Customer instituted this action to recover his money Rs. 400,000/- paid to the Dealer at the time of purchasing the bike or the return of the asset by him. This matter was re fixed for Written Submissions on 21 May 2020 and then the case was fixed to hear on 13 July 2021. Trial was proceeded and the case was fixed for further trial on 11 July 2023.

iv) Case No. DSP/33/21 - This is a joint lease facility and the applicants are husband and wife. There is a dispute between these co-applicants and the plaintiff (Thalangama Kushan Chamara Liyanage)has filed this case through his Attorney (Thalangama Sarath Liyanage) seeking an enjoining order preventing the company from releasing the vehicle and the CR to the 1st defendant. Since the District court has refused to grant the enjoining order, plaintiff has filed a leave to appeal application against the said order and the leave to appeal bearing no. CP/HCCA/LA/09/2023 was fixed for support on 03 May 2023. However, the District court case bearing no. DSP/33/21 was fixed for pre trial on 08 May 2023.

Notes to the Financial Statements

39. LITIGATIONS AND CLAIMS (CONTD.)

v) Case No.226/MD - The Company has reposessed the vehicle and Aluthgamage Don Mihiri Hansika Madubhashini Wickramasighe has filed this case against the Company seeking an enjoining order preventing the company from transfering the vehicle to a third party. However the case was fixed for objections on 05 July 2023.

40. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of the business, the Company may makes various commitments and incurs contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

There were no any material contingent liabilities, which require adjustment to or disclosure in the Financial Statements as at the reporting date, other than disclosed above.

40.1 Capital commitments

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

41. COMPARATIVE FIGURES

Comparative figures have been re-classified wherever necessary and conform to the current year classification.

42. ASSETS PLEDGED

The following assets have been pledged as securities against the Long-term and Short- term borrowings that have been disclosed under the Note 29.2 to the Financial Statements.

Lending Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged
Sampath Bank PLC	Lease Receivables	Long Term Loan	176,512,940
Hatton National Bank PLC	Lease Receivables & Vehicle Loan Receivable	Long Term Loan	1,374,508,773
Commercial Bank of Ceylon PLC	Lease Receivables	Short Term Loan	1,015,751,410
Nation Trust Bank PLC	Lease Receivables	Long Term Loan	797,810,010
Peoples Bank PLC	Lease Receivables	Long Term Loan	426,143,563
Seylan Bank PLC	Lease Receivables	Long Term Loan	281,765,304
NDB Bank PLC	Lease Receivables	Long Term Loan	462,624,429
Securitization 1	Vehicle Loan Receivables	Long Term Loan	383,755,036
Securitization 2	Vehicle Loan Receivables	Long Term Loan	383,988,895
Securitization 3	Vehicle Loan Receivables	Long Term Loan	256,762,966
Securitization 4	Vehicle Loan Receivables	Long Term Loan	386,064,742

43. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) “Related Party Disclosures”, the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

43.1 Parent and the ultimate controlling party

Fintrex Finance Limited is a subsidiary of Bluestone 1 (Pvt) Ltd. The ultimate parent of the Company is Fairfax Financial Holding, a Company incorporated in Canada.

43. RELATED PARTY DISCLOSURES (CONTD.)

43.1.1 Transactions with parent Company

There was a share transactions occurred during the last year with Bluestone 1 (Pvt) Ltd.

Right Issue of ordinary shares

Number of shares issued and fully subscribed	60,000,000
Issue price per share	Rs.10/-
Total proceeds from right issue of shares	Rs. 600,000,000/-

43.2 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) has been classified as Key Management Personnel of the Company.

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual's domestic partner and children;
(b) children of the individual's domestic partner; and
(c) dependents of the individual or the individual's domestic partner
There were no any transactions with CFM during the year.

43.2.1 Compensations to Key Management Personnel (KMPs)

There were no compensation paid to key management personnel during the year other than those disclosed below.

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company. Such KMPs include the Board of Directors of the Company and of its parent. Transactions with close family members of the KMPs, have also been taken in to consideration in the following disclosure.

According to Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), their Close Family Members (CFM) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company. Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner.

For the year ended 31 March,	2023 Rs.	2022 Rs.
Short-term employee benefits	4,800,000	5,400,000

43.2.2 There were no loans have been granted to the Directors of the Company during the year or outstanding as at the reporting date.

43.2.3 Transactions with related companies

There is no transaction took place with related parties during the financial year under consideration.

Notes to the Financial Statements

44. FINANCIAL RISK MANAGEMENT

The Board of Directors possess the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Board has established the Integrated Board Risk Management Committee (BIRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas .With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the Risk and Compliance officer to BIRMC Committee.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 05 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.
The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

Risk management and related reporting issues that are associated with financial institutions valuations of complex transactions and their impact to capital requirements, has received unstinted attention in the recent decade. Numerous risks inherent to a financial institution due to its nature of business and also other factors, are managed through a process of ongoing identification, measurement and monitoring activities subject to risk limits and other controls. This process of risk management is critical to Company's continuing profitability and building reputation, with each individual in the Organisation being responsible and accountable for risk exposure relating to scope of work.

The Company's risk management process is streamlined in effect to ensure there is appropriate balance between risk and rewards. By instilling various controls and strategies, the Management continuously strives to mitigate risks in the attempt of generating higher profits.

As a finance Company, is exposed to a number of risks arising from dealing in financial transactions, involving mainly financial assets and liabilities. Key risks associated with Company's business revolve around:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Currency risk

44.1 Credit risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfill agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

i. Management of Credit Risk

Managing credit risk which is deemed the main risk element to a finance company like ours, the management takes into account all elements of credit risk exposures both at micro and macro levels. This includes analysing individual obligor default risk, industry specific risk and geographical risk as part of comprehensive credit risk management process.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Board Credit Committee (BCC).

44. FINANCIAL RISK MANAGEMENT (CONTD.)

A separate Credit evaluation department, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by, the Head of Credit, COO, CEO, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types. Regular reports on the credit quality of portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

The Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. 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, including those subject to central approval. Regular audits of business units and Company credit processes are undertaken by internal audit.

ii. Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheque in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The Company held cash and cash equivalents of Rs. 226.1 Mn at 31 March 2023 (2022: Rs.59.9Mn). The cash and cash equivalents are held with financial institution counter parties that are rated at least BB+(lka) based on ICRA or Fitch ratings.
The cash and cash equivalents are held with the following commercial banks.

Bank	Balance as at 31 March 2023	Rating
Commercial Bank of Ceylon PLC	4,436,620	A
Peoples' Bank PLC	1,793,163	A
Sanasa Development Bank	94,618	BB+
Cargills Bank	1,218,480	A+
Hatton National Bank PLC	79,479,458	A
MCB Bank LTD	127,766	A+
Nations Trust Bank PLC	15,035,067	A-
National Development Bank PLC	1,279,338	A-
Sampath Bank PLC	11,442,921	A
Seylan Bank PLC	277,904	A-

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44. FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Credit risk (contd.)

iii. Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets and are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka. Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. In mitigating credit risk, the Company resorts to obtaining collaterals which are valued by recognised external valuers and also by our own internal valuation who possess the expertise accurate valuations. Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations. The Company also accepts personal guarantees, guarantees from other financial institutions and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

The Company holds collateral in the form of vehicles, property, stocks, gold articles and guarantors and other credit enhancements against certain of its credit exposures.

iv. Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable a supportable information that is relevant and available without undue cost or efforts. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing;

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectation).

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 lifetime expected credit losses (LTECL). The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes a place when a facility is overdue more than 60 days.

44. FINANCIAL RISK MANAGEMENT (CONTD.)

The maximum exposure to the credit risk at the reporting date is stated below.

As at 31 March,	2023 Rs.	2022 Rs.
Loans and advances		
Finance lease receivables	5,030,690,492	6,248,571,009
Hire purchase receivables	109,474	109,474
Loans & advances to other customers	4,235,736,672	5,036,919,372
Factoring receivables	2,757,271	1,920,499
	9,269,293,909	11,287,520,354

The above stated Financial Assets are backed with the underlying securities.

Debt and other instruments		
Cash and cash equivalents	341,258,906	312,049,491
Financial investments at amortised cost	721,424,223	647,135,954
Financial assets measured at fair value through other comprehensive income	41,604,427	46,916,224
Other receivables	34,813,238	34,825,761
	1,139,100,794	1,040,927,430

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analyzing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

44.1.1 Analysis of risk concentration

(a) Concentration by Industry

The Company monitors credit concentration risk by referring degree of credit exposure by various sectors. The following table shows the maximum credit exposure before deducting the respective provision for impairment of Company's loans and advances to various sectors as at the end of the financial year.

Sector	Balance as at 31 March 2023	As %	Balance as at 31 March 2022	As %
Agriculture & Fishing	629,233,887	6%	474,841,725	4%
Construction	811,476,512	8%	870,532,326	7%
Financial and business services	420,479,040	4%	482,641,684	4%
Infrastructure	73,207,126	1%	106,671,042	1%
Manufacturing	1,389,041,041	14%	1,490,378,548	12%
New economy	178,348,116	2%	260,542,914	2%
Services	2,747,955,385	27%	3,649,647,722	30%
Tourism	246,275,598	2%	298,339,205	2%
Trades	1,654,423,833	16%	1,966,337,789	16%
Transport	1,764,427,902	17%	2,191,357,575	18%
Other customers	270,267,093	3%	242,462,449	2%
Grand total	10,185,135,533	100%	12,033,752,979	100%

Notes to the Financial Statements

44. FINANCIAL RISK MANAGEMENT (CONTD.)

(b) Concentration by product

Product	Balance as at 31 March 2023	As %	Balance as at 31 March 2022	As %
Finance lease receivables	5,550,437,635	54%	6,635,350,148	55%
Hire purchase receivables	109,474	0%	109,474	0%
Secured loans	3,782,727,873	37%	4,284,478,596	36%
Trade finance receivables	831,498,536	8%	1,098,358,420	9%
Factoring receivables	20,362,015	0%	15,456,341	0%
Grand total	10,185,135,533	100%	12,033,752,979	100%

44.1.2 Impairment assessment

For accounting purposes, the Company uses an Expected Credit Loss model (ECL)for the recognition of losses on impairment in accordance with SLFRS 9 commencing from 01 April 2018.

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

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” above) either over the next 12 months (12m PD) 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 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 the 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.

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganization
- Observable data that suggests that there is a decrease in the estimated future cash flows from the credit granted

44. FINANCIAL RISK MANAGEMENT (CONTD.)

44.1.2.1 Valuation of immovable properties obtained as Collateral

Land, land and building which are obtained as collateral against any accommodation are valued frequently based on the Board approved valuation policy. The valuation obtained at the initiation of loan is considered as collateral value for performing Loans. All residential properties obtained as collateral for non-performing loans are valued in every five years and the other properties are valued in every four years. The Valuations are obtained from the panel of external, independent property valuers approved by the Board of Directors of the Company.

44.1.2.2 Write-off of loans and advances

Loans (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

44.1.2.3 Reversals of impairment

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

44.1.3 Credit quality by class of financial assets

The Company maintains the credit quality of Financial Assets using number of rental / installments in arrears. The table below shows the credit quality by number of rentals / installments in arrears for all Financial Assets exposed to credit risk. The amounts presented are Gross Receivable amounts.

As at 31 March 2023	**Carrying**	**Arrears period (Months)**			
	value	**1-3**	**3-6**	**6-12**	**12+**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Finance lease receivables	5,550,437,635	4,790,169,816	332,849,655	107,893,838	319,524,326
Hire purchase receivables	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	4,634,588,424	3,952,706,037	193,429,502	90,127,611	398,325,274
	10,185,135,533	8,742,985,327	526,279,157	198,021,449	717,849,600

As at 31 March 2022	**Carrying**	**Arrears period (Months)**			
	value	**1-3**	**3-6**	**6-12**	**12+**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Finance lease receivables	6,635,350,148	5,653,867,519	628,647,323	57,692,308	295,142,998
Hire purchase receivables	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	5,398,293,357	4,817,671,872	180,938,417	48,838,283	350,844,785
	12,033,752,979	10,471,648,865	809,585,740	106,530,591	645,987,783

Notes to the Financial Statements

44. FINANCIAL RISK MANAGEMENT (CONTD.)

44.1.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another Financial Assets. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under any circumstances.

The Company manage it's liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value, ALCO is entrusted with this task.

The Company's approach to managing liqudity is to ensure that the Company will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed economic conditions without incurring unacceptable losses.

Liquidity management in current economic conditions

The Company took cognizance of the reality that preservation of capital is of utmost importance during the business downturn resulting from the current economic conditions and took necessary action to ensure that there is sufficient liquidity available for its operational requirements. Several important decisions were made in this regard affecting both the short- and long-term business horizons.

The availability of approved but unutilized funding facilities was a comfort factor during this period. As at 31 March 2023 the Company has the unutilised short term and overdraft facilities of Rs.1950 Mn and long term facilities of Rs.200 Mn. Further, the Company has negotiated new working capital as well as term funding lines from financial institutions at very favourable interest rates.

44.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's Financial Assets and Liabilities as at 31 March 2023.

Description	Carrying value	Contractual maturity	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.
Financial Assets						
Cash & cash equivalents	341,258,906	341,258,906	341,258,906	-	-	-
Financial investments at amortised cost	721,424,223	843,937,937	187,724,937	655,882,000	-	331,000
Financial investments at FV through OCI	41,604,427	58,250,000	-	5,500,000	52,750,000	-
Gross loans & receivables to other customers	10,185,135,533	12,264,585,259	3,366,952,542	2,558,216,455	6,336,699,964	2,716,297
Other receivables	76,352,865	76,352,865	76,352,865	-	-	-
Total financial assets	11,365,775,954	13,584,384,967	3,972,289,250	3,219,598,455	6,389,449,964	3,047,297
Financial liabilities						
Bank overdrafts	89,071,888	89,071,888	89,071,888	-	-	-
Other financial liabilities due to customers	4,743,530,348	2,277,225,568	404,362,748	517,111,899	1,355,750,921	-
Interest bearing loans and borrowings	2,932,375,945	7,922,132,330	1,013,547,673	4,392,061,281	2,516,523,376	-
Lease Liabilities	135,005,713	142,027,895	11,488,280	30,921,464	88,381,352	11,236,800
Trade and other payables	126,097,738	126,097,738	126,097,738	-	-	-
Total financial liabilities	8,026,081,632	10,556,555,418	1,644,568,327	4,940,094,643	3,960,655,649	11,236,800

44. FINANCIAL RISK MANAGEMENT (CONTD.)

44.3 Market risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies and equity prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

44.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / libaility mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets.

Management of Interest rate risk aims at capturing the risk arising from the maturity and re-pricing movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) therefore that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Further the increase of policy rates and subsequent increase in treasury bills rates compelled the market rates to increase significantly. As a result the interest rate risk is on the rise for all financial institutions of the country including the Company. Due to the increase in interest rates, cost of funds increased more than the lending yield as 70% of borrowings were at variable terms linked to basis of AWPLR while lending facilities were at fixed rates. This interest sensitivity negative gap was already addressed through minimizing gearing via fixed rated public deposits and improving lending yield through incremental disbursements. Impact of this kind of interest rate risk in future will be reduced with the adaption of pricing model to price of both assets and liability products, while considering fluctuation in macroeconomic variables.

	Less than 30 days Rs.	1-3 Months Rs.	4-6 Months Rs.	7-12 Months Rs.	1-3 Years Rs.	3-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Rate sensitive assets (RSA)	2,162,742,445	841,978,182	1,019,527,899	1,781,110,825	3,386,631,612	1,159,213,626	2,716,297	10,353,920,886
Rate sensitive liabilities (RSL)	905,681,772	1,261,893,405	1,142,739,339	2,242,127,432	1,503,065,468	989,597,541	-	8,045,104,957
Period gap	-	(419,915,223)	(123,211,440)	(461,016,607)	1,883,566,144	169,616,085	2,716,297	2,308,815,929
Cumulative gap	-	(419,915,223)	(543,126,663)	(1,004,143,270)	879,422,874	1,049,038,959	1,051,755,256	-

The risk arises as a result of exchange difference is considered as minimal.

	Sensitivity effect on interest rate 2023 Rs.	2022 Rs.
Decrease in interest rate 5%	52,587,763	175,149,173
Increase in interest rate 5%	(52,587,763)	(175,149,173)

Notes to the Financial Statements

44. FINANCIAL RISK MANAGEMENT (CONTD.)

44.4 Operational risk

Operational risk is the risk of loss arising from fraud, systems failure, human error or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- compliance with regulatory and other legal requirements
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit.
The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Company and Audit Committee. Audit Committee instructs the management to take the corrective actions to overcome any deficiencies identified.

44.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

45. CAPITAL MANAGEMENT

The Company is required to manage its capital taking into account the need to meet the regulatory requirements and to maintain a capital buffer against unexpected losses as well as to cater to the current and future business needs, stakeholder expectations and to seek available options for raising and generating capital.

Capital management is deemed a pivotal assessment exercise in sustaining an adequate buffer against losses arising from any unforeseen risks. So Management monitors Company's capital adequacy position closely through the Finance Division and reports to the Board monthly. Capital adequacy is a measure of the Company's ability to tolerate associated risks in doing its finance business. The main objective of maintaining adequate capital in terms of regulatory capital adequacy ratios is to safeguard the depositors, whilst sustaining customer confidence. The capital adequacy measurement being a widely accepted concept specifies the limit up to which Company can expand in terms of its risk weighted assets. In pursuit of business expansion and diversification, Company engages itself in activities dealing in financial instruments that regularly change the risk and capital profile of the Company. Accordingly, regulatory capital requirements ensure the Company does not move into undue expansion beyond specified limits and signals the Company to be cautious and not to take undue risk through growth of its assets especially in areas risky than others.

In this context, the Company's capital strength serves as a cushion in absorbing any unexpected losses that may arise and is a good indicator of Company's levels of safety towards stakeholders more importantly its depositors. The Company's policy on capital is to retain a strong capital base at all times so as to ensure investor, creditor and market confidence and to back the sustainable growth of the Company.

The Company reviews its capital adequacy ratios (CAR) on a monthly basis to ensure compliance to prudential requirements on capital. The Company's core minimum capital ratios i.e. tier 1 capital ratio and total capital ratio were maintained well above the minimum regulatory requirements of 8.5% and 12.5% respectively throughout 2022/23 financial year.

The computation of the CAR ratios is in two parts and involves firstly a working to arrive at the Tier 1 capital and the capital base for the two ratios CCR and TRWCR respectively. A separate computation is carried out to derive at the total risk weighted assets as at a given date.

45. CAPITAL MANAGEMENT (CONTD.)

The details of the computation of capital and the ratios of the Company as at 31 March 2023 are given below:

As at 31 March	2023 Rs.
Issued and paid-up ordinary shares / common stock (cash)	2,369,559,710
Statutory reserve fund	53,917,670
Retained earnings	510,630,680
General and other reserves	-
Less; Gain/(loss) on valuation of investment property	(14,700,000)
Tier I : Core capital	2,919,408,060
Less; Adjustments to Tier 1 capital	(14,499,083)
Supplementary capital	-
Eligible Tier 2 capital	2,904,908,977
Total capital	2,904,908,977
Deductions	
Equity Investments in Unconsolidated Banking & Financial Subsidiaries	-
Investments in Capital of Other Banks / Financial Associates	-
Capital base	2,904,908,977
Total risk weighted assets	
Total asset base	10,978,226,780
Weight given for credit & operational risk	(1,029,833,528)
Risk weighted amount for operational risk	990,873,024
Risk weighted assets	10,939,266,276
Tire 1 capital ratio (Minimum requirement 8.5%)	
Total eligible core capital (Tier I Capital)	2,919,408,060
Total risk-weighted assets	10,939,266,276
	26.69%
Total capital ratio (Minimum requirement 12.5%)	
Total capital base	2,904,908,977
Total risk-weighted assets	10,939,266,276
	26.55%

Notes to the Financial Statements

46. FINANCIAL INSTRUMENTS

46.1 Classification of financial assets & financial liabilities

The table below provide a reconciliation between line items in the Statement of Financial Position and categories of Financial Assets & Financial Liabilities of the Company as per SLFRS.

	As at 31 March 2023			As at 31 March 2022		
	Finance asset at fair value through profit or loss	Finance asset at amortized cost	Finance asset at fair value through other comprehensive income (FVOCI)	Finance asset at fair value through profit or loss	Finance asset at amortized cost	Finance asset at fair value through other comprehensive income (FVOCI)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and cash equivalents	-	341,258,906	-	-	312,049,491	-
Financial investments at amortized cost	-	37,724,937	-	-	454,606,986	-
Financial assets - FVOCI	-	-	41,604,427	-	-	46,916,224
Finance lease receivables	-	5,030,690,492	-	-	6,248,571,009	-
Hire purchase receivables	-	109,474	-	-	109,474	-
Loans & advances to other customers	-	4,235,736,672	-	-	5,036,919,372	-
Factoring receivables	-	2,757,271	-	-	1,920,499	-
Financial investments in treasury bills	-	683,699,286	-	-	192,528,968	-
Total financial assets	-	10,331,977,038	41,604,427	-	12,246,705,799	46,916,224

	As at 31 March 2023			As at 31 March 2022		
	Financial liabilities at fair value through profit or loss (FVTPL)	Financial liabilities at amortized cost	Finance liabilities at fair value through other comprehensive income (FVOCI)	Financial liabilities at fair value through profit or loss (FVTPL)	Financial liabilities at amortized cost	Finance liabilities at fair value through other comprehensive income (FVOCI)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities						
Bank overdrafts	-	89,071,888	-	-	81,082	-
Other financial liabilities due to customers	-	4,743,530,348	-	-	1,858,224,777	-
Interest bearing loans & borrowings	-	2,932,375,945	-	-	7,077,780,596	-
Lease liabilities	-	135,005,713	-	-	-	-
Total financial liabilities	-	7,899,983,894	-	-	8,936,086,455	-

46. FINANCIAL INSTRUMENTS (CONTD.)

46.2 Fair value measurement

The Company measures the Fair Value using the following Fair Value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of Fair Value Measurement of Financial & Non-Financial Assets and Liabilities is provided below.

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, 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 ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost 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 of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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

Notes to the Financial Statements

46. FINANCIAL INSTRUMENTS (CONTD.)

46.2.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of Assets & Liabilities measured at Fair Value as at the reporting date, by the level in the Fair Value Hierarchy into which the Fair Value measurement is categorized. These amounts were based on the values recognized in the Statement of Financial Position.

As at 31 March 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	41,273,427	-	-	41,273,427
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	41,273,427	-	331,000	41,604,427
Non-financial assets				
- Investment property	-	-	18,600,000	18,600,000
Total non-financial assets at fair value	-	-	18,600,000	18,600,000
Total assets at fair value	41,273,427	-	18,931,000	60,204,427

As at 31 March 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	46,585,224			46,585,224
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	46,585,224	-	331,000	46,916,224
Non-financial assets				
- Investment property	-	-	6,800,000	6,800,000
Total non-financial assets at fair value	-	-	6,800,000	6,800,000
Total assets at fair value	46,585,224	-	7,131,000	53,716,224

46.2.2 Level 3 fair value measurement

Investment property

Reconciliation from the opening balance to the ending balance for the Investment Property in the Level 3 of the Fair Value hierarchy is available in Note 24.

Note 24.1 provides information on Significant Unobservable Inputs used as at 31 March 2023 in measuring Fair Value of value of Land categorised as Level 3 in the Fair Value hierarchy.

Note 24.1 provides details of valuation techniques used and sensitivity of Fair Value measurement to changes in significant unobservable inputs.

The Company recognizes no transfers between levels of the fair value hierarchy as of the end of the reporting period.

Equity securities

Value of unquoted shares of Rs. 331,000 in the Company as at the end of 31 March 2023 (Rs. 331,000 as at end of 31 March 2022) categorized under Financial Investments - FVOCI, which Fair Value can not be reliably measured is stated at Cost in the Statement of Financial Position.

46. FINANCIAL INSTRUMENTS (CONTD.)

46.2.3 Fair value of financial assets and liabilities not carried at fair value

	2023		2022	
	Carrying amount Rs	Fair value Rs	Carrying amount Rs	Fair value Rs
Financial assets				
Cash and cash equivalents	341,258,906	341,258,906	312,049,491	312,049,491
Loans & receivables to banks	721,424,223	721,424,223	647,135,954	647,135,954
Finance lease receivables	5,030,690,492	5,030,690,492	6,248,571,009	6,248,571,009
Hire purchase receivables	109,474	109,474	109,474	109,474
Loans & advances to other customers	4,235,736,672	4,235,736,672	5,036,919,372	5,036,919,372
Factoring receivables	2,757,271	2,757,271	1,920,499	1,920,499
Other receivables	76,352,865	76,352,865	79,816,137	79,816,137
	10,408,329,903	10,408,329,903	12,326,521,936	12,326,521,936
Financial liabilities				
Bank overdrafts	89,071,888	89,071,888	81,082	81,082
Other financial liabilities due to customers	4,743,530,348	4,743,530,348	1,858,224,777	1,858,224,777
Interest bearing loans & borrowings	2,932,375,945	2,932,375,945	7,077,780,596	7,077,780,596
Lease liabilities	135,005,713	135,005,713	110,379,848	110,379,848
Liabilities of FBIL customers	-	-	-	-
Trade & other payables	126,097,738	126,097,738	314,108,459	314,108,459
	8,026,081,632	8,026,081,632	9,360,574,762	9,360,574,762

47. DIRECTORS RESPONSIBILITIES

The Board of Directors of the Company are responsible for the preparation and presentation of these financial statements.

SUPPLEMENTARY INFORMATION

10 Years Summary

	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000
Operating Results					
Gross Income	2,368,382	2,106,329	1,625,409	1,970,881	1,649,056
Interest Income	2,264,367	1,955,827	1,549,448	1,892,153	1,580,105
Interest Expenses	1,811,036	660,299	510,691	772,623	675,008
Net Interest Income	453,332	1,295,528	1,038,757	1,119,531	905,097
Net Other Operating Income	104,014	150,502	75,962	78,728	68,951
Total Operatng Income	557,346	1,446,030	1,114,719	1,198,259	974,048
Impairment Charge	182,571	117,544	236,407	612,166	225,661
Operating Expenses	819,511	753,479	541,992	493,619	452,390
Tax on Financial Services	-	134,988	85,525	62,438	87,943
Profit before income tax	-444,736	440,018	250,795	30,035	208,054
Income Tax	225,647	112,521	56,480	-2,037	91,721
Profit after income tax	-219,089	327,498	194,315	32,072	116,333
Financial Position					
Assets					
Cash and cash equivalents	341,259	312,049	166,533	15,054	105,143
Investments	763,029	694,052	238,579	332,587	306,841
Leases,loans and advances	9,269,294	11,287,520	8,369,424	7,201,727	7,868,368
Other receivables	76,388	79,823	45,509	70,175	56,500
Net deferred tax assets	263,570	33,633	-	-	-
Investment property	18,600	6,800	6,800	6,800	6,800
Right of use asset	130,273	107,833	61,905	67,055	-
Intangible assets	14,499	15,863	17,953	22,396	23,341
Property,plant and equipment	101,315	82,858	38,710	56,634	65,249
Total Assets	**10,978,227**	**12,620,432**	**8,945,412**	**7,772,428**	**8,432,243**
Liabilities					
Bank overdraft	89,072	81	125,464	515,678	417,736
Borrowings	2,932,376	7,077,781	5,705,517	4,756,931	5,469,502
Deposits from customers	4,743,530	1,858,225	455,374	187,012	533,090
Other payables	279,141	531,745	405,071	226,501	375,840
Deferred tax liabilities	-	-	19,358	47,496	63,996
Total Liabilities	**8,044,119**	**9,467,832**	**6,710,784**	**5,733,618**	**6,860,165**
Equity					
Stated Capital	2,369,560	2,369,560	1,769,560	1,769,560	1,340,295
Reserves	564,548	783,041	465,068	269,251	231,784
Total Equity	2,934,108	**3,152,60**1	2,234,628	2,038,810	1,572,078
Total Liabilities and Equity	**10,978,227**	**12,620,432**	**8,945,412**	**7,772,428**	**8,432,243**
Financial Indicators					
Earning per share (Rs.)	-0.92	1.80	1.10	0.21	0.87
Net assets per share (Rs.)	12.38	13.3	12.63	13.42	11.73
Return on shareholders' funds (%)	-7.20	12.16	9.09	2.10	7.41
Return on average assets (%)	-1.86	3.04	2.32	0.50	1.53
Net interest margin (%)	4.12	12.58	12.87	13.70	12.60
Cost to income ratio (%)	147.04	52.11	48.62	44.09	49.98
Gross non performing loan (%)	11.21	6.50	9.80	21.26	7.71
Net non performing loan (%)	3.76	0.29	3.04	10.25	1.96
Core Capital Ratios (%) - Minimum required 8.5%	26.69	23.63	23.10	23.00	17.00
Total Risk Weighted Capital Ratio (%) - Minimum required 12.5%	26.55	23.51	22.90	23.00	17.00

2018 Rs. ’000	2017 Rs. ’000	2016 Rs. ’000	2015 Rs. ’000	2014 Rs. ’000
1,244,630	979,627	742,384	442,047	199,526
1,206,710	943,025	695,078	379,429	158,380
489,619	430,092	264,312	118,430	43,754
717,091	512,933	430,766	260,999	114,626
37,920	36,602	47,307	62,618	41,146
755,011	549,535	478,073	323,617	155,772
241,608	102,608	127,919	18,676	2,703
334,636	312,931	255,252	185,946	125,227
35,962	24,750	18,995	18,193	9,378
142,804	109,246	75,906	100,802	18,464
22,967	6,896	8,111	16,930	5,366
119,837	102,350	67,796	83,872	13,098
99,618	119,293	140,843	41,481	16,175
420,195	363,277	273,287	1,994,186	752,953
5,811,773	5,079,079	4,839,358	2,864,480	1,240,561
28,745	28,652	60,944	58,846	37,069
-	4,298	-	159	9,245
23,200	23,200	5,200	3,900	3,900
-	-	-	-	-
27,294	34,683	34,554	21,603	3,331
82,499	103,825	47,456	28,120	31,468
6,493,325	**5,756,308**	**5,401,643**	**5,012,775**	**2,094,702**
432,227	442,745	92,986	1,383,690	26,980
1,540,302	2,106,202	2,648,309	1,781,203	200,456
2,694,597	1,540,732	1,206,189	485,094	610,997
321,690	287,288	175,135	151,928	129,500
-	-	-	-	-
4,988,815	**4,376,966**	**4,122,620**	**3,801,915**	**967,933**
1,340,295	1,340,295	1,340,295	1,340,295	1,340,295
164,215	39,047	-61,272	-129,435	-213,526
1,504,509	1,379,342	1,279,023	1,210,860	1,126,769
6,493,325	**5,756,308**	**5,401,643**	**5,012,775**	**2,094,702**
0.89	0.76	0.51	0.63	0.19
11.23	10.29	9.54	9.03	8.41
8.31	7.70	5.45	7.18	2.65
2.33	1.96	1.30	2.36	2.00
12.29	8.90	8.64	8.89	14.30
46.67	61.01	59.26	71.24	80.39
5.74	7.10	4.66	1.94	1.72
3.23	2.58	1.71	1.21	1.28
25.00	26.00	25.00	34.00	83.00
25.00	26.00	25.00	34.00	83.00

Glossary of Financial Terms

A

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Accrual Gain/(Loss)
Gain or loss arising from the difference between estimates and actual experience in a corporation's defined benefit pension plan obligations.

Amortization
Gradual write-down of the cost of an intangible asset over its useful life.

Amortised Cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

B

Borrowings
All interest-bearing liabilities.

Borrowing Cost
Interest and other costs that an entity incurs in connection with the borrowing of funds.

C

Capital Adequacy Ratio
The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial Institutions, to suit the local requirements.

Capital Funds
Shareholders' funds net of statutory reserves

Cash Equivalents
Highly liquid short-term investments which can be converted into cash immediately with original maturity periods of three month or less.

Collective Impairment Provision
Impairment which measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commitment
Credit facilities approved but not yet utilised by the clients as at the reporting date.

Contingencies
A condition or situation existing at reporting date where the ultimate outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other.

Cost to Income Ratio
The operating expenses, excluding tax on financial services and impairment (charge)/reversal for loans and other losses, expressed as a percentage of total net operating Income.

Cost of Funds
Interest expenses expressed as a percentage of average interest-bearing liabilities.

Credit Rating
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk
Credit risk is the potential loss arising from a borrower or counterparty failing to meet its obligations in accordance with the agreed terms.

Customer Deposits
Money deposited by account holders and such funds are recorded as liabilities of the entity.

D

Debt
An obligation that requires one party, the debtor, to pay money or other agreed-upon value to another party, the creditor.

Deferred Tax
The net tax effect on items which have been included in the income statement, that may become payable or receivable in a future period in respect of taxable temporary differences.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

De recognition
Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

E

Earnings per share (EPS)
Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added (EVA)
A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Eligible Deposits
Customer Deposits inclusive of interest accrued after deducting for deposits balances of directors and KMPs.

Equity
Shareholders' fund.

Events after the Reporting Period
Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

Expected Credit Losses (ECL)
ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value
Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Financial Assets
Any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if 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.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it 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. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity to exchange assets or financial liabilities with another entity

Financial Instrument
Any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Finance Lease
A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Funding Mix
The total of shareholders' funds, customer deposits and borrowings from banks and other institutions

G

Global Reporting Initiative
GRI is a leading organisation in the sustainability filed. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Going Concern
The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.

Gross Non Performing Advances
A loan placed on a cash basis (i.e, Interest Income is only recognized when cash is actually collected) after when six instalments or more are overdue, as there is reasonable doubt regarding the collectability of its instalments of capital and interest.

Gross NPA Ratio
The total of the non-performing loans and receivables and non-performing Lease Rentals Receivables expressed as a percentage of the total of average loans and receivables and average Lease Rentals Receivables portfolio.

Gross Portfolio
The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities

H

Hire Purchase
A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

Glossary of Financial Terms

HTM (Held to Maturity)
Investments Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Impairment Charge/Reversal
An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Intangible Asset
An identifiable non-monetary asset without physical substance.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Interest Spread
This difference between the average interest rate earned on the interest earning assets and the average interest rate paid on the interest-bearing liabilities.

K

Key Management Personnel
People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

L

Lending Portfolio
Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Lifetime Expected Credit Losses (LTECL)
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills & bonds.

Liquidity Assets Ratio
Liquid assets expressed as a percentage of deposits liabilities and eligible borrowings.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and Receivable
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available-for- sale on initial recognition.

Loss Given Default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obliger default.

M

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements

N

Net Assets Per Share
Shareholders fund divided by total number of ordinary shares in issue.

Net Interest Income (NII)
The difference between incomes earned from interest earning assets and cost incurred on financial instrument/ facilities used for funding the interest earning assets.

Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

NPL Ratio
Total non-performing loans as a percentage of the total lending portfolio.

Net Portfolio
The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities net of impairment charge for loans and other losses.

Non-performing Advances
Rentals receivables in arrears equals to six rentals or more than six rentals have been categorised as non-performing.

O

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Parent
A parent is an entity which has one or more subsidiaries.

Provision
Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

Probability of Default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover
Impairment charge for loans and other losses expressed as a percentage of the total of non-performing loans and lease receivables before discounting for allowance for impairment charge on non-performing loans and lease receivables.

R

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return On Average Assets (ROA)
Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)
Attributable profits divided by average shareholders' funds.

Right of Use of Assets (ROU)
An asset that represents a lessee's right to use an underlying asset for the lease term.

Risk Weighted Assets
The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighted factors.

S

Shareholders' Funds
This consists of issued and fully paid up ordinary shares and other reserves.

Significant Increase in Credit Risk (SICR)
According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due.

Stated Capital
All amounts received by the Company or due and payable to the Company- (a) in respect of the issue of shares, (b) in respect of calls on shares.

Statutory Reserve Fund
A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

T

Tier I Capital
Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term-debts.

U

Useful Life
The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value Addition
Value of wealth created by providing leasing and other related services considering the cost of providing such services..

W

Working Capital
Capital required to finance the day to day operations computed as the excess of current assets over current liabilities.

Y

Yield To Maturity
Discount rate at which the present value of future cash flows would equals the security's current price.

Fintrex Branch Network

Branch	Contact No.	Address	Email
City Branch	0117977737	101,Dharmapala Mawatha,Colombo 07	headofficebranch@ fintrexfinance.com
Kurunegala	0377977901	1st floor, No 252, Negombo Road, Kurunegala	kurunegala@fintrexfinance.com
Matara	0417977979	No 469A, Anagarika Dharmapala Mawatha, Pamburana, Matara	matara@fintrexfinance.com
Kandy	0817977979	No 206,Katugastota Road,Kandy	kandy@fintrexfinance.com
Negombo	0317977977	No 79,Colombo Road, Negombo	negombo@fintrexfinance.com
Kiribathgoda	0117977415	No 67/3/B, Kandy Road, Kiribathgoda	kiribathgoda@fintrexfinance.com
Kalutara	0347 973477	398/A, Galle road,Kalutara North,Kalutara	kalutara@fintrexfinance.com
Kegalle	0357977980	No 440 B,Kandy road, Meepitiya, Kegalle	kegalle@fintrexfinance.com
Kuliyapitiya	0377977979	1st Floor, No 47, Kurunegala road, Kuliyapitiya	kuliyapitiya@fintrexfinance.com
Gampaha	0337977977	1st Floor, No 396/1/1,Colombo road,Gampaha	gampaha@fintrexfinance.com
Dambulla	0667977979	318, Sangeetha Building,Kandy road, Dambulla	dambulla@fintrexfinance.com
Galle	0917977988	No 93,Old Matra road,Pettigalawatta, Galle	galle@fintrexfinance.com
Nugegoda	0117460977	87 Dutugemunu St, Nugegoda	nugegoda@fintrexfinance.com
Malabe	0117977450	No 867(Wedroma Building), Kaduwela road, Malabe	malabe@fintrexfinance.com
Maharagama	0117977440	249,Wattegedara Junction,High level road, Maharagama	maharagama@fintrexfinance.com
Pettah	0117977465	345 Main Street, Gaspaha Junction, Pettah	pettah@fintrexfinance.com

Fintrex Anthem

මේ මුතු ඇටයේ අගය තවත් වැඩි කරනා,
රටට හෙටක් සැමට සෙතක් ගැන හිතනා,
ගතේ හයිය ඇති....සිතේ දිරිය ඇති,
ෆින්ට්‍රෙක්ස් දරු කැල ඉදිරියටම පියනගනා,

ෆින්ට්‍රෙක්ස් පිල්ලයිගල්
නාම් මුන්නෝක්කියේ සෙල්වෝම්

නව මාවත් හෙලි කරලා මහා පවුරු බැඳ ජයෙන් ජයම ලැබ
ජයටැඹ මුදුනේ ලෙලදෙන ධජයේ අභිමානය මතු රකිනා
ෆින්ට්‍රෙක්ස් දරු කැල ඉදිරියටම පියනගනා

ෆින්ට්‍රෙක්ස් පිල්ලයිගල්
නාම් මුන්නෝක්කියේ සෙල්වෝම්
එකා ලෙසින් එක්වී සිතින් සිතට යාවී
සදමු සදමු අපි සදමු සදමු අපි අපේම අපේම අනාගතේ

Together let's keep on moving...
Lifting each other ... reaching higher higher higher ...
Building the greatest place for all

නාම් එල්ලෝරුම් ඔන්රායි සේර්න්දූ
ඔරු මනදෙඩු ඉනෛන්දූ
නාම් සෙයිවෝම් නාම් සෙයිවෝම්
නාම් අනෛවරිනදූම් එදිරිකාලම්

යමු යමු ඉදිරියටම යමු යමු යමු නොසැලී අපි යමු
යමු යමු ඉදිරියටම යමු යමු යමු නොසැලී අපි යමු
මේ මුතු ඇටයේ අගය තවත් වැඩි කරනා
රටට හෙටක් සැමට සෙතක් ගැන හිතනා
ෆින්ට්‍රෙක්ස් පරපුර අපිවෙමු රටේ අනාගතේ... අපේ අනාගතේ ගොඩනගනා

ෆින්ටෙක්ස් තලයි මුරයි නාමාවෝම්
ෆින්ටෙක්ස් තලයි මුරයි වෙල්වෝම්
ෆින්ට්‍රෙක්ස් පරපුර අපිවෙමු ෆින්ට්‍රෙක්ස් පරපුර ජයගමු

පදපෙළ - නන්දන වික්‍රමගේ
තනුව/සංගීතය - ප්‍රනීත් පෙරේරා
ගායනය - ප්‍රනීත් පෙරේරා/අරුන් ජෙරමි/රෝයි ජැක්සන්/ඩිලාන් ඉරුගල්බණ්ඩාර/ඉමේෂා පෙරේරා

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Fintrex Finance Limited will be held by electronic means on June 30, 2023 at 2.30 p.m. centered at No.851, Dr Dannister De Silva Mawatha, Colombo 14 for the following purposes:

Agenda

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2023 together with the Report of the Auditors thereon.
2. To re-elect Mr. A D Gunewardene as a Director in terms of Article 103 of the Articles of Association of the Company.
3. To re-elect Mr. S Nagpal as a Director in terms of Article 103 of the Articles of Association of the Company.
4. To pass the ordinary resolution setout below to re-appoint Mr. J R F Peiris who is 72 years of age, as a Director of the Company:-

"IT IS HEREBY RESOLVED THAT Mr. J R F Peiris who is 72 years of age be and is hereby appointed as a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act No.7 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. J R F Peiris".

5. To appoint Auditors in place of those retiring:

To pass the Ordinary Resolution set out below for the appointment of Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company in place of the retiring Auditors Messrs KPMG, Chartered Accountants from the conclusion of this Annual General Meeting and authorizing the Board of Directors to determine their remuneration.

"IT IS HEREBY RESOLVED THAT Messrs Ernst & Young, Chartered Accountants be appointed the Auditors of the Company, in place of the retiring auditors, to hold office from the conclusion of this Annual General Meeting and that their remuneration be fixed by the Directors."

6. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board
FINTREX FINANCE LIMITED
P W CORPORATE SECRETARIAL (PVT) LTD

Director/Secretaries
22nd June 2023

Notes:
1. A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 08, 48 hours before the date of the Annual General Meeting.

Form of Proxy

I/We* ....

of ....

being a shareholder / shareholders* of FINTREX FINANCE LIMITED hereby appoint

.... of

....or failing him/her*

Mr. Ajit Damon Gunewardene	or failing him*
Mr. James Ronnie Felitus Peiris	or failing him*
Mr. Shantanu Nagpal	or failing him*
Mr. A S Ibrahim	or failing him*
Mr. Shrihan Perera	or failing him*
Mr. S N Jayasinghe	or failing him*
Mr. K Sivaskantharajah	

as my/our* Proxy to represent me/us* to speak and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on the 30th day of June 2023 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	FOR	AGAINST
1) To re-elect Mr. A D Gunewardene as a Director in terms of Article 103 of the Articles of Association of the Company	☐	☐
2) To re-elect Mr. S Nagpal as a Director in terms of Article 103 of the Articles of Association of the Company	☐	☐
3) To pass the ordinary resolution set out under item 4 of the Notice of Meeting to re-appoint Mr. J R F Peiris who is 72 years of age, as a Director of the Company.	☐	☐
4) To pass the Ordinary Resolution set out under item 5 of the Notice of Meeting for the appointment of Messrs Ernst & Young, Chartered Accountants as Auditors of the Company in place of the retiring auditors Messrs KPMG, Chartered Accountants and to authorize the Board of Directors to determine their remuneration.	☐	☐
5) To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.	☐	☐

In witness my/our hands this .... day of .... Two Thousand and Twenty Three.

....

Signature

Notes: 1. A Proxy need not be a shareholder of the Company

2. Instructions as to completion appear on the reverse hereto.

* Please delete what is inapplicable.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 08, 48 hours before the date of Annual General Meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. In the case of a Company/ Corporation, the Proxy must be executed in accordance with the Articles of Association/Statute.

Corporate Information

NAME OF THE COMPANY
Fintrex Finance Ltd. Formerly Known as
Melsta Regal Finance Ltd.

LEGAL FORM OF THE COMPANY
Incorporated as a Public Limited Liability Company under the Companies Act No. 07 of 2007. Registered under the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000.

BUSINESS REGISTRATION NO.
PB878

DATE OF INCORPORATION
29th March 2007

DATE OF NAME CHANGE
3rd September 2018

REGISTERED OFFICE
No. 851, Dr. Danister De Silva Mawatha (Baseline Road),
Colombo 14.
Telephone :+ 94-11-7977 977
Hotline - +94-11-7200 100
E Mail – info@fintrexfinance.com

DIRECTORATE
Mr. Ajit Damon Gunewardene - Chairman
(Non-Executive Non-Independent)
Mr. James Ronnie Felitus Peiris
(Non-Executive Non-Independent)
Mr. Shantanu Nagpal
(Non-Executive Non-Independent)
Mr. Ahamed Sabry Ibrahim – Senior Director
(Non-Executive Independent)
Mr. Shrihan Blaise Perera
(Non-Executive Independent)
Mr. Kathirgamar Sivaskantharajah
(Non-Executive Independent)
Mr. Seminda Nilam Jayasinghe
(Non-Executive Independent)

FINANCIAL YEAR
31st March

AUDITORS
KPMG
Chartered Accountants
No.32A,
Sir Mahamed Macan Markar Mawatha, P.O.Box 186,
Colombo 03.

SECRETARIES
P. W. Corporate Secretarial (Pvt) Ltd
No 3/17, Kynsey Road,
Colombo 08.

LAWYERS
Nithya Partners
97A, Galle Road,
Colombo 03

Shiranthi Gunawardena Associates
No.22/1, Elliot Place,
Colombo 08.

Paul Rathnayake Associates
No 59, Gregory's Road,
Colombo 07.

TAX IDENTIFICATION NUMBER
114014125

BANKERS
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
Nations Trust Bank PLC
Sampath Bank PLC
National Development Bank PLC
Seylan Bank PLC
Sanasa Development Bank
Muslim Commercial Bank
Cargills Bank

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